

# CENTRAL OKLAHOMA COMMUNITY ACTION AGENCY

JULY 1, 2005 THROUGH  
JUNE 30, 2006

# SPECIAL AUDIT



Oklahoma State Auditor  
& Inspector

**CENTRAL OKLAHOMA COMMUNITY ACTION AGENCY**

**SPECIAL AUDIT REPORT**

**JULY 1, 2005 THROUGH JUNE 30, 2006**

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**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

September 17, 2008

Honorable Greg Mashburn  
District Attorney – District No. 21  
201 S. Jones, Ste 300  
Norman, Oklahoma 73069-6097

Transmitted herewith is the Special Audit Report of the Central Oklahoma Community Action Agency. We performed our special audit in accordance with the requirements of **74 O.S. § 212(H)** for the period July 1, 2005 through June 30, 2006.

A report of this type tends to be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during the course of our special audit.

Sincerely,

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

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

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**GOVERNING BOARD**  
**JULY 1, 2005 THROUGH JUNE 30, 2006**

Bill Bynum ..... Chairman  
Margaret Zientek..... Vice-Chairman  
Steve Moore..... Member  
Pat McGinnis..... Member  
Kevin Leach ..... Member  
Pam Williams ..... Member  
Aaron Cole ..... Member  
Buck Day..... Member  
Herb Gunter ..... Member  
Gary Wilburn ..... Member  
Carla Lynch..... Secretary  
Gloria Hesser ..... Treasurer

**INTERIM DIRECTOR**  
Maggie York



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

Ms. Maggie York, Interim Director  
Central Oklahoma Community Action Agency  
429 N. Union  
Shawnee, Oklahoma 74801

Pursuant to the District Attorney's request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed a special audit with respect to the Central Oklahoma Community Action Agency, for the period July 1, 2005 through June 30, 2006.

The objectives of our special audit primarily included but were not limited to, the areas noted in the District Attorney's request. Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Central Oklahoma Community Action Agency for the period July 1, 2005 through June 30, 2006. Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and do not extend to any financial statements of the Agency taken as a whole.

This report is intended solely for the information and use of the District Attorney, the Board of Education and the District's Administration 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.

Sincerely,

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

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

April 30, 2008

**INTRODUCTION**

Central Oklahoma Community Action Agency, Inc. (the Agency), originally organized as Action, Incorporated, is a nonprofit corporation established under the laws of the State of Oklahoma. The Agency was established to assist in developing, executing, and coordinating, plans and programs authorized under the Equal Opportunity Act of 1964, and its subsequent amendments and other Federal, State, and local laws and programs to alleviate poverty. The programs supported by the Agency include homeless shelters, food closets, transitional housing, transportation services, food cost reimbursement to in-home child care providers, community centers, health clinics, and other services to promote self-sufficiency in low-income persons. These services are funded by various Federal and State grants, as well as local government and private entity contracts, private grants, donations, and fees from those persons served. COCAA provides services in Pottawatomie, Cleveland, Logan, Payne, Seminole, and Lincoln Counties.

The State Auditor and Inspector (OSAI) conducted a special audit of the records of the Agency, primarily those records relating to the District Attorney's objectives. The results of the special audit are in the following report.

**BACKGROUND**

On December 14, 2005, the Agency entered into a contract, Prescription Drug Program, with the Oklahoma Department of Commerce (ODOC) in the amount of \$950,000.00 for the period July 1, 2005 through June 30, 2006. The contract was split into four (4) separate quadrants: Northeast, Northwest, Southeast, and Southwest. The purpose of the contract was to develop a state-wide delivery system of pharmaceutical products as part of the Rx for Oklahoma program. The Prescription Drug Program (Rx for Oklahoma) was created to assist medically indigent residents of Oklahoma to receive prescriptions from drug manufacturer assistance programs.

**OBJECTIVES, FINDINGS AND RECOMMENDATIONS**

**OBJECTIVE:** Review possible irregularities in the Prescription Drug Program contract.

**FINDING**

OSAI received information alleging that expenditures submitted to the Oklahoma Department of Commerce for reimbursement for the Prescription Drug Program (PDP) included salary/wages for employees that did not perform work relating to PDP or were not employed by Central Oklahoma Community Action Agency (the Agency).

