

COUNTY AUDIT

# OKLAHOMA CITY - COUNTY HEALTH DEPARTMENT

For the fiscal year ended June 30, 2012



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



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FINANCIAL STATEMENTS—CASH BASIS  
AND INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd., Room 100, Oklahoma City, Oklahoma 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

August 2, 2013

TO THE BOARD OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Transmitted herewith is the audit of the Oklahoma City-County Health Department for the fiscal year ended June 30, 2012. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Oklahoma City-County Health Department.

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.

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**TABLE OF CONTENTS**

<u>BOARD MEMBERS</u> .....	iii
<u>INTRODUCTION</u> .....	iv
 <u>FINANCIAL SECTION</u>	
Report of State Auditor and Inspector .....	1
Financial Statements:	
Governmental Fund Type—General Fund—Balance Sheet—Cash Basis .....	3
Governmental Fund Type—General Fund—Statement of Cash Receipts, Disbursements, and Changes in Fund Balance .....	4
Notes to the Financial Statements .....	5
Required Supplementary Information:	
Budgetary Comparison Schedule .....	11
Note to the Required Supplementary Information .....	12
Schedule of Expenditures of Federal Awards .....	13
Notes to the Schedule of Expenditures of Federal Awards .....	14
Schedule of Expenditures of State Awards .....	15
Note to the Schedule of Expenditures of State Awards .....	16
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	17



**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	19
Schedule of Findings and Questioned Costs .....	21

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**BOARD MEMBERS**

CHAIRPERSON

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VICE CHAIRPERSON

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Lois Salmeron, Ed.D., R.N.C., M.S.N.  
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DIRECTOR

Gary Cox, Director

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**INTRODUCTION**

Article X, § 9A of the Oklahoma Constitution authorized the formation of county health departments and authorized a tax levy not to exceed two and one-half mills for the purpose of providing public health services. County voters approved a two and one-half mills levy to support the operations of the Oklahoma City-County Health Department. County voters subsequently voted to repeal the personal property tax. The initiative provided that the real property tax levy was increased to make up for the loss of taxable personal property and is now 2.59 mills. Besides the ad valorem tax levy, other significant sources of funding include federal and state grants and contracts.

See independent auditor's report as it relates to supplementary information.

## **Financial Section**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd., Room 100, Oklahoma City, Oklahoma 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## Independent Auditor's Report

### TO THE BOARD OF THE OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the accompanying financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of the Oklahoma City-County Health Department, as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Oklahoma City-County Health Department prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the general fund of the Oklahoma City-County Health Department, as of June 30, 2012, and the changes in financial position thereof for the year ended June 30, 2012, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013, on our consideration of Oklahoma City-County Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedule for the General Fund, on page 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the Budgetary Comparison Schedule, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

The Oklahoma City-County Health Department has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Oklahoma City-County Health Department. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements of the Oklahoma City-County Health Department. The accompanying schedule of expenditures of state awards is presented as required by Oklahoma City-County Health Department's contracts with the Oklahoma State Department of Health. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The Introductory Section is presented for purposes of additional analysis and is not a required part of the financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on such information.



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

July 29, 2013

## **Financial Statements**



**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
GOVERNMENTAL FUND TYPE—GENERAL FUND  
BALANCE SHEET—CASH BASIS  
JUNE 30, 2012**

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	<u>General Fund</u>
Assets:	
Cash	<u>\$ 13,892,008</u>
Total Assets	<u><u>\$ 13,892,008</u></u>
Fund Balance:	
Fund Balance Arising From Cash Transactions	<u>\$ 13,892,008</u>
Total Fund Balance	<u><u>\$ 13,892,008</u></u>

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
GOVERNMENTAL FUND TYPE—GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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	General Fund
Cash Receipts:	
Property Taxes	\$ 15,067,629
Intergovernmental Revenues	7,412,431
Charges for Services	1,179,927
Miscellaneous Revenues	143,098
Interest Income	20,619
Total Cash Receipts	<u>23,823,704</u>
Cash Disbursements:	
Personal Services	18,320,435
Maintenance and Operations	3,264,326
Capital Outlay	514,705
Travel	465,412
Total Cash Disbursements	<u>22,564,878</u>
Excess of Cash Receipts Over Cash Disbursements	1,258,826
Fund Balance Arising From Cash Transactions July 1, 2011	<u>12,633,182</u>
Fund Balance Arising From Cash Transactions June 30, 2012	<u><u>\$ 13,892,008</u></u>

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Summary of Significant Accounting Policies**

The accompanying financial statements present the receipts, disbursements, and changes in cash balances of the general fund of the Oklahoma City-County Health Department (the OCCHD or the Department). The fund presented is established under statutory authority, and its operation is under the control of the Oklahoma City-County Board of Health (Board). The more significant accounting policies and practices are described below.

**A. Reporting Entity**

The OCCHD is a special unit of government, which does not possess political or governmental powers other than those necessary to carry out the specific purpose for which it was created. The Department was created pursuant to 63 O.S. § 1-214 and a 1956 operating agreement (revised in 1996) between Oklahoma County and Oklahoma City. The Department provides public health services to all citizens of Oklahoma County. The Department is not subject to federal or state income taxes.

The governing board of the Department is the City-County Board of Health (Board), created in accordance with 63 O.S. § 1-210. The purpose of the Board is to preserve and promote public health and to assist in the formulation and adoption of uniform health ordinances, rules, and regulations within the jurisdiction of the Board. The Board consists of nine members. Five members are appointed by the City Council of Oklahoma City, and four members are appointed by the Board of County Commissioners of Oklahoma County. The Board of Health business meetings are open to the public.

The accompanying financial statements include all OCCHD receipts and disbursements relating to funds, functions, and activities over which the Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Board. The Department is not a component unit of another government and does not have any component units. The primary sources of funding for the Department are a county-wide ad valorem tax levy, charges for services, and intergovernmental grants and contracts.

**Related Organization Excluded from the Reporting Entity**

The Board of Health was responsible for the initial appointment of members of the board of a non-profit corporation, but the Department's accountability for this organization does not extend beyond making the appointments. The following organization is not included in the financial statements:

Partners in Public Health, Inc. is a non-profit corporation organized for "charitable and educational" purposes.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**B. Fund Accounting**

A government uses funds to report its fiscal activities relating to receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund - The general fund is the Department's general operating fund, accounting for the receipts and disbursements for all financial resources. The cash resources reported in the general fund are unrestricted.

**C. Basis of Accounting**

The financial statements are prepared on a cash basis of accounting, wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. Cash basis presentations that only report receipts and disbursements of cash do not satisfy reporting requirements of operational accountability and do not provide a comprehensive measure of the government's true economic-based financial condition and changes therein.

**D. Cash and Equivalents**

The OCCHD adopted a formal investment policy August 2004. State statutes authorize the OCCHD to adopt a written investment policy directing the investment of the funds of OCCHD. The Director of Finance is allowed by the investment policy to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies, if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2012.

