

# State of Oklahoma 2006 Single Audit Report

Fiscal Year Ended June 30, 2006



Office of the Oklahoma State Auditor and Inspector  
Jeff A. McMahan, CFE



# OKLAHOMA 2006

## Single Audit Report For The Fiscal Year Ended June 30, 2006

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 29, 2007

**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, 2006. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

Sincerely,

A handwritten signature in blue ink that reads "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, 2006, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 28, 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 ten percent and three percent, respectively, of the assets and revenues of the governmental activities, and one percent of both the assets and revenues of the general fund.
- the financial statements of the Water Resources Board or the Lottery Commission which in the aggregate represent sixty percent of the assets and forty-four percent of the 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

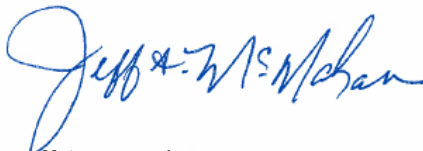
In planning and performing our audit, we considered the State of Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial 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 initiate, record, process, 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 06-345-001, 06-345-003, 06-340-006IT, 06-340-007IT, 06-090-001, 06-090-002, 06-090-003, and 06-090-004.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 28, 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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Expenditures of Federal Awards**



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, 2006. 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 1.99% 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, 2006. 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, 2006. 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 questioned costs as items:

06-265-001	06-265-002	06-265-003	06-265-004	06-265-005
06-309-001	06-309-009	06-340-003	06-340-005	06-340-006
06-340-008	06-345-004	06-345-005	06-452-001	06-585H-002
06-585H-003	06-800-001	06-805-001	06-805-002	06-807-001
06-807-004	06-807-005	06-807-006	06-807-007	06-807-009
06-807-010	06-807-011	06-807-012	06-807-013	06-807-014
06-807-015	06-830-001	06-830-004	06-830-007	06-830-008
06-830-010	06-830-011	06-830-012	06-830-013	06-830-016

#### 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 questioned costs as items:

06-265-001	06-265-002	06-265-004	06-265-005	06-309-001
06-309-002	06-309-003	06-309-006	06-309-007	06-309-008
06-309-009	06-340-003	06-340-005	06-340-006	06-340-008
06-345-001IT	06-345-002IT	06-345-003IT	06-345-004	06-345-005
06-452-001	05-452-002IT	05-452-003IT	05-452-005IT(a)	05-452-005IT(b)
05-452-005IT(c)	05-452-005IT(d)	05-452-006IT	06-585H-001	06-585H-002
06-585H-003	06-585H-005	06-805-001	06-805-002	06-807-001
06-807-004	06-807-005	06-807-006	06-807-007	06-807-009
06-807-010	06-807-011	06-807-012	06-807-013	06-807-014
06-807-015	06-830-001	06-830-004	06-830-008	06-830-010
06-830-011	06-830-012	06-830-013		

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 items 06-340-003 and 06-340-008 to be a material weakness.

#### Other Findings

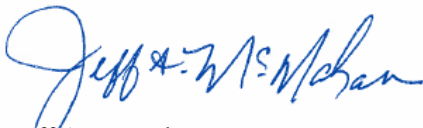


In addition to the items stated above, we also noted matters involving requirements of laws, regulations, contracts, and grants applicable to federal programs that are not considered to be reportable in accordance with *Government Auditing Standards* or OMB Circular A-133; however, we believe they are 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, 2006, and have issued our report thereon dated December 28, 2006, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and identification of financial statements audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Selected Activities for Internal Service Type Funds section listed in the table of contents has not been audited by us, and accordingly, we express no opinion on it.

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



Jeff A. McMahan  
State Auditor and Inspector

March 22, 2007 except as to the Schedule of Expenditures  
Of Federal Awards, for which the date is December 28, 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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency	Expenditures/Expenses	
	Number		Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture		1,441,415
Market Protection and Promotion	10.163	Department of Agriculture		55,565
Outreach and Assist. for Soc. Dis. Farmers and Ranchers	10.443	Department of Agriculture		11,383
Crop Insurance	10.450	Department of Agriculture		1,487
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,722,875
Food Donation	10.550	Department of Human Services		9,849,023
Food Stamps	10.551	Department of Human Services		462,721,146
School Breakfast Program	10.553	Department of Education		35,864,332
National School Lunch Program	10.555	Department of Education	104,440,712	
		Department of Human Services	1,399,186	105,839,898
Special Milk Program for Children	10.556	Department of Education		35,456
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		73,708,790
Child and Adult Care Food Program	10.558	Department of Education		51,185,623
Summer Food Service Program for Children	10.559	Department of Education		3,005,992
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,184,485	
		Department of Human Services	363,079	2,547,564
State Administrative Matching Grants for Food Stamp Program	10.561	Department of Human Services		36,238,329
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services		530,218
Cooperative Forestry Assistance	10.664	Department of Agriculture		3,256,108
Rural Development, Forestry and Communities	10.672	Department of Agriculture		67,038
Forest Land Enhancement Program	10.677	Department of Agriculture		58,164
Soil and Water Conservation	10.902	Conservation Commission	2,699,513	
		Department of Environmental Quality	16,937	2,716,450
Cost Reimbursement Contract - Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Wildlife Conservation	30,000	
		Boll Weevil Eradication	320,000	350,000
Subtotal				791,206,856
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		456,922
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		61,164
Basic and Applied Scientific Research	12.300	Water Resources Board		15,705
Cost Reimbursement Contract - National Guard Military Construction	12.400	Oklahoma Military Department		177,628
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		14,261,722
Cost Reimbursements Contract - National Guard Civilian Youth Opportunities	12.404	Oklahoma Military Department		3,138,156
Other Federal Assistance - Troops to Teachers	-	Department of Education		137,020
Subtotal				18,248,317
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		341,755
Subtotal				341,755

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	Department of Environmental Quality		3,608,224
Community Development Block Grants - State's Program	14.228	Department of Commerce		17,981,223 ♦
Emergency Shelter Grants Program	14.231	Department of Commerce		1,867,708 ♦
Supportive Housing Program	14.235	Mental Health and Substance Abuse Services		(9,950)
Shelter Plus Care	14.238	Department of Commerce	137,604	
		Mental Health and Substance Abuse Services	147,548	285,152
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		229,767
Subtotal				23,962,124
U.S. Department of the Interior				
Direct Programs:				
Indian Education - Assistance to Schools	15.130	Department of Education		55,781
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	Department of Mines		880,152
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		1,787,943
Water Reclamation and Reuse Programs	15.504	Department of Wildlife Conservation	95,446	
		Department of Tourism and Recreation	166,674	
		Water Resources Board	414,375	676,495
Sport Fish Restoration	15.605	Department of Wildlife Conservation		5,312,475 ♦
Wildlife Restoration	15.611	Department of Wildlife Conservation		4,409,902 ♦
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		500,191 ♦
Clean Vessel Act	15.616	Department of Environmental Quality		49,331
Wildlife Conservation and Restoration	15.625	Department of Wildlife Conservation		8,087
Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		140,090
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		79,117
State Wildlife Grants	15.634	Department of Wildlife Conservation		796,453 ♦
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		302,805
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		1,038,894
Cost Reimbursement Contract - Cooperative Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		344,183
Subtotal				16,381,899
U.S. Department of Justice				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	16.007	Department of Public Safety		10,788,669 ♦
Prisoner Reentry Initiate Demostration (Offender Reentry)	16.202	Department of Corrections	294,701	
		Office of Juvenile Affairs	375,093	669,794
Comprehensive Approaches to Sex Offender Management Direct	16.203	Department of Corrections		103,594
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		1,270,451
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		1,064,222
Part D-Research, Evaluation, Technical Assistance and Training	16.542	State Bureau of Investigation		203,574
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		76,355
Part E - State Challenge Activities	16.549	Office of Juvenile Affairs		51,267
State Justice Statistics Program for Statistical Analysis Centers	16.550	Legislative Service Bureau		98,560
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		305,899
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	District Attorneys Council		74,497
Crime Victim Assistance	16.575	District Attorneys Council		4,522,667
Crime Victim Compensation	16.576	District Attorneys Council		781,139
Edward Byrne Memorial Formula Grant Program	16.579	District Attorneys Council		1,171,509
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Mental Health and Substance Abuse Services	190,085	
		Bureau of Narcotics & Dangerous Drugs Control	316,695	506,780
Drug Court Discretionary Grant Program	16.585	Mental Health and Substance Abuse Services		14,975

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	Department of Corrections		4,297,754
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,541,627
Local Law Enforcement Block Grants Program	16.592	District Attorneys Council		17,613
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		693,470
State Criminal Alien Assistance Program	16.606	Department of Corrections		622,173
Community Prosecution and Project Safe Neighborhoods	16.609	Legislative Service Bureau	94,440	
		District Attorneys Council	302,738	397,178
Public Safety Partnership and Community Policing Grants	16.710	Department of Public Safety	466,771	
		Bureau of Narcotics & Dangerous Drugs Control	204,599	671,370
Enforcing Underage Drinking Laws Program	16.727	Department of Public Safety		562,353
Edward Byrne Memorial Justice Assistance Grant Program	16.738	District Attorneys Council		4,120,411
Statewide Automated Victim Information Notification (Savin) Prog	16.740	Attorney General		480,150
Subtotal				35,108,051
<b>U.S. Department of Labor</b>				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,271,700
Compensation and Working Conditions	17.005	Department of Labor		83,835
Labor Certification for Alien Workers	17.203	Employment Security Commission		4,468
Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Security Commission		14,015,798
Unemployment Insurance	17.225	Employment Security Commission		174,759,915
Senior Community Service Employment Program	17.235	Employment Security Commission		1,328,105
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		5,496,265
Workforce Investment Act - Adults	17.258	Employment Security Commission	2,697,892	
		Department of Commerce	5,846,317	8,544,209
Workforce Investment Act - Youth	17.259	Employment Security Commission	3,476,623	
		Department of Commerce	5,424,788	8,901,411
Workforce Investment Act - Dislocated Workers	17.260	Employment Security Commission	4,914,522	
		Department of Commerce	3,651,901	8,566,423
WIA Pilots Demonstrations and Research Projects	17.261	Employment Security Commission	198,570	
		Department of Career & Technology Education	869,030	1,067,600
Work Incentive Grant	17.266	Employment Security Commission		1,184,968
State Utilization of WIA Section 503 Incentive Grants to States	17.267	Employment Security Commission	512,911	
		Department of Commerce	749,464	1,262,375
Consultation Agreements	17.504	Department of Labor		1,276,520
Mine Health and Safety Grants	17.600	Department of Mines		102,466
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission		747,832
Local Veterans' Employment Representative Program	17.804	Employment Security Commission		1,578,419
Subtotal				230,192,309
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission		146,974
Highway Planning and Construction	20.205	Department of Transportation		530,792,480
National Motor Carrier Safety	20.218	Department of Public Safety		5,327,296
Recreational Trails Program	20.219	Department of Tourism and Recreation		1,070,220
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		10,288,549
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		1,007,824
Public Transportation Research	20.514	Department of Rehabilitation Services		38,991
State and Community Highway Safety	20.600	Department of Public Safety		5,666,014
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		222,360
Cost Reimbursement Contract - Pipeline Safety	20.700	Corporation Commission		414,953
Subtotal				554,975,661

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
<b>Equal Employment Opportunity Commission</b>				
Direct Programs:				
Employment Discrimination - State and Local Fair				
Employment Practices Agency Contracts	30.002	Human Rights Commission		102,820
Subtotal				102,820
<b>General Services Administration</b>				
Direct Programs:				
Donation of Federal Surplus Personal Property	39.003	Department of Central Services		2,284,044
Election Reform Payments	39.011	State Election Board		412,937
Subtotal				2,696,981
<b>National Foundation on the Arts and the Humanities</b>				
Direct Programs:				
Promotion of the Arts - Grants to Organizations	45.024	State Arts Council	8,000	
		Historical Society	30,000	38,000
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		589,200
Promotion of the Humanities-Public Programs	45.164	Historical Society		436
Grants to the States	45.310	Department of Libraries		1,876,019
National Leadership Grants	45.312	Department of Libraries		14,940
Subtotal				2,518,595
<b>Small Business Administration</b>				
Direct Programs:				
Cost Reimbursement Contract - Internet Based				
Technical Assistance	59.005	Center for Advancement of Science and Technology		48,910
Subtotal				48,910
<b>U.S. Department of Veterans Affairs</b>				
Direct Programs:				
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		26,547,143
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		326,353
Cost Reimbursement Contract - Grants to States for				
Construction of State Home Facilities	64.005	Department of Veterans Affairs		215,452
Subtotal				27,088,948
<b>U.S. Environmental Protection Agency</b>				
Direct Programs:				
Surveys Studies, Investigations, Demonstrations and				
Special Purpose Activities Relating to the Clean Air Act	66.034	Department of Environmental Quality		421,583
Water Pollution Control - State, and Interstate				
Tribal Program Support	66.419	Water Resources Board		2,949,131
State Underground Water Source Protection	66.433	Corporation Commission		378,517
Surveys Studies, Investigations, Demonstrations and				
Training Grants and Cooperative Agreements of the				
Section (104) (B) Clean Water Act	66.436	Water Resources Board		92,856
Water Quality Management Planning	66.454	Water Resources Board		232,214
Capitalization Grants for Clean Water				
State Revolving Fund	66.458	Water Resources Board		12,988,173
Nonpoint Source Implementation Grants	66.460	Water Resources Board		4,193,917
Regional Wetland Program - Development Grants	66.461	Water Resources Board		225,247
National Pollutant Discharge Elimination System				
Water Quality Cooperative Agreements	66.463	Water Resources Board		278,955
Capitalization Grants for Drinking Water				
State Revolving Fund	66.468	Department of Environmental Quality		2,470,074
State Grants to Reimburse Operators of Small Water				
Systems for Training and Certification Costs	66.471	Department of Environmental Quality		468,886
Water Protection Grants to the States	66.474	Department of Environmental Quality		56,891
REMAP Research Projects	66.512	Water Resources Board		87,773
Performance Partnership Grants	66.605	Department of Environmental Quality		4,048,341

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Surveys, Studies, Investigations and Special Purpose Grants	66.606	Department of Environmental Quality Water Resources Board	13,166 <u>367,860</u>	381,026
Environmental Info. Exch. Network Program and Related Assistance	66.608	Department of Environmental Quality	318,185	
		Department of Agriculture	<u>157,682</u>	475,867
Protection of Children and older Adults (Elderly) from Environment	66.609	State Department of Health		54,045
Consolidated Pesticide Enforcement				
Cooperative Agreements	66.700	Department of Agriculture		590,731
Toxic Substances Compliance Monitoring	66.701	Department of Labor		238,467
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		39,752
Multi-Media Capacity Building Grants for States and Tribes	66.709	Department of Environmental Quality		23,256
Superfund State Site - Specific Cooperative Agreements	66.802	Department of Environmental Quality		2,557,901
State and Tribal Underground Storage Tanks Program	66.804	Corporation Commission		195,946
Leaking Underground Storage Tank Trust Fund Program	66.805	Corporation Commission		890,111
Brownsfields Revolving Loan fund	66.811	Department of Environmental Quality		731,395
Brownsfields-State and Tribal Response Program	66.817	Department of Environmental Quality		432,349
Subtotal				<u>37,918,491</u>
<b>U.S. Department of Energy</b>				
Direct Programs:				
State Energy Program	81.041	Department of Commerce		1,685,290
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce		2,335,706 ♦
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis	81.117	Department of Commerce		30,193
State Energy Program/Special Projects	81.119	Department of Commerce		343,786
Subtotal				<u>4,394,975</u>
<b>U.S. Department of Education</b>				
Direct Programs:				
Adult Education - State Grant Program	84.002	Department of Education		6,535,457
Title I Grants to Local Educational Agencies	84.010	Department of Education		146,405,667 ☼
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,130,047
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		502,339
Special Education - Grants to States	84.027	Department of Education		141,343,215 ☼
Vocational Education - Basic Grants to States	84.048	Department of Career & Technology Education		16,432,516 ☼
Rehabilitation Services - Vocational				
Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		43,543,348 ☼
Rehabilitation Services - Client Assistance Program	84.161	Office of Handicapped Concerns		134,558
Independent Living - State Grants	84.169	Department of Rehabilitation Services		448,705
Special Education - Preschool Grants	84.173	Department of Education		3,391,873 ☼
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		404,787
Special Education - Grants for Infants and Families with Disabilities	84.181	Department of Education		7,251,135
Safe and Drug-Free Schools and Communities - National Programs	84.184	Department of Education		34,936
Byrd Honors Scholarships	84.185	Department of Education		435,500
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	4,484,544	
		Mental Health and Substance Abuse Services	<u>713,402</u>	5,197,946
Supported Employment Services for Individuals with Severe Disabilities	84.187	Department of Rehabilitation Services		404,251
Education for Homeless Children and Youth	84.196	Department of Education		477,640
Even Start - State Educational Agencies	84.213	Department of Education		2,149,362
Fund for the Improvement of Education	84.215	Department of Education		268,384
Rehabilitation Services Demonstration and Training Programs	84.235	Department of Rehabilitation Services		6,472
Tech-Prep Education	84.243	Department of Career & Technology Education		1,557,396
Literacy Programs for Prisoners	84.255	Department of Corrections		299,976
Rehabilitation Training - State Vocational				
Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		87,165
Eisenhower Professional Development State Grants	84.281	Department of Education		3571

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Charter Schools	84.282	Department of Education		445,487
Twenty-First Century Community Learning Centers	84.287	Department of Education		12,051,309
State Grants Innovative Programs	84.298	Department of Education		3,297,740
Education Technology State Grants	84.318	Department of Education		5,969,009
Special Education - State Personnel Development	84.323	Department of Education		702,693
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Department of Education		89,768
Advanced Placement Program	84.330	Department of Education		286,946
Grants to States for Incarcerated Youth Offenders	84.331	Department of Corrections		345,459
Comprehensive School Reform Demonstration	84.332	Department of Education		3,716,002
Vocational Educ.- Occupational and Employment Infor. State Gran	84.346	Department of Career & Technology Education		166,725
Reading First State Grants	84.357	Department of Education		13,548,160
Rural Education	84.358	Department of Education		4,732,709
English Language Acquisition Grants	84.365	Department of Education		3,911,184
Math and Science Partnerships	84.366	Department of Education		1,520,362
Improving Teacher Quality Grants	84.367	Department of Education		32,588,909
Grants for Enhanced Assessment Instruments	84.368	Department of Education		234,967
Grants for the State Assessments and Related Activities	84.369	Department of Education		4,424,538
Hurricane Education Recovery	84.938	Department of Education		4,903,500
Subtotal				472,381,713
<b>National Archives and Records Administration</b>				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		33,654
Subtotal				33,654
<b>Election Assistance Commission</b>				
Direct Programs:				
Help America Vote Act Requirements Payments	90.401	State Election Board		878,939
Subtotal				878,939
<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		2,341,013
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		52,553
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		235,021
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		218,565
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services		3,785,028
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services		7,225,989
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Insurance Department		134,704
Alzheimer's Disease Demonstration Grants to States	93.051	Department of Human Services		79,497
National Family Caregiver Support Program	93.052	Department of Human Services		1,548,853
Nutrition Services Incentive Program	93.053	Department of Human Services		2,312,393
Food and Drug Administration Research	93.103	Department of Agriculture		9,473
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	Mental Health and Substance Abuse Services		2,307,403
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		568,136
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		774,516
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	State Department of Health		101,847
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,310,010
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		391,053

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Heath Programs for Toxic Substances and Disease Registry	93.161	State Department of Health		133,213
Grants to States for Loan Repayment Program	93.165	Physician Manpower Training Commission		68,750
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		229,135
Family Planning Services	93.217	State Department of Health		4,034,088
Consolidated Knowledge Development and Application Program	93.230	Mental Health and Substance Abuse Services		105,179
Traumatic Brain Injury State Demonstration Grant Prog.	93.234	State Department of Health		36,836
Abstinence Education Program	93.235	State Department of Health		430,407
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health	274,247	
		Mental Health and Substance Abuse Services	44,530	318,777
Mental Health Research Grants	93.242	Department of Human Services		24,146
Substance Abuse and Mental Health Services Projects	93.243	Mental Health and Substance Abuse Services		1,223,494
Universal Newborn Hearing Screening	93.251	State Department of Health		175,399
State Planning Grant-Health Care Access for Uninsured	93.256	Health Care Authority		345,053
Rural Access to Emergency Devices Grant	93.259	State Department of Health		120,291
Occupational Safety & Health	93.262	State Department of Health		83,182
Immunization Grants	❖ 93.268	State Department of Health		34,398,446 ☼
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	State Department of Health		18,679,398 ☼
Promoting Safe and Stable Families	93.556	Department of Human Services		5,466,166
Temporary Assistance for Needy Families	93.558	Department of Human Services		87,435,391 ☼
Child Support Enforcement	93.563	Department of Human Services		33,761,328
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		543,136
Low-Income Home Energy Assistance	93.568	Department of Human Services		18,070,028 ☼
Community Services Block Grant	93.569	Department of Commerce		7,309,506 ♦
Discretionary Grants	93.570	Department of Commerce		15,000
Community Services Block Grant Discretionary Awards - Community Food and Nutrition	93.571	Department of Commerce		51,164
Child Care and Development Block Grant	93.575	Department of Human Services		62,573,031
Refugee and Entrant Assistance - Discretionary Grants	93.576	Department of Education	32,439	
		Department of Human Services	71,132	103,571
State Court Improvement Program	93.586	Supreme Court		216,982
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		975,279
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services		45,513,484
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		107,969
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		919,733
Head Start	93.600	Department of Commerce		335,537
Adoption Incentive Payments	93.603	Department of Human Services		130,000
Voter Access for Individuals with Disabilities	93.617	State Election board		3,630
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		928,555
Children's Justice Grants to States	93.643	Department of Human Services		209,810
Child Welfare Services - State Grants	93.645	Department of Human Services		1,990,449
Social Services Research and Demonstration	93.647	Department of Human Services		100,013
Foster Care - Title IV-E	93.658	Department of Human Services		35,494,562
Adoption Assistance	93.659	Department of Human Services		26,478,740 ☼
Social Services Block Grant	93.667	Department of Human Services		35,658,889 ☼
Child Abuse and Neglect State Grants	93.669	Department of Human Services		386,023
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		45,532
Chafee Foster Care Independence Program	93.674	Department of Human Services		2,282,763
State Children's Insurance Program	93.767	Health Care Authority		84,991,746 ☼
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	Health Care Authority		49,835
Medicare - Hospital Insurance	93.773	State Department of Health		3,116,425
State Medicaid Fraud Control Units	93.775	Attorney General		1,580,914 ☼

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
State Survey and Certification of Health Care Providers and Suppliers	93.777	Health Care Authority		3,868,045
Medical Assistance Program	93.778	Health Care Authority		1,987,617,513
CMS Research, Demonstrations and Evaluations	93.779	Insurance Department	308,242	
		Mental Health and Substance Abuse Services	117,009	
		Health Care Authority	(18,969)	
		Department of Human Services	1,030,338	1,436,620
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		2,952,007
HIV Care Formula Grants	93.917	State Department of Health		6,251,828
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		236,267
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,608,303
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		256,665
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		1,257,743
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,818,768
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		17,513,860
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,480,857
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		256,968
Preventive Health and Health Services Block Grant	93.991	State Department of Health		814,054
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health		5,229,371
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		55,741
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		217,932
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		42,636
Subtotal				2,577,562,217
<b>Corporation for National and Community Service</b>				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		247,150
Foster Grandparent Program	94.011	Department of Human Services		415,589
Subtotal				662,739
<b>Social Security Administration</b>				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		22,561,696
Subtotal				22,561,696
<b>U.S. Department of Homeland Security</b>				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	97.004	Department of Public Safety		11,432,143
Boating Safety Financial Assistance	97.012	Department of Public Safety		885,859
Community Assistance Program State Support Services Element	97.023	Water Resources Board		162,024
Flood Mitigation Assistance	97.029	Department of Emergency Management		18,675
Crisis Counseling	97.032	Department of Emergency Management		356,721
Disaster Grants-Public Assistance(Presidentially De- clared Disasters)	97.036	Department of Emergency Management		17,264,134
Hazard Mitigation Grant	97.039	Department of Emergency Management		10,324,841
National Dam Safety Program	97.041	Water Resources Board		52,878

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, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Emergency Management Performance Grants	97.042	Department of Emergency Management	2,222,609	
		Department of Public Safety	<u>882,994</u>	3,105,603
Pre-Disaster Mitigation	97.047	Department of Emergency Management		116,653
Supplemental-Operations Center	97.052	Department of Emergency Management		7,904
Citizen Corps	97.053	Department of Emergency Management		-
Homeland Security Grant Program	97.067	Department of Public Safety		2,568,103
Map Modernization Met Support	97.070	Department of Emergency Management		89,724
				<u>46,385,262</u>
<b>Total Federal Assistance</b>			<b>\$</b>	<b><u>4,863,237,825</u></b>

⌘ 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, 2006

## **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, 2006. 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 2006:

<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 \$145,192,645. The federal portion of UI funds amounted to \$29,567,270.