The monthly expenditure/reimbursement reports for the Agency, Southeast and Southwest quadrants were obtained to determine if the amounts claimed for reimbursement of salaries/wages were supported by documentation. The reports are comprised of information taken from the monthly "account detail for expenses" report. The account detail for expense reports was used to prepare a schedule of the hours worked and charged to the PDP each month by employees. The time charged for employees who were paid on an hourly basis was compared to the employees' time sheets to assure the time charged to the Program agreed to the actual hours the employee worked on the Program. The Agency submitted two (2) claims monthly, which included one (1) for administering the entire Program and one (1) for service provided in their district. The monthly account detail for expenses reports documents the employee, hours and amount charged to the Program. OSAI calculated the employees' hourly wage rate based on the information listed on this report. For employees paid on an hourly basis, the following schedule reflects the amount over or undercharged for time worked.

Month	Total	COCOA OTT	COCOA SW	COCOA SE
June – 2006	\$ 220.40	\$ 261.44	\$ (41.04)	\$ 0.00
May	213.55	338.66	(126.46)	1.35
April	194.23	(166.46)	357.84	2.85
March	(170.59)	(226.31)	37.98	17.74
February	189.32	114.77	0.00	74.55
January – 2006	1,199.05	279.48	283.48	636.09
December - 2005	566.03	566.03	0.00	0.00
Total	\$2,411.99	\$1,167.61	\$ 511.80	\$732.58

OSAI noted that the Agency overbilled the PDP and was reimbursed \$2,411.99 for hours worked in excess of the time spent on the Program as reflected on the employees' timesheets.

The monthly expenditure/reimbursement reports also included time charged to the PDP for employees paid a monthly salary. The Agency was unable to provide OSAI with a cost allocation plan to support the hours charged to the PDP for salaried employees. OSAI calculated a percentage of the employees' salary that could be charged to the PDP.

Using the employees' timesheets, OSAI calculated allowable hours to be charged to the PDP. This was achieved by using the percentage of the hours worked on the PDP to the total hours work each month. OSAI applied the percentage calculated to the average hours per month (173.33) resulting in the allowable and reasonable hours which could be charged to the PDP.

OSAI compared the allowable hours calculated to the actual hours charged to the Program. The comparison reflects that the hours charged were less than the allowable hours calculated.

OSAI obtained payroll documentation to verify that the hourly rate charged, as recorded on the monthly detail expense reports, agreed with the hourly rate calculated using actual wages earned. The hourly rates charged to the Program ranged from \$12.21 less than to \$6.02 more than the actual rate.

Although, the Agency was unable to provide the documentation to support their method used in calculating the cost allocation for salary employees, OSAI calculations reflect the amount reimbursed to the Agency for these employees was reasonable.

OSAI's examination of the salaries charged and submitted for reimbursement reflects that: 1) the Agency did not maintain the documentation to support their cost allocation plan; 2) hours charged to the Program did not always agree with the employees' timesheets; 3) the hourly rates were not consistent with wages paid; and 4) the Agency received \$2,411.99 which was not supported by hours worked.

<b>RECOMMENDATION</b>	OSAI recommends Central Oklahoma Community Action Agency maintain all records to be made available for auditing. Further, OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.
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<b>OBJECTIVE</b>	<b>Determine whether equipment and materials are missing.</b>
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<b>FINDING</b>	Central Oklahoma Community Action Agency submitted monthly expenditure/reimbursement reports to the Oklahoma Department of Commerce. These reports reflect the dollar amount of equipment purchased during the month for which it was submitted. OSAI obtained the reports for the Southeast and Southwest quadrants to identify equipment purchased by the Agency. The amounts listed on the monthly reports for the purchase of equipment were traced to the Agency's account detail for expense reports. The account detail for expense reports documented the vendor name where the equipment was purchased. The vendor file, including the vendor invoice, was then retrieved to document the equipment purchased.
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From the vendor's invoices, OSAI prepared a list of equipment purchased by the Agency for the operation of the Prescription Drug Program. Also, a list of equipment was obtained from Donald Hackler, Deputy General Counsel, ODOC. This list included equipment that was retrieved by ODOC from the Agency at contract closeout.

The equipment reported as purchased by the Agency was verified to determine its disposition. The following items could not be located.