**E. Risk Management**

The OCCHD is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCCHD carries commercial insurance for its physical plant, with a \$50,000 deductible; participates in the Oklahoma State health and dental plans for its health benefits coverage for employees; is self-insured for errors and omissions and for other general liability and workers' compensation for claims under \$100,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the OCCHD. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the Governmental Tort Claims Act in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2012 fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**F. Compensated Absences**

Annual Leave - Accrual rates vary in four stages from 15 days (10 hours/month) per year for less than 5 years to 25 days (16 2/3 hours/month) per year for 15 or more years. Any employee terminating from employment shall be paid for any unused, accrued annual leave up to an amount of 480 hours. All other accrued annual leave over this amount will not be paid to the employee.

Sick Leave - The accrual rate for sick leave is 15 days (10 hours/month) with no accumulation limit. The amount of sick leave that can be credited towards retirement will not exceed the amount in the most current retirement plan. Employees may convert up to 40 hours of sick leave to annual leave or pay each fiscal year, provided a minimum of 180 hours of sick leave is maintained. No accrued, unused sick leave will be paid upon termination from employment.

**2. Stewardship, Compliance, and Accountability**

Budgetary Compliance

Pursuant to 68 O.S. § 3002, on or before August 17 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is adopted for the general fund by object and submitted to the Oklahoma County Excise Board for approval. The Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Oklahoma County Excise Board.

**3. Detailed Notes on Account Balances**

**A. Deposits**

At year-end, the cash balance consisted of amounts in demand deposits. The reported amount of the OCCHD's deposits was \$13,892,008 and the bank balance was \$13,859,881. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Department's agent in the Department's name.

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure the OCCHD may not be able to recover its deposits. The OCCHD policy requires banks to be 110 percent secured by collateral valued at market value less FDIC insurance. As of June 30, 2012, OCCHD's bank balance of \$13,859,881 was FDIC insured for \$250,000 and the bank had pledged securities of \$16,745,391.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCCHD limited activity to interest bearing Government Obligations Money Market Funds and demand deposits only for fiscal year 2012. This limited the possibility of interest rate risk affecting deposits of OCCHD.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**B. Description of Funds**

During the year ended June 30, 2012, the OCCHD used only a general fund.

**C. Ad Valorem Tax**

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the OCCHD.

The assessed property value as of January 1, 2011, was \$5,765,823,567 after deducting homestead exemptions of \$127,402,249.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2012, were approximately 96.55 percent of the tax levy.

**D. Pension Plan**

Plan Description. In 1991, the Department converted to a defined contribution plan. The defined contribution plan is administered by Massachusetts Mutual Life Insurance Company. Employees working 1,000 or more hours annually are eligible to participate in the plan. The plan may be amended from time to time by action of the Department's Board of Health.

Eligible participants may choose to invest their individual retirement funds in a variety of mutual fund and other investment options available through the plan administrator.

Benefits under the defined contribution plan include entitlement to the amount in the individual employee's account upon retirement, or upon termination of employment due to total and permanent disability. Partial vesting accrues after the second year at the rate of twenty percent (20%) per year, until 100% vesting is completed at the end of six years of service. Upon the death of a vested participant, his or her beneficiary(ies) is eligible to receive the participant's retirement benefits.

Retiring participants may choose from a variety of options from the distribution of benefits under the defined contribution plan. These options include immediate lump sum distribution of the entire account balance, various installment style distributions, and/or various annuity options.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's cash contributions to the defined contribution plan for the year ending June 30, 2012, were \$1,296,929. A copy of the plan may be obtained from the Oklahoma County Clerk's Office at 320 Robert S. Kerr, Room 105, Oklahoma City, Oklahoma 73102 or you may call 405-713-1400.

**E. Lease Obligations**

The Department is paying on a fifteen (15) year lease renewable annually for the new Health Center West Clinic Building. The lease agreement is with the Oklahoma City Industrial and Cultural Facilities Trust. Payments made by the Department will be used to pay the principal and interest on the Trust's revenue bonds related to the building project.

During the year ending June 30, 2012, the Department paid \$3,683 in principal and interest on the clinic building.

Note: OCCHD also has a new 20 year lease that went into effect on January 1, 2012 for the Northeast Regional Health and Wellness Center. Total payments made in fiscal year 2012 totaled \$85,461 - \$82,500 for principal and interest and the remaining amount for miscellaneous fees.

**F. Construction and Other Significant Commitments**

The Department is paying on a twenty (20) year lease renewable annually for the new Northeast Health and Wellness Center Building. This building will house the Department's administrative and emergency operations departments, as well as provide clinical services, community health educational presentations, and meeting spaces for the public. The \$8,395,000 lease agreement was entered into on January 1, 2012 with the Oklahoma County Financing Authority. Payments made by the Department will be used to pay the principal and interest on the Authority's revenue bonds related to the building project.

During the year ending June 30, 2012, the Department paid \$82,500 in principal and interest on the building.

**G. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of cash receipts which may be disallowed by the grantor cannot be determined at this time; although, the Department expects such amounts, if any, to be immaterial.

The OCCHD does have one pending or threatened litigation that could have a material impact on the financial statements at the fiscal year ending June 30, 2012.



**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**H. Federal Grants**

In the fiscal year ended June 30, 2012, the Department received federal funds from the U.S. Department of Agriculture and U.S. Department of Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

The federal funds included four major programs titled Special Supplemental Nutrition Program for Women, Infants, and Children, Public Health Emergency Preparedness, Family Planning – Services, and PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants; eleven non-major programs, including Project Grants and Cooperative Agreements for Tuberculosis Control Programs, Immunization Cooperative Agreements, Community-Based Child Abuse Prevention Grants, Preventive Health Services – Sexually Transmitted Disease Control Grants, Maternal and Child Health Federal Consolidated Programs, Maternal and Child Health Services Block Grant to the States, and Medical Assistance Program, American Recovery and Reinvestment Act – Immunization Recovery, Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program, Affordable Care Act (ACA) Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support, and Substance Abuse and Mental Health Services – Projects of Regional and National Significance.

**I. State Grants**

During fiscal year 2012, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the state department. State funds were provided for Child Guidance Program, Tuberculosis Prevention, Maternal and Child Health Services, Special Parental Pediatrics, Infant Mortality Review, Children First Program, and State Omnibus. Further information on state assistance is included in the Schedule of Expenditures of State Awards, as required by contract.

## **Required Supplementary Information**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 12,633,182	\$ 12,633,182	\$ -
Less: Prior Year Encumbrances	(2,168,534)	(1,828,398)	340,136
Beginning Cash Balances, Budgetary Basis	10,464,648	10,804,784	340,136
Receipts:			
Property Taxes	13,578,889	15,066,784	1,487,895
Charges for Services	676,564	759,102	82,538
Intergovernmental Revenues	6,350,171	7,799,714	1,449,543
Miscellaneous Revenues	146,110	198,106	51,996
Total Receipts, Budgetary Basis	20,751,734	23,823,706	3,071,972
Disbursements:			
Personal Services	20,061,013	18,335,922	1,725,091
Maintenance and Operations	4,032,488	3,414,347	618,141
Capital Outlay	6,387,850	400,161	5,987,689
Travel	735,031	483,877	251,154
Total Disbursements, Budgetary Basis	31,216,382	22,634,307	8,582,075
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ -	11,994,183	\$ 11,994,183
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances			
Add: Current Year Encumbrances		1,897,825	
Ending Cash Balance		\$ 13,892,008	

The accompanying note to the Budgetary Comparison Schedule is an integral part of this schedule. See independent auditor's report as it relates to the required supplementary information.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**1. Budgetary Comparison Schedule**

The Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances to their related budget year.