### 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 \$192,480,039 at June 30, 2006. Federal grants from the U.S. Environmental Protection Agency under CFDA 66.458 provided approximately 83% of the program's loan funding, with State funds matching the remaining 17%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$132,405,943 at June 30, 2006. 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 2006, the ODEQ withdrew federal funds in the amount of \$4,561,438. Of these funds, no funds were used for disbursements on loans originated.

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

During fiscal year 2006, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,595,308 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 \$2,216,000 were in suspense at June 30, 2006, 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 2006:

	Transferred From:				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)	
<b>Transferred To:</b>					
Title I Grants to LEAs (CFDA #84.010)	\$1,166,835.02	\$3,303.64	\$32,623.22	\$9,225.00	\$1,211,986.88
Education Technology State Grants (CFDA #84.318)	\$169,908.73		\$3,974.50		\$173,883.23
Safe and Drug-Free Schools and Communities_State Grants (CFDA #84.186)	\$128,542.45			\$1405.38	\$129,947.83
State Grants for Innovative Programs (CFDA #84.298)	\$837,238.64		\$5,351.89		\$842,590.53
<b>Totals:</b>	<b>\$2,302,524.84</b>	<b>\$3,303.64</b>	<b>\$41,949.61</b>	<b>\$10,630.38</b>	<b>\$2,358,408.47</b>

### Note 8. Department of Transportation Federal Soft Match Provisions

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

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

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The Department utilized approximately \$74,109,147.27 of the soft match provision for projects billed during fiscal year 2006. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

## **Schedule of Findings and Questioned Costs**

## **Schedule of Findings and Questioned Costs**

## Schedule of Findings Summary of Auditor's Results

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### ***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? .....no

### ***Federal Awards***

Internal control over major programs:

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

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

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

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:.....\$14,536,093

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

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	14.228 Community Development Block Grants – State's Program	Department of Commerce
	14.231 Emergency Shelter Grants	Department of Commerce
Fish and Wildlife Cluster	15.605 Sport Fish Restoration	Wildlife Conservation Commission
	15.611 Wildlife Restoration	Wildlife Conservation Commission
	15.615 Cooperative Endangered Species Conservation Fund	Wildlife Conservation Commission
	15.634 State Wildlife Grants	Wildlife Conservation Commission
	20.205 Highway Planning and Construction	Department of Transportation
	66.468 Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	81.042 Weatherization Assistance for Low-Income Persons	Department of Commerce

## Schedule of Findings

### Summary of Auditor's Results

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	<u>Program and CFDA Number</u>	<u>State Agency</u>
	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	
	84.048 Vocational Education-Basis Grants to States	Department of Career and Technology Education
	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	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
	93.568 Low Income Home Energy Assistance	Department of Human Services
	93.569 Community Services Block Grant	Department of Commerce
	93.659 Adoption Assistance	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
	93.777 State Survey and Certification of Health Care Providers and Suppliers	Attorney General
	93.778 Medical Assistance Program	
	93.959 Block Grants for Prevention and Treatment of Substance Abuse	Department of Mental Health and Substance Abuse Services
	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Department of Emergency Management
	97.039 Hazard Mitigation Grant	Department of Emergency Management
Homeland Security Cluster	16.007 State Domestic Preparedness Equipment Support Program	Department of Homeland Security
	97.004 State Domestic Preparedness Equipment Support Program	
	97.067 Homeland Security Grant Program	



## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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### Department of Health

**REF NO:** 06-340-006IT

**STATE AGENCY:** Department of Health

**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)
- 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.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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##### *Views of responsible official(s)*

**Contact Person:** Joe Camp, MIS Director

**Anticipated Completion Date:** January 2007

**Corrective Action Planned:** Partially complete. Some additional improvements are needed.

**REF NO:** 06-340-007IT

**STATE AGENCY:** Department of Health

**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 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, MIS Director

**Anticipated Completion Date:** January 2007

**Corrective Action Planned:** Representatives from several areas are currently working to draft policies which will be presented to the Policy Committee and subsequently to the Executive Committee. These policies are being drafted so as to be in compliance with both HIPAA security requirements. The OSF security standards will be addressed later.

**Auditor Response:** OSDH has basic security policies in place. Procedures based on these policies are still being implemented.

## Office of State Finance

**REF NO:** 06-090-001

**STATE AGENCY:** Office of State Finance

During our testwork of the Agency Funds-Taxes Held for Outside Entities, we noted the cash balance had increased significantly. Upon further inquiry, we found that the Corporation Commission had a new agency special account (ASA) 8185E established for FY 2006 and the expenditures for this ASA had not been recorded in the CORE system. ASA expenditures are recorded in the general ledger from information obtained from Form 11A which is to be submitted to the Office of State Finance (OSF) by each agency. The Corporation Commission failed to submit the required Form 11A to OSF. In addition, it does not appear OSF had controls in place to ensure all ASA transactions were accounted for in the general ledger.

**Recommendation:** We recommend the Office of State Finance develop controls to ensure all ASA transactions are accounted for in the general ledger.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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##### *Views of responsible official(s)*

**Contact Person:** Jennie Pratt

**Anticipated Completion Date:** 03/31/2007

**Corrective Action Planned:** OSF has a monthly checklist of all ASA forms to log when the reconciliation is received. The 1185E account was not on that list because the Corporation Commission requested that the 1185E account be inactivated in 1998. The Treasurer's office was notified of the inactivation at that time. During FY06, the agency began using the account again, but it was not added to the ASA log since the agency did not notify OSF that the account needed to be activated. To insure that inactive accounts are not used in the future, OSF will flag all inactive ASA accounts in the CORE system. When they are flagged as inactive, agencies will not be able to deposit revenues into the account.

**REF NO:** 06-090-002

**STATE AGENCY:** Office of State Finance

During our testwork of the 340 Fund expenditures for the Department of Health (DOH), we noted a \$172,584 wire transfer payment made on 5/12/06 for WIC services that was not recorded in CORE until 8/24/06. The DOH identified the amount while performing their 340 Fund reconciliation. While the error was identified and the transaction recorded, it is not reported in the proper period for financial reporting purposes. Since 340 Fund transactions are processed outside of the CORE system, OSF does not have a method to validate the completeness of the transactions. OSF must primarily rely on each agency's reconciliation to validate completeness. However, there are no procedures for agencies to notify OSF of errors identified during their 340 Fund reconciliations so that adjustments may be made for financial reporting purposes.

**Recommendation:** We recommend OSF develop a policy requiring all 340 funds be reconciled to OSF in a timely manner after the end of the fiscal year. In addition, we recommend procedures be developed instructing agencies to report to OSF all expenditure or revenue reconciling items that are applicable to a prior year to ensure proper recognition and completeness.

##### *Views of responsible official(s)*

**Contact Person:** Jennie Pratt

**Anticipated Completion Date:** 04/30/2007

**Corrective Action Planned:** OSF is currently working with OST to develop a new 340 fund reconciliation process that the agencies will perform on a monthly basis. This new process should provide a current reconciliation between the agency and OSF. The reconciliation will be due to OSF by the 10<sup>th</sup> of the following month.

**REF NO:** 06-090-003

**STATE AGENCY:** Office of State Finance

A primary objective of a sound system of internal controls is to provide timely, accurate, and complete financial information. During our review of CORE general ledger transactions, we noted two conditions affecting the information in the general ledger and the timeliness of the preparation of the Combining Trial Balance. The Combining Trial Balance is an important element in both the preparation and audit of the State's CAFR so its timely preparation is critical.

1. *Twenty-three adjusting journal entries made to correct entries previously made to an incorrect fund type.* The net effect of these entries decreased general fund revenue by \$293,390,574.33 and decreased general fund expenditures by \$2,067,946.25. While the number of adjusting journal entries made is not particularly large, some of the entries corrected the cumulative effect of numerous incorrect entries made throughout the fiscal year.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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The cause of the incorrect entries appears to be the lack of an edit check in the CORE system to verify the correct fund type is used and agency personnel being unaware of the relationship between certain class/funding and a specific fund type. Because the default fund type when making an entry into CORE is 1000 (General Fund), many times the default is not changed to the correct fund type so transactions are erroneously recorded to the General Fund.

2. *Untimely recording of Agency Special Account expenditure transactions.* We noted 297 entries posted on September 12 and 13, 2006 affecting 55 agency special accounts (ASA) maintained by 29 agencies. These transactions recorded over \$8.1 billion in expenditures which represents all ASA expenditures for the entire fiscal year.

The large number of entries posted on these two days is because ASA expenditures were recorded to the CORE general ledger only once, at the end of the fiscal year, rather than regularly throughout the year. The entries were not made timely after the end of the fiscal year because some agencies were late in providing OSF the necessary information (OSF Form 11A) for the entries to be made.

We recommend OSF consider an edit check in the CORE system where the fund type field automatically populates to the correct entry based on the class/funding entered by the user. In addition, we recommend OSF notify the users of the CORE system of the importance of ensuring the correct fund type is entered and that each agency is aware of the correct fund type to be entered for each of the agencies class/funding.

In addition, we recommend OSF develop procedures to ensure all ASA activity is timely recorded in the CORE system.

#### *Views of responsible official(s)*

**Contact Person:** Jennie Pratt, Deric Berousek

**Anticipated Completion Date:** 05/31/2007

**Corrective Action Planned:** Preliminary testing of a new combination edit in the Core General Ledger system shows it should be possible to establish a separate combination edit that will prevent agencies with multiple fund types from posting to an inappropriate fund type from certain class/fundings. The OSF plans to set up this new combination edit for each agency that has more than one fund type in the Core system. Establishing this combination edit should prevent erroneous fund type classifications.

The ASA reconciliation forms continue to be used as in the old system. Several test agencies are being used to review electronic preparation and entry of expenditures and corrections to the Core system. Under this process, each agency with an ASA will continue to reconcile their account monthly against the balance at the State Treasurer's Office and the Core balance at the Office of State Finance. Once reconciled, agencies will forward electronic journal entries for disbursements and corrections. These entries will be reviewed by the Office of State Finance and posted for the month that was reconciled.

## Schedule of Findings and Responses

### Financial Statement Findings (Internal Control and Compliance)

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**REF NO:** 06-090-004

**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 December 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. ASA transactions represent a significant dollar amount with over \$6.9 billion in revenue and \$8.1 billion in expenditures flowing through these accounts for fiscal year 2006.

**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:** Jennie Pratt, Deric Berousek

**Anticipated Completion Date:** 08/30/2007

**Corrective Action Planned:** The reports and processes currently used are being revised to facilitate monthly reconciliations. Additional steps are also being performed to reconcile the remaining aged differences in some of the treasury funds. However, ASA accounts can not be combined with the treasury funds reconciliation since the transaction detail for ASA accounts is maintained at the agency level, and is not recorded in the Core system. To ensure the Core balances for ASA's agree with the State Treasurer and agency balances, an electronic entry process is currently in place and being tested by several agencies. This process requires the agency to reconcile the ASA account balance to the balance at the State Treasurer's Office and the Core balance at the Office of State Finance. Differences and disbursements are recorded by the agency as an electronic journal entry that is submitted to OSF for approval and entry into the Core system. This process should ensure record completeness within the Core system for ASA accounts. All agencies with ASA accounts are currently being trained on this new process, with an anticipated completion date of 06/30/2007.

### Department of Transportation

**REF NO:** 06-345-001

**STATE AGENCY:** Department of Transportation

**Criteria:** A component objective of an adequate internal control system is to ensure that proper segregation of duties are in place to mitigate the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties.

**Condition:** During our assessment of internal controls, we noted that one individual was responsible for preparing the daily deposit, reviewing/approving the deposit, and also delivering the deposit to the Treasurer. In addition, the individual responsible for reconciling the account is responsible for recording the deposits in the general ledger. We also noted that reconciliations performed in the first two quarters of FY 2006 (specifically August 2005 and December 2005) did not contain the signature of the staff member

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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who performed the reconciliations. We were therefore unable to determine from the reconciliations that authorization/review of the reconciliation was performed by a different individual than the preparer.

**Cause:** The Department does not have adequate policies and procedures in place to ensure adequate segregation of duties.

**Effect:** Employees could be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties.

**Recommendation:** We recommend that the Department develop and implement written policies and procedures to ensure adequate segregation of the duties for preparing the deposit, reviewing and approving the deposit, delivering the deposit to the Treasurer, and reconciling the account to mitigate the opportunities for perpetrating and concealing errors or irregularities in the normal course of employees' duties. These policies and procedures should also require that reconciliations be signed by both the preparer and reviewer.

#### **Views of responsible official(s)**

**Contact Person:** Chelley Hilmes, Comptroller

**Anticipated Completion Date:** February 28, 2007

**Corrective Action Planned:** Policies and procedures are being updated and implemented.

**REF NO:** 06-345-003

**STATE AGENCY:** Oklahoma 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 2006, we noted that expenditures for job piece 0859104 were included in the Project Funding System (PFS) data. The expenditures related to this project were expended in years prior to SFY 2006. These expenses appeared in the PFS data used to calculate the Capital Assets amounts because the Comptroller's office recognized that these charges were never billed for. Therefore a request to properly enter the charges was requested by the comptroller's office to TSD (Technology Services Department); however, when the entries were recorded the wrong disbursement date was entered. Therefore:

1. The amount reported on the GAAP Closing Package for Current Year Additions was overstated by \$472,628.
2. The amount reported on the GAAP Closing Package for Current Year Depreciation was overstated by \$7,877.
3. The corrected totals for June 30, 2006 should be \$11,411,915,372 for Original Cost, \$6,047,633,123 for Accumulated Depreciation, and \$5,364,282,249 for Net Book Value.

**Cause:** Incorrect data entry in the Project Funding System (PFS).

**Effect:** The amounts reported on the GAAP Closing Package Y were not accurate.

**Recommendation:** We recommend that staff preparing the GAAP Closing Package Y verify the data in the Project Funding System before preparing the package to ensure amounts reported are accurate.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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*Views of responsible official(s)*

**Contact Person:** Chelley Hilmes, Comptroller Division and Philip Wallace, Technology Services Division

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** This error was a human error in the manual entry of data into the audit dump file for historical data. We believe this to be an isolated event. However, the Comptroller Division and the Technology Services Division will be more diligent in checking the manually entered data.

# Schedule of Findings

## Federal Award Findings

### And Questioned Costs

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Note: Findings are presented alphabetically by state agency.

#### Department of Career and Technology Education

**REF NO:** 06-800-001

**STATE AGENCY:** Oklahoma Department of Career and Technology Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.048

**FEDERAL PROGRAM NAME:** Vocational Education – Basic Grants to States

**FEDERAL AWARD NUMBER:** V048A040036A and V048A050036A

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$0

**Criteria:** The A-133 Compliance Supplement states in Part E.3.a. *Secondary School Vocational Education Programs...* “a State must distribute the amount reserved for the secondary school vocational education programs as follows: (1) 30 percent to each LEA in proportion to the number of individuals aged 15 through 19, inclusive, who reside in the school district served by such LEA... (2) 70 percent to each LEA in proportion to the number of individuals aged 15 to 19, inclusive, who reside in the school district served by such LEA from families with incomes below the poverty line...”

The United States Department of Education has determined, “we will accept alternative funding distribution formulas based on the Census Bureau’s estimate of the relative number of children in poverty aged 5 through 17 who reside in each school district... Updated Census data, reflecting 2003-2004 school district boundaries, must be used in FY 2005 funding distribution formulas.”

**Condition:** The 1999 census data was used to calculate the allocation of secondary schools for the 30 percent and 70 percent of the population ages 15 through 19.

All of the 430 eligible schools had a variance over/under the amount they should have been allocated if the correct data had of been used. For 218 of the eligible schools, the variance was 5 percent or greater as to the amount they should have been allocated.

**Cause:** The data used to determine the allocation amount for each secondary school was not reviewed by someone other than the preparer to help ensure the accuracy of the data.

**Effect:** Eligible schools may not receive the correct allocation portion of the Vocational Education - Basic Grants To States according to grant requirements.

**Recommendation:** We recommend the Oklahoma Department of Career and Technology Education assign someone other than the preparer to review the census data used when determining the allocation amount to be distributed to eligible schools. This will help to ensure the correct census data is being used to allocate funds.

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

**Contact Person:** Dwight Stoddard, Internal Audit Manager

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

**Corrective Action Planned:** We concur with the finding. The internal control now in place includes forwarding all USDE documents related to Perkins legislation to the division of record to ensure their accurate and timely implementation.



# Schedule of Findings Federal Award Findings And Questioned Costs

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## Department of Education

**REF NO:** 06-265-001

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.027, 84.173

**FEDERAL PROGRAM NAME:** Special Education, Grants to States, IDEA B and Preschool

**FEDERAL AWARD NUMBER:** H027A050051, H173A050084

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Subrecipient Monitoring – Repeat Finding

**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 monitoring procedures consist of 87 desk reviews and 26 on-site reviews. The reviews do not include monitoring of subrecipient claims that are submitted for reimbursement by schools. The Division monitors the claims that are submitted for reimbursement by schools by verifying that the function and object codes on the expenditure reports match the approved codes included in the approved applications and by reviewing receipts from retail stores and credit card transactions. Supporting documentation was not obtained for a selection of expenditures claimed for reimbursement for the 113 subrecipients monitored.
- 2.) There are no monitoring procedures in place stating how subrecipient expenditures will be monitored to ensure awards are used for authorized purposes.

**Effect:** Failure to monitor supporting documentation of subrecipient expenditures claimed for reimbursement may result in the expenditure of federal funds for unallowable activities.

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

## Schedule of Findings

### Federal Award Findings

### And Question Costs

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

**Contact Person:** Misty Kimbrough

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** To remedy these findings, the Oklahoma State Department of Education (OSDE), Special Education Services (SES) has proposed the following corrective action plan:

In response to the finding of subrecipient monitoring for FY2005, it should first be noted that the OSDE-SES, in addition to the mentioned desk audit compliance reviews and on-site reviews, monitors all school districts through complaint investigations, ongoing technical assistance, and reviews of data/annual performance reports. The OSDE-SES also obtains copies of certification of teachers and related service personnel for each district that receives an on-site visit. This 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 Act (IDEA). It should also be noted that salaries for personnel comprise over 90% of all claims filed for reimbursement by school districts.

In addition, the OSDE-SES follows the guidelines required of all OSDE federal programs (through the Oklahoma Cost Accounting System and the Office of Management and Budget A-87 Circular) regarding the appropriateness of expenditures reimbursed with federal funds and the documentation required to process these payments. Although the OSDE-SES, through checking the validity of personnel claimed and through matching receipts from retail stores and credit card transactions, continues to monitor the appropriateness and compliance of expenditures consistent with IDEA, the OSDE-SES is also revising monitoring procedures such that all on-site comprehensive monitoring visits will include an on-site verification of invoices and purchase orders for all expenses that are not related to salaries or contracted services. These financial verifications will begin in FY2007.

Additional comments (Kent Tippin);

The OSDE-SES monitors subrecipient claims separately from the desk reviews and on-site reviews. The claims are reviewed and compared to the approved application and budget, and receipts from credit card transactions and retail purchases are requested to verify the validity of the claim.

**REF NO:** 06-265-002

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title IA – Grants to Local Education Agencies

**FEDERAL AWARD NUMBER:** S010A050036

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Subrecipient Monitoring and Special Tests (Comparability, Highly Qualified Teachers, and School-wide)

**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 sub recipients 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, “Program compliance 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 I funding.
- Following up on audit exceptions from the single audit.

## Schedule of Findings Federal Award Findings And Questioned Costs

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- 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.

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.
- Require the LEA to 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 121 reviews (25 on-site visits and 96 desk monitoring reviews) performed in FY 2006, we tested 45 (9 on-site visits and 36 desk monitoring reviews) and noted the following:

- a. In fourteen (14) of the files, corrective action was needed from the LEA, however no follow-up was done to determine if the LEA was in compliance with program requirements.
- b. In five (5) of the files, there was no documentation in the file to indicate a review had been completed or that OSDE followed up on corrective action plans. Therefore, no further test work could be performed to determine if the districts were in compliance with the highly qualified teachers, comparability, and school-wide requirements.
- c. In two (2) files, for Berryhill School District and Copan School District, there was no documentation to indicate if the highly qualified teacher requirements had been met.
- d. In the file for Mason School District, there was no documentation to indicate the district had responded to OSDE's request for verification of the highly qualified teacher requirement.

In addition, when we reviewed the subrecipient monitoring log during our testwork, we were unable to determine whether corrective action was timely on the part of the LEA, when applicable.

**Effect:** The Department may not be performing sufficient follow up activities to ensure that LEAs are in compliance with federal laws, regulations, provisions of contracts and grant agreements and the achievement of performance goals related to comparability, highly qualified teacher, and school-wide requirements.

**Recommendation:** We recommend the Department follow its established policies and procedures to ensure follow-up on desk reviews and to ensure LEAs are in compliance with federal regulations. This may include further development of the monitoring log. In addition to information already included in the monitoring log, the log may also indicate a specific deadline date for LEA submission of requested information.

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

**Contact Person:** Cindy Koss

**Anticipated Completion Date:** In Progress for 2006-2007 School Year

**Corrective Action Planned Amended Response:** Realignment and Implementation of an Onsite and Desk Review Monitoring Process for Title I, II, V, VI.

