



J. D. MCCARTY CENTER FOR CHILDREN WITH DEVELOPMENTAL DISABILITIES

Operational Audit

For the Period of July 1, 2014 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
J.D. McCarty Center for Children
with Developmental Disabilities**

**For the Period
July 1, 2014 through June 30, 2021**

November 8, 2021

**TO THE J.D. MCCARTY CENTER FOR CHILDREN WITH DEVELOPMENTAL
DISABILITIES**

We present the audit report of the J.D. McCarty Center for Children with Developmental Disabilities for the period July 1, 2014 through June 30, 2021. 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 importance.

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

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.

Sincerely,



OKLAHOMA STATE AUDITOR & INSPECTOR



**J.D. McCarty Center for Children with Developmental Disabilities
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Background

The J.D. McCarty Center for Children with Developmental Disabilities (the Agency) was created to provide care, maintenance, training, treatment, habilitation, and rehabilitation to persons afflicted with cerebral palsy and other developmental disabilities.

The Agency’s stated mission is to provide a comprehensive program of rehabilitative care to Oklahoma's children (ages 0-21) with developmental disabilities.

Oversight is provided by the Cerebral Palsy Commission, composed of five members appointed by the governor for three-year terms. J.D. McCarty is provided day-to-day leadership by a Director who also serves as the Agency’s CFO.

Commission members as of October 2021 are:

- Rob McCalla..... Chair
- Bruce Jennings..... Vice-Chair
- Charles Baker.....Secretary
- Joseph Steil..... Commissioner at Large
- Chuck Thompson..... Commissioner at Large

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Medical Services	\$ 17,225,711	\$ 20,672,152
Net Appropriations	4,954,273	10,283,849
Receipts From Local Governments	403,534	394,727
Other Sources	149,221	49,648
Total Sources	\$ 22,732,739	\$ 31,400,376
Uses:		
Personnel Services	\$ 16,241,384	\$ 16,269,915
Assistance, Payments to Local Govn'ts	3,324,165	2,720,518
Administrative Expenses	2,080,543	2,509,531
Property, Furniture, Equipment	1,047,300	565,631
Professional Services	550,754	381,822
Travel and Other Uses	26,132	42,142
Total Uses	\$ 23,270,278	\$ 22,489,559

Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)

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Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period full July 1, 2014 through June 30, 2021.

Our audit procedures included inquiries of appropriate personnel, data analysis, and inspections of documents and records. Further details regarding our methodology are included in Appendix A.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>

OBJECTIVE I Determine whether the agency's control environment is operating effectively as defined by GAO *Standards for Internal Control*.

Conclusion The Agency's control environment is generally operating effectively as outlined in GAO's *Standards for Internal Control*.

We did identify opportunities for improvement in specific areas of communications and employee evaluation. Written details were provided to and discussed with the director and Commission.

Details regarding our methodology are outlined in Appendix A.

OBJECTIVE II Determine whether non-payroll expenditures were independently reviewed and approved in line with the previous audit recommendation and GAO *Standards for Internal Control*.

Conclusion Non-payroll expenditures were not independently reviewed and approved in line with the previous audit recommendation and GAO *Standards for Internal Control*.

Our methodology is detailed in Appendix A.

FINDINGS AND RECOMMENDATIONS

**Independent,
Detailed
Expenditure
Review
Needed**

Repeat Finding

The Business Manager works with ABS to process invoices and payments and reviews and prepares financial reports. While this provides a review of other staff's work, this combination of responsibilities could enable the Business Manager to make inappropriate expenditures or errors without upper management's detection. Detailed expenditure reports are available to review through Microsoft's PowerBI for those who have access, including the Director/CFO. However, the Business Manager has access to the original Excel data sets used to create and build these reports and they could therefore be manipulated. The Director/CFO does not perform a formal, documented review.

According to GAO *Standards for Internal Control*, "Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk." The *Standards* further specify that "if segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk."

Recommendation

We recommend a knowledgeable person independent of the expenditure process (such as the Director/CFO, or Commission) review a detailed, unaltered expenditure report from the Statewide Accounting System to ensure all payments are appropriate. This review could be performed on a regular or random basis, and the Agency should retain documentation of the review.

Views of Responsible Officials

As the Business Manager files monthly financial reporting with the commission and director from Power BI for review that same process can be utilized to address this concern. Moving forward Management will begin requiring the Business Manager to include the detailed 6-digit object of expenditure report from Peoplesoft directly along with the PowerBI monthly expenditure reports. At the next governing body meeting the Business Manager will note the addition and review the reports to provide context and information on how to use them.

Auditor Response

As a clarifying reminder, we recommend the report used for review be line-item detailed and provided or accessed in a format not subject to potential manipulation (such as a PDF copy directly from the Statewide Accounting System).

APPENDIX A: Detailed Methodology

In gaining an understanding of the Agency and developing our detailed objectives, in addition to routine discussions, surveys, analysis, research, and prior audit follow-up, we performed the following:

- Reviewed revenue and asset-related data from the State-Wide Accounting System and gathered information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewed the Agency's HR All Actions Report from the State-Wide Accounting System to assess the changes that had a financial impact during the audit period.

No significant risks or findings were identified as a result of these procedures. Additional areas were developed into objectives as reflected in the body of the report.

To accomplish our objectives, we performed the following:

OBJECTIVE I: Determine whether the agency's control environment is operating effectively as defined by GAO *Standards for Internal Control*.

- Documented significant results collected from an anonymous employee survey and policies and procedures related to the agency-wide control environment, which included:
 - Analyzing survey responses from 116 Agency employees. This is a response rate of 52% as we distributed the survey to 221 employees.
 - Reviewing policies including those on subjects such as COVID-19, grievances, training, workloads, and animals/pets on-site.
 - Corresponding with and interviewing the Director/CFO, Business Manager, HR Programs Manager, Executive Secretary, audit period Recreational Therapy Coordinator/Special Duty Administrative Programs Officer, and a variety of additional employees.

OBJECTIVE II: Determine whether non-payroll expenditures were independently reviewed and approved in line with the previous audit recommendation and GAO *Standards for Internal Control*.

- Documented significant internal controls and processes related to non-payroll expenditures.
- Documented and assessed agency-wide monitoring activities significant to this objective.

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- Compared the Agency's process to governmental internal control standards outlined in the *GAO Standards for Internal Control* and developed recommendations, keeping in mind related recommendations in our prior audit.

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STATE AUDITOR & INSPECTOR



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