Oklahoma Statutes require the Department to prepare a formal budget for the general fund and other funds as the Board of Health may require. The budget presented for the general fund includes the originally approved budgeted appropriations and final budgeted appropriations, as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute paid or outstanding warrants. At the end of the fiscal year, unencumbered appropriations are lapsed.

See independent auditor's report as it relates to the required supplementary information.

**Schedule of Expenditures of Federal Awards**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Passed Through Oklahoma State Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,411,434
Total U.S. Department of Agriculture		<u>1,411,434</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed Through Oklahoma State Department of Health:		
Public Health Emergency Preparedness	93.069	1,219,588
Maternal and Child Health Federal Consolidated Programs	93.110	217,812
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	41,753
Family Planning - Services	93.217	536,203
Immunization Cooperative Agreements	*93.268	1,704,065
Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program	93.505	45,318
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	140,403
Community-Based Child Abuse Prevention Grants	93.590	318,581
ARRA Immunization Recovery	93.712	64,072
Medical Assistance Program	93.778	76,401
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	15,024
Maternal and Child Health Services Block Grant to the States	93.994	87,967
Passed through the State Department of Mental Health:		
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	23,381
Passed through the Oklahoma University Health Sciences Center:		
Affordable Care Act (ACA) Public Health Training Centers Program, Resources Development and Academic Support to the Public Health Training Centers Program and Public Health Infrastructure and Systems Support	93.516	85,295
Total U.S. Department of Health and Human Services		<u>4,575,863</u>
Total Expenditures of Federal Awards		<u>\$ 5,987,297</u>

\* Partially Non-Cash Assistance

The accompanying notes are an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid as of June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Department of Health and Human Services - Immunization Grants CFDA #93.268

Non-cash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The federal value of \$1,347,797 is included in the Schedule of Expenditures of Federal Awards.



**Schedule of Expenditures of State Awards**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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<u>State Grantor/Grant Program Title</u>	<u>State P.O. Number</u>	<u>State Expenditures</u>
<b>OKLAHOMA STATE DEPARTMENT OF HEALTH</b>		
Child Guidance Program	H015989	\$ 411,779
Tuberculosis Prevention	H015024	648
Maternal and Child Health Services	H015785	100,000
Special Parental Pediatrics	H015063	75,000
Infant Mortality Review	H015785	163,849
Children First Program	H015813	904,178
State Omnibus	H015024	748,379
Total Oklahoma State Department of Health		<u>2,403,833</u>
Total Expenditures of State Awards		<u>\$ 2,403,833</u>

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid as of June 30, 2012. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

## **Internal Control and Compliance Section**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd., Room 100, Oklahoma City, Oklahoma 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE BOARD OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the cash basis financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2012, and have issued our report thereon dated July 29, 2013. Our report states that the general fund presentation does not purport to present fairly the financial position of the Oklahoma City-County Health Department in accordance with accounting principles generally accepted in the United States of America. Our report also includes an explanatory paragraph that certain required supplementary information has been omitted. 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 Oklahoma City-County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City-County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Findings: 12-155-001, 12-155-002, 12-155-003, 12-155-004, 12-155-005, 12-155-006, 12-155-007, 12-155-009, 12-155-010. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City-County Health Department's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item: Finding - 12-155-008.

Oklahoma City-County Health Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oklahoma City-County Health Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. 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.



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

July 29, 2013

**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and  
Material Effect on Each Major Program and Internal Control Over Compliance in Accordance  
With OMB Circular A-133**



**Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

TO THE BOARD OF THE  
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of Oklahoma City-County Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Oklahoma City-County Health Department's major federal programs for the year ended June 30, 2012. Oklahoma City-County Health Department'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 its major federal programs are the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on Oklahoma City-County Health Department's compliance based on our audit.

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 Oklahoma City-County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oklahoma City-County Health Department's compliance with those requirements.

In our opinion, Oklahoma City-County Health Department complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Oklahoma City-County Health Department 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 Oklahoma City-County Health Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, 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 Oklahoma City-County Health Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items Finding 12-155-012 and 12-155-013. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Oklahoma City-County Health Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oklahoma City-County Health Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

July 29, 2013

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued: ..... Unqualified—General Fund—Cash Basis

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? ..... 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

Identification of Major Programs

CFDA Number(s)

10.557

93.069

93.217

93.531

Name of Federal Program or Cluster

Special Supplemental Nutrition Program  
for Women, Infants, and Children  
Public Health Emergency Preparedness  
Family Planning – Services  
PPHF 2012: Community  
Transformation Grants and National  
Dissemination and Support for  
Community Transformation Grants –  
financed solely by 2012 Prevention and  
Public Health Funds

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding – 2012-1 – Dual Employment – Grant Writer  
Ref No: 12-155-001**

**Condition:** The Oklahoma State Auditor & Inspector's Office (OSAI) noted an employee was working full-time at the Tulsa Health Department (THD) and part-time at the Oklahoma City-County Health Department (OCCHD) from May 16, 2011 through March 7, 2012. This employee does not have an Outside Employment Form on file at either location. THD did not know that this employee was working part-time for OCCHD. OCCHD did know that this employee was working full-time at THD. At THD, this employee was a salaried, exempt employee working Monday through Friday 8am to 5pm. This employee worked a total of 655 hours at OCCHD in which they were a full-time employee at THD. The total amount paid to the employee by OCCHD during this time frame was \$19,744.88. This employee's THD employment application stated that they were working at OCCHD from January 2011 through May 2011. OSAI received this employee's THD travel claims, leave requests and calendar items. OSAI has noted the following items of significance:

- Employee turned in travel claims to THD on eight different occasions totaling \$917.42 in which they also claimed time on their OCCHD timesheets.
- On two separate occasions the employee turned in a travel claim to THD and on their OCCHD timesheet stated "on-site meeting."
- On seven occasions this employee used sick, annual or personal leave at THD and reported time on their OCCHD timesheets.
- On one of these occasions this employee used sick leave from THD and reported that they went on a site visit to North Little Rock from 8:30am to 4:30pm plus travel time home on their OCCHD timesheet.
- There were also two different occasions on this employee's calendar at THD that they also reported time on their OCCHD timesheets.

Also according to this employee's resume, this employee has their own LLC and is presently employed with another consulting firm.

**Cause of Condition:** OCCHD management knew this employee was working full-time at THD and did not alert THD to this, nor, prepare proper OCCHD documentation in regards to dual employment.

**Effect of Condition:** These conditions resulted in possible timesheet fraud as well as a "conflict of interest" at OCCHD and THD.

**Recommendation:** OSAI recommends that OCCHD management design and implement policies and procedures to ensure effective internal controls are in place to follow the Outside Employment Policy.