In June 2006, an analysis began to evaluate existing processes and procedures for monitoring. Based on this analysis all Desk and Onsite processes and procedures were streamlined and aligned with Title I, II, V, and VI to provide consistency and equity to the Local Educational Agency (LEA). For example, one letter was created to inform an LEA that they will be either Onsite or Desk Review monitored. The letter outlines

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documentation requested and the timeframe(60 days) the LEA has to respond or prepare. The entire process for both procedures is outlined in the attached flowcharts.

An On-Site and Desk Review Monitoring tool was created to guide both the SEA and LEA with gathering of evidence examples. The letters and monitoring tools were reviewed by Title I Committee of Practitioners which is a group of LEA practitioners. Recommendations were taken and the tool was modified based on their input.

The filing system of Title I documentation was aligned with Title II, V, And VI. At that time a Desk Monitoring listing of 2005-2006 non compliance existing data was compiled and given Program Specialists to review and contact districts to gather any missing information.

Based on one or more of the following risk analysis items (not necessarily in rank order) existing monitoring information was compiled to determine who would be desk or on-site monitored each year:

1. Districts for which the SDE has received a written complaint
2. Districts that are at a higher risk and have had problems during past monitoring
3. Districts receiving less than \$200,000.00
4. Districts with history of past audit findings on specific indicators
5. Districts will be monitored on a five year cycle

To ensure follow-up and validity of data an access database has been created and queries are being created. For example, a report is currently being printed at 60 days to determine who needs follow-up.

Onsite and Desk Review is an ongoing, continuous process. The reviews that took place may identify gaps and weaknesses that will be targeted for the 2007-2008 monitoring cycle. For example, Time and Effort documentation has been identified as an area we are providing technical assistance and support. Therefore, it will be an area that we monitor.

**Highly-Qualified Data controls:** For the 2006-2007 school each district was asked to submit a District/Teacher action plan. The district plan outlined efforts each district will take financially to support the effort of supporting teachers to meet highly qualified requirements. The teacher plan specifically identifies the strategies the teacher will take to meet goals. Each program specialist was assigned a set of districts and follow-up was ongoing with all plans received Nov. 30, 2006. Folders and correspondence logs have been created. A new system with interoperating capabilities is being created that pulls data from different stand-alone systems and provides data to districts to assist teachers, principals, and superintendents with entering yearly Highly Qualified reporting requirements. Reliability of data will increase because the system is mapped to correlate with courses, certifications, and highly-qualified requirements in each core academic subject. The reporting feature will allow SDE members to query and monitor districts that may need target technical assistance with meeting Highly Qualified requirements as per No Child Left Behind.

**REF NO:** 06-265-003

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title IA-Grants to Local Education Agencies

**FEDERAL AWARD NUMBER:** S010A050036

**FEDERAL AWARD YEAR:** FY 2006

**CONTROL CATEGORY:** Maintenance of Effort/Level of Effort

**QUESTIONED COSTS:** \$9,436

**Criteria:** The OMB circular A-133 Compliance Supplement for March 2006 states, "If an LEA fails to maintain fiscal effort, the SEA must reduce the amount of the allocation of funds under an applicable program in any fiscal year in the exact proportion by which the LEA fails to maintain effort by falling below 90 percent of both the

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combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the LEA) (Section 9521 of ESEA (20 USC 7901), 34 CFR section 299.5.”

**Condition:** Of the 55 maintenance of effort calculations tested, we noted one (1) allocation reduction for Sulphur School District had not been appropriately reduced. The measure most favorable to the LEA would have been aggregate expenditures at .96%, instead of combined fiscal effort per student at 4.06%

**Effect:** The LEA did not receive the appropriate allocation, based on the maintenance of effort calculations.

**Recommendation:** We recommend the Department recalculate the FY 2006 allocation for Sulphur School District based on the change in aggregate expenditures of .96%.

**Views of Responsible Official(s)**

**Contact Person:** Gayle Castle

**Anticipated Completion Date:** November 16, 2006

**Corrective Action Planned:** The Office of Grants Management is in agreement with this finding and has recalculated Sulphur School District’s Title I, Part A allocation to reflect a .96% reduction. Funds in the amount of \$9,436.61 were restored to the district on November 16, 2006 and the district was notified.

**REF NO:** 06-265-004

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title IA-Grants to Local Education Agencies

**FEDERAL AWARD NUMBER:** S010A060036

**FEDERAL AWARD YEAR:** FY 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

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

**Criteria:** The OMB Circular A-133 Compliance Supplement, Part 3 – Compliance Requirements for Subrecipient Monitoring states, “*Subrecipient Audits* - (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 ...and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings ...”

**Condition:** During our testing of 45 subrecipient audits, it was noted that the Title I, Part A, program personnel had not been notified by Financial Accounting of the Federal findings noted in the Oklahoma City School District No. I-89 FY 2005 independent audit report. The audit was received in Financial Accounting on March 24, 2006. Two material weaknesses relating to the Title I, Part A program were noted. The findings noted related to time and effort reporting and subrecipient monitoring of charter schools. Therefore, it appears a management decision on the audit findings has not been issued within the 6 months after receipt of the subrecipient’s audit report as required by the OMB Circular A-133 Compliance Supplement.

**Cause:** Based on a due date for completion of the type A (A-133) audits of March 31, 2006, it appears there is not sufficient staff assigned to Financial Accounting to ensure proper review of the audit results and to ensure a management decision on audit findings is completed within 6 months after receipt of the subrecipient’s audit report.

**Effect:** The Department is not in compliance with the OMB Circular A-133 Compliance Supplement requirements for issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report.

**Recommendation:** We recommend the Department assess the need for additional personnel assigned to review the subrecipient audits to ensure compliance with the requirements of the OMB Circular A-133 Compliance

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Supplement. In addition, we recommend that follow-up of the findings related to the Oklahoma City School District No. I-89 FY 2005 independent audit report be completed in a timely manner.

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

*Contact Person:* Lu Norman

*Anticipated Completion Date:* Immediately

*Corrective Action Planned:*

#### FAILURE TO NOTIFY TITLE I OF TIME AND EFFORT FINDINGS FOR OKLAHOMA CITY PUBLIC SCHOOLS

##### CAUSE:

While there should be no reason, there were other circumstances involving Oklahoma City Public Schools (OKCPS) during the same period that inadvertently caused misunderstood and confused different issues into a common issue; hence, failed to follow through.

There had already been an issue regarding the charter school situation (Finding 5-02). The staff from the State Department of Education (SDE) was already meeting with OKCPS regarding this issue. We misunderstood and thought they were meeting regarding both audit findings...not just the one.

Additionally, Finding 5-01 was a repeat from audit year 2004 (4-01). Unfortunately, the audit response for the 2004 finding (dated May 17, 2005) was incorrectly filed in the 2005 audit file. Therefore, thinking that district was already working with SDE staff, when the file was pulled again at a later date, a response from the Senior Consultant regarding "Title I Time and Effort" was discovered but failed to recognize the response was not for the current year.

Hence, based on the assumption the district was already working with SDE staff and later mistaking the audit response for the wrong year; failure to adequately address and follow-up with Finding 5-01.

##### CORRECTIVE STEPS:

Monitoring notifications and follow-up: There are already two established databases: audit findings and notifications to affected federal sections.

In an effort to help the school districts resolve auditing findings, we reworked the database to identify repeat findings to compare with previous and future audits. We will implement a code to differentiate the federal audit findings. This database will then be used to compare against the notification database to ensure findings and subsequent notifications have not been missed.

Time will be set aside on Friday mornings to follow-up and compare monitoring tools.

NOTE: OKCPS provided an additional corrective action plan for the 2005 audit finding. This has been forwarded to the Title I section.

#### FAILURE TO NOTIFY AFFECTED OFFICES (TITLE I AND FISCAL) REGARDING OKLAHOMA CITY PUBLIC SCHOOLS SUBRECIPIENT MONITORING OF CHARTER SCHOOLS

##### CAUSE:

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The issue of charter school monitoring has been on-going. Further, additional review and research was being conducted to resolve the situation. Therefore, SDE was already in contact with OKCPS. We will continue to work on responsible parties of audit resolution relating to Charter Schools.

**REF NO:** 06-265-005

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title IA-Grants to Local Education Agencies

**FEDERAL AWARD NUMBER:** S010A060036

**FEDERAL AWARD YEAR:** FY 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

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

**Criteria:** The OMB Circular A-133 Compliance Supplement, Part 3 – Compliance Requirements for Subrecipient Monitoring states, “*Subrecipient Audits* - (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 ...and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings ...”

**Condition:** During our testing of subrecipient audits, it was noted that not all of the FY 2005 audits had been reviewed by the Financial Accounting Division. One audit (Luther school district) with Federal audit findings was received by the Department on March 8, 2006. The program division was not notified of the audit exceptions until November 21, 2006. Therefore, a management decision on the audit findings has not been issued within the 6 months after receipt of the subrecipient’s audit report as required by the OMB Circular A-133 Compliance Supplement.

**Cause:** Based on a due date for completion of the type A (A-133) audits of March 31, 2006, it appears one person is not sufficient staff assigned to ensure proper review of the audit results.

**Effect:** If audits are not reviewed in a timely manner, there is a delay in the program division being made aware of Federal audit findings and requesting corrective action from the district.

**Recommendation:** We recommend the Department assess the need for additional personnel assigned to review the subrecipient audits to ensure compliance with the requirements of the OMB Circular A-133 Compliance Supplement.

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

***Contact Person: Lu Norman***

***Anticipated Completion Date: July 1, 2007***

***Corrective Action Planned:***

**FAILURE TO REVIEW SINGLE AUDITS WITHIN THE SIX MONTH TIMEFRAME AS FOUND IN OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133**

**CAUSE:**

During the review period for the 2005 audits, there was an extenuating circumstance that averted Financial Accounting from reviewing audits:

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- 1.) Desk audits and monitoring of Emergency Impact Aid – Hurricane Katrina. This task was monumental and took over several months. Databases and monitoring tools were established to meet federal auditing requirements. Any district that failed to provide substantial documentation in regard to the revenue and expenditures would be required to return the funds. Therefore, desk audits were conducted on each district to ensure they were compliant with the federal requirements. This process was extremely time consuming and was on-going. (Note: Because of this effort, every school district in Oklahoma that received these funds met all mandates thus saving the several districts from potential financial hardship.)

\*This process will not be a factor in the future.

Other items to address:

- 2.) We have started strictly monitoring and providing regimented training for schools that have had repeat audit findings for more than three years. This included establishing corrective action plan procedures and monitoring. And while we feel this is vital for the school districts and will continue in the future, getting the monitoring and training tools in place took time.
- 3.) In addition to the annual workshops conducted by our office, we always work closely with other organizations in providing additional training and workshops. However, this year, there were eleven additional training sessions.
- 4.) Several school districts requested one-on-one training for their staff. Many of these districts have recently undergone severe financial hardships and/or investigative audits.

\*Providing training to the school districts is important and must continue. The additional training sessions were new this year and required more detailed and specific training tools. This entailed devoting more time gathering information and putting together new teaching guides. But the small, one-on-one training is vital to the school districts.

The initial effort that has already been put forward, therefore, the preparation time and effort will not be as extensive as it was at the beginning. Also, we will establish a timeframe to ensure that we will meet the review requirements.

- 5.) In 2004 Governmental Auditing Standards Board (GASB) Statement 40 took effect. This statement pertains to how deposits and investments are to be reported. And while we thought we had a handle on the statement, it came to our attention portions of the statement were not be adequately reported. To fully understand all the requirements, additional time was spent several days working with the auditors and staff from the State Auditors Office to ensure the regulatory audit report is adequate and meets the requirements.
- 6.) The Governmental Auditing Standards are being revised effective for all audits occurring after June 30, 2007. It is necessary we attend additional workshops to receive necessary information regarding the changes.

\*While these exact situations may not be a factor in the future, something similar is always possible. As with any change, it takes time to fully understand the concepts and requirements. Regardless of additional requirements we will closely monitor the reviewing using the established timeframe.

Even with the other issues involved, the major situation that caused Financial Accounting to fall behind in the review of audits was the review and monitoring of the hurricane funds. Since that will not be an issue in the future and procedures will be implemented to adequately monitor time requirements, future audits will be reviewed within the required timeframes.



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### CORRECTIVE STEPS:

Tracking audits: The dates when audits are received as well as reviewed can be tracked using report B39000 on the agency's mainframe. A report will be generated each Monday mornings to determine the audits that are required to be reviewed during the week and then again on Friday to monitor and compare the data.

Reviewing audits: Financial Accountings goal will be to review audits within two months of receipt, but no later than three months. This will provide adequate time for notification and follow-up for any findings that need to be addressed within the six month time requirements.

Additionally, based on a time study, the average review time is eight audits an hour. Therefore, taking in to consideration the time needed for notification purposes, additional follow-up and monitoring requirements, as well as standard work requirements, and using the tracking report, provides us a guideline to determine the audits that need to be reviewed within the timeframe allocated.

If at any time Auditing Coordinator, foresees difficulties in meeting this timeframe, she will notify the Executive Director so that other duties can be reassigned to adequately allocate more time devoted to audit review and resolution.

Monitoring notifications and follow-up: Set aside time on Friday mornings for *administrative purposes*: follow-up with the various offices regarding finding notifications, compare the received and review dates, etc.

### Department of Emergency Management

**REF NO:** 06-309-001

**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-1401-DR-OK

**FEDERAL AWARD YEAR:** FFY01, FFY02, FFY03, FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Period of Availability

**QUESTIONED COSTS:** \$50,544

### *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.

In accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act, for the Hazard Mitigation Grant Program (HMGP) and Pre-disaster Mitigation (PDM) projects and as set forth in the State of Oklahoma Hazard Mitigation Grant Program Administrative Plan:

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

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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...

**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 2006. Also, we reviewed expenditures paid to the subrecipients and noted the following:

- We noted that one (1) planning projects during internal control testing was not closed within the three year period of availability and the department did not request and/or retain an extension.

Atoka County (1355) Plan; State and Local Agreement dated 03/25/02; Close-out pending

- We noted that two (2) of the forty-seven (47) expenditures tested were for projects not closed within the three year period of availability and the department did not request an extension. The projects also had obligations during the period of availability that were paid after the three year period of availability and after the end of the 90 day liquidation period.

	<u>Claim #</u>	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Date Closed</u>
Beckham County (1355) Plan	5912	08/03/05	\$20,800	04/02/02	10/13/05
City of Apache (1355) Acquisition	8156	05/25/06	\$29,744	12/07/02	05/03/06
TOTAL			<u>\$50,544</u>		

**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 follow its 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:** Bill Penka, State Hazard Mitigation Officer

**Anticipated Completion Date:** Action completed in April 2006

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

Atoka County was sanctioned until February 9, 2006, at which time they were reinstated. We did not ask for an extension because we believed they were withdrawn (all new personnel came on board April 2006). Information was acquired in November 2006 that they were reinstated and they are currently under a Core plan waiting for approval of that Core so that Atoka can be conformed to it. Extension is still not approved.

Beckham County – The plan was approved on 5/18/05, which was approximately 45 days overdue without an extension. Nothing is on file why this happened and all personnel involved at the time had left just around the closeout period of 10/13/05.

City of Apache - On 6/1/05 a letter was sent to Apache alerting them about their expiration date. Extension forms were also sent with the letter requesting Apache complete and return them. It appears that Apache did not complete the forms and no one from OEM followed up. All of the OEM personnel had resigned in October and November of 2005 and new personnel were hired in early 2006. The open file was discovered and plans made to closeout the project. Project closed out 5/23/06.

Corrective actions were put in place April 2006, with proper extensions applied for and given. The portion of extensions that were not approved has been properly appealed and OEM is still waiting on an answer from FEMA. Obviously, with FEMA approval of some of the plans that were not granted a formal extension, FEMA has indeed approved all extensions.

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**REF NO:** 06-309-002

**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-1401-DR-OK

**FEDERAL AWARD YEAR:** FFY01, FFY02, FFY03, FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Sub-recipient Monitoring

***Criteria:***

Hazard Mitigation Grant Program Desk Reference; Section 14: Closeouts and Audits; Program Closeout: State Grantees; Job Aid 14-3 states:

A letter from Governor's Authorized Representative (GAR) to FEMA Regional Director (RD) requesting program closeout and deobligation of unused funds should be done 90 days after all program work is completed...

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

***Condition:*** During discussion with management and based on testwork performed for the sub-recipient monitoring requirement, we noted the following:

- During our internal control testwork, one (1) of the projects was not deobligated timely.

Logan County (1355) Saferooms. Closeout dated 6/9/06.

Deobligation amount \$237.23-federal funds.

Deobligation requested 2/6/07.

- We noted three (3) of the forty-seven (47) expenditures we tested had projects with federal and sub-grantee administrative funds that were not deobligated timely.

City of Coweta (1355) Acquisition. Closeout dated 4/13/06.

Deobligation amount \$496.27-federal funds. \$21,000.00-subgrantee administrative funds.  
(jurisdiction did not want to be paid any subgrantee administrative funds.)

Deobligation requested 2/6/07.

City of Sand Springs (1355) Acquisition. Closeout dated 4/3/06.

Deobligation amount \$10,120.74-federal funds. \$33,640.00-subgrantee administrative funds.  
(jurisdiction did not want to be paid any subgrantee administrative funds.)

Deobligation requested 12/27/06.

City of Lawton (1355) Saferooms. Closeout dated 5/16/06.

Deobligation amount \$293,559.38-federal funds. \$3,914-subgrantee administrative funds.  
Deobligation requested 12/8/06. FEMA deobligated 12/20/06

- We noted one (1) of the forty-seven (47) expenditures we tested was a project with a closeout checklist that was not completed and signed due to untimely deobligation of funds.

City of Lawton (1355) Saferooms, listed above.

***Cause:*** The department had a large amount of turnover during the first part of SFY2006.

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**Effect:** Project funds not being deobligated timely could result in projects not being accurately and timely closed out. Also, subgrantee administrative funds could be overpaid.

**Recommendation:** We recommend the Department provide adequate staffing to ensure projects are deobligated timely.

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

**Contact Person:** Bill Penka, State Hazard Mitigation Officer

**Anticipated Completion Date:** April 30, 2007

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

After training new personnel in the early part of 2006 (due to all OEM Hazard Mitigation personnel resigned in 2005), OEM continued to cleanup all of the past due closeouts. Because of this, those deobligations that were small in nature, or where the subgrantees did not want to be paid their administrative funds, were not given a high priority.

City of Lawton - First, a project cannot be deobligated until the closeout checklist is completed and the project closed out. Second, the checklist is not required to be signed as it has both the applicant's name on it and the name of the person closing the project. Third, there was a checklist completed but was misplaced. OEM completed a new one and placed it in the file.

Administrative funds are not paid until project is deobligated, if deobligation is necessary. Reason it is done this way is because we do not know what the exact subgrantee admin funds are until the project is deobligated and the subgrantee funds are refigured by FEMA.

Plan to hire additional people from the new Reservists pool commencing in April 2007 and train them accordingly.

**REF NO:** 06-309-003

**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:** FFY01, FFY02, FFY03, FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Allowable Costs

**Criteria:** According to OMB Circular A-87; Attachment A; C. Basic Guidelines 1. states:  
Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following criteria:...j. Be adequately documented.

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 allowable costs requirement, we obtained project files and reviewed expenditures paid to the subrecipients. We noted the following:

- Five (5) of the forty-seven (47) expenditures we tested did not have documentation maintained in the file to adequately support project costs at the time of our testwork and these costs had already been paid. Documentation was later obtained from the jurisdictions to support the expenditures and appeared to be for allowable costs.

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	<u>Claim #</u>	<u>Date</u>	<u>Amount</u>
City of Sapulpa (1355) Acquisition	6746	12/05/2005	\$355,823.65
City of Sapulpa (1355) Acquisition	6170	09/02/2005	339,354.43
City of Coweta (1355) Acquisition	6349	10/12/2005	175,000.00
City of Bartlesville (1355) Plan	6884	12/16/2005	30,400.00
Latta Public Schools (1355) Saferoom	7353	02/10/2006	<u>27,321.00</u>
			\$927,899.08

**Cause:** The department had a large amount of turnover during the first part of SFY2006.

**Effect:** Project costs not being adequately supported could result in unallowable costs being funded.

**Recommendation:** We recommend the department maintain adequate support of project cost in their files and they review supporting documentation before making payments to the subrecipients.

**Views of Responsible Official(s)**

**Contact Person:** Bill Penka, State Hazard Mitigation Officer

**Anticipated Completion Date:** Completed in April 2006.

**Corrective Action Planned:** All of the above – Prior to April 2006, the procedure was to allow draws to the applicant with only a request on the applicant's letterhead. After April 2006 (new OEM personnel), draws are not processed without proper invoices and requests on applicant letterhead.

**REF NO:** 06-309-006

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Public Assistance Grant

**FEDERAL AWARD NUMBER:** FEMA-1623-DR-OK, FEMA-3219-DR-OK

**FEDERAL AWARD YEAR:** FFY05, FFY06

**CONTROL CATEGORY:** Subrecipient Monitoring

**Criteria:** 44 CFR 206.204 (f) states: "Progress Reports will be submitted by the Grantee to the RD quarterly. The RD and the Grantee will negotiate the date for submission of the first report."

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."

The FEMA Public Assistance Guide, page 116 states: "The State will submit reports quarterly to the RD for large projects for which a final payment has not been made. The date of the first report will be determined jointly by the State and the DRM, depending on the circumstances at the time." ... "the requirements for small projects vary depending upon practices of each State. FEMA has no reporting requirements for applicants, but the State is expected to impose some reporting requirements on applicants so that it can prepare quarterly reports. The format in which the applicants submit project reports to the State will be determined by the State."

**Condition:** According to management, quarterly performance reports are not due until 90 days after the Joint Field Office (JFO) closes for the disaster; however, there is no OEM written policy stating when the applicant's quarterly reports should be submitted to OEM.

**Effect:** The OEM has no assurance that program funds are used for authorized purposes and performance goals are achieved.

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**Recommendation:** We recommend the Department establish/implement written policy to ensure the responsibility of monitoring subrecipients is assigned and performed in accordance with OMB Circular A-133 and the federal regulations mentioned above.

**Views of Responsible Official(s)**

**Contact Person:** Kathleen Shingledecker, Public Assistance Officer

**Anticipated Completion Date:** March 31, 2007

**Corrective Action Planned:** Management will ensure FEMA provides a written due date for the quarterly reports for the new disasters.

**REF NO:** 06-309-007

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Public Assistance Grant

**FEDERAL AWARD NUMBER:** FEMA-1465-DR-OK, FEMA-1623-DR-OK

**FEDERAL AWARD YEAR:** FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Subrecipient Monitoring

**Criteria:** A component objective of an adequate internal control system is to provide accurate and reliable information in a timely manner.

**Condition:** During testing of 38 applicant claims, we noted nine (9) applicant projects were completed and final payment had been made but no close-out had been performed.

