

OPERATIONAL AUDIT

OKLAHOMA DEPARTMENT OF HUMAN SERVICES AGENCY SPECIAL ACCOUNTS

For the period July 1, 2008 through June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

**Audit Report of the
Oklahoma Department of Human Services**

**For the Period
July 1, 2008 through June 30, 2010**



Oklahoma State Auditor & Inspector

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September 14, 2011

TO THE OKLAHOMA COMMISSION FOR HUMAN SERVICES

This is the audit report of the Oklahoma Department of Human Services Agency Special Accounts for July 1, 2008 through June 30, 2010. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost important.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our Office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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Background

The Oklahoma Department of Public Welfare was established in 1916 when the voters of Oklahoma approved a constitutional amendment providing for a Department of Public Welfare to carry out the functions prescribed in Article XXV of the Oklahoma Constitution: "...to provide by appropriate legislation for the relief of needy aged...and other needy persons who, on account of immature age, physical infirmity, disability, or other cause, are unable to provide or care for themselves..." In 1980 the Department's name was changed to the Department of Human Services.

The Department of Human Services is under the governance of the Human Services Commission which is composed of nine members appointed by the Governor and selected on the basis of recognized interest in and knowledge of the problems of public welfare. Members are appointed to staggered nine-year terms, with one term expiring each August. Commission members are to be at least thirty years of age, a citizen of the United States, and an Oklahoma resident for at least five years. The commission chairman is designated by the Governor. The commission formulates policies and adopts rules and regulations for the effective administration of the duties of the department. The Commission appoints the Director of the Department.

The Mission of the Oklahoma Department of Human Services is to help individuals and families in need help themselves lead safer, healthier, more independent and productive lives.

Commission members are:

Richard L. DeVaughn, D.D.S.	Chairman
Ronald L. Mercer	Vice Chairman
Jay Dee Chase.....	Member
Steven Dow (Appointed to replaced Patrice Douglas 11/25/09)	Member
Patrice Douglas, Esq. (Resigned 4/10/09 to become Mayor of Edmond).....	Member
Michael L. Peck, O.D.....	Member
Robert D. Rawlings.....	Member
Garoldine (Gerri) Webb.....	Member
Aneta F. Wilkinson.....	Member
Rev. George E. Young Sr.....	Member

Purpose, Scope, and Sample Methodology

This audit was conducted in response to 74 O.S. § 226, which requires the State Auditor and Inspector's Office to audit all special, revolving, depository, canteen or other nonstate funds existing within any state agency, department, institution, or subdivision of state government. This audit was also conducted in response to 47 O.S. § 1104.1, which requires the State Auditor's Office to audit the Department of Human Services "Adaptive Grant Program for Oklahomans with Mental Retardation Revolving Fund".

The audit period covered was January 1, 2008 through June 30, 2010. We audited the department's agency special accounts. (Funds 245, 700, 710, 715, 720, 725, and 730)

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for

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testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is 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.

Objective - To determine if the Agency's internal controls over agency special accounts (ASA) provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with finance-related laws and regulations.

Conclusion

The Agency's internal controls over agency special accounts (ASA) provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Financial operations complied with the following statutes:

- 62 O.S. § 7.1.C – Receipts shall be deposited within one day of receipt and adequate safekeeping of receipts awaiting deposit;
- 47 O.S. § 1104.1.C – Administration of the Adaptive Grant Program for Oklahomans with Mental Retardation Program;
- 47 O.S. § 1104.1.D – Adaptive Grant Program for Oklahomans with Mental Retardation Program annual report preparation;

Methodology

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls over ASAs related to the receipt and expenditure processes through discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
 - Reviewing a random sample of 25 deposits to Fund 700 during the audit period to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in accounting records, the nature of the receipt was allowable per the ASA application for Fund 700, and the deposit traced to the daily transaction register and special transaction sheet;
 - Reviewing a sample of 3 months Fund 700 system reports during the audit period to ensure the reports were reviewed by agency personnel, the sample selections were made by agency personnel, and recalculations were performed by agency personnel;
 - Reviewing a random sample of 25 deposits to Fund 710 during the audit period to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in accounting records, and the nature of the receipt was allowable per the ASA application for Fund 710;