**Management Response:** While the failure to follow the Outside Employment Procedure was an

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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oversight in this instance, Management agrees with the recommendation that processes should be developed to ensure compliance with the Outside Employment Procedure. A new process, such as an employment file checklist, will be developed to accomplish this task. In addition, OCCHD will survey current employees to assure all are aware of their obligation to execute an Outside Employment Form if such is applicable. OCCHD will further review timesheet submission and approval procedures for employees working remotely and make changes as deemed necessary to assure all timesheets are properly signed and approved. Although not having access to the data obtained by OSAI relating to THD, OCCHD has no reason to believe that timesheets and other required documentation provided to it were not accurate representations of hours worked but instead believes that they were. Further, OCCHD denies the existence of a conflict of interest as all conflict of interest considerations were met as OCCHD was operating with the knowledge that THD knew that the Grant Writer was working part-time at OCCHD.

**Auditor Response:** Policies and procedures are in place for timesheets to be completed and approved by immediate supervisors. Timesheets are a tool for accountability of time, documentation of leave benefits, and documentation of time charged to federal projects. There are several instances where timesheets for the Grant Writer (who later became the Director of Planning and Development) were not signed by either the employee or supervisor/manager or both (See Finding 2012 Ref No 12-155-004).

When comparing the employee's OCCHD timesheets to the same employee's THD timesheets, it appears time was simultaneously charged to both governmentally funded entities. Further, based on discussions with key administrative employees, there were no internal controls in place to ensure the time charged by this employee was accurate. OSAI recommends a greater emphasis be placed on recordkeeping for employees with *dual employment* to ensure that time charged to the entity is properly documented.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.

**Finding – 2012-2 – Dual Employment – Human Resources  
Ref No: 12-155-002**

**Condition:** The OCCHD Human Resources Director required training on Human Resources policies and procedures so OCCHD requested the Tulsa Health Department (THD) Human Resources Director to consult with the OCCHD Human Resources Director. OSAI noted the THD Human Resources Director was working full-time, Monday through Friday 8am to 5pm, at the THD and part-time at OCCHD from May 9, 2012 through January 30, 2013. This employee does not have an Outside Employment Form on file at OCCHD. THD knew that this employee was working part-time for OCCHD Human Resources Department, whose business hours are Monday through Friday 8am to 5pm. OCCHD knew that this employee was working full-time at THD. This employee worked a total of 424.45 hours at OCCHD in which they were a full-time employee at THD. This employee was paid \$50 an hour costing OCCHD a total of \$21,225.50.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Cause of Condition:** OCCHD management knew this employee was working full-time at THD and did not prepare proper OCCHD documentation in regards to dual employment.

**Effect of Condition:** These conditions resulted in possible timesheet fraud as well as a “conflict of interest” at OCCHD and THD.

**Recommendation:** OSAI recommends that OCCHD management design and implement policies and procedures to ensure effective internal controls are in place to follow the Outside Employment Policy.

**Management Response:** As with the employment of the part-time Grant Writer, the failure to follow the Outside Employment Procedure was an oversight in this instance where the THD Human Resources Director was hired to assist, on a limited basis, with immediate improvements in human resources policies and procedures. The same improvements discussed above apply here. Again, OCCHD does not have access to the data obtained by OSAI relating to THD. However, OCCHD has no reason to believe that timesheets and other required documentation provided to it were not accurate but instead believes that they were. Further, OCCHD denies the existence of a conflict of interest as all conflict of interest considerations were met.

Finally, the Chief Personnel Officer/Director of Human Resources appointed in May of 2012 has, as reflected in his OCCHD employee file, a Master’s in Human Resources Administration and years of management and Human Resources experience. The Tulsa Health Department Human Resources Director was hired to assist with the sheer volume of Human Resources improvements needed within the agency, not due to the inexperience of the OCCHD Human Resources Director appointed in May 2012.

**Auditor Response:** Policies and procedures are in place for timesheets to be completed and approved by immediate supervisors. Timesheets are a tool for accountability of time, documentation of leave benefits, and documentation of time charged to federal projects. Timesheets were not prepared by the employee hired for human resources purposes and there was no monitoring of time by the immediate supervisor (See Finding 2012-4 Ref No 12-155-004). This employee was paid by the hour and payroll taxes were withheld from the wages.

This employee simultaneously worked for the Oklahoma City-County Health Department and the Tulsa Health Department which are both governmentally funded entities. Based on discussions with key administrative employees, there were no internal controls in place to ensure the time charged by this employee was accurate. OSAI recommends a greater emphasis be placed on recordkeeping for employees with *dual employment* to ensure that time charged to the entity is properly documented.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management’s attitude, qualifications, and operating style become the foundation of all other internal control components.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding – 2012-3 – Oklahoma City-County Health Department Resources Being Used for Non-Profit Organization  
Ref No: 12-155-003**

**Condition:** OCCHD resources are being used for Partners in Public Health, Inc. (PiPH), a Non-Profit organization and a separate entity. It was determined that three employees are completing work for PiPH on agency time. The OCCHD is paying the salaries for these three employees and invoicing PiPH for the hours worked for PiPH. OCCHD has invoiced PiPH for two different periods of work completed. The first invoice dated January 8, 2013 was for the period of August 2012 through December 2012 totaling \$1,018.73. The second invoice dated March 29, 2013 was for the period of January 2013 through March 2013 totaling \$1,066.11. Neither of these invoices has been paid by PiPH. However, \$9,000 was paid to a fundraising consultant in April 2013.

OSAI reviewed the PiPH bank statements for OCCHD employee contributions to the PiPH from March 2012 to March 2013 and noted the following items:

- OCCHD Leadership Team is making voluntary payroll deductions to the PiPH as a charitable donation.
- The address on the account belongs to the Chairman of the Board at PiPH, who is also a current Board Member at OCCHD.
- PiPH was established on January 7, 2000 and has never had an audit.
- Four Board Members at OCCHD are also Board Members at PiPH.
- The checks written out of the PiPH account have the address of 921 NE 23rd St. Oklahoma City, OK. This is the address of OCCHD.
- The telephone number on the PiPH checks was an OCCHD phone number.
- In the September 2011 bank statement, there is a check written on September 19, 2011 for reimbursement of \$258.05 to the Director of OCCHD; written on the memo line is “Foundation Dinner.”
- In the January 2013 bank statement, there is a check written on January 23, 2013 for \$700.00. There is no “Pay to the Order Of” written on the check. The memo line states “E&O Insurance PIP BOD”. Errors and Omissions Insurance is a form of liability insurance that helps protect professional advice and service providing individuals and companies from bearing the full cost of defending against a negligence claim made by a client, and damages awarded in such a civil lawsuit.
- In the March 2013 bank statement, there is a check written on March 7, 2013 for \$230.00 to Metro-Tech; written on the memo line is “OCCHD Accreditation Celeb.”

It was noted in a June 3, 2013 OCCHD Press Release that the PiPH was called the Oklahoma City-County Partners in Public Health Foundation. It was also stated that the PiPH was founded in 2006 as a public 509(a)(1) charity established to support the mission and vision of the Oklahoma City-County Health Department. According to the Articles of Incorporation obtained from the Oklahoma Secretary of State, Partners in Public Health, Inc. was established on January 7, 2000 as a 501(c)(3), a tax-exempt, non-profit organization exclusively for charitable and educational purposes.