<u>Project</u>	<u>Claim #</u>	<u>Amount</u>	<u>Date</u>	<u>Applicant</u>
1623	7553	\$12,312.26	3/20/06	Lincoln County Volunteer Fire Department
1623	7555	3, 141.37	3/20/06	Wilson Fire Department
1623	7722	4,144.70	4/17/06	Town of Crowder
1623	7955	4,740.13	5/11/06	Calvin Volunteer Fire Department
1623	7910	7,559.63	5/10/06	Kellyville Fire Department
1623	7682	4,195.00	4/6/06	Wainright Volunteer Fire Department
1623	8044	7,919.23	5/18/06	Warner Volunteer Fire Department
1623	7904	21,617.68	5/9/06	City of Beggs
1465	7407	253,127.09	2/13/06	City of Cheyenne

Also, during internal control testwork, we noted four (4) completed applicant case files that did not contain a *Final Closeout Checklist*.

<u>Project</u>	<u>Applicant</u>
1623	Red River Rural Electric
1623	Beggs Volunteer Fire Department
1623	Rural Electric Cooperative
1623	Washington County

**Cause:** During SFY 2006, the Public Assistance Division did not have adequate staffing to facilitate closing of applicant files.

**Effect:** Since no on-site review or substantiation of costs incurred, the OEM has no assurance that program funds were used for authorized purposes.

**Recommendation:** We recommend the Department establish/implement written policy to ensure completed applicant files are closed out in a timely manner.

## Schedule of Findings Federal Award Findings And Questioned Costs

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

**Contact Person:** Kathleen Shingledecker, Public Assistance Officer

**Anticipated Completion Date:** OEM will coordinate with FEMA to attempt to complete these actions by June 30, 2007.

**Corrective Action Planned:** FEMA-3219-EM-OK, FEMA-1623-DR-OK and FEMA-1456-DR-OK projects are unique as they were 100% complete at the time that FEMA and the State prepared the Project Worksheets for the applicant. FEMA and the State have not yet decided on the correct method of close-out for these applicants as the State is still waiting for guidance from FEMA on how to proceed. Since the applicants are not yet closed out, they are out of the scope of this audit.

For FEMA-1465-DR-OK, the Town of Cheyenne was an improved project and the close-out was performed during the engineering and design phase but it is still at FEMA Region VI waiting for FEMA to close the project in NEMIS.

Prior to closure of the project for each applicant, all necessary records will be in place using the Close-out Checklist. As a special note: Since these projects were completed at the time that the Project Worksheet was prepared, there is no reason to go back to the applicant for a close-out visit. However, FEMA must agree that the project can be closed, without a record review. That determination is ongoing at this time.

**Auditor Response:** Payments and activity for the applicants in question were within the scope of state fiscal year ending June 30, 2006 (July 1, 2005 through June 30, 2006) audit. Additionally, as of February 28, 2007, these applicants were still not closed out.

**REF NO:** 06-309-008

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Public Assistance Grant

**FEDERAL AWARD NUMBER:** FEMA-1465-DR-OK, FEMA-1623-DR-OK, FEMA-3219-DR-OK

**FEDERAL AWARD YEAR:** FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Special Tests and Provisions

**Criteria:** 44 CFR 206.205 (b) Large Projects. (1) The Grantee shall make an accounting to the RD of eligible costs for each approved large project. In submitting the accounting the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project have been made in accordance with 44 CFR 13.21, Payments.

OEM – PA Procedure No. 03-07-0 (Large Projects) states: “In order to qualify for Federal or State payment, a disaster applicant must substantiate the amount of funds which it is requesting and it is the PAO or Designee’s duty to provide personnel to confirm such substantiation.”...”Upon receipt of a signed P-4 from the applicant, the PA Field Specialist shall schedule a personal visit to the applicant’s site.”

OEM – PA Procedure No. 03-07-1 (Small Projects) states: “On some occasions the Public Assistance Section may determine that it is in the PA’s interest that a disaster applicant, in order to qualify for Federal or State payments, must substantiate the performance of the scope of work for which it is requesting funds. In such case it is the PAO’s duty to provide personnel to confirm such substantiation.”

OEM – PA Procedure No. 03-05-0 (Small Projects) states: ... “Before closeout of the disaster contract, the State must certify that all such small projects were completed in accordance with FEMA approvals.”

**Condition:** During testing of 38 applicant claims, we noted five (5) large applicant case files and three (3) small applicant case files contained a *P-4 – Project Completion and Certification Report*; however, it was not signed by the applicant or OEM.

## Schedule of Findings

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<b>Large:</b>	<u>Project</u>	<u>Claim #</u>	<u>Amount</u>	<u>Date</u>	<u>Applicant</u>
	3219	7915	\$115,246.38	11/17/05	Muskogee County EMS
	1623	7376	375,000.00	2/16/06	OK Department of Agriculture
	1623	7653	937,500.00	4/4/06	OK Department of Agriculture
	1623	8135	327,852.66	5/22/06	OK Military Department
	1465	7407	253,127.09	2/13/06	City of Cheyenne
<b>Small:</b>					
	3219	7745	5,139.22	4/20/06	Wagoner County
	3219	7745	16,208.58	4/20/06	Wagoner County EMS
	3219	7697	6,263.68	4/6/06	Ft. Gibson Police Department

**Effect:** The OEM has no assurance that all work claimed has been completed and costs claimed are eligible in accordance with PA grant conditions without proper certification of costs incurred.

**Recommendation:** We recommend the Department follow established written policy to ensure proper certification of costs are documented in applicant case files.

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

**Contact Person:** Kathleen Shingledecker, Public Assistance Officer

**Anticipated Completion Date:** We are anticipating that this action can be completed by September 30,

**Corrective Action Planned:** FEMA-3219-EM-OK, FEMA-1623-DR-OK and FEMA-1456-DR-OK applications are unique as they were 100% complete at the time that FEMA and the State prepared the Project Worksheets for the applicant. FEMA and the State have not yet decided on the correct method of close-out for these applicants as the State is still waiting for guidance from FEMA on how to proceed. Since the applicants are not yet closed out, they are out of the scope of this audit.

For FEMA-1465-DR-OK, the Town of Cheyenne was an improved project and the close-out was performed during the engineering and design phase but it is still at FEMA Region VI waiting for FEMA to close the project in NEMIS.

In addition, prior to closure of the project for each applicant, all necessary records will be in place using the Close-out Checklist. As a special note: Since these projects were completed at the time that the Project Worksheet was prepared, there is no reason to go back to the applicant for a close out visit. However, FEMA must agree that the project can be closed without a record review. That determination is ongoing at this time.

**Auditor Response:** Payments and activity for the applicant claims in question were within the scope of state fiscal year ending June 30, 2006 (July 1, 2005 through June 30, 2006) audit.

**REF NO:** 06-309-009

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Public Assistance Grant

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

**FEDERAL AWARD YEAR:** FFY01, FFY02, FFY03, FFY04, FFY05, FFY06

**CONTROL CATEGORY:** Sub-recipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** OMB Circular A-133 Subpart D (d) states: “(4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal Awards during the subrecipient’s fiscal year have met the audit requirements of this part for that fiscal year. (5) Issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and insure that the subrecipient takes appropriate and timely corrective action. (6) Consider whether subrecipient audits necessitate adjustment of the pass-through



## Schedule of Findings Federal Award Findings And Questioned Costs

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entity's own records."

OEM PA-Procedure No. 03.09.0 – *Single Audit Act Compliance*, states: "At the time a disaster applicant's file is to be finally closed (i.e., all federal and state payment due to the applicant have been properly made), OEM shall obtain from the applicant or its auditor a copy of the applicant's audited financial statement including the Single Audit Act supplement, if the applicant has received more than \$300,000 (\$500,000 for fiscal years beginning after December 31, 2003) in federal funds during the applicant's fiscal year."

**Condition:** During A-133 subrecipient monitoring testwork, we noted there is no documentation in the applicant's case file that OEM obtained the A-133 audits; therefore, possible findings are not being reviewed or followed-up.

<u>Project</u>	<u>Applicant</u>	<u>Amount Expended</u>
1401	Cimarron Electric Cooperative	\$ 1,416,606.44
1401	Indian Electric Cooperative	515,987.42

**Effect:** Audits not being obtained or reviewed for possible findings could result in subgrantee deficiencies not being corrected and/or reported to FEMA.

**Recommendation:** We recommend the Department follow its policies and procedures to obtain and review required A-133 audits for possible findings.

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

**Contact Person:** Kathleen Shingledecker, Public Assistance Officer

**Anticipated Completion Date:** August 31, 2007

**Corrective Action Planned:** Concur with the recommendation. A review of the latest audit reports for the two jurisdictions, which are available on line, indicates that there are no comments relative to the use of FEMA funds. Once the projects are closed, OEM will use the Close-out Checklist to verify the review of required audits at the applicant and State level.

## Department of Health

**REF NO:** 06-340-003

**STATE AGENCY:** Oklahoma State 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:** U55CCU621951-04

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Earmarking

**QUESTIONED COSTS:** Undeterminable

**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).

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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:** 7/1/06

**Corrective Action Planned:** The Department concurs with the recommendation. Accounting and codes and procedures were implemented to conclusively track earmarking requirements on 7/1/06.

**REF NO:** 06-340-005

**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:** U55CCU321951-03, U55CCU621951-04

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** The OSDH Subrecipient Contract Monitoring and Administration Procedures Manual, Chapter 8, Section 1 states:

The Contract Administrator must ensure that the subrecipient has completed a Subrecipient Contractors Questionnaire, which provides the necessary information to answer questions on the Tool related to the contractor. The Contract Administrator is responsible for completion of the Contract Risk Assessment Tool. Upon completion of the Contract Risk Assessment Tool, the Contract Administrator sums the risk points assigned to each question to determine the “Total Risk Score” for the contract. The Contract Administrator will forward a copy of the completed Contract Risk Assessment to the Contract Monitor. Using the “Total Risk Score” assigned to the contract, the Contract Administrator and the Contract Monitor proceed with the development of the Contract Monitoring Plan and the Contract Administration Plan.

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.

## Schedule of Findings Federal Award Findings And Questioned Costs

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OMB circular A-102 Common Rule §\_40(a) states, “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.”

The OSDH Subrecipient Contract Monitoring and Administration Procedures Manual, Chapter 9, Section 4 states, “Contract Monitor sets annual and/or multi-year time table for performing site visits in accordance with the Contract Monitoring Plan.”

Part 3 of the OMB Circular A-133 Compliance Supplement states, “At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.”

**Condition:** Based on our review, it appears that the Contract Risk Assessment Tools, Contract Administration Plans, and Contract Monitoring Plans for the Breast and Cervical program were not completed during the period of July 1, 2005 to June 30, 2006. The department was unable to locate documentation showing that one contractor, OU GYN/ONC, received an on-site visit. Two contracts, OSU Tulsa, and OU GYN/ONC did not contain the correct CFDA numbers.

**Effect:** The Department is not in compliance with internal policies and procedures regarding monitoring subrecipients. Consequently, the Department may not be performing sufficient monitoring activities to ensure that subrecipients are in compliance with federal requirements, contract or grant agreements, and that performance goals, if applicable, are achieved. The Department also did not provide correct award information to all subrecipients.

**Recommendation:** We recommend the Department follow the procedures for subrecipient monitoring as outlined in the Subrecipient Contract Monitoring and Administration Procedures Manual and report the correct CFDA numbers and information in subrecipient contracts.

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

**Contact Person:** Julie Cox-Kain/Tina Hicks

**Anticipated Completion Date:** 4/1/07

**Corrective Action Planned:** The Department concurs with the recommendation. Dramatic expansion of the Breast and Cervical Cancer screening program in SFY '06 prompted a review of all contracts in this program by Procurement, Internal Audit and the program area to ensure subrecipient contracts were properly identified (review occurred in October 2006). The contract administrator and contract monitor were advised of the outcome of this review.

The Contract Monitor and Contract Administrator will review all current subrecipient contracts in this program to ensure that internal policies and procedures regarding subrecipient monitoring are being followed and that the CFDA number indicated in the contract is correct. The contract will be amended, and the contractor notified, of the correct CFDA number as necessary.

**REF NO:** 06-340-006

**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, U90/CCU616982-06

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

## Schedule of Findings

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**Criteria:** The OSDH Subrecipient Contract Monitoring and Administration Procedures Manual, Chapter 8, Section 1 states:

“The Contract Administrator must ensure that the subrecipient has completed a Subrecipient Contractors Questionnaire, which provides the necessary information to answer questions on the Tool related to the contractor. The Contract Administrator is responsible for completion of the Contract Risk Assessment Tool. Upon completion of the Contract Risk Assessment Tool, the Contract Administrator sums the risk points assigned to each question to determine the “Total Risk Score” for the contract. The Contract Administrator will forward a copy of the completed Contract Risk Assessment to the Contract Monitor. Using the “Total Risk Score” assigned to the contract, the Contract Administrator and the Contract Monitor proceed with the development of the Contract Monitoring Plan and the Contract Administration Plan.”

**Condition:** Based on our review, it appears that the Contract Risk Assessment Tools, Contract Administration Plans, and Contract Monitoring Plans for the Bioterrorism program were not completed during the period of July 1, 2005 to June 30, 2006.

**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 follow the procedures for subrecipient monitoring as outlined in the Subrecipient Contract Monitoring and Administration Procedures Manual.

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

**Contact Person:** Tina Hicks/Sheila Vick

**Anticipated Completion Date:** 06/30/2007

**Corrective Action Planned:** The Department concurs with the recommendation. Upon initial implementation of the manual, Subrecipient Contractors Questionnaires, Contract Risk Assessments, and Contract Monitoring Plans began to be completed on OSDH Subrecipient Contracts. However, there were questions about how to handle completion of these items for larger governmental agencies that OSDH has many contracts with across various programs. On April 4, 2006, OSDH Procurement met with Oklahoma City County Health Department (OCCHD) to discuss and provide instructions on completing the Subrecipient Contractors Questionnaire. Procurement also spoke with TCCHD to discuss their completion of the Questionnaire. Soon thereafter, OCCHD and TCCHD began to complete Questionnaires for each of their SFY06 contracts with OSDH. Using the completed Questionnaires, OSDH Contract Administrators completed Contract Risk Assessments for each of the OCCHD and TCCHD contracts and then worked with Contract Monitors in the program to develop the Contract Monitoring Plans.

In October of 2005, OSDH Procurement met with OUHSC to discuss their completion of the Contractors Questionnaire. There were some adjustments to the Questionnaire required as a result of the meeting. Procurement will complete these adjustments and ensure that Risk Assessments and Monitoring Plans are completed and in all subrecipient contracts with OUHSC.

The Contract Administrator will review all current subrecipient contracts in this program to ensure that internal policies and procedures regarding subrecipient monitoring are being followed.

**REF NO:** 06-340-008

**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 and U90/CCU616982-06

**FEDERAL AWARD YEAR:** 2005 and 2006

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

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

## Schedule of Findings Federal Award Findings And Questioned Costs

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**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,...

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

**Condition:** During our documentation of internal controls over equipment, we noted the following:

- A physical inventory of assets has not been performed. Management has stated that an inventory of the central office and the county health departments will be completed in FY 2007 to be in compliance with the two year requirement. However, the FY 2005 count was not reconciled to the Department’s records. Additionally, all equipment located at contractor sites has not been inventoried. Management has indicated that it has been working with the internal audit staff to develop solutions for bringing the Department in compliance for the contractor sites.
- Purchase order amounts are used to record equipment in the Department’s records rather than the actual costs of the items. Purchase order amounts may not include ancillary charges that are directly attributable to the acquisition-such as freight and site preparation costs.
- There appears to be no formal policy in place regarding the valuation of equipment at the time of disposition. The current software used for inventory defaults salvage value of all assets to 10% of the original purchase price.
- Policies to communicate applicable requirements and guidelines for equipment to program managers and to discourage misuse of Federal assets have not been finalized.

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

**Recommendation:** We recommend the Department continue in its efforts to establish routine inventory counts and the development of policies and procedures. We also recommend the department use the actual cost of the purchased equipment and develop a policy for the valuation of equipment at the time of disposition.

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

**Contact Person:** Tamela J. Gibson-Agahnia and William Meissner

**Anticipated Completion Date:**

**Corrective Action Planned:** Physical inventory efforts are ongoing for FY-07. OSDH Inventory will reconcile all physical inventory records for FY-07 and obtain signature approval of all reconciliation actions in

## Schedule of Findings

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accordance with agency policy. Off-site verification of asset documents will be entered in the asset tracking software and maintained for audit purposes. Internal Services will continue to work with OSDH Internal Audit, Accounting Service and Procurement Service staff to enhance existing operations. Policy revisions will be submitted to OSDH Policy Committee to bring agency directives into compliance with recent legal opinions, current statutes and administrative rules relating to inventory operations. Until Peoplesoft Projects module has been fully implemented and OSDH is completely operating in a single software environment (financial and procurement), the recommendation for entering assets at cost will continue to challenge the agency. A change in the valuation of assets at time of disposition will require a conversion to an asset management software system. The Peoplesoft module may address this on a statewide basis, but has not yet been implemented.

### Health Care Authority

**REF NO:** 06-807-001

**STATE AGENCY:** Oklahoma Health Care Authority

**FEDERAL AGENCY:** U.S. 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:** 505OK5028, 50605OK5028 and 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

**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 2006 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 cases, we noted that two of three appealed cases did not have the reconsideration decided within forty-five days of the receipt of documentation from the provider.

**Effect:** It appears OFMQ is not deciding appealed cases in accordance with the time frame outlined in the contract. This may ultimately lead to providers continuing to receive inappropriate payments for services while the 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 45 day time frame.

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

**Contact Person:** Angela Shoffner, RNC, MLS – Director, Quality Assurance/Improvement

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** We concur with the findings. The Oklahoma Health Care Authority placed OFMQ on a corrective Action Plan in November 2004 due to issues identified with timeliness of completion of

## Schedule of Findings Federal Award Findings And Questioned Costs

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activities associated with Attachment A of this contract. From November 2004 through June 2006, activities associated with this Attachment were monitored by OHCA staff and improvements had been noted. This contract ended on June 30, 2006 and the services provided under this contract were transitioned to another contractor effective July 1, 2006 so monitoring of that corrective action plan with OFMQ was ended. Monitoring of these activities does continue with the current contractor and revisions to the time frames noted in the existing contract will be considered if indicated.

**REF NO:** 06-807-004

**STATE AGENCY:** Oklahoma 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:** 50505OK5028, 50605OK5028 and 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** Medical Assistance Program \$2,546 and State Children's Insurance Program \$207

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (3) properly coded.

**Condition:** While performing analytical procedures on 1,180,090 MAP and 69,522 SCHIP laboratory and radiology service claims, we noted 107 MAP claims and 10 SCHIP claims that appear to have been improperly coded.

- 106 MAP claims and 10 SCHIP claims were claims with procedure codes identified in the "2006 Ingenix CPT Expert" as an age specific code and the recipient did not meet the age requirement. (MAP Questioned Costs \$2,380) (SCHIP Questioned Costs \$207)
- 1 MAP claim was a claim with a procedure code identified in the "2006 Ingenix CPT Expert" as an age and gender specific code and the recipient did not meet either the age or gender requirement. (Questioned Costs \$166)

**Cause:** The MMIS system is failing to deny claims which are not properly coded.

**Effect:** It appears OHCA paid claims that 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 so that age and gender requirements are met for those procedure codes that are age or 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:** Jim Keethler/Patricia Johnson (Edits)

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** We concur with the finding. Management will take corrective action regarding the inappropriate payments. We have initiated the process to include applicable payment edits in our system.

**REF NO:** 06-807-005

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50505OK5028, 50605OK5028

**FEDERAL AWARD YEAR:** 2005 and 2006

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**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$3,836

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (3) properly coded.

**Condition:** While performing analytical procedures on 366,032 Medical Assistance Program case management service claims, we noted seven claims that appear to have been improperly coded. These were claims with procedure codes identified in the “2006 Ingenix HCPCS Level II Expert” book as a once per month procedure and the recipient received the procedure twice in the same month.

**Cause:** The MMIS system is failing to deny claims which are not properly coded.

**Effect:** It appears OHCA paid multiple claims in one month, which should not have been paid according to the procedure code description.

**Recommendation:** We recommend the Authority perform the necessary procedures to ensure edits are in place and operating on the claims system so that requirements are met for those procedure codes that are to be performed once per month. 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:** Jim Keethler/Patricia Johnson (Edits)

**Anticipated Completion Date:** March 31, 2007

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments has been made. A review of all other provider regarding this issue was conducted and no other instances of inappropriate payments were identified.

**REF NO:** 06-807-006

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.767

**FEDERAL PROGRAM NAME:** State Children’s Health Insurance Program

**FEDERAL AWARD NUMBER:** 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$172

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (3) properly coded.

**Condition:** While performing analytical procedures on 3,516 State Children’s Health Insurance Program EPSDT service claims, we noted two claims that appear to have been improperly coded. These were claims with procedure codes identified in the “2006 Ingenix CPT Expert” as an age specific code and the recipient did not meet the age requirement. (SCHIP Questioned Costs \$172)

**Cause:** The MMIS system is failing to deny claims which are not properly coded.

**Effect:** It appears OHCA paid claims that should not have been paid according to the recipient’s age.

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



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### *Views of responsible official(s)*

**Contact Person:** Jim Keethler/Patricia Johnson (Edits)

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** We concur with the finding. Management will take corrective action regarding the inappropriate payments. We have initiated the process to include applicable payment edits in our system.

**REF NO:** 06-807-007

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50505OK5028, 50605OK5028

**FEDERAL AWARD YEAR:** 2005 and 2006

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

**QUESTIONED COSTS:** \$460,762

**Criteria:** The Oklahoma Health Care Authority Cost Allocation Plan provides for the allocation of department wide costs from cost pool 702 based on the proportionate share of salary and benefit previously distributed from pools 552 and 529 to each cost objective.

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

**Condition:** We obtained the Fund 200 Cost Allocation for all quarters of SFY 2006. We noted the following:

1. Although salary and benefits amounts were distributed to cost objective A44 from cost pools 552 and 529, no department wide costs were allocated to cost objective A44 from cost pool 702.
2. The total of the allocated amounts from cost pool 702 do not match the total to be allocated from cost pool 702.

**Cause:** For condition 1, it appears that the formula, necessary to include the payroll amounts for cost objective A44 originating in cost pools 552 and 529, was missing from the percentage calculation table "Pool 702 Allocation Percentages from payroll 552/529" on the Fund 200 Cost Allocation worksheet, thus causing the allocation percentages to be incorrect for all cost objectives.

For condition 2, it appears that the formulas to calculate the percentages in the percentage calculation table "Pool 702 Allocation Percentages from payroll 552/529" on the Fund 200 Cost Allocation worksheet are rounded to 6 decimal places, thus causing the total allocations from cost pool 702 to be slightly different than the total to be allocated.

**Effect:** The amounts allocated to cost objectives from cost pool 702 are incorrect, which results in an excess amount of \$460,762.26 allocated to Title XIX cost objectives for SFY 2006.

**Recommendation:** We recommend the Authority review the Fund 200 Cost Allocation worksheet to ensure it contains the formulas necessary to properly calculate the allocation percentages and subsequent allocations.

### *Views of responsible official(s)*

**Contact Person:** Marianne Lingle

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** OHCA has corrected the formula error and will adjust the next CMS 64.9 for this correction.