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- Reviewing a random sample of 25 deposits to Fund 715 during the audit period to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in accounting records, the nature of the receipt was allowable per the ASA application for Fund 715, and the deposit traced to the daily transaction register;
- Reviewing a random sample of 25 deposits to Fund 720 during the audit period to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in accounting records, the nature of the receipt was allowable per the ASA application for Fund 720, and the deposit traced to the ADM-12 and the F-S-17;
- Reviewing a random sample of 25 deposits to Fund 725 during the audit period to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in accounting records, the nature of the receipt was allowable per the ASA application for Fund 725, and the deposit traced to the daily transaction register;
- Reviewing a random sample of 25 deposits to Fund 730 during the audit period to ensure the monies were deposited within one day of receipt, as required by 62 O.S. § 7.1.C.1 receipts were supported by adequate documentation, receipts were properly posted in accounting records, the nature of the receipt was allowable per the ASA application for Fund 730, and the deposit traced to the AS400 posting;
- Reviewing the total population of 5 deposits to Fund 245 during the audit period to ensure the monies were deposited within one day of receipt as required by 47 O.S. § 1104.1C, receipts were supported by adequate documentation, and receipts were properly posted in accounting records;
- Reviewing a random sample of 3 months Fund 700, 710, 715, 720, 725 and 730 reconciliations during the audit period to ensure the reconciliation's were performed by someone independent of the receipting process, were mathematically correct, were properly supported, and reconciling items appear reasonable;
- Reviewing a random sample of 3 months' deposits to Fund 245 during the audit period and ensuring an OTC written notification of Fund 245 monthly deposits was received and traced to a corresponding Fund 245 deposit;
- Reviewing a random sample of 3 months' Fund 245 reconciliations during the audit period to ensure the reconciliation's were performed by someone independent of the receipting process, were mathematically correct, were properly supported, and reconciling items appear reasonable;
- Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;

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- Reviewing random samples of 25 disbursements from each of Funds 700, 715, 720, 725, and 730 to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was consistent with the ASA purpose according to the ASA application.

The Fund 700 sample was additionally reviewed to ensure the voucher traced to the AS400 transmittal, and the voucher was signed by the client owner of the account and an approving authority.

The Fund 715 sample was additionally reviewed to ensure the voucher was signed by an authorized agency official and supported by documentation from the institution.

The Fund 720 sample was additionally reviewed to ensure the voucher included a listing of children for which allowances were being requested, had been reviewed by the appropriate agency personnel, and voided vouchers were returned to the client account and transferred back to the group home's adjustment account and operating fund.

The Fund 725 sample was additionally reviewed to ensure the voucher was signed by two authorized personnel, the voucher was supported by a valid vendor invoice bearing an approval signature, and the voucher was supported by adequate documentation.

The Fund 730 sample was additionally reviewed to ensure the voucher was authorized by the Social Security Administration.

- Reviewing a random sample of 7 disbursements from Fund 710 from the period to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was consistent with the ASA purpose according to the Fund 710 ASA application, the voucher was supported by a OIG SA/01 form that was approved by authorized personnel, the voucher was signed by two agency personnel listed on the signature card, and the supporting OIG SA/01 form was signed by an OIG employee indicating the voucher was received;
- Reviewing the total population of 1 disbursement from Fund 245 from the period to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was consistent with the purpose as outlined by 47 O.S. §1104.1C, the voucher was supported by an approved OSF Form 15A, and the voucher was audited by the claims audit unit;
- Reviewing the policies and procedures established by the contractor for the Adaptive Grant Program for Oklahomans with Mental Retardation Program to ensure the items required in 47 O.S. §1104.1.C. were addressed;
- Reviewing the annual reports for the Adaptive Grant Program for Oklahomans with Mental Retardation Program for FY09 and FY10 to ensure they were prepared as required by 47 O.S. §1104.1.D.

There were no exceptions noted as a result of these procedures.



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