**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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As a 501(c)(3), PiPH is required to file the Oklahoma Return of Organization Exempt From Income Tax form, 512E. According to the Oklahoma Tax Commission, PiPH filed the 512E form in 2001 and 2002 and has not since filed.

It should also be noted that the current Director of OCCHD helped establish the Community Health Foundation while being the Director of the Tulsa Health Department. The Community Health Foundation is a 501(3)(c) that raises funds to support improved health.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the compliance with state statutes regarding participation in not-for-profit organizations.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or violation of state statutes and constitutional provisions. This condition also has the appearance of government funds being diverted to an organization where funds are not spent for governmental purposes.

**Recommendation:** OSAI recommends that policies and procedures be designed and implemented to ensure compliance with state statutes regarding participation in not-for-profit organizations. OSAI recommends that a clear division be established between the Oklahoma City-County Health Department (OCCHD) and any not-for-profit organizations with which OCCHD conducts business.

**Management Response:** PiPH is categorized as a sub-category within the 501(c)(3) IRS code, specifically 509(a)(1) which provides classification of a not-for-profit public charity. The agreement between OCCHD and PiPH was previously provided to the office of OSAI for review and comment. It was also reviewed by agency counsel and approved by the Board of Health. At that time, it was OCCHD's understanding, based on comments returned to OCCHD, that OSAI found no issue with OCCHD providing services to PiPH as long as PiPH reimbursed the agency. OCCHD's legal position is that this situation is permissible as long as PiPH reimburses OCCHD for any time spent by an OCCHD employee. In addition, the OCCHD invoice in the amount of \$1,018.73 was paid by PiPH on June 13, 2013 and the second invoice in the amount of \$1,066.11 was paid by PiPH on July 10, 2013. OCCHD has been and will continue to be diligent to ensure that no resources or funds are used to support PiPH, unless full reimbursement of OCCHD is made by PiPH. The Community Health Foundation is a Tulsa entity and is not connected to OCCHD.

**Auditor Response:** On April 20, 2012, OSAI sent an email to the Director of Finance of OCCHD responding to the agreement OCCHD sent to OSAI for review of PiPH. The email from OSAI states, "I reviewed the 'agreement' and from an Auditor Standpoint only, the only additional information I would include is a detailed explanation of O.S. Title 63§1-216. I have concerns that the 'subject to' reference in this statute may cause the OCCHD to need approval from Oklahoma County Board of County Commissioners and Oklahoma City to enter into this agreement. If your legal counsel would add the needed language to clarify that, it would be helpful. Of course, this is only the agreement. We have discussed that many details are still to be determined in the areas that I have the greatest concern; which is, allotting time to the Foundation while working for OCCHD. Contact me if you have any other questions."

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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There are areas in the agreement that OSAI has concern with between OCCHD and PiPH. Section 5 in the agreement states, “PiPH acknowledges and agrees that OCCHD is supplying the service of personnel and services provided for herein for the purpose of public health; and that such services are supplied with the expectation that OCCHD will be compensated by PiPH in an amount not exceeding, but as a minimum equal to, the cost to OCCHD to supply the services before thirty (30) days after receiving the invoice.” The first invoice was dated on January 8, 2013 and paid June 13, 2013. The second invoice was dated March 29, 2013 and paid July 10, 2013. Both invoices were paid well outside of the 30 days outlined in the agreement between OCCHD and PiPH.

Section 6 of the agreement states, “It is the express intention of BOH on behalf of OCCHD and PiPH that this agreement shall not be construed as or given the effect of creating a joint venture, partnership, affiliation or association, which would otherwise render either liable as partners, agents, employers-employee, or other otherwise create any joint or several liability with the other.” It was noted in a June 3, 2013 OCCHD Press Release that the PiPH was called the Oklahoma City-County Partners in Public Health Foundation.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management’s attitude, qualifications, and operating style become the foundation of all other internal control components.

Two Attorney General opinions, 1980 OK AG 221 and 1981 OK AG 190, point to the Oklahoma Constitution, Article 10, Section 17, which prohibits the use of public resources to support or finance non-profit and/or non-public purposes.

**Finding – 2012-4 – Timesheet Inconsistencies  
Ref No: 12-155-004**

**Condition:** There are several instances where timesheets are not signed by either the employee or supervisor/manager or both. These instances occur with the two dual employment employees, the Grant Writer and the Human Resources Consultant. OSAI noted the following:

- The Grant Writer did not sign their timesheet on nine different occasions and their supervisor/manager did not approve their timesheet on five different occasions.
- The Human Resources Consultant started in May of 2012 and did not sign any timesheets in the remainder of the fiscal year.

**Cause of Condition:** Due to a lack of management oversight, policies and procedures have not been designed and implemented to ensure time sheets are accurate, properly reviewed, and timely approved.

**Effect of Condition:** The lack of controls at OCCHD has led to employees’ timesheets not being signed

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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by the manager/supervisor, the employee or both. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. Most importantly, the lack of documentation on Federal Grants could be classified as Questioned Costs.

**Recommendation:** OSAI recommends that management design and implement procedures to ensure timesheets are accurate, properly reviewed, and timely approved.

**Management Response:** While procedures are already in place to help ensure that the agency has a signed copy of employee timesheets, it appears that these procedures were not followed by an agency staff member in these instances. Management will perform training sessions for the existing staff members in charge of this process and will review the existing procedures to ensure better compliance in the future.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.

**Finding – 2012-5 – Oklahoma City-County Health Department Did Not Follow Voluntary Separation Program Guidelines  
Ref No: 12-155-005**

**Condition:** OSAI has noted that OCCHD gave all employees participating in the Voluntary Separation Program (VSP) four months of yearly base pay. For employees with at least six (6) years of service, a longevity payment was paid at a rate of \$200.00 for each year of service. OCCHD also gave every full-time employee participating in the VSP \$5,180.52 to compensate the employee for twelve (12) months of health insurance premiums. Part-time employees received benefit incentives calculated on a pro-rata basis.

OSAI also noted that one employee participated in the VSP and resigned on December 31, 2012 receiving all the incentives through the VSP. This employee is still currently employed at OCCHD working part-time and is receiving wages. This violates the VSP Agreement and Release Form by this employee working within the 2 years from the date of separation and not reimbursing OCCHD on pro rata basis for the VSP incentives received.

**Cause of Condition:** Due to a lack of management oversight, OCCHD Voluntary Separation Program guidelines were not followed.

**Effect of Condition:** These conditions could result in misstated financial reports, undetected errors, misappropriation of funds.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Recommendation:** OSAI recommends that management follow OCCHD Voluntary Separation Program guidelines.

**Management Response:** In order to continue the agency's ability to operate the TB Control Program with a licensed physician while recruiting a replacement, a recommendation for a single exception to the VSP was sent to Agency Legal Counsel for review and then recommended to the Board of Health in November 2012.

This decision was based upon the need to protect the community with this vital service and was based on the following rationale:

- The need to continue the licensed medical provider oversight of the TB Control Program.
- The need for time to develop a transition plan and recruit a qualified replacement.
- To test the ability to decrease the number of hours from 40 to 10 per week for this required oversight due to a declining client case load; thus meeting the intent of the VSP to decrease costs and increase productivity.