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**REF NO:** 06-807-009

**STATE AGENCY:** Oklahoma Health Care Authority

**FEDERAL AGENCY:** U.S. 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:** 50505OK5028, 50605OK5028 and 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

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

**QUESTIONED COSTS:** \$0

**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".

**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. One of the fifty-three labelers tested was not charged interest on a disputed amount.

**Effect:** Without proper controls and receivable balances, it is possible OHCA is not receiving all interest payments due from the labelers.

**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.

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

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

**Anticipated Completion Date:** April 30, 2007

**Corrective Action Planned:** OHCA concurs with the finding.

(1) OHCA has billed interest on late payments and disputed amounts received. In FYE 6-31-2006, OHCA collected interest totaling \$244,670, as compared with \$12,998 in FYE 6-30-2005 and \$24,663 in FYE 6-30-2004.

(2) OHCA has revised its MMIS system to calculate interest for all labelers and quarters with positive outstanding balances at the end of any day so chosen. OHCA plans to run this batch update at the end of every month, which will automatically update the interest billed amounts and interest due amounts in the accounts receivable records. Also, these revised interest amounts will automatically update the current accounts receivable reports. Currently, the MMIS system changes are in the final testing phase, and the system changes are expected to be moved into the MMIS production system by April 30, 2007.

**REF NO:** 06-807-010

**STATE AGENCY:** Oklahoma 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:** 50505OK5028, 50605OK5028 and 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

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

**QUESTIONED COSTS:** \$0

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**Criteria:** Title XIX Section 1927(b) (2) of the Social Security Act and 42 USC 1396r-8(b) (2) (A) both state:

“(A) STATE RESPONSIBILITY.—Each State agency under this title shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug dispensed after December 31, 1990, for which payment was made under the plan during the period, and shall promptly transmit a copy of such report to the Secretary”.

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

**Condition:** While determining the completeness of the data provided by the Drug Rebate Unit, we noted that the tape sent to CMS for the quarter ended March 31, 2006 did not contain HCPC rebates.

**Cause:** The Drug Rebate Unit sent the incorrect tape to CMS.

**Effect:** OHCA reported the incorrect drug rebate amounts to CMS.

**Recommendation:** We recommend the Authority perform the necessary procedures to ensure that the tape containing the correct drug rebate information is sent to CMS each quarter. We further recommend the Authority submit the correct tape for the March 31, 2006 quarter to CMS.

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

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

**Anticipated Completion Date:** April 30, 2007

### **Corrective Action Planned:**

- (1) Beginning with the following quarter ended June 30, 2006, this situation was corrected, and the combined utilization of pharmacy claims and HCPCS claims was submitted to CMS on the quarterly utilization tape.
- (2) The corrected list of utilization for the quarter ended March 31, 2006, containing utilization for both pharmacy claims and HCPCS claims, will be submitted to CMS.

**REF NO:** 06-807-011

**STATE AGENCY:** Oklahoma 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:** 50505OK5028, 50605OK5028 and 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

**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."

42 CFR, Part 482.11, Subpart B, states in part, "(a) The hospital must be in compliance with applicable Federal laws related to the health and safety of patients.(b) The hospital must be—(1) Licensed; or (2) Approved as meeting standards for licensing established by the agency of the State or locality responsible for licensing hospitals. (c) The hospital must assure that personnel are licensed or meet other applicable standards that are required by State or local laws."

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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.”

OAC 317:30-5-40. Eligible providers, states in part, “(a) All general medical/surgical hospitals and critical access hospitals eligible for reimbursement under this Part must be licensed by the appropriate state survey agency, meet Medicare conditions of participation, and have a current contract on file with the Oklahoma Health Care Authority (OHCA)”.

The Authority’s internal control should ensure documentation is maintained to support that the provider met the prescribed health and safety standards.

**Condition:** We selected a sample of sixty hospitals to ensure the Authority had documentation that the hospital met the prescribed health and safety standards. We noted the following:

- Three hospital files did not contain either Joint Commission Accreditation or Medicare Certification.
- Six hospital files did not contain a copy of their current license.
- One hospital files did not contain a current contract with OHCA.
- Two hospital files did not contain CLIA Certification.

**Cause:** For the first condition, it appears not all HCFA 1539 forms are being maintained in the provider files. On the second condition, it appears not all documents are being maintained in the hospital files for renewal contracts.

**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 ensure all HCFA 1539 forms are maintained to ensure each provider has met the required health and safety standards. Additionally, we recommend the Authority ensure all documentation for hospital renewal contracts are maintained to ensure each provider is properly certified.

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

**Contact Person:** Peggy Hansen

**Anticipated Completion Date:** On-going

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

Item 1 – The agency will submit either a copy of the Joint Commission Accreditation or Medicare Certification applicable for the period the provider enrolled. Certifications are only required to be submitted at time of enrollment.

Item 2 – The agency will submit a copy of the license applicable to the period the provider enrolled. Licenses are only required to be submitted at the time of enrollment.

Item 3 – The agency will conduct further research regarding this provider. Appropriate action will be taken.

Item 4 - The agency will conduct further research regarding this provider. Appropriate action will be taken.

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**REF NO:** 06-807-012

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50505OK5028, 50605OK5028

**FEDERAL AWARD YEAR:** 2005 and 2006

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

**QUESTIONED COSTS:** \$0

**Criteria:** The Oklahoma Health Care Authority Cost Allocation Plan (CAP), effective 01/02/2005, provides for the allocation of costs from cost pool 529, Agency Random Moment Time Study (RMTS), based on time and/or effort reports to potential cost objectives, of which cost objective A44 is not included. The CAP was not amended until the version effective 01/01/2006, which does include A44 as a potential cost objective for allocation from cost pool 529.

The Oklahoma Health Care Authority Cost Allocation Plan (CAP) effective 01/02/2005 also provides that the CAP will be amended promptly when:

- A. Procedures have become outdated due to organizational or procedural changes within the Authority.
- B. Changes are made in federal regulations, which affect the validity or appropriateness of the Plan.
- C. A material defect is discovered in the Plan.
- D. Change in a state plan for medical assistance affects the Cost Allocation Plan.
- E. Any other changes are made that render the procedures invalid.

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

**Condition:** We obtained the Fund 200 Cost Allocation for all quarters of SFY 2006. We noted that costs for the quarter ended 09/30/2005 were allocated to cost objective A44 from cost pools 529.

**Cause:** Cost objective A44, Non Federal/State Only, was included in the Random Moment Time Study responses. Therefore, when cost pool was allocated, a portion was allocated to cost objective A44.

**Effect:** Total costs of \$2,401.71 were allocated from cost pool 529 to cost objective A44, which is not in accordance with the CAP in effect at the time.

**Recommendation:** We recommend the Authority review the RMTS and the Fund 200 Cost Allocation worksheet to ensure they are in accordance with the current CAP. We also recommend the Authority amend the CAP promptly whenever any of the above listed (A. thru E.) events occur.

### **Views of responsible official(s)**

**Contact Person:** Marianne Lingle

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** OHCA first submitted the 2005 CAP to Division of Cost Allocation, Central States Field Office April 8, 2005. OHCA worked with the Cost Allocation Division on several revisions of this plan and the final submission wasn't until January 3, 2005. At the same time, OHCA revised the 2006 CAP mirroring the revisions of the 2005 CAP. Pool A44 was included in the working revisions of the 2005 CAP, but not in the final draft. OHCA will review the RMTS and ensure the worksheets are in accordance with the CAP.

**REF NO:** 06-807-013

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.767

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

**FEDERAL AWARD NUMBER:** 0505OK5021, 0605OK5021

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$371

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to 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.
- (f) Services provided within the scope of the Oklahoma Medicaid Program 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.

#### 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....

#### 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 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-five Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT), the following exceptions were noted:

- Four services in which the medical record does not support the services billed, the medical record does not support the procedure code billed; however, does support another procedure code. (Questioned Costs \$200)
- One service in which no medical record was provided. (Questioned Costs \$100)
- One service in which the medical record does not support the service billed. (Questioned Costs \$71)

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

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**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.

**Views of responsible official(s)**

**Contact Person:** Jim Keethler

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments will be made.

**REF NO:** 06-807-014

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50505OK5028, 50605OK5028

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$0

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to 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.

(f) Services provided within the scope of the Oklahoma Medicaid Program 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.

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....

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 HCPCS codes assigned and maintained by the Federal Health Care Financing

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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-five Laboratory and Radiological services, the following exceptions were noted:

- Two services in which the medical record diagnosis is inconsistent with the procedure billed.
- Two services in which the medical record does not support the procedure billed however does support another procedure code.

**Effect:** The Authority may be paying for procedures or services which are not being performed or are improperly coded based on the recipient's 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.

**Views of Responsible Official(s)**

**Contact Person:** Jim Keethler

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments will be made.

**REF NO:** 06-807-015

**STATE AGENCY:** Oklahoma Health Care Authority

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

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50505OK5028, 50605OK5028

**FEDERAL AWARD YEAR:** 2005 and 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$811

**Criteria:** According to OMB A-133, Compliance Supplement (March 2006): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to 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.
- (e) Services provided within the scope of the Oklahoma Medicaid Program 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.



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### 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....

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

- (b) 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 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-five Case Management services, the following exceptions were noted:

- One service in which the medical record does not include sufficient documentation to support the procedure code billed. (Questioned Costs \$16)
- Three services in which the medical record does not support the procedure billed; however, does support another procedure code. (Questioned Costs \$247)
- One service in which the medical record documentation indicated no direct contact with the member occurred during the billing period as required by Medicaid. (Questioned Costs \$548)

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

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

**Contact Person:** Jim Keethler

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments will be made.

## Department of Human Services

**REF NO:** 06-830-001

**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:** 0205AAOK1320, 0205AAOK1712, 0205AAOK1713

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** Unknown

**Criteria:** The 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.

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- (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.

Additionally, Department of Human Services policy, 340:105-10-114 c) procedures, states;

“Title III projects implement financial management standards in accordance with the federal standards outlined in the authorities in (b) of this Section. On a monthly basis, the Oklahoma Department of Human Services (OKDHS) Aging Services Division (ASD) reviews and reconciles AAA actual monthly expenditure reports for the prior month and adjusts for discrepancies in the following month's payments”.

**Condition:** Based on testwork performed and discussion with management, it appears that written procedures in place to determine the monthly disbursement amount for each subrecipient (Area Agency on Aging (AAA)) during SFY 2006 were not followed for the months of April through June of 2006. Also, it appears the amount that was disbursed to each subrecipient during this time period was judgmentally determined without a methodology that complies with Treasury Subpart B. We noted that for these three months, the amount disbursed to each subrecipient was 1/3 of their remaining grant balance. As a result, the amount requested by the subrecipient was not taken into account when the disbursement was calculated and many of the subrecipient's had a variance over or under the amount of funding they had requested for the period. See the table below which summarizes these variances:

	April 2006	May 2006	June 2006
# of AAA's Receiving Less Funding Than Requested for Part B	4	2	2
# of AAA's Receiving More Funding Than Requested for Part B	7	9	4
# of AAA's Receiving the Amount of Funding Requested for Part B	0	0	5
# of AAA's Receiving Less Funding Than Requested for Part C1	6	2	0
# of AAA's Receiving More Funding Than Requested for Part C1	5	9	5
# of AAA's Receiving the Amount of Funding Requested for Part C1	0	0	6
# of AAA's Receiving Less Funding Than Requested for Part C2	7	5	2
# of AAA's Receiving More Funding Than Requested for Part C2	4	6	3
# of AAA's Receiving the Amount of Funding Requested for Part C2	0	0	6

**Cause:** A method was used to calculate disbursements that did not comply with Department policy or Treasury Subpart B.

**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 was not consistent with written procedures.

**Recommendation:** We recommend the Department ensure written procedures are followed in order to ensure subrecipients receive only the actual, immediate cash requirements necessary in carrying out the Aging program and also 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:** Carey Garland

**Anticipated Completion Date:** 2-21-2007

**Corrective Action Planned:** Concur. We will follow written procedures in the future.

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**REF NO:** 06-830-004

**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:** G0601OKTANF

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$7,777

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

**Condition:** We tested 12 cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2006 and noted the following:

1. Three cases received both TANF and Diversion Assistance during the same month (one of the three cases received an additional TANF payment the following month). (Questioned Costs \$2,458)
2. Four cases received both TANF and Diversion Assistance during the same year without documentation of approval from the county director. (Questioned Costs \$5,319)

**Cause:** The Department does not have mechanisms in place in the system to ensure the client does not receive TANF within three months of receiving Diversion Assistance or within twelve months of receiving Diversion Assistance without the prior approval of the county director.

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

**Recommendation:** We recommend the Department implement mechanisms into the system to ensure the client does not receive TANF within three months of receiving Diversion Assistance or within twelve months of receiving Diversion Assistance without the prior approval of the county director.

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

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 09/01/2006

**Corrective Action Planned:** Concur with finding. The county offices that approved TANF and Diversion benefits for the same month have been contacted. The county offices that issued TANF benefits less than a year after Diversion Assistance Benefits 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. Overpayments are being established and collected according to standard overpayment procedure. Statewide training for the Diversion Assistance program was conducted in each county office in August 2006 with County Directors, supervisory and local staff who are responsible for the Diversion Assistance program. These audit findings were found in the physical year period prior to this training.

## Schedule of Findings

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**REF NO:** 06-830-007

**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:** G0601OKTANF

**FEDERAL AWARD YEAR:** 2006

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

**QUESTIONED COSTS:** \$521

**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.”

**Condition:** We tested sixty of 1,034 cases that were referred by the Child Support Enforcement Division (CSED) for child support non-cooperation. During our testwork, we noted the following:

- Two cases where we noted no indication that the case was reduced or denied as required for child support non-cooperation. (Questioned Costs - \$434)
- One case 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 - \$87)

**Cause:** During SFY 2006 the Department implemented a new procedure requiring the CSED to send TANF a bi-monthly report containing all TANF cases that are not cooperating with CSED. TANF then uses this report to determine whether or not to assess penalties for non-cooperation. We determined the three exceptions were due to the cases either not being included on this TANF-CSED Non-Coop Report or were included on the report, but did not receive the proper attention.

**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 for failure to substantially comply with the required State child support program.

**Recommendation:** We recommend the Department implement policy and procedures to ensure that all TANF recipients who are not cooperating with the Child Support Enforcement Division are reflected on the TANF-CSED Non-Coop Report and ensure that appropriate action is taken to reduce recipient benefits by twenty-five percent.

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

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** October 5, 2006

**Corrective Action Planned:** Concur. FSSD is currently working under a Federal Compliance Plan that was accepted in July 2005. 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 are 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.

## Schedule of Findings Federal Award Findings And Questioned Costs

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CSED staff have been instructed on the importance of timely and accurate updating of their screens regarding cooperation/non-cooperation. The development and implementation for the automation of this process was completed on October 5, 2006. As matches for the cases are found, the computer automatically applies the TANF penalty. This process runs nightly and the penalty is applied at that time.

**REF NO:** 06-830-008

**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, 93.568, 93.659, 93.667

**FEDERAL PROGRAM NAME:** Aging, Temporary Assistance for Needy Families, Low-Income Home Energy Assistance, Adoption Assistance, Social Services Block Grant

**FEDERAL AWARD NUMBER:** Various

**FEDERAL AWARD YEAR:** Various

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**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.

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

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

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

**Corrective Action Planned:** We concur with the finding as of June 30, 2006; however, written procedures were completed on December 31, 2006 and a CD containing the file was delivered to the State Auditor's on February 7, 2007 for their review.

**REF NO:** 06-830-010

**STATE AGENCY:** Oklahoma 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:** 93.568G06B1OKLIEA

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$ 399

**Criteria:** 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

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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.'

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

- Two ECAP cases of the 156,153 heating, cooling, and ECAP cases tested, appeared to have received duplicate payments based on review of the ECAP History (EN061R01) Report and the DHS Mainframe BNX Screen. (Questioned Costs \$399)

**Cause:** System checks are not effective in ensuring correct benefit amounts are paid.

**Effect:** The State may be over-paying individual recipients during the year, therefore underutilizing funds provided.

**Recommendation:** We recommend the Department review control procedures to ensure they are effective in regards to recipients receiving the correct amount of assistance.

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

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** June 30, 2007

**Corrective Action Planned:** Concur. A refund of \$211.27 has been requested from AEP/PSO. Cyclo Propane delivered both requests for propane and therefore a refund will not be requested from the vendor for \$188.24. A broadcast email will emphasize the importance of accurate data entry and checking for prior authorizations.

**REF NO:** 06-830-011

**STATE AGENCY:** Oklahoma 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:** 93.568G06B1OKLIEA

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$ 545

**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.

OAC 340:20-1-10 (f) (2) states, "All households must not exceed the income and resource standards as shown on the Oklahoma Department of Human Services (OKDHS) Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size. The income amounts are established at 110% of the applicable Federal Poverty Guidelines."

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

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- From the Area 5 population of 14,251 LIHEAP case files, we selected 38 cases for eligibility testwork and noted one cooling case file did not contain an application for the time period in which the benefit was received. (Questioned Costs \$180.00)
- Three of the 87,520 heating cases tested during analytical procedures appear to have an income greater than the income and resource standards shown on OKDHS Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size. (Questioned Costs \$365.00)

**Cause:** Case records are not monitored to ensure recipients are eligible and eligibility determinations are adequately documented.

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

**Recommendation:** We recommend the Department implement control procedures to ensure eligibility determinations are adequately documented and all recipients are eligible to receive assistance payments.

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

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** September 30, 2007

**Corrective Action Planned:** Concur with both conditions. Condition 1: County staff will be advised to file all LIHEAP applications in the county case file. Condition 2: The three preauthorized cases had a programming problem in the selection of income. The incomes changed during the preauthorization selection process, one step looking at the change date and the other the effective date. A change will be made to the programming for the preauthorization process to avoid this selection problem.

**REF NO:** 06-830-012

**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:** G0601OKTANF

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Criteria:** The TANF Data Report Section One Instructions for Line #44, Number of Months Countable toward Federal Time Limit, state: "Enter the number of months countable toward the adult's (or minor child head-of-household's) Federal five-year time limit based on the cumulative amount of time the individual has been either the head-of-household or the spouse of the head-of-household and has received Federal TANF assistance from both the State (Tribe) and other States or Tribes."

Additionally, the TANF Data Report Section Three Instructions for Line #8, Total Number of Families, state: "Enter the number of families receiving assistance under the State (Tribal) TANF Program for each month of the quarter. A. First Month, B. Second Month, C. Third Month."

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

**Condition:** We selected 45 cases from Section One of the quarter ended 6/30/06 TANF ACF-199 Data Report and traced the data included in the report to case file information for the critical line items as defined by the Compliance Supplement. We noted one case that was not exempt from federal time limit provisions however, the benefit payment for the months of April and May were not counted toward the federal time limit.

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Also, we reviewed line #8 from Section Three of the quarter ended 6/30/06 TANF ACF-199 since this line is considered a critical line item as defined by the Compliance Supplement. We traced the total number of families reported for each month to the total number of cases for each month noted in Section One. We determined that the count reported for the first month (April 2006) was actually the count for third month (June 2006) and vice versa.

**Cause:** For the first condition, we determined that the ACF-199 relies on 'BNMENU' on the DHS mainframe to count the total months; however 'BNMENU' occasionally fails. The Department is aware of this problem and is trying to determine a solution however, the cause of the 'BNMENU' failure has not been determined. The Department does have procedures in place to manually correct the 'BNMENU' when a failure occurs on cases that have received 55 months or more in benefits. The Department runs monthly reports from two separate sources which contain a listing of cases that have received 55 months or more in benefits. These reports are compared and any discrepancies are researched and manually corrected. The case in which we noted an exception had not been corrected because it had not reached the 55<sup>th</sup> month of benefits yet and therefore had not been reviewed.

For the second condition, we determined that an error was made in reporting the data on Section Three and the monthly counts were reversed.

**Effect:** Inaccurate information may be reported in the TANF ACF-199 Data Report.

**Recommendation:** We recommend the Department implement procedures to ensure that the information included in the ACF-199 Data Report is accurate and reliable prior to submitting this report. We also recommend that the Department continue their efforts to solve the 'BNMENU' failure to prevent the occurrence of future incorrect reports.

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

**Contact Person:** James Conway; Dustin Oxford

**Anticipated Completion Date:** 1<sup>st</sup> condition, hopefully by 9/30/2007; 2<sup>nd</sup> condition 2/23/2007.

**Corrective Action Planned:** Concur with both conditions. For the first condition, the Department is in the process of analyzing and correcting the rare data inaccuracy with the BNMENU benefit tracking application. We have set a goal to have this analysis complete by September 30, 2007. The problems are related to cases that have rapid and multiple status changes. In the interim, TANF program staff are continuing to use a data report to monitor those cases that have received 55 months or more, and auditing those cases against data from the Department's Data Warehouse on a monthly basis. The TANF program staff will correct any discrepancies found manually. This will prevent any unauthorized benefit payments beyond the 60-month limitation.

For the second condition, FSSD modified report number ACF-199, Section 3 to display the data in the proper monthly order. This error was traced back to report changes made and implemented for the quarter beginning 10/1/2005. On 02/23/2007 final testing of the new code was completed, and the modifications were put into production. Although, this did not correct the first transmission of FFY 2007, the remaining quarters of FFY 2007 will receive the data in the correct order, as will the annual transmission at the end of the fiscal year. Past annual aggregate numbers will not have been affected. Prior to future transmissions the monthly order of the data to be transmitted will be validated by the Department.

**REF NO:** 06-830-013

**STATE AGENCY:** Oklahoma 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:** 93.568G06B1OKLIEA

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0



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**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, 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.

**Cause:** The Data Services Division did not provide all the data information that was used to prepare the report.

**Effect:** 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. Information that is not supported with adequate documentation may be inaccurate.

**Recommendation:** We recommend that the Department provide all supporting documentation used to prepare the Annual Report on Households Assisted by LIHEAP.

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

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** November 2007

**Corrective Action Planned:** Concur. DSD is reprogramming the EN600R01 report to provide all supporting documentation used to prepare the LIHEAP portion of the Annual Report on Households Assisted; disabled, 60 plus, 5 and under, and ages 3 thru 5 years. The supporting information will be captured for the FFY 2007 applications and authorizations beginning October 1, 2006. The data for households receiving LIHEAP (weatherization assistance) will still be provided by the Oklahoma Department of Commerce.

**REF NO:** 06-830-016

**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, G0601OKTANF

**FEDERAL AWARD YEAR:** 2005 and 2006

**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..."

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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 Part H 1.b. 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 \$49,687,426 in daycare expenditures paid with TANF funds for the period of 10/01/2004 to 9/30/2005. 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. We reviewed the ACF-196 for Grant Year 2005 (QE-09/30/05) and Grant Years’ 2005 and 2006 (QE-06/30/06) and noted the Department is not differentiating between the TANF Daycare Expenditures paid as assistance or non-assistance.

**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:** April 15, 2007

**Corrective Action Planned:** Concur. We will revise the ACF-196 reports to adjust between assistance and non-assistance day care for 2004, 2005 and 2006. We have requested reports from Family Support showing daycare paid for TANF clients. We will obtain these on a quarterly basis to ensure accurate reporting in the future.