<b>Item</b>	<b>Cost</b>	<b>Serial No.</b>
HP 1320N printer	\$ 499.98	CNHC5DP1Q7
Lucent telephone (Avaya)	199.99	
Lucent telephone (Avaya)	199.99	
Lucent telephone (Avaya)	199.99	
Lucent telephone (Avaya)	199.99	
Lucent telephone (Avaya)	199.99	
Partner ACS Processor R7.0	950.00	
Partner 308 EC Expansion Module	750.00	
Partner 5-Slot Carrier	195.00	
Partner Messaging Rel. 7.0	\$2,125.00	

OSAI obtained a list of equipment prepared by the Agency for items purchased with funds from the Prescription Drug Program. This list includes items such as chairs, paper shredders, wood carts, bookshelves etc. These items were reported as supplies based on their value of less than \$500.00. These items were reflected on the ODOC list of equipment. Also, OSAI received a letter from Don Hackler, ODOC, stating "there is no inventory threshold in the Rx for Oklahoma program, but there is a \$500 threshold in the Community Service Block Grant manual."

OSAI visually verified two (2) Sharp AL 1655CS laser copiers, serial number 5502817X and 5502878X, at the Shawnee office. The copiers are included on the list of equipment retrieved by ODOC. The equipment received by ODOC was disbursed to the five (5) regions administering the Prescription Drug Program. ODOC provided a list of the equipment received by each region. Region 3, Northeastern Oklahoma Community Action Agency, received three (3) Sharp copiers from ODOC that included 5502817X. OSAI contacted Region 3 to verify the serial numbers for the Sharp copiers listed by ODOC agreed to the equipment in their possession. The copier with serial number 5502817X was in Region 3's possession, but the serial number for one (1) of the copiers received from ODOC was different from the serial number listed on ODOC's list. OSAI confirmed that there was a duplicate serial number issued for one (1) of the Sharp copiers, but was unable to confirm the second. Don Hackler, ODOC Deputy General Counsel, confirmed that copier 5502878X was listed on ODOC's list in error because they never took possession of it.

Based on OSAI verification of equipment, it appears Central Oklahoma Community Action Agency did not maintain and/or keep adequate

inventory records to safeguard and track equipment purchased through the Prescription Drug Program.

**RECOMMENDATION** OSAI recommends Central Oklahoma Community Action Agency establish procedures to record all assets as they are received to assure the safeguard of all assets purchased. OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

**FINDING** It was brought to the attention of OSAI that a utility trailer had been stolen from COCAA satellite office in Norman, Oklahoma and material taken from a COCAA project construction site in Stillwater, Oklahoma. OSAI requested police reports for both of the alleged occurrences. COCAA was unable to provide police reports to document the thefts had occurred. Further, OSAI reviewed Board minutes finding no documentation of the theft of the trailer or construction materials or any action taken. COCAA employees stated that the thefts did occur, but were not sure of the dates they occurred.

**RECOMMENDATION** OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

**OBJECTIVE**

**Determine whether State funds have been misappropriated.**

**FINDING** It was brought to the attention of OSAI that the Agency's former Director had forged the Board President's signature on checks issued. The Agency hired Saunders & Associates, an independent auditing firm, to perform agreed-upon procedures covering the possible forgery. On April 16, 2006, Saunders & Associates issued a report of findings to the Agency's Board of Directors. The report notes that the Board member's signature on four (4) checks did not appear to be authentic. Further, the report states these payments appear to have been for legitimate allowable cost. This finding is based on total reliance of the report and work performed by Saunders & Associates.

**RECOMMENDATION** OSAI recommends the proper authorities review this finding to determine what action, if any, may be required.

**DISCLAIMER** Throughout this report there are numerous references to State Statutes and legal authorities which appear to be potentially relevant to issues raised by the District Attorney and reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose or intent by the issuance of this report to determine the guilt, innocence, culpability or liability, if any, of any person or entity for any act, omission, or transaction reviewed and such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

The inclusion of cites to specific Statutes or other authorities within this report does not, and is not intended to, constitute a determination or finding by the State Auditor and Inspector that the Agency or any of the individuals named in this report or acting on behalf of the Agency have violated any statutory requirement or prohibition imposed by law. All cites and/or references to specific legal provisions are included within this report for the sole purpose of enabling the Agency and other interested parties to review and consider the cited provisions, independently ascertain whether or not Agency policies, procedures or practices should be modified or discontinued, and to independently evaluate whether or not the recommendations made by this Office should be implemented.



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