The employee in question was the Medical Director. This was a unique situation that called for a unique and singular exception to the policy. It was in the best interest of the agency to allow the Voluntary Separation agreement but to allow the employee to return on a part time basis until his replacement could be located, hired and brought on board.

In January 2013, the Medical Director's hours were reduced from 40 to 10 hours per week which proved to be adequate for the client case load. Correspondence began in February with an outside party to provide TB and Medical Director duties at OCCHD. These negotiations were concluded in June 2013 and a contract is scheduled to be approved by the Board of Health in July 2013. After an orientation period of one to two months for the new Medical Director, the employee that received the VSP will no longer be employed by the agency.

Due to this arrangement, the agency will save approximately \$151,000 per year. Thus, Management and the Board of Health believed it was in the best interest to allow this exception to the VSP Agreement in order to save taxpayer money while also ensuring proper medical coverage until replacement coverage could be negotiated by an outside party.

To the extent the OSAI suggests that OCCHD should have complied with State Statutes, OCCHD notes that the OSAI has failed to identify the statute or statutes. However, to the extent the OSAI is referencing the "Voluntary Out Benefits" procedures found in OKLA. STAT. tit. 74, § 840-2.28, *et seq.*, OCCHD notes that it is not covered by the provisions of that statute as it is not within the definition of "Agency" as that term is defined in § 840-2.28A(A)(1).

**Auditor Response:** In reviewing the VSP Agreement set forth by OCCHD, there are a several sections where OCCHD violated their own agreement. Section II subsection D states, "Employees who choose to participate in the VSP, and who are approved to participate in the VSP, must resign from employment with the Oklahoma City-County Health Department no later than December 31, 2012."

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

Section II subsection F states, “The Oklahoma City-County Health Department may declare an employee ineligible for the VSP based on financial considerations of the agency or on the critical need to retain the employee for the Oklahoma City-County Health Department to continue its mission.”

Section IV subsection D states, “An employee who accepts participation in this VSP must resign from the Oklahoma City-County Health Department no later than December 31, 2012 unless the Agency Director and the employee set an alternative separation date.”

Furthermore, the Agreement and Release form OCCHD used for the VSP and was signed by the employee states, “WHEREAS, the Employee understands he or she may not be employed nor contract with the Oklahoma City-County Health Department for a period of two (2) years from the date of separation, unless the Employee reimburses the Oklahoma City-County Health Department on a pro-rata basis for the benefits received.”

From the VSP Agreement and Agreement and Release forms, OCCHD did not have to allow this employee to accept the VSP due to the critical need of their position. OCCHD could have also chosen an alternative date rather than the December 31, 2012 date to find a suitable replacement before releasing the incentives of the VSP. Since the VSP provides for four months of salary as an incentive, the employee received the incentive and continued to be employed by OCCHD, without having to reimburse the amount. No other employees who took the VSP were given the same allowances.

**Criteria:** The Oklahoma City-County Health Department (OCCHD) implemented a Voluntary Separation Program (VSP) starting September 1, 2012 and ending October 15, 2012, in which employees could voluntarily separate from OCCHD. Employees who decided to participate were required to sign an “Agreement and Release” form, which released any and all claims the employee could bring against OCCHD. For an employee to be eligible for the VSP, the employee must be in a full-time or part-time position as of August 22, 2012 and be vested at a minimum of 20%, two years, in the OCCHD Defined Contribution Retirement Plan no later than December 31, 2012. Employees paid through a grant-funded position are eligible to participate with the recognition that the position may be filled based on specific requirements of the contractual agreement as stipulated by the granting body. Employees who submitted a notice of resignation to OCCHD prior to the date of the VSP notification are not eligible to participate. Employees who choose to participate must resign from employment no later than December 31, 2012. Employees who participate shall be considered to have voluntarily quit their employment without good cause and are not eligible for unemployment compensation. The employee understands that they are not to be employed or contracted with OCCHD for a period of two (2) years from the date of separation, unless the employee reimburses OCCHD on a pro-rata basis for the benefits received. OCCHD may declare an employee ineligible for the VSP based on financial considerations of the agency or on the criteria for need to retain the employee for OCCHD to continue its mission.

The incentives provided through the VSP include:

- Four months of yearly base pay and a longevity payment at a rate of \$200.00 for every year of service for those fully vested (minimum of six years).

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- Full-time employees received \$5,180.52 to compensate the employee twelve months of health insurance premiums. Part-time employees will receive incentives calculated on pro-rata basis.
- Employees received payment for any unused annual leave balances as provided in the OCCHD Policies and Procedures.
- Non-exempt employees will also receive payment for any unused compensatory balances.
- No retirement contributions were made on the incentive payment.
- The incentive payment will be considered taxable income per IRS guidelines.
- The total amount paid out to OCCHD employees through the VSP is \$1,012,834.56.
- According to the November 2012 Finance Committee Minutes, OCCHD has estimated a \$1.4 million dollars in savings from the VSP that is to be reinvested into areas that will have a greater impact on improving health. However, no plan was provided to OSAI to prove that this is occurring.

**Finding – 2012-6 – Inadequate City-County-Wide Controls**  
**Ref No: 12-155-006**

**Condition:** City-County-wide controls regarding Risk Management and Monitoring have not been designed.

**Cause of Condition:** Policy and procedures have not been designed to address risks of the City-County.

**Effect of Condition:** This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the City-County design procedures to identify and address risks. OSAI also recommends that the City-County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the City-County's policies and procedures handbook.

Examples of risks and procedures to address risk management:

<b>Risks</b>	<b>Procedures</b>
Fraudulent activity	Segregation of duties
Information lost due to computer crashes	Daily back-ups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the City-County department is meeting its goals and objectives.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the City-County for accuracy and to determine all federal awards are presented.
Audit Findings	Determine audit findings are corrected.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the City-County departments.
Following up on complaints	Determine source of complaint and course of action for resolution.

**Management Response:** Management will review existing procedures and edit or develop risk management and monitoring procedures as recommended. Part of those procedures will be adding risk management and monitoring to the agenda of our currently regularly scheduled senior staff meetings. This will provide opportunities to discuss on a regular basis potential problems and safeguards that might prevent or ameliorate those problems.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. City-County management is responsible for designing a City-County-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the City-County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding – 2012-7 – Disaster Recovery Plan (Repeat Finding)**  
**Ref No: 12-155-007**

**Condition:** During our review, we found that:

- OCCHD's Disaster Recovery Plan is inadequate to sufficiently recover business processes.
- OCCHD has never tested a full system recovery.
- Alternative processing procedures to ensure the continuance of state business do not exist.
- OCCHD does not currently have an off-site storage facility.

**Cause of Condition:** Management has taken steps to correct this issue; however, a full system recovery is still not complete.

**Effect of Condition:** These conditions could result in the following:

- Without having an efficient Disaster Recovery Plan in place, OCCHD is assuming the risk of losing all data pertinent to the daily operations of the business. Without testing the Disaster Recovery Plan, efforts to restore the environment after a disaster or event could be prolonged or possibly unsuccessful.
- Without testing a full-system recovery, OCCHD does not know if the processes for system recovery are adequate for the full continuation of business in the event of a disaster.
- Without having an off-site backup of data, as well as, alternative processing procedures in place, there is a greater risk of permanent loss of data.