### Office of Homeland Security

**REF NO:** 06-585H-001

**STATE AGENCY:** Office of Homeland Security

**FEDERAL AGENCY:** US Department of Homeland Security

**CFDA NO:** 97.067, 97.004, 16.007

**FEDERAL PROGRAM NAME:** Homeland Security Grant Program

**FEDERAL AWARD NUMBER:** 2005-GE-T5-0028

**FEDERAL AWARD YEAR:** 2005

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**CONTROL CATEGORY:** Activities Allowed and Allowable Costs, Cash Management, Earmarking, Reporting, & Period of Availability, Special Tests

**QUESTIONED COSTS:** \$0

**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.

OMB Circular A-133, Subpart C –§ \_\_\_\_\_.300 (b) states in part: “The auditee shall maintain internal control over Federal programs that provide 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:** The Office of Homeland Security does not have sufficient written policies and procedures in place to address the operations of the Homeland Security Grant. In order to assure compliance with the grant requirements, the policies should address the following areas: allowable activities and allowable costs of the program; earmarking; reporting; special tests; period of availability requirements; cash management; and should include record retention policies.

**Effect:** Without sufficient written policies and procedures, the Department cannot ensure adequate controls over federal funds or ensure compliance with program requirements.

**Recommendation:** We recommend OHS establish policies and procedures that are clearly written and communicated to ensure proper administration of the Homeland Security Grant Program and compliance with applicable laws, regulations, and requirements.

**Views of Responsible Official(s)**

**Contact Person:** Chris Huston

**Anticipated Completion Date:**

**Corrective Action Planned:** We agree with the recommendation that OKOHS policies and procedures should be clearly written and communicated. We also acknowledge that many of the OKOHS written policies and procedures are not filed in a central location within the office. As a relatively new state agency that was previously a department within the Department of Public Safety (“DPS”), OKOHS has for the most part deferred to DPS policies on an as needed basis. We have begun the process of accumulating existing OKOHS policies in a central location and will continue to review the need for additional policies and procedures using DPS policies as a guide.

**REF NO:** 06-585H-002

**STATE AGENCY:** Office of Homeland Security

**FEDERAL AGENCY:** US Department of Justice

**CFDA NO:** 16.007

**FEDERAL PROGRAM NAME:** State Homeland Security Program

**FEDERAL AWARD NUMBER:** 2002-TE-CX-0006

**FEDERAL AWARD YEAR:** 1999

**CONTROL CATEGORY:** Period of Availability

**QUESTIONED COSTS:** \$3,720

**Criteria:** 28 CFR Sec. 66.23 *Period of availability of funds.*

- (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.

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- (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.

Based on the guidance of the Homeland Security Grant Program Guidance and Application Kit, the period of performance for all programs within HSGP is 24 months from the date of award. Any unobligated funds will be deobligated by G&T at the end of this period. Extensions to the period of performance will be considered only through formal requests to G&T with specific and compelling justifications as to why an extension is required.

As authorized by the Grant Adjustment Notice from the U.S. Department of Justice, the fiscal year 1999 Homeland Security Grant's period of availability has been extended until March 1, 2005.

**Condition:** During testing, we noted one of four charges to the FY1999 grant was obligated after the period of availability and liquidation of that obligation occurred more than 90 days after the period of availability.

Grant ID	Entity	Drawdown #	Amount	Obligation	Drawdown Date	Liquidation
1.07	Shawnee Fire Dept	DD #26	3,720.40	3/13/2005	06/21/05	7/6/2005

**Effect:** Projects not being closed out within the period of availability and continuing to be paid after the period of availability could result in loss of Federal funds.

**Recommendation:** We recommend OHS implement policies and procedures to ensure that projects are completed and funds are obligated within the period of availability and to ensure that obligations are liquidated within 90 days after the end of the period of availability.

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

**Contact Person:** Chris Huston

**Anticipated Completion Date:**

**Corrective Action Planned:** We will continue to make every effort to encourage timely obligation of funding by our subgrantees. With the early federal grants, OKOHS sub grants were awarded for the full period of the federal grant. Unfortunately some sub grantees fail to follow through on the commitments, which puts OKOHS in a position of having to request a release of the funding late in the grant term. More recent sub grants have been made for a period of time that ends at least several months before the end of the federal grant, so we have the opportunity to re-award unspent grant funds to other state or local units of government. In addition, we have made all staff aware of the 90-day maximum period of time following the period of availability for completion of all sub grantee reimbursements.

**REF NO:** 06-585H-003

**STATE AGENCY:** Office of Homeland Security

**FEDERAL AGENCY:** US Department of Homeland Security

**CFDA NO:** 97.067, 97.007, 16.007

**FEDERAL PROGRAM NAME:** Homeland Security Grant Program

**FEDERAL AWARD NUMBER:** 2005-GE-T5-0028 & 2003-TX-TX-0194

**FEDERAL AWARD YEAR:** 2005 & 2003

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$2,466

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

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- (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. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.
- (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.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part

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.

**Condition:** OHS has developed a protocol for subrecipient monitoring however it has not been fully implemented. OHS does perform various desk monitoring procedures but did not perform any on-site monitoring for the year including monitoring of subgrantees to ensure that equipment and other assets purchased with Federal funds are being inventoried, tagged, recorded and used appropriately.

Because no on-site monitoring procedures were in place, we noted that for 1 of 60 subrecipient reimbursement requests, the authorized official of the subrecipient submitted a reimbursement request for \$2,466.35 for radio equipment the subrecipient had purchased from a person with the same last name. OKOHS did not, however, take steps to ensure the transaction was bonafide and that the subrecipient did receive the purchased equipment.

We also noted that OHS does not have procedures or a tracking system in place for obtaining and reviewing the single audits reports of subgrantees that are required to have such audits. The review process should include issuing a management decision on the audit findings and ensuring that the subrecipient takes appropriate and timely corrective action.

Finally, during testing we noted that in 29 of 60 subawards tested, OHS either communicated the incorrect CFDA number to subrecipients or did not communicate the CFDA number to subrecipients.

**Effect:** OHS 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. OKOHS has no assurance that equipment and other assets purchased using Federal awards are being used for authorized purposes.

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**Recommendation:** We recommend the Office of Homeland Security establish/implement policies and procedures to ensure the responsibility of monitoring subrecipients is assigned and performed in accordance with OMB Circular A-133.

**Views of Responsible Official(s)**

**Contact Person:** Chris Huston

**Anticipated Completion Date:**

**Corrective Action Planned:** We acknowledge the importance of the monitoring process and are committed to improvement in this area. Efforts are underway to add the necessary staffing to begin an on site monitoring process that will complement our ongoing desk (in house) grant monitoring activities. OKOHS standard award documents have recently been modified to among other things, expand upon and clarify the federal requirements associated with acceptance of OKOHS grant funds. In addition, these revised award documents make it clear that sub recipients must have a single audit performed with respect to any fiscal year in which more than \$500,000 in federal funding (from all sources) is spent. We also specifically require that the sub recipient send OKOHS a copy of any audit report (based on the requirement of any regulatory body) received by that sub recipient that relates to the time period covered by an OKOHS grant.

**REF NO:** 06-585H-05

**STATE AGENCY:** Office of Homeland Security

**FEDERAL AGENCY:** US Department of Homeland Security

**CFDA NO:** 97.067, 97.004, 16.007

**FEDERAL PROGRAM NAME:** Homeland Security Grant Program

**FEDERAL AWARD NUMBER:** 2005-GE-T5-0028

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**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:** There are no reconciliations or reviews performed to determine if information in the PeopleSoft accounting system is consistent with internal records OHS uses to prepare financial reports. Also, no managerial reviews of reports are performed.

**Effect:** Without performing proper reconciliations and reviews between internal records and the accountings system the Department cannot ensure accuracy of information in the accounting system or that reports contain accurate information.

**Recommendation:** We recommend monthly reconciliations be performed between the PeopleSoft and OHS’s internal accounting system. Also, federal reports need to be reviewed by someone other than the preparer.

**Views of Responsible Official(s)**

**Contact Person:** Chris Huston

**Anticipated Completion Date:**

**Corrective Action Planned:** As you know, OKOHS maintains a separate Excel spreadsheet based

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system of accounting for expenditures. DPS facilitates the actual payment of such expenses through the DPS accounts payable system. While your audit found all OKOHS expenditures to be properly recorded, OKOHS has not historically reconciled OKOHS records to the PeopleSoft system. DPS has recently provided OKOHS with access to PeopleSoft for the purpose of such reconciliation and offered to provide monthly written reports to document federal expenditures. OKOHS will perform periodic reconciliation to PeopleSoft in the future.

### Department of Mental Health and Substance Abuse Services

**REF NO:** 06-452-001

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

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

**CFDA NO:** 93.959

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

**FEDERAL AWARD NUMBER:** 06B1OKSAPT

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** OMB Circular A-133, Compliance Requirements, states, "A pass-through entity is responsible during subrecipient audits for issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings."

Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) Internal Audit Procedure, Section 5 Obtaining audit reports not submitted by due date, states, "By contract, audit reports are due no later than five months after the end of an organization's fiscal (accounting) year.

**Condition:** During our testwork of six A-133 audits submitted by subrecipients to ODMHSAS, we noted the following:

- One audit included findings and it appeared ODMHSAS had not followed-up on corrective action within six months of receipt of the audit.
- Three subrecipients submitted their audit reports after the five month due date which is required by ODMHSAS internal policy.

**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 that performance goals are achieved.

**Recommendation:** We recommend ODMHSAS establish/implement policies and procedures to ensure the responsibility of monitoring subrecipients is assigned and performed in accordance with OMB Circular A-133. We also recommend the ODMHSAS increase its audit submission window to nine months in accordance with OMB Circular A-133.

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

**Contact Person:** Lonnie Yearwood

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

**Corrective Action Planned:** We were aware the three subrecipients had not timely submitted their audit reports and initially contacted all three in December 2005. Through subsequent follow-up efforts, we obtained the reports in February and March 2006.

In regard to the corrective action that was not followed up on, we are in the process of cleaning up our audit report database and have moved our contacts data to a multi-user Access database. These improvements should enable us to better monitor and follow up on federal awarding findings and corrective actions.

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We prefer to receive the A-133 audit reports prior to the OMB Circular A-133 due date of nine months after the end of a fiscal period, particularly in light of the subsequent six month period allowed for the issuance of a management decision on the audit finding(s). For some entities, the two dates together could mean that resolution on a finding would not be achieved until well in excess of a year after the end of the audited period. We are not adverse to moving the due date of audit reports to six months after the end of an entity's fiscal period.

**REF NO:** 06-452-002IT

**STATE AGENCY:** Department of Mental Health

**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.
- Accesses to operation system security parameter tables.

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

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** On-going

**Corrective Action Planned:** The agency has changed the entry into the ICIS system which now has an "access control" module restricting user access, based upon a business need. In addition the agency is logging access attempts and enforcing a HIPAA access control standard. However the development of a monitoring report application is still being developed.

**Auditor Response:** (07/19/06) We observed the "access control" system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however since the monitoring and reporting portion of this application is still under development we are considering this finding as partially corrected.



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**REF NO:** 06-452-003IT

**STATE AGENCY:** Department of Mental Health

**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 should:

- 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:** On-going

**Corrective Action Planned:** The agency has changed the developer access rights to the system and now only allows them access to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel.

**Auditor Response:** As of 7/19/06, the agency has changed the developer access rights to the system and now only allows developers to have access rights to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel. The development and implementation of an environment that is only available to the developers and removing the developer's access rights from the production environment does mitigate a number of concerns in the original finding, however since remote access policies and procedures are still under development we are considering this finding as partially corrected.

**REF NO:** 06-452-005IT (a)

**STATE AGENCY:** Department of Mental Health and Substance Abuse

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

**CFDA NO:** 93.959

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

**CONTROL CATEGORY:** 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

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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.

**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.

**Effect:** The IT function may not be meeting the agency's current and future needs without an adequate strategic plan.

**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.

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

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** On-going

**Corrective Action Planned:** Review and update the IT Strategic Plan (short and long range).

**REF NO:** 06-452-005IT (b)

**STATE AGENCY:** Department of Mental Health and Substance Abuse

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

**CFDA NO:** 93.959

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

**CONTROL CATEGORY:** Other

#### **Criteria: 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.

**Condition:** The agency does not have an IT Steering Committee to plan and direct the IT function.

**Effect:** IT function decisions may be made that do not consider the agency's overall needs and goals without the oversight of a steering committee.

**Recommendation:** We recommend the OSDMH create and implement an IT steering committee whose responsibility is to oversee the IT function and its activities.

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

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** On-going

**Corrective Action Planned:** Create an IT Steering Committee to oversee the IT function and its activities to insure it meets the objectives of the agency.

**REF NO:** 06-452-005IT(c)

**STATE AGENCY:** Department of Mental Health and Substance Abuse

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

**CFDA NO:** 93.959

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

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**CONTROL CATEGORY:** Other

**Criteria:** Quality Assurance:

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

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

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

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

**Views of Responsible Official(s)**

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** On-going

**Corrective Action Planned:** Develop and implement a quality assurance unit within the IT division to provide oversight for development and implementation of IT projects.

**REF NO:** 06-452-005IT (d)

**STATE AGENCY:** Department of Mental Health and Substance Abuse

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

**CFDA NO:** 93.959

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

**CONTROL CATEGORY:** Other

**Criteria:** 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:** 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 staffing and resources.

**Recommendation:** We recommend the OSDMH 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:** On-going

**Corrective Action Planned:** Review current staffing levels and development projects, establish solid priorities for each project, and then complete the projects as resources become available.

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**REF NO:** 06-452-006IT

**STATE AGENCY:** Department of Mental Health and Substance Abuse

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

**CFDA NO:** 93.959

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

**CONTROL CATEGORY:** 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:** On-going

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**Corrective Action Planned:** The agency now has separated the ICIS development environment from the production environment. Future plans include creating a separate development, testing and production environment.

**Auditor Response:** As of 7/19/06, via an onsite visit to the agency IT facility we were shown how the agency has currently divided the development and production environments. The development and implementation of separate development and production environments mitigate a number of concerns in the original finding, however since the testing and production environments are still under development we are considering this finding as partially corrected.

### Department of Rehabilitation Services

**REF NO:** 06-805-001

**STATE AGENCY:** Department of Rehabilitation Services

**FEDERAL AGENCY:** US Department of Education

**CFDA NO:** 84.126

**FEDERAL PROGRAM NAME:** Vocational Rehabilitation Grants to States

**FEDERAL AWARD NUMBER:** H126A-050053, H126A-060053

**FEDERAL AWARD YEAR:** 2005, 2006

**CONTROL CATEGORY:** Activities Allowed, Allowable Costs, & Eligibility

**QUESTIONED COSTS:** \$3,793

**Criteria:** The Department of Rehabilitation Services uses Title 612 of the Oklahoma Administrative Code as its policies and procedures.

Title 612:10-3-3(a) states:

*“A determination of the client's financial status is required to determine if the client must participate in the cost of services, and if so, the amount of such participation. Financial status determination is not used to determine needed services, and is not a factor in determining basic eligibility for services. Before an individual can be provided services other than those listed in 612:10-3-4, the counselor must evaluate the client's financial situation.”*

Title 612:10-3-3(c) states:

“Information regarding the client's financial status must be verified when an IPE includes, or will include, services which require client participation in cost of services. Information used to verify the client's financial status includes such documents as income tax returns, bank statements, pay stubs, canceled checks, payment receipts, and/or payroll documents.”

Title 612:10-3-4 states:

“(a) DVR and DVS clients who have income and assets above the basic living requirements will be required to apply surplus resources to the cost of rehabilitation services, including status 06, except for the following services which do not require a determination of financial status:

- (1) *services provided to assess eligibility and rehabilitation needs (services which would require the individual's participation in cost under an IPE will also require the individual's participation in cost during an evaluation of the individual's ability to benefit from VR services);*
- (2) *counseling, guidance, referral, and other services provided directly by DVR and DVS staff;*
- (3) *on-the-job training;*
- (4) *personal or work-adjustment training;*
- (5) *reader services;*
- (6) *interpreter services;*
- (7) *personal assistance services;*
- (8) *job placement;*
- (9) *compensatory training;*

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(10) job coaching services (i.e., supported employment, employment and retention, transitional employment); or

(11) library services.

(b) Recipients of Social Security benefits under Titles II or XVI (SSDI and SSI) of the Social Security Act do not have to participate financially in the cost of their rehabilitation program.”

Title 612:10-7-50 (e) states:

“(1) *Homemaker*. A homemaker is defined as a person whose primary work is performance of duties related to the upkeep and maintenance of a home. This work takes place in the individual's own home, without remuneration.

(A) The IPE can have a vocational objective of homemaker only when services will directly and substantially improve the individual's ability to perform the primary homemaking work activities for their home.

(B) Self-care activities are not sufficient to meet the definition of gainful occupation. The individual must not be receiving any type of assistance in performing primary homemaking duties.”

**Condition:** During internal controls testing, we noted two (2) of twelve (12) client case files tested included clients that were receiving services (other than those listed in Title 612:10-3-4) and had no supporting information to verify the client's financial status.

During substantive testing, we noted the following:

- Two (2) of twenty (20) client files tested in the direct client services sample included clients that were receiving services other than those listed in Title 612:10-3-4 but had not supplied information to verify the client's financial status. We will question these costs of \$55.83.
- Seven (7) of eighteen (18) client files tested in the medical maintenance and transportation sample included clients that were receiving services other than those listed in Title 612:10-3-4 but had not supplied information to verify the client's financial status. We will question these costs of \$3,737.74.
- One (1) of eighteen (18) client case files tested included a client for which eligibility was improperly awarded. Though a long-term occupational goal of “homemaker” was specified in the case narratives, the narratives stated the goal was “To improve the client's self-care skills from the current level of inadequate to the ability of the client to take care of herself in her home.” Thus the client has not met the definition of “gainful occupation” as specified in Title 612:10-7-50(e).

**Effect:** Without corroborating evidence of the client's financial condition, the Department cannot properly assess the need for client participation in the cost of services. Additionally, without properly assessing whether a client can benefit from an employment outcome, the Department cannot appropriately make an eligibility determination and may provide services to individuals who do not qualify for them.

**Recommendation:** We recommend the department follow internal procedures to ensure the eligibility requirements are met and the need for client participation in the cost of services is properly assessed.

#### **Views of responsible official(s)**

**Contact Person:** Shirley Payne

**Anticipated Completion Date:** January 2007

**Corrective Action Planned:** Due to the number of cases that failed to include verifiable proof of income at the time of service delivery, DVR/DVS Administrators will meet with Field Coordinators and Program Managers who are responsible for field operation to address this training issue. DVS Administrator, Field Coordinators and Program Managers have addressed the homemaker vocational goal totally and completely with visual service staff.

DVR/DVS next quarterly meeting is scheduled for January 11, 2007. Program Managers will continue to audit cases as instructed in policy. Also, we have developed a Quality Assurance Unit to review cases assuring policy compliance.

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**REF NO:** 06-805-002

**STATE AGENCY:** Department of Rehabilitation Services

**FEDERAL AGENCY:** US Department of Education

**CFDA NO:** 84.126

**FEDERAL PROGRAM NAME:** Vocational Rehabilitation Grants to States

**FEDERAL AWARD NUMBER:** H126A-050053, H126A-060053

**FEDERAL AWARD YEAR:** 2005, 2006

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** \$0

**Criteria:** The FY2006 Treasury State Agreement with the State of Oklahoma details the manner in which federal funds are to be drawn down:

Exhibit II lists the funding techniques to be used for the Department of Rehabilitation Services (DRS) for particular component expenditures of the grant. Draws for administrative, nonpayroll, and nonmedical client services must be made using monthly payment schedule – Variation #3. Draws for medical/pharmacy expenditures and maintenance and transportation expenditures, must be made using monthly payment schedule – Variation #8. Draws for payroll expenditures must be made using the average clearance technique

The FY2006 Treasury State Agreement 6.2.2 states:

“Payment Schedule – Monthly – Variation #3

The State shall request funds such that they are deposited in a State account on the fifteenth (or closest working day prior to the 15<sup>th</sup> to fund the costs incurred during that period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be an estimate based on actual payments of the prior month and adjusted to actual on a quarterly basis.

Payment Schedule – Monthly – Variation #8

The State shall request funds such that they are deposited in a State account on the fifteenth (or closest working day prior to the 15<sup>th</sup> to fund the costs incurred during that period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be an estimate based on actual payments of the prior month and adjusted to actual on a monthly basis.”

The FY2006 Treasury State Agreement 6.2.1 states:

“Average Clearance

The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II (0 days). The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement.”

**Condition:** During testing we noted the following:

- 11 of 17 non-payroll draws tested employed the monthly payment schedule variation #3 and variation #8 but were not made in a timely manner near the fifteenth of the month.
- 5 of 12 payroll draws tested were not made in a timely manner near the day of the disbursement (1<sup>st</sup> of the Month).
- 4 of 12 payroll draws tested were not for the exact amount of the disbursement

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- 12 of 12 months tested DRS adjusted medical/pharmacy expenditures and maintenance and transportation expenditures to actual on a quarterly basis rather than on a monthly basis as required by Monthly Payment Schedule Variation #8.
- 1 of 4 quarters tested DRS did not adjust non-medical client services to actual as required by Monthly Payment Schedule Variation #3.
- One (1) federal cash draw (\$930,463) was not based on the prior month's expenditures. This is inconsistent with the Treasury State Agreement.

**Effect:** The Department of Rehabilitation Services is in violation of the State of Oklahoma's FY 2006 Treasury-State Agreement with the U.S. Treasurer.

**Recommendation:** We recommend the department draw down funds in accordance with funding techniques specified in the Treasury-State Agreement regarding the timeliness of the draws and estimate-to-actual adjustments.

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

**Contact Person:** Kevin Statham

**Anticipated Completion Date:** March 2007

**Corrective Action Planned:** Management concurs with the findings. The Agency has strengthened the draw procedures and complied with the spirit of the agreement. The CMIA agreement will be reviewed to incorporate the technical requirements of the agreement into the Agency's fiscal framework.

## Department of Transportation

**REF NO:** 06-345-004

**STATE AGENCY:** Oklahoma Department of Transportation

**FEDERAL AGENCY:** United States Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:**

**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 1968 federally participating projects had not claim activity since July 1, 2005. The final voucher for these projects has not been prepared as of June 30, 2006.

**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:** Chelley Hilmes / Comptroller

**Anticipated Completion Date:** n/a

**Corrective Action Planned:** This is an issue that has been ongoing at The Department for many years. ODOT continues to work closely with FHWA on this issue. The following are the reports of inactive projects that FHWA uses to monitor the progress of ODOT closing projects within one year



## Schedule of Findings Federal Award Findings And Questioned Costs

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- o As of September 30, 2005, FHWA inactive list had 943 projects. \$ 133 M
- o As of September 30, 2006, FHWA inactive list had 829 projects. \$159 M
- o As of December 31, 2006, FHWA inactive list had 758 projects. \$52 M

Based on the lists provided to the Department from FHWA, the Department has made progress in the area of inactive projects.

The amounts reported by the auditors is different because the data file used by SAI & I to write this finding does not provide the auditors with fields which are comparable to the data that FHWA uses from their system. In the future, the Comptroller will provide SA & I with the same information FHWA uses to report on inactive projects.

