

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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December 28, 2010

Phil Motley  
Chief Financial Officer  
Department of Human Services  
2400 N. Lincoln Blvd.  
Oklahoma City, OK 73105

Dear Mr. Motley:

This communication is provided pursuant to the parameters of the 2010 Office of Management and Budget (OMB) pilot project. Such project requires auditors of entities that volunteer for the project to issue, in writing, an early communication of significant deficiencies and material weaknesses in internal control over compliance for certain federal programs having expenditures of American Recovery and Reinvestment Act of 2009 (ARRA) funding at an interim date, prior to the completion of the compliance audit. Accordingly, this communication is based on our audit procedures performed through November 30, 2010, an interim period. Because we have not completed our compliance audit, additional significant deficiencies and material weaknesses may be identified and communicated in our final report on compliance and internal control over compliance issued to meet the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

In planning and performing our audit procedures through November 30, 2010, of the Foster Care-IV-E-ARRA, CFDA 93.658 program, we are considering the Oklahoma Department of Human Service's compliance with activities allowed or unallowed, allowable costs and cost principles, cash management, eligibility, reporting and special tests and provisions-R1-separate accounting for funds provided under the Recovery Act, as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2010. We are considering the Oklahoma Department of Human Service's internal control over compliance with the requirements previously described that could have a direct and material effect on the Foster Care-IV-E-ARRA, CFDA 93.658 program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Oklahoma Department of Human Service's internal control over compliance.

Our consideration of internal control over compliance is for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies as defined in the following paragraph. However, as discussed subsequently, based on the audit procedures performed through November 30, 2010, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings to be a significant deficiency.

The Oklahoma Department of Human Service's response to our finding is described in the accompanying schedule. We did not audit the Oklahoma Department of Human Service's response and, accordingly, we express no opinion on it.

This interim communication is intended solely for the information and use of management, the Chairman of the Oklahoma Department of Human Services Commission, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage". The signature is written in a cursive, flowing style.

Steve Burrage, CPA  
State Auditor and Inspector

## Schedule of Findings

**FINDING NO:** 10-830-004

**STATE AGENCY:** Oklahoma Department of Human Services

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

**CFDA NO:** 93.658

**FEDERAL PROGRAM NAME:** Foster Care Program – Title IV-E

**FEDERAL AWARD NUMBER:** 1001OK1407

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Reporting

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

**Condition:** For the quarters ending 3/31/10 and 6/30/10, the supporting documentation for the IV-E-1 “State Quarterly Report of Expenditures and Estimates” contained an error. The amount of Training Stipends were entered as positive amounts rather than negative amounts (\$94,428.87) and (\$101,241.57). This increased the total expenditures reported on the IV-E-1 report causing a variance between the financial report and the FCSVM Summary report of \$188,857.74 ( $\$94,428.87 * 2$ ) and \$202,483.14 ( $\$101,241.57 * 2$ ) respectively. The amount reported on the IV-E-1 was overstated by a total of \$391,340.88 ( $\$188,857.74 + \$202,483.14$ ).

**Cause:** There is no detail level review of the IV-E-1 “State Quarterly Report of Expenditures and Estimates” report.

**Effect:** A calculation error on the financial report went undetected and caused the amount reported to be overstated.

**Recommendation:** We recommend the Department implement procedures to ensure someone other than the preparer review the financial report and the supporting documentation for accuracy.

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

**Contact Person:** Deena Brown, Finance Administrator

**Anticipated Completion Date:** January 31, 2011

**Corrective Action Planned:** Concur. Subsequent reports will reflect correcting adjustments. All reports are currently reviewed for reasonableness by the Unit Manager or Senior staff. Unfortunately the volume of reports requiring completion within 8 business days does not allow for a detailed review prior to submission. Staff has been instructed to ensure their reports agree to supporting documentation prior to review by the Unit Manager or Senior staff.

**Contact Person and contact information for high level management official who will assume overall responsibility for ensuring appropriate corrective action:** Deena Brown, Finance Administrator, Cost Accounting and Revenue Enhancement. 405-521-4343. [Deena.Brown@okdhs.org](mailto:Deena.Brown@okdhs.org)