**Recommendation:** We recommend that OCCHD should develop an IT Continuity Plan based on the agency framework, designed to reduce the impact of a major disruption on key business functions and processes in the event of a disaster. The Disaster Recovery Plan should address the following:

- The organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers.
- Rules and structures to document, test, and execute the Disaster Recovery Plan and IT Contingency Plan.
- Identification of critical resources.
- Monitoring and reporting of the availability of critical resources and alternative processing.
- Principles of backup and recovery.
- Employees should be aware of what to do in the event of a disaster.

We recommend management assess their continuity plans for adequacy on a regular basis or upon major changes to the business or IT infrastructure. An effective plan requires careful preparation, documentation, and reporting of test results and depending on the results an action plan may be needed to revise the plan. Periodic training should be provided to the staff on the planned procedures and their assigned responsibilities.



**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

We recommend management create and maintain an off-site storage facility in order to support recovery and business continuity plans. Business process owners and IT function personnel should be involved in determining what back-up resources need to be stored off-site. The off-site facility should be environmentally appropriate to the media and other resources stored and should have a level of security commensurate with that needed to protect the back-up resources from unauthorized access, theft, or damage. Off-site arrangements should be assessed periodically, at least annually, for content, environmental protection and security.

**Managements' Corrective Action Plan:**

Contact Person: IT Technician III

Corrective Action Planned: Currently three back-ups are done nightly. One Onsite incremental tape back-up is stored onsite. Another onsite full back-up to disk, is stored at Bank of Oklahoma in a security deposit box located in downtown Oklahoma City. The third back-up is a file or data changed back-up to disk which is stored in Dallas, Texas. Management will review our Disaster Recovery Plan and make modifications as needed.

**2007 Follow up:**

Current status: OCCHD has completed their Disaster Recovery Plan; it seems to be sufficient but looks to not be current. OCCHD has still never tested a full system recovery, or simulated one. They have done partial back-ups as needed. OCCHD keeps a back-up of their files in a safety deposit box off site that is held there for 3 weeks.

**2008 Follow up:**

Current status: OCCHD has completed their Disaster Recovery Plan; however this plan has not been fully implemented or tested and therefore this finding will remain open.

**2009 Follow up:**

Current status: OCCHD has modified its Disaster Recovery Plan employing back-up to disk (Symantec Back-up Exec), back-up to tape (Symantec Back-up Exec), off-site media storage (Bank of Oklahoma OKC), and off-site file replication (DeltaCopy).

**2010 Follow up:**

Current Status: OCCHD has completed a scaled-back recovery using a virtual environment. We continue to employ a Disaster Recovery Plan that uses back-up to disk, back-up to tape, off-site media storage (Bank of Oklahoma – Oklahoma City), and off-site file replication (State Office of Finance server farm). During this period we did experience the catastrophic failure of our medical records server but, was able to restore the system from back-up in accordance with our Disaster Recovery Plan.

**2011 Follow up:**

Current Status: OCCHD has completed partial back-ups as needed, as well as, a restore of their medical records server, but were unable to provide sufficient documentation to demonstrate that the back-ups were effective.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

2012 Follow up:

Current Status: OCCHD plans to purchase disaster recovery virtual host in May 2012 and conduct a restore of a critical system (financial accounting system) to be concluded in July 2012. The agency will forward screen shots at the conclusion of the data restore.

2013 Follow up:

Current Status: OSAI asked the OSAI IT Audit Group to review this finding and it was determined that until OCCHD does a full system restore this finding will stay in place.

**Management Response:** To better prepare for a real world disaster recovery, OCCHD has budgeted for hardware and software to better facilitate disaster recovery to be purchased in Fiscal Year 2014. With assistance from an outside consultant we intend to build a redundant storage infrastructure at our Kelley location that will match our NERHWC location. The plan is to have identical servers, either physical or virtual, at each location. One would be a production server (hot) and the other would be a non-production server (cold). For example if the production server at Kelley had a catastrophic failure, we would immediately bring up the cold server at NERHWC and restore data from backup. Once the data is restored the non-production server would become the production server and business would continue. This configuration would allow us to deal with the complete loss of either location during a catastrophic event. It is the agency's plan that once executed, will be sufficient to clear this finding.

**Criteria:** According to the standards of the Information Systems Audit and Control Association, (CobiT, Delivery & Support Objective DS4), management should ensure IT services are available as required and ensure a minimum business impact in the event of a major disruption by having an operational and tested continuity plan.

**Finding – 2012-8 – Executive Session Minutes  
Ref No: 12-155-008**

**Condition:** The Oklahoma City-County Health Department (OCCHD) does not keep Executive Session Minutes. OSAI asked for Executive Session Minutes and were told that minutes were not recorded. The following week, OSAI was given Executive Session notes from OCCHD Legal Counsel created for OSAI. On June 19, 2012, February 19, 2013, and March 8, 2013 the Board of Director's did not vote to go into Executive Session.

**Cause of Condition:** Policies and procedures have not been designed and implemented over executive session minutes and the vote of a quorum to go into Executive Session.

**Effect of Condition:** This condition resulted in possible violations of state statutes regarding open meeting laws, which could make any decisions made during Executive Session invalid.

**Recommendation:** OSAI recommends that policy and procedures be designed and implemented regarding Executive Sessions Meeting minutes. Executive Sessions should be voted on and minutes should be recorded and kept in accordance with Open Meeting laws.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**Management Response:** Management has already begun keeping Executive Session minutes and will continue this practice in the future.

**Criteria:** Oklahoma Open Meeting and Open Records Book states:

25 O.S. § 307 (E) states in part:

(2) The executive session is authorized by a majority vote of a quorum of the members present and the vote is a recorded vote;

25 O.S. § 312 (A) states:

The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.

25 O.S. § 313 states:

Any action taken in willful violation of this act shall be invalid.

25 O.S. § 314 states:

Any person or persons willfully violating any of the provisions of this act shall be guilty of a misdemeanor and upon conviction shall be punished by a fine not exceeding Five Hundred Dollars (\$500.00) or by imprisonment in the county jail for period not exceeding one (1) year or by both such fine and imprisonment.

Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.

**Finding – 2012-9 – Fuel Card Purchases**

**Ref No: 12-155-009**

**Condition:** The Oklahoma City-County Health Department (OCCHD) has established a fuel purchase card program (policy and procedures) that was to provide a guideline for employees on fuel related purchases.

During our audit, OSAI reviewed the documentation behind the Fuelman Gasoline Card purchases and noted the following:

- Fourteen invoices were paid without receipts attached.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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- Odometer readings are inaccurately recorded, not allowing an accurate assessment of continuous mileage.
- Several instances have shown odometer readings using repetitive numbers such as 11,111, or 33,333 to make same day purchases for fuel on the same vehicles.
- Time signatures show that the same person is filling multiple vehicles one minute apart.
- Some receipts do not match with the Fuelman monthly reports.
- Miles per gallon sometimes shows up as 0.0.
- Different fuel types are used on the same vehicles.
- Accurate logs do not reflect when gasoline for equipment is purchased.
- Logs are discarded once complete and not retained for audit purposes.
- Monthly reports are not reviewed in a timely manner for accuracy.