**REF NO:** 06-345-005

**STATE AGENCY:** Oklahoma Department of Transportation

**FEDERAL AGENCY:** United States Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**CONTROL CATEGORY:** Davis-Bacon Act

**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 38 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 38 projects selected, we tested the payrolls for 107 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 999 payroll reports submitted during our audit period.

Based on the testwork performed, we noted the following:

- There were 90 weeks, or 9.01% ( $90 / 999 = 9.01\%$ ) 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

## Schedule of Findings

### Federal Award Findings

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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 344 payroll reports, or 34.43% ( $344 / 999 = 34.43\%$ ) 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.
- There were 192 payroll reports, or 19.22% ( $192 / 999 = 19.22\%$ ) 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 313 weeks, or 31.33% ( $313 / 999 = 31.33\%$ ) 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 4 weeks, or .40% ( $4 / 999 = .40\%$ ) 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 56 weeks, or 5.61% ( $56 / 999 = 5.61\%$ ) 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 first two conditions cited, that "there was no evidence that the Department had followed up with the contractor in accordance with the Department's control directive". The Construction Control Directive 971114 which is referenced as criteria for the audit, was revised to add this requirement. However, the revised Directive was not distributed for use until November 15, 2006 which was after FY2006 had ended.
2. The third condition cited, regarding the date received being recorded, is not specifically required by the CFR. The Construction Control Directive 971114 which is referenced as criteria for the audit, was revised to add this requirement. However, the revised Directive was not distributed for use until November 15, 2006 which was after FY2006 had ended.
3. 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.
4. The first condition indicates that payrolls were received in 90.9 % 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 909 payrolls that were received, approximately half of them were either late or didn't include the date received information to determine whether they were received timely. These conditions do indicate room for improvement.

## Schedule of Findings Federal Award Findings And Questioned Costs

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5. 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:** None, as this is an on-going effort.

**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, both ODOT and Consultant.
  - 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. 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.
4. ODOT's internal audit group, Operations Review and Evaluation (OR&E) Division, has initiated a review of the current Davis-Bacon Act compliance documentation processes in place in the residencies. Their goal is to pinpoint problem areas and develop workable solutions until an automated process using the yet to be developed software is available. OR&E is committed to work with this office until this process is working within a reasonable tolerance level.

**REF NO:** 06-345-001IT

**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 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.

## Schedule of Findings

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- 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 several 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:** 06-345-002IT

**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.

**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

## Schedule of Findings Federal Award Findings And Questioned Costs

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- 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.

**REF NO:** 06-345-003IT

**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.

**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.

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## **Summary Schedule of Prior Findings**

## **Summary Schedule of Prior Findings**



## Summary Schedule of Prior Findings

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Note: Schedule is presented alphabetically by state agency.

### Department of Education

**Finding No:** 96-265-003

**CFDA:** All Federal Programs

**Federal Agency:** Department of Education

**Questioned Costs:** \$6,200,000

**Control Category:** Allowable Costs/Cost Principles

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

**Status:** Partially Corrected.

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

**Finding No:** 02-265-006, 02-265-007, 03-265-003, 04-265-005

**CFDA:** 84.010

**Federal Agency:** Department of Education

**Control Category:** Subrecipient Monitoring

**Finding Summary:** The Department does not appear to be following up on subrecipient audit findings as required by the Department's procedures.

**Status:** Not Corrected.

OCAS already has two established databases: audit findings and notifications to affected federal sections. In an effort to help the school districts resolve audit findings, the database has been reworked to identify repeat findings to compare with previous and future audits. A code will be implemented to differentiate the federal audit findings. This database will then be used to compare against the notification database to ensure findings and subsequent notifications have not been missed. Also, time will be set aside on Friday mornings to follow-up and compare monitoring tools.

**Finding No:** 03-265-006, 04-265-007, 05-265-005

**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:** Corrected.

**Finding No:** 05-265-002

**CFDA:** 84.010

**Federal Agency:** Department of Education

**Control Category:** Subrecipient Monitoring

**Finding Summary:** Of seventy-seven (77) (27 onsite and 50 desk reviews) reviews tested for FY '05 we noted that twenty-eight (28) of the desk reviews did not contain documentation to indicate if a Title I review had been completed by the assigned director.

**Status:** Not Corrected.

The Office of Grants Planning & Monitoring has developed a checklist for onsite and desk reviews, a compliance/non-compliance follow-up letter, a desk audit reminder memo if information is not received, a monitoring results checklist, and a monitoring correspondence log. These items are being utilized during FY2007 subrecipient monitoring.

## Summary Schedule of Prior Findings

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**Finding No:** 05-265-003

**CFDA:** 84.027, 84.173

**Federal Agency:** Department of Education

**Control Category:** Subrecipient Monitoring

**Finding Summary:** During testwork of the Special Education division's monitoring processes and procedures, we noted the agency only monitored 55 of 540 school districts for FY '05. These 55 on-site reviews included no monitoring of subrecipient claims.

**Status:** Partially Corrected

The Special Education division is revising monitoring procedures such that all on-site comprehensive monitoring visits will include an on-site verification of invoices and purchase orders for all expenses that are not related to salaries or contracted services. These financial verifications will begin in FY2007.

**Finding No:** 05-265-004

**CFDA:** 84.027, 84.173

**Federal Agency:** Department of Education

**Control Category:** Earmarking

**Finding Summary:** During our testwork of Earmarking for the '03 grant award for Special Education, IDEA Part B and Preschool, we noted

- The minimum amount to be expended for Capacity Building was \$1,936,762; however, the
- Division's expenditures were only \$192,501.55.
- The maximum amount that could be expended for administration of Preschool Grants was \$179,148; however, the amount expended was \$579,138.70

**Status:** Corrected.

### Department of Emergency Management

**Finding No:** 05-309-001

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Reporting

**Questioned Costs:** \$332,760

**Finding Summary:** During testing of the SEFA, a variance of \$332,760.15 was noted between department's accounting records and what was reported.

**Status:** Corrected.

**Finding No:** 05-309-002

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Cash Management

**Questioned Costs:** \$40,000

**Finding Summary:** During testing of 27 CMIA draws, we noted:

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

**Status:** Corrected

**Finding No:** 05-309-003

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Matching

**Questioned Costs:** \$14,486

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

**Status:** Corrected.

## Summary Schedule of Prior Findings

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**Finding No:** 05-309-004

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Period of Availability

**Questioned Costs:** \$85,134

**Finding Summary:** During POA testwork, the agency was unable to provide a project file which had a requested and approved extension, five of thirty-five projects were not closed within the three year POA and the department did not request an extension, and five projects with obligations during the POA were not paid during the POA.

**Status:** Corrected.

**Auditor Response:** During POA testwork, one of thirty-eight projects were not closed within the three year POA and an extension was not granted. The same project had obligations during the POA and were not paid during the POA. See finding 06-309-001.

**Finding No:** 05-309-005

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Subrecipient Monitoring

**Finding Summary:** During testwork we noted five of seven subrecipients required to submit an A-133 audit did not submit a copy of the audit report or written notification to the department in a timely manner.

**Status:** Corrected.

**Finding No:** 05-309-006

**CFDA:** 97.039

**Federal Agency:** Department of Homeland Security

**Control Category:** Allowable Costs/Cost Principles

**Questioned Costs:** \$9,816

**Finding Summary:** During testwork of projects 1355 and 1401, the following noncompliance was noted:

- Department was unable to provide support for approved management costs for projects funded during SFY 2005, therefore, we obtained the support from FEMA.
- For one project the administrative costs were approved for \$78,375; however, based on the quarterly expenditures for the project it appears the actual administrative costs were 80,360, resulting in \$1,985 in questioned costs.
- For one project the supplies costs were approved for \$79,758; however, based on the quarterly expenditures for the project it appears the supplies costs were 82,539, resulting in \$2,781 in questioned costs.
- For project 1355, 8 reservists' employees were approved for the project; however, based on review of the quarterly expenditures it appears more reservists' were charged to the project than were approved.
- For project 1401, 5.5 reservists' employees were approved for the project; however, based on review of the quarterly expenditures it appears more reservists' were charged to the project than were approved.
- For both projects, travel expenses were approved for \$13,433.34; however, based on expenditures tested it appears both projects actual expenses exceeded the approved amount by \$5,049.83.

**Status:** Corrected.

### Department of Health

**Finding No:** 03-340-012, 04-340-004, 05-340-001

**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

## Summary Schedule of Prior Findings

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**Finding Summary:** During testing of the agency's 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.
- follow-up procedures were not being performed when needed, or we were unable to determine if a follow-up was required.
- Supporting documentation to the Quality Assurance Site Visit form did not always agree to what was reported on the Quality Assurance Site Visit form.
- An independent supervisor review was not being performed.

**Status:** Corrected.

**Finding No:** 04-340-002, 05-340-002

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions

**Finding Summary:** During our test work of provider enrollment forms and updated provider profiles, we noted instances where the Department was unable to locate signed provider enrollment forms and the Department did not have an updated Provider Profile for numerous providers

**Status:** Corrected

**Finding No:** 05-340-003

**CFDA:** 93.283

**Federal Agency:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

**Finding Summary:** For the four Breast and Cervical Cancer Early Detection Program subrecipients, the department personnel were unable to locate documentation showing that each subrecipient received an on-site visit during state fiscal year 2005.

**Status:** Partially Corrected. See current year finding 06-340-005. Dramatic expansion of the Breast and Cervical Cancer screening program in SFY '06 prompted a review of all contracts in this program by Procurement, Internal Audit and the program area to ensure subrecipient contracts were properly identified (review occurred in October 2006). The contract administrator and contract monitor were advised of the outcome of this review. The Contract Monitor and Contract Administrator will review all current subrecipient contracts in this program to ensure that internal policies and procedures regarding subrecipient monitoring are being followed and that the CFDA number indicated in the contract is correct. The contract will be amended, and the contractor notified, of the correct CFDA number as necessary.

**Finding No:** 05-340-004

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

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

**Status:** Corrected.

**Finding No:** 05-340-005

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions – Control, Accountability, and Safeguarding of Vaccine

**Finding Summary:** During our review of 3 monthly vaccine inventory counts to VACMAN, we were unable to reconcile the vaccine amount to the inventory account records for 9 vaccines in June 2005. In addition, the department was unable to provide inventory count records before January 2005.

**Status:** Corrected.

## Summary Schedule of Prior Findings

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**Finding No:** 04-340-001, 05-340-006

**CFDA:** 93.283

**Federal Agency:** Department of Health and Human Services

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

**Control Category:** Real Property and Equipment Management

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

**Status:** Partially Corrected. See current year finding 06-340-008. Internal Services is evaluating software options capable of inventory management and bar code scanning instead of asset tracking to address the acquisition cost, depreciation and salvage value issues. Internal Services continues to work on these issues. All inventory responses, actions and information received by 06/30/06 has been entered into the electronic files. 100% of the central office physical inventory is complete and approximately 30% of off-site contractor inventory has been completed. Internal Services anticipates 100% of off-site contractor inventory reviews will be completed within the next 90-120 days. Schedules have been implemented to perform physical inventory counts on a cyclical basis. Policy dictates that inventory tags are affixed to all items including those delivered directly to contractor locations. This policy has been verbally reinforced with department staff.

**Finding No:** 03-340-1IT, 04-340-009IT, 05-340-006IT

**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:** Auditor's Note: This condition has been partially corrected. However, it has been determined that this condition was previously incorrectly correlated specifically to the Immunization program although it technically affects the agency's financial processes as a whole. Consequently, this finding will be moved to the Financial Statement Findings section of the Single Audit Report. See current year finding 06-340-006IT.

**Finding No:** 05-340-007

**CFDA:** 93.283

**Federal Agency:** Department of Health and Human Services

**Control Category:** Earmarking

**Finding Summary:** Based on discussion with management and review of accounting records, it appears OSDH does not track Breast and Cervical Grant expenditures at a level to make a conclusive determination of whether or not the earmarking requirement was met.

**Status:** Not Corrected. See current year finding 06-340-003. According to program personnel, the agency accounting system was modified in order to track the earmarking requirement. These modifications will take effect with the beginning of SFY '07 budgets. Separate budgets and time and effort codes will be used to track expenditures at a more detailed level.

**Finding No:** 03-340-2IT, 04-340-010IT, 05-340-007IT

**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:** Auditor's Note: This condition has been partially corrected. However, it has been determined that this condition was previously incorrectly correlated specifically to the Immunization program although it technically affects the agency's financial processes as a whole. Consequently, this finding will be moved to the Financial Statement Findings section of the Single Audit Report. See current year finding 06-340-007IT.

## Summary Schedule of Prior Findings

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### Oklahoma Health Care Authority

**Finding No:** 03-807-011, 04-807-004, 05-807-005

**CFDA:** 93.778, 93.767 & 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** Based on conversation with personnel in the Drug Rebate division and testwork performed, five of fifty labelers tested did not pay interest to OHCA on disputed or unpaid amounts. Further, two labelers did not respond to OHCA's invoices; however, nonpayment has not been reported to CMS, nor has interest been charged for the unpaid total.

**Status:** Partially corrected, current year finding #06-807-009. OHCA concurs with the finding.

(1) OHCA has billed interest on late payments and disputed amounts received. In FYE 6-31-2006, OHCA collected interest totaling \$244,670, as compared with \$12,998 in FYE 6-30-2005 and \$24,663 in FYE 6-30-2004.

(2) OHCA has revised its MMIS system to calculate interest for all labelers and quarters with positive outstanding balances at the end of any day so chosen. OHCA plans to run this batch update at the end of every month, which will automatically update the interest billed amounts and interest due amounts in the accounts receivable records. Also, these revised interest amounts will automatically update the current accounts receivable reports. Currently, the MMIS system changes are in the final testing phase, and the system changes are expected to be moved into the MMIS production system by April 30, 2007.

**Finding No:** 03-807-013, 04-807-021, 05-807-010

**CFDA:** 93.778, 93.767 & 93.778, 93.767 & 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$2,127 for FY '03, \$0 for FY '04, \$399 for FY '05

**Finding Summary:** While performing analytical procedures on clinic services paid under the Medical Assistance Program and State Children's Insurance Program, we noted claims that had a gender specific procedure code and the recipient was of the opposite gender.

**Status:** Corrected

**Finding No:** 03-807-019, 04-807-013, 05-807-011

**CFDA:** 93.778, 93.778, 93.778 & 93.767

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$246 for FY '03, \$803 for FY '04, \$688 for FY '05

**Finding Summary:** The OHCA Internal Audit Division reviewed fifty-three prescription drug charges and noted eleven were returned with no signature log and one prescription that was billed and paid does not agree with the prescription prescribed and delivered.

**Status:** Corrected

**Finding No:** 03-807-022, 04-807-010, 05-807-016

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$2,054 for FY '03, \$1,712 for FY '04, \$125 for FY '05

**Finding Summary:** Based on review of medical professional's review of medical records for forty clinic services we noted one instance (service) in which medical records did not appear to be sufficient to support the procedure billed; one instance (service) where the medical records support a procedure code other than the procedure billed, however, the payment is the same; and one instance (service) where the medical records did not include all of the required elements to meet the documentation requirements and the services did not have a purpose that related to the goals/objectives in the treatment plan for Medicaid.

**Status:** Corrected

## Summary Schedule of Prior Findings

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**Finding No:** 04-807-003, 05-807-004

**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 or 65 days from the receipt of the tape, whichever comes first. We also noted cases in which OFMQ had performed the sample selection months prior to the time we performed our testwork, however, the first level of review had not yet been initiated as of the time we performed our testwork. Also, we noted cases that were appealed that did not have the reconsideration decided within 45 days of receipt of the documentation from the provider.

**Status:** Not corrected, current year finding #06-807-001. We concur with the findings. The Oklahoma Health Care Authority placed OFMQ on a corrective Action Plan in November 2004 due to issues identified with timeliness of completion of activities associated with Attachment A of this contract. From November 2004 through June 2006, activities associated with this Attachment were monitored by OHCA staff and improvements had been noted. This contract ended on June 30, 2006 and the services provided under this contract were transitioned to another contractor effective July 1, 2006 so monitoring of that corrective action plan with OFMQ was ended. Monitoring of these activities does continue with the current contractor and revisions to the time frames noted in the existing contract will be considered if indicated.

**Finding No:** 04-807-007, 05-807-009

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$1,011 for FY '04, \$16,127 for FY '05

**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 by not meeting the gender or age specific requirements

**Status:** Corrected

**Finding No:** 04-807-008, 05-807-003

**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 for FY '04 and \$0 for FY '05

**Finding Summary:** 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. In addition, we noted an instance where OSDH did not contain an HCFA 1539 form; however, this form was included in the same provider file at OHCA.

**Status:** Corrected

**Finding No:** 04-807-012, 05-807-014

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$8,198 for FY '04 and \$1,307 for FY '05

**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 along with no handwritten signatures of the direct service provider; the provider separately billed and was paid for services when the Medicaid Policy considered it a part of another service paid the same date.

**Status:** Corrected

**Finding No:** 04-807-014, 05-807-015

**CFDA:** 93.767

**Federal Agency:** Department of Health and Human Services

## Summary Schedule of Prior Findings

---

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$70 for FY '04 and \$74 for FY '05

**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. In addition, we noted instances in which the medical records indicate billed services were provided by someone other than the rendering provider indicated on the billing documentation.

**Status:** Corrected

**Finding No:** 04-807-015, 05-807-008

**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:** Corrected

**Finding No:** 04-807-020, 05-807-012

**CFDA:** 93.767, 93.778 & 93.767

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$6,893 for FY '04 and \$1,085 for FY '05

**Finding Summary:** The OHCA Internal Audit Division reviewed medical records to support 30 dentist service charges and noted fourteen services where it appears records were not signed as required; two services where it appears the dentist provided the billed dental visit services in violation of Medicaid policy; one service where the documentation supports a different procedure code than was billed; one service where x-rays were provided to support the billed surgical dental services; and one service where it appears someone other than the rendering provider initialed the dental visit notes .

**Status:** Corrected

**Finding No:** 05-807-006

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Period of Availability

**Finding Summary:** During testing of one-hundred forty claims (70 Medicaid & 70 SCHIP), we noted twenty-one claims did not appear to meet the timely filing requirement.

**Status:** Corrected

**Finding No:** 05-807-007

**CFDA:** 93.767

**Federal Agency:** Department of Health and Human Services

**Control Category:** Reporting

**Finding Summary:** During testwork of the CMS 2L, we noted line 8B report an amount of \$0 and line 2A reported \$398,906. These lines should have been reported in the opposite manner. This resulted in line 9 being understated by \$398,906, however had it been reported correctly the authority would still be under the 10% earmarking limit.

**Status:** Corrected

### Department of Human Services

**Finding No:** 99-830-028, 03-830-024, 04-830-035, 05-830-020

**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



## Summary Schedule of Prior Findings

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**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, current year finding #06-830-008. We concur with the finding as of June 30, 2006; however, written procedures were completed on December 31, 2006 and a CD containing the file was delivered to the State Auditor's on February 7, 2007 for their review.

**Finding No:** 00-830-021, 01-830-028, 02-830-014, 03-830-003, 04-830-021, 05-830-022

**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, see current year finding #06-830-013. Concur. DSD is reprogramming the EN600R01 report to provide all supporting documentation used to prepare the LIHEAP portion of the Annual Report on Households Assisted; disabled, 60 plus, 5 and under, and ages 3 thru 5 years. The supporting information will be captured for the FFY 2007 applications and authorizations beginning October 1, 2006. The data for households receiving LIHEAP (weatherization assistance) will still be provided by the Oklahoma Department of Commerce.

**Finding No:** 01-830-023, 02-830-009, 03-830-021, 04-830-024, 05-830-0018

**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. Further, there were benefits that were reduced or denied, but not within a reasonable time frame (30 days).

**Status:** Partially corrected, see current year finding #06-830-007. Concur. FSSD is currently working under a Federal Compliance Plan that was accepted in July 2005. 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 are 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 have been instructed on the importance of timely and accurate updating of their screens regarding cooperation/non-cooperation. The development and implementation for the automation of this process was completed on October 5, 2006. As matches for the cases are found, the computer automatically applies the TANF penalty. This process runs nightly and the penalty is applied at that time.

**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:** Corrected

**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:** Corrected

## Summary Schedule of Prior Findings

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**Finding No:** 03-830-016, 04-830-007, 05-830-016

**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 cases where the application was denied; however, the recipient still received benefits and the county was unable to locate the case files. We also noted cases 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:** Corrected

**Finding No:** 03-830-017, 04-830-006, 05-830-009

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of cases, we noted cases 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.

**Status:** Corrected

**Finding No:** 03-830-018, 04-830-004, 05-830-010

**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 cases 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, see current year finding #06-830-004. Concur with finding. The county offices that approved TANF and Diversion benefits for the same month have been contacted. The county offices that issued TANF benefits less than a year after Diversion Assistance Benefits 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. Overpayments are being established and collected according to standard overpayment procedure. Statewide training for the Diversion Assistance program was conducted in each county office in August 2006 with County Directors, supervisory and local staff who are responsible for the Diversion Assistance program. These audit findings were found in the physical year period prior to this training.

**Finding No:** 03-830-019, 04-830-005, 05-830-007

**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:** Corrected

**Finding No:** 03-830-020, 04-830-009, 05-830-013

**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:** Corrected

## Summary Schedule of Prior Findings

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**Finding No:** 03-830-022, 04-830-025, 05-830-005

**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:** Corrected

**Finding No:** 04-830-003, 05-830-003

**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:** Partially corrected, see current year finding #06-830-001. Concur. We will follow written procedures in the future.

**Finding No:** 04-830-010, 05-830-002

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** Discrepancies between data exchange information and OKDHS G1DX Exception reports were not cleared within the allowable 30 days per OKDHS policy.

**Status:** Corrected

**Finding No:** 04-830-017, 05-830-004

**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, see current year finding #06-830-016. Concur. We will revise the ACF-196 reports to adjust between assistance and non-assistance day care for 2004, 2005 and 2006. We have requested reports from Family Support showing daycare paid for TANF clients. We will obtain these on a quarterly basis to ensure accurate reporting in the future.

**Finding No:** 04-830-019, 05-830-011

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Questioned Costs:** \$1,640 for FY '04 and \$142 for FY '05

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

**Status:** Partially corrected, see current year finding #06-830-011. Concur with both conditions. Condition 1: County staff will be advised to file all LIHEAP applications in the county case file. Condition 2: The three preauthorized cases had a programming problem in the selection of income. The incomes changed during the preauthorization selection process, one step looking at the change date and the other the effective date. A change will be made to the programming for the preauthorization process to avoid this selection problem.

## Summary Schedule of Prior Findings

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**Finding No:** 04-830-032, 05-830-012

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility/Activities Allowed or Unallowed/Reporting

**Questioned Costs:** \$8,864 for FY '04 and \$11,848 for FY '05

**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, see current year findings #06-830-010 and #06-830-011. Concur. A refund of \$211.27 has been requested from AEP/PSO. Cyclo Propane delivered both requests for propane and therefore a refund will not be requested from the vendor for \$188.24. A broadcast email will emphasize the importance of accurate data entry and checking for prior authorizations. (#06-830-010 response) Concur with both conditions. Condition 1: County staff will be advised to file all LIHEAP applications in the county case file. Condition 2: The three preauthorized cases had a programming problem in the selection of income. The incomes changed during the preauthorization selection process, one step looking at the change date and the other the effective date. A change will be made to the programming for the preauthorization process to avoid this selection problem. (#06-830-011 response)

**Finding No:** 05-830-001

**CFDA:** 93.667

**Federal Agency:** Department of Health and Human Services

**Control Category:** Earmarking

**Finding Summary:** 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 Intervention". However, 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.

**Status:** Corrected

**Finding No:** 05-830-008

**CFDA No:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Reporting

**Finding Summary:** During our review of the FFY '04 ACF-199 report we noted a total of \$2,446,239 reported as "Amount of Subsidized Child Care". However, we compared the TANF eligibility data to the CCDF eligibility data and determined that the amount that should be shown on the ACF-199 report as Amount of Subsidized Child Care (line 18) was \$32,829,325.

**Status:** Corrected

**Finding No:** 05-830-023

**CFDA No:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** Based on discussion with management, selected ABCDS cases were pre-authorized for the December 2004 heating benefit during July of 2004.

**Status:** Corrected

**Finding No:** 05-830-024

**CFDA No:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of LIHEAP eligibility, the department was unable to provide LIHEAP recipient detail data to support the FS-75 expenditure reports for SFY 2005.

**Status:** Corrected

## Summary Schedule of Prior Findings

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### Department of Mental Health and Substance Abuse Services

**Finding No:** 03-452-001, 04-452-009IT, 05-452-005IT

**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, current year finding # 06-452-005IT. The agency is evaluating structures for an IT steering committee and is in the process of a new overall department strategic plan and will align the IT Plan with the new department plan.

**Finding No:** 03-452-002, 04-452-010IT, 05-452-006IT

**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:** Partially corrected, current year finding # 06-4452-006IT. The agency now has separated the ICIS development environment from the production environment. Future plans include creating a separate development, testing, and production environment.

**Finding No:** 03-452-006, 04-452-001, 05-452-001

**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. In addition, there are no written policy and procedures for monitoring prevention subrecipients.

**Status:** Corrected

**Finding No:** 02-452-009, 04-452-006IT, 05-452-002IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee For Service Applications.

**Status:** Partially corrected, current year finding # 06-452-002IT. The agency has changed the entry in to the ICIS system which now has an "access control" module restricting user access, based upon a business need. In addition, the agency is logging access attempts and enforcing a HIPAA access control standard. However, the development of a monitoring report application is still being developed.

**Finding No:** 02-452-012, 04-452-007IT, 05-452-003IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Policies and procedures do not exist for the following areas:

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

**Status:** Partially corrected, current year finding # 06-452-003IT. The agency has changed the developer access rights to the system and now only allows them access to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel.

## Summary Schedule of Prior Findings

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**Finding No:** 02-452-015, 04-452-008IT, 05-452-004IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** 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.

**Status:** Corrected

**Finding No:** 04-452-014, 05-452-004

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$2,536 for FY '04 and \$343 for FY '05

**Finding Summary:** While reviewing prevention facilities' supporting documentation for a sample of services billed on the ICIS system we noted instances in which the provider was paid for overlapping hours on the same day, 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 instances in which the documentation provided did not appear to support that the services were for prevention services.

**Status:** Corrected

**Finding No:** 05-452-002

**CFDA No:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** The department's policy regarding the charging of personnel services does not appear to allow payroll costs to be charged in such a way that one can trace the funds to a level of expenditure adequate to establish such funds have not been used in violation of the restriction and prohibition of the statute authoring the block 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, 05-805-002

**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:** Partially corrected. The Agency will review the agreement to determine if more stringent controls will be adequate to fully achieve compliance or if it will be necessary to modify the agreement.

**Finding No:** 04-805-012, 05-805-004

**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. Manual entries are required to complete the posting of warrants from PeopleSoft.

## Summary Schedule of Prior Findings

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**Finding No:** 05-805-001

**CFDA:** 84.126

**Federal Agency:** Department of Rehabilitation Services

**Control Category:** Eligibility

**Questioned Costs:** \$300.00

**Finding Summary:** 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.

**Status:** Corrected.

### Department Of Transportation

**Finding No:** 01-345-025, 02-345-035, 03-345-049, 04-345-020, 05-345-010

**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 current year finding 06-345-004. This is an issue that has been ongoing at The Department for many years. ODOT continues to work closely with FHWA on this issue.

**Finding No:** 03-345-017, 04-345-008IT, 05-345-006IT

**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 current year finding 06-345-002IT. ODOT has had for some 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.

**Finding No:** 03-345-018, 04-345-010IT, 05-345-005IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**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 current year finding 06-345-001IT. Over the past several 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.

**Finding No:** 03-345-021, 04-345-012IT, 05-345-007IT

**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 current year finding 06-345-003IT. 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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**Finding No:** 04-345-018, 05-345-001

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Procurement

**Finding Summary:** During testwork on Project files, we noted files that did not contain the required newspaper advertisements, which serves as public notification. Further, upon request, the documentation could not be obtained from ODOT personnel.

**Status:** Corrected. Based on the testwork performed, there were no exceptions noted. PFW

**Finding No:** 05-345-011

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Davis-Bacon Act

**Finding Summary:** For the projects tested, we noted instances where there were no payroll reports in the documentation provided by management for the weeks in which payroll reports were expected. There were also instances where the expected payroll reports were not received by the Department within two weeks of the end of the payroll reporting period. There was no evidence in the documentation provided that management had followed up with the contractors regarding the missing payroll reports in accordance with the Department's control directive. We also observed payroll reports that did not indicate the date they were received by the Department. In addition, we noted inconsistencies between data reported in SiteManager and what was present in the actual project files.

**Status:** Partially corrected. See current year finding 06-345-005.

5. Continued emphasis and communication on the Davis-Bacon requirements, including:
  - a. Distribution of the Finding results and the response to field personnel, both ODOT and Consultant.
  - b. Discussion with management to continue emphasis with field personnel.
  - c. Discussion and emphasis to contractor associations.
6. Continued training and emphasis of proper utilization of SiteManager software program.
7. 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.
8. ODOT's internal audit group, Operations Review and Evaluation (OR&E) Division, has initiated a review of the current Davis-Bacon Act compliance documentation processes in place in the residencies. Their goal is to pinpoint problem areas and develop workable solutions until an automated process using the yet to be developed software is available. OR&E is committed to work with this office until this process is working within a reasonable tolerance level.



## **Schedule of Federal Programs by State Agency**

## **Schedule of Federal Programs by State Agency**

## Schedule of Federal Programs by State Agency

### Attorney General

- 16.740 State Automated Victim Information Notification (Sav) Program
- 93.775 State Medicaid Fraud Control Units

### Agriculture, Department of

- 10.025 Plant and Animal Disease, Pest Control, and Animal Care
- 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
- 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
- 17.261 Employment Services and Job Training - Pilot and Demonstration Programs
- 84.048 Vocational Education-Basic Grants to States
- 84.243 Tech-Prep Education
- 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
- 97.029 Flood Mitigation Assistance
- 97.032 Crisis Counseling
- 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
- 97.052 Supplemental-Operations Center
- 97.053 Citizen Corps
- 97.070 Map Modernization Met Support

### Commerce, Department of

- 14.228 Community Development Block Grants/State's Program
- 14.231 Emergency Shelter Grant Program
- 14.238 Shelter Plus Care
- 17.258 Workforce Investment Act - Adults
- 17.259 Workforce Investment Act - Youth
- 17.260 Workforce Investment Act - Dislocated Workers
- 17.267 State Utilization of WIA Section 503 Incentive Grants to States
- 81.041 State Energy Program
- 81.042 Weatherization Assistance of Low-Income Persons
- 81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
- 81.119 State Energy Program/Special Project
- 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
- 16.738 Edward Byrne Memorial Justice Assistance Program

### 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
- 84.173 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
- 84.938 Hurricane Education Recovery
- 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

### Election Board, State

- 39.011 Election Reform Payments
- 90.401 Help America Vote Act
- 93.617 Voter Access for Individuals with Disabilities Developmental Disabilities Basic Support and Advocacy Grants

## 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  
 17.261 WIA Pilots Demonstrations and Research Projects  
 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  
 66.811 Brownsfields - State Revolving Loan Fund  
 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  
 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  
 93.262 Occupational Safety and Health  
 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  
 93.977 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  
 45.024 Promotion of the Arts - Grants to Organizations  
 45.164 Promotion of the Humanities - Public Programs

### 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  
93.242 Mental Health Research Grants  
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  
93.647 Social Services Research Demonstration  
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

## 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  
45.312 National Leadership Grants  
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  
16.585 Drug Court Discretionary Grant Program  
84.186 Safe and Drug-Free Schools and Communities - State Grants  
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

### 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

### Physician Manpower Training Commission

- 93.165 Grants to States for Loan Repayment Program

### Public Safety, Department of

- 16.007 State Domestic Preparedness Equipment Support Program
- 16.710 Public Safety Partnership and Community Policing Grants
- 16.727 Enforcing Underage Drinking Laws Program
- 20.218 National Motor Carrier Safety
- 20.600 State and Community Highway Safety
- 94.004 State Domestic Preparedness Equipment Support Program
- 97.042 Emergency Management Performance Grants
- 97.067 Homeland Security Grant Program
- 97.012 Boating Safety Financial Assistance

### 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

- 45.024 Promotion of the Arts - Grants to Organizations
- 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

### Supreme Court

- 93.586 State Court Improvement Program

## **Schedule of Federal Programs by State Agency**

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### Tourism & Recreation, Department of

15.504 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

### 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  
66.512 REMAP Research Projects  
66.606 Surveys, Studies, Investigations and Special Purpose Grants  
97.023 Community Assistance Program State Support Services Element  
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, 2006

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 6,914,726	\$ 149,239,048	\$ 19,178,018	\$ 40,108,467	\$ 215,440,259
Total Expenditures	6,200,696	149,008,027	22,251,178	34,872,080	212,331,981
Revenues Over (Under) Expenditures	714,030	231,021	(3,073,160)	5,236,387	3,108,278
Other Financing Sources (Uses)					
Operating Transfers In	-	471,955	-	1,310,151	1,782,106
Operating Transfers Out	-	-	-	-	-
Bond Proceeds	-	610,055,000	-	-	610,055,000
Premium from Bond Issue	-	13,028,859	-	-	13,028,859
Discount on Bond Issue	-	(974,815)	-	-	(974,815)
Total Other Financing Sources (Uses)	-	622,580,999	-	1,310,151	623,891,150
Revenues and Other Sources Over (Under) Expenditures and Other Uses	714,030	622,812,020	(3,073,160)	6,546,538	626,999,428
Fund Balances - Beginning of Year	7,661,546	161,127,522	12,121,393	26,911,753	207,822,214
Fund Balances - End of Year	\$ 8,375,576	\$ 783,939,542	\$ 9,048,233	\$ 33,458,291	\$ 834,821,642

## Selected Activities for Internal Service Type Funds

### UNAUDITED

#### Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2006

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2005					
Ending Fund Balance	\$ 7,661,546	\$ 161,586,633	\$ 12,121,393	\$ 26,911,753	\$ 208,281,325
July 1, 2005					
Beginning Fund Balance	\$ 7,661,546	\$ 161,127,522	\$ 12,121,393	\$ 26,911,753	\$ 207,822,214
Cash Basis Data -					
FY 2006 Revenues	\$ 6,914,726	\$ 149,239,048	\$ 19,178,018	\$ 40,108,467	\$ 215,440,259
FY 2006 Expenditures	\$ 6,200,696	\$ 149,008,027	\$ 22,251,178	\$ 34,872,080	\$ 212,331,981
FY 2005 Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
FY 2005 Expenditures	\$ 6,058,374	\$ 61,086,111	\$ 20,778,987	\$ 58,099,105	\$ 146,022,577
FY 2004 Revenues	\$ 6,681,226	\$ 34,588,139	\$ 16,696,278	\$ 43,158,953	\$ 101,124,596
FY 2004 Expenditures	5,376,259	93,923,582	19,092,697	16,974,235	135,366,773
FY 2003 Revenues	\$ 7,958,873	\$ 105,418,792	\$ 18,799,319	\$ 33,638,353	\$ 165,815,337
FY 2003 Expenditures	6,484,542	133,962,684	18,641,469	28,438,516	187,527,211
FY 2002 Revenues	\$ 6,655,452	\$ 100,839,257	\$ 21,109,749	\$ 31,227,073	\$ 215,440,259
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	212,331,981
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

## Selected Activities for Internal Service Type Funds

### UNAUDITED

Selected Activities for Internal Service Type Funds  
For the Year Ended June 30, 2006

### Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2006 Revenue to Prior Years'				
FY05	111.14%	306.53%	85.69%	101.75%
FY04	103.49%	431.47%	114.86%	92.93%
FY03	86.88%	141.57%	102.01%	119.23%
FY02	103.90%	148.00%	90.85%	128.44%
FY01	99.45%	38.71%	102.08%	150.07%
Comparison of FY 2006 Expenditures to Prior Years'				
FY05	102.35%	243.93%	107.08%	60.02%
FY04	115.33%	158.65%	116.54%	205.44%
FY03	95.62%	111.23%	119.36%	122.62%
FY02	86.82%	72.03%	141.63%	152.31%
FY01	95.21%	39.73%	135.66%	152.11%
Revenues expressed as a percent of expenditures				
FY06	111.52%	100.16%	86.19%	115.02%
FY05	102.70%	79.70%	107.71%	67.85%
FY04	124.27%	36.83%	87.45%	254.26%
FY03	122.74%	78.69%	100.85%	118.28%
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%
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%

**Selected Activities for  
Internal Service Type Funds**

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## **Other Findings**

## **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 Career and Technology Education

**REF NO:** 06-800-002

**STATE AGENCY:** Oklahoma Department of Career and Technology Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.048

**FEDERAL PROGRAM NAME:** Vocational Education – Basic Grants to States

**FEDERAL AWARD NUMBER:** V048A040036A and V048A050036A

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Subrecipient Monitoring

**Criteria:** The State of Oklahoma Administrative Plan states:

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

**Condition:** Based on our review of the subrecipient onsite monitoring and technical assistance tracking reports, which indicate the reviews that have been performed since 1992, we noted the following number of schools on each report did not appear to have been monitored within 5 years:

- 7 of the 209 schools listed on the Perkins Recipients Onsite Monitoring and Technical Assistance Report;
- 2 of the 29 schools listed on the Technology Centers Onsite Reviews Technical Assistance Report;
- 1 of the 21 schools listed on the Perkins Postsecondary Recipients Onsite Reviews and Technical Assistance Report.

We were supplied support documentation indicating 8 of these subrecipients were monitored within 5 years and the remaining 2 were cleared due to circumstances beyond the control of the Oklahoma Department of Career and Technology Education. Therefore, it appears the monitoring information on the tracking reports is not updated regularly in order to reflect accurate and reliable information.

**Effect:** If the information on the subrecipient onsite monitoring and technical assistance tracking reports is not routinely updated, all eligible recipients may not receive an onsite review and/or technical assistance by staff every 5 years to remain in compliance with the Carl Perkins Vocational and Technical Education Act of 1998 Monitoring Plan.

**Recommendation:** We recommend the information on the subrecipient onsite monitoring and technical assistance tracking reports be updated routinely.

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

**Contact Person:** Dwight Stoddard, Internal Audit Manager

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

**Corrective Action Planned:** We concur with the finding. During April 2006, the agency experienced a critical computer hardware failure. The original updates applied during that time to the monitoring and technical assistance tracking report were lost. The internal control now in place will provide for updating this report at least twice annually.

## 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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**REF NO:** 06-800-003

**STATE AGENCY:** Oklahoma Department of Career and Technology Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.048

**FEDERAL PROGRAM NAME:** Vocational Education – Basic Grants To States

**FEDERAL AWARD NUMBER:** V048A040036A and V048A050036A

**FEDERAL AWARD YEAR:** 2004/2005

**CONTROL CATEGORY:** Special Tests

**Criteria:** Part N.3, Annual Accountability Report, of the A-133 Compliance Supplement states, “Each year a grantee must file an accountability report (*Accountability Report Consolidated Annual Performance, Accountability, and Financial Status Report (OMB No. 1830-0503)*) containing data to be used in determining whether it met its adjusted performance levels for each of its core indicators of performance and any State indicators of performance. LEAs and other subrecipients must submit data to the grantee for the grantee’s report. The grantee determines the format of the data submissions. Grantee are required to describe how they will ensure that the data reported to the eligible recipient from LEAs and the data the eligible agency reports to ED are complete, accurate, and reliable. Grantees that exceed their adjusted performance levels are eligible for an incentive grant (Section 113(b)(2)(A) of Perkins III (20 USC 2323(b)(2)(A))).”

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

**Condition:** When performing procedures on the accountability section of the *FY2005 Consolidated Annual Performance, Accountability and Financial Status Report* we noted the following items:

- When the non-traditional program codes were extracted from the secondary data in order to be reported in the *Consolidated Annual Performance, Accountability, and Financial Status Report*, typing errors were made on two of the nontraditional program codes entered. Programs codes 010058 and 140304 were inadvertently entered in lieu of 010057 and 140102. The error for code 140102 had no effect as this program code has been discontinued. However, the error for program code 010057 did effect reporting. Since code 010058 does not exist, no secondary nontraditional data was pulled from the data source. However, had the correct program code of 010057 been used, data would have been pulled from the data source because there were 1,016 secondary student represented by this program code that were included in the data source. This error caused slight variances in the secondary nontraditional student numbers reported and also the level of performance percentages reported. Additionally, for those tables representing core indicators other than nontraditional there was a line item variance on line #17 of the respective reports. However, this change did not affect the actual level of performance which is used in comparing to the adjusted level of performance to determine if performance was met because this is done based on total population and those percentages remained unchanged. However, for those tables representing secondary nontraditional core indicators, this variance caused a change in the total population and therefore changed the actual level of performance percentages slightly. Additionally, when the actual level of performance percentage was compared to the adjusted level of performance the results as to whether the performance levels were met or not met were not changed. However, with this type of variance, there is a possibility that this could cause a discrepancy in the future as to whether or not a performance measure was or was not met.
- When comparing the data report used to report information for report 3A2 of the *Consolidated Annual Performance, Accountability, and Financial Status Report*, we noted an error in the reporting of nontraditional enrollees. The number reflected in the denominator column for line #17 of table 3A2 was 5,540 however the data report reflected 5,440. This error caused a slight

## 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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- variance in the line item level of performance percentage calculated, however it did not change to total percentage calculations since this is based on the total population.
- When recalculating the line items for each of the individual performance reports included in the *Consolidated Annual Performance, Accountability, and Financial Status Report*, we noted the gender lines (line #2 and #3) for the nontraditional reports (4S1, 4A1, 4S2, and 4A2) were incorrect. We determined that the count of the males in male underrepresented programs was reflected on the female line and the count of the females in female underrepresented programs was reflected on the male line. This error affected the line items only and did not affect the total actual level of performance which is used in the comparison to the adjusted level of performance in order to determine whether or not performance did or did not meet the correct level.
  - When comparing the percentages calculated on each of the performance report tables to those percentages carried to the Part IV-Accountability Section of the *Consolidated Annual Performance, Accountability, and Financial Status Report*, we noted several typing errors were made when the percentages were carried from one page to the next. We noted that in the first table for Part IV-Accountability, Section A (page 16) the negotiated performance level for table 3A2 (82.40%), table 4P1(17.07%) and table 4P2 (12.75%) were incorrect. The correct percentages were reflected on the second table for Part IV-Accountability, Section A (page 17). Also, we noted the first table for Part IV-Accountability, Section A reflected an incorrect state performance level percentage for table 3S1 (95.46), which was calculated on the 3S1 accountability table (95.45). Additionally, we noted that on the second table for Part IV-Accountability, Section A, an incorrect FAUPL percentage (79.19) was used in lieu of the correct FAUPL (79.69). Also, for Part IV-Accountability, Section B, on the second table line 2A1 – Individuals with Disabilities, (page 19) the FAUPL was reflected as 89.09% when the supporting 2A1 table reflects this to be 83.09%.

**Cause:** The accountability section of the *Consolidated Annual Performance, Accountability and Financial Status Report* is not thoroughly reviewed by a person other than the preparer to ensure all data is accurately reflected.

**Effect:** Accurate and reliable information may not always be reflected in the accountability section of the *Consolidated Annual Performance, Accountability and Financial Status Report*. Additionally, although the errors noted did not affect the outcome as to whether or not certain performance levels were met, there could be an affect on future reports.

**Recommendation:** We recommend the Oklahoma Department of Career and Technology Education have a person, other than the preparer, thoroughly review the *Consolidated Annual Performance, Accountability and Financial Status Report* to ensure all accountability information is properly reflected. Additionally, we recommend that the two nontraditional program codes that were reflected in error (010058 and 140304) in the data extraction log be corrected to reflect the correct codes (010057 and 140102) in order for the correct program codes to be extracted as nontraditional in the future.

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

**Contact Person:** Dwight Stoddard, Internal Audit Manager

**Anticipated Completion Date:**

**Corrective Action Planned:** We concur with the finding. We will implement new internal controls so that additional staff other than the preparer review and compare the final report to the original source documentation. As recommended, the nontraditional program codes that were used in error for data extraction will be changed to the correct program codes for future reporting.

## 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:** 06-830-005

**STATE AGENCY:** Oklahoma Department of Human Services

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

**CFDA NO:** 93.659

**FEDERAL PROGRAM NAME:** Adoption Assistance

**FEDERAL AWARD NUMBER:** 0601OK1407

**FEDERAL AWARD YEAR:** 2006

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** Unknown

**Criteria:** 45CFR92.42 states in part, records must be retained for three years from the starting date. If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the 3-year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular 3-year period, whichever is later.

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

**Condition:** One (1) of the twenty-two (22) case files selected for testing could not be obtained to verify the Department performed the required eligibility determination.

**Cause:** The case file was included in a box of files sent to imaging to be scanned to the Web X system for retention. This box of files was accidentally routed to destruction and destroyed.

**Effect:** We were unable to verify the Department performed the required eligibility determination. Also, this case file was not maintained for the required time period.

**Recommendation:** We recommend procedures be developed and implemented to ensure Adoption Assistance records are maintained as required by 45CFR92.42. Additionally, we recommend that the Department implement internal control procedures requiring a log be kept of all files sent to imaging. This log should then be compared to the files actually imaged to keep accurate records on the location of all files.

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

**Contact Person:** John Guin, CFSD, Financial Manager/Comptroller II

**Anticipated Completion Date:** Already implemented.

**Corrective Action Planned:** Concur. Procedures have already been implemented that require Adoption Assistance staff to keep a log of each case sent to Imaging through the OKDHS Departmental Services Division, Records Management Section. The log contains the name of the case and the date the case was sent to Imaging. As a result of this audit, an additional procedure was instituted in November 2006. Each box now sent to Imaging is labeled with a number, which corresponds with each case contained in each box. The box number along with the sending Adoption Assistance staff member's initials is utilized as the tracking number. The box tracking number is also included on the log.





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