**Cause of Condition:** Due to a lack of management oversight, certain controls have not been followed to ensure that the proper policy and procedures are followed by employees in conjunction with Fuelman card purchases.

**Effect of Condition:** Controls are not being followed at OCCHD, which has led to numerous unallowable purchases using the Fuelman card by OCCHD employees according to OCCHD Fuelman Card Policy.

**Recommendation:** OSAI recommends that management design and implement a set of procedures to ensure proper controls are being followed and to ensure documentation is accurate, properly maintained, and timely reviewed.

**Management Response:** Management will review existing policies and procedures in regards to the fuel card and will strengthen the procedures as necessary. In addition, training will be provided to the users of the cards to help ensure better compliance with the procedure.

**Criteria:** According to the policy, *cardholders are being entrusted and empowered with the ability to make fleet management (fuel and minor maintenance) purchases on behalf of OCCHD. Along with the empowerment comes responsibility. It is paramount for all cardholders to: Make sound business decisions in the best interest of OCCHD; Comply with the instructions set forth in the policies and procedures.*

Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Finding – 2012-10 – Purchase Card Expenditures  
Ref No: 12-155-010**

**Condition:** Policies and procedures have been designed and implemented for Purchase Card (P-Card) purchases, but controls have not been followed. During our audit, OSAI reviewed 100% of P-Card purchases and the supporting documentation and have noted the following:

- Meals for two retirement parties totaled \$357.38.
- Meals for working lunches and Board Meetings totaled \$1,839.59.
- A Company Wellness Pantry totaled \$10,933.18 (Water and Food Available for Purchase by employees).
- Receipts for Meals without an itemized receipt.
- Gasoline (this was a one-time occurrence in fiscal year 2012).
- Food for a patient in isolation at a motel (TB Clinic purchased this on two occasions).
- Hotel in OKC for OSDH Retreat totaled \$184.28.
- Paper Weights at a Restaurant totaled \$50.00.
- Two employees (with titles of Public Health Specialist and Senior Public Health Inspector) went to a conference titled International Pool Spa Patio Expo in Las Vegas totaled \$1,038.80.
- On March 26, 2013, OSAI was informed that within the last week an employee purchased a \$20.00 gift card on their P-Card for a volunteer who was retiring.

The OCCHD P-Card Policy states that if a purchase costs \$250 or more, then a meeting between the Chief Financial Officer (CFO), the Section Chief and the cardholder would be arranged to discuss the exception. OSAI inquired the CFO and was told no meetings are taking place. All purchases \$250 or more are approved only by the Section Chief.

- 25% of the purchases were over the \$250 spending limit and did not have an exception meeting or approval by the CFO.

**Cause of Condition:** Due to a lack of management oversight, certain controls have not been followed to ensure that the proper policy and procedures are followed by employees in conjunction with Purchase Card purchases.

**Effect of Condition:** Controls are not being followed at OCCHD, which has led to numerous unallowable purchases using the P-Card by OCCHD employees according to OCCHD Purchase Card policy.

**Recommendation:** OSAI recommends that OCCHD employees follow policy and procedures to ensure P-Card purchases are reviewed and allowable.

**Management Response:** While Management asserts that, to their knowledge, all transactions made on the P-Card were for valid business use and fall under the general purchasing guidelines, it acknowledges that the P-Card program procedures were not followed in all instances. In addition, the purchase of the \$20.00 P-Card for the retiring volunteer was reimbursed by the employee on April 2, 2013 upon a request

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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from the finance department. The agency also has amended the purchasing guidelines to no longer allow agency funds to be used for retirement parties and the company wellness pantry was eliminated in early fiscal year 2013. Management plans on reviewing the P-Card program and making changes to the program to strengthen controls in the use of P-Card. This includes rewriting the procedure, additional training of users, and increased oversight of the program. Every effort will be expended to ensure that existing policies and procedures are followed and enforced.

**Criteria:** The Oklahoma City-County Health Department has established a Purchase Card Program (Policy and Procedures) to provide a guideline for employees on business related purchases. According to the P-Card Policy, non-allowable expenses include:

- Travel Expenses (except for Procurement and Travel Coordinators). Authorized Travel Coordinators may charge airfare tickets and conference registrations.
- Professional Services.
- Computer hardware and software (except for Procurement, Accounts Payable, and IT personnel).
- Items for personal use.
- Cell Phones (except for Accounts Payable personnel).
- Phone Services (except for Accounts Payable personnel).
- Gifts.
- Memberships (except for Accounts Payable personnel).
- Gasoline.
- Split Purchases to avoid \$5,000 limit.
- Conference Registrations (except for Procurement and Accounts Payable personnel and Travel Coordinators).
- Capital Items (>\$2500).

The P-Card Policy also states, *the Commercial Card should be used whenever and wherever possible for charging materials and selected services costing less than \$250 (including shipping, handling and tax). An exception may be granted to the \$250 spending limit on a case-by-case basis. A meeting to discuss an exception must be arranged with the Section Chief of the requesting department, the Chief Financial Officer and the cardholder.*

Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**SECTION 3—Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

**FINDING – 2012-12 – WIC Embezzlement**

**REF NO:** 12-155-012

**COUNTY:** OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

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

**CFDA NO:** 10.557

**FEDERAL PROGRAM NAME:** Special Supplemental Nutrition Program for Women, Infants, and Children

**FEDERAL AWARD YEAR:** 10/1/11 – 9/30/12

**CONTROL CATEGORY:** Allowable Costs

**QUESTIONED COSTS:** \$2,845

**Condition:** OSAI reviewed the Women, Infants and Children Federal Grant (WIC) and has spoken to numerous WIC staff at the Oklahoma City-County Health Department (OCCHD), as well as, a WIC Vendor Management Representative at the Oklahoma State Department of Health concerning WIC embezzlement. An OCCHD WIC employee stole and cashed 196 WIC vouchers totaling \$2,845 at local vendors dating back to at least November, 2011; November, 2011 was as far back as the bank would research without a fee.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure effective controls are in place over the WIC process.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that management design and implement policies and procedures to ensure effective internal controls are in place over the WIC process.

**Management Response:** Management will review existing policies and procedures and strengthen them as necessary. In this particular case, the employee in question was terminated and the case referred to the U.S. Attorney for prosecution.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management’s attitude, qualifications, and operating style become the foundation of all other internal control components.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**FINDING – 2012-13 – Family Planning - Services**

**REF NO:** 12-155-013

**COUNTY:** OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

**FEDERAL AGENCY:** The Oklahoma State Department of Health

**CFDA NO:** 93.217

**FEDERAL PROGRAM NAME:** Family Planning - Services

**FEDERAL AWARD YEAR:** Fiscal Year 2012 – 07/01/2011 – 06/30/2012

**CONTROL CATEGORY:** Cash Management

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

**Condition:** The Family Planning Program administers services at their clinic and only receives money from a small percentage of their clients based on a set percentage of income set by the Oklahoma State Department of Health. After services are rendered, clients can pay by cash, check, money order, or credit card before they leave. At the end of the day, the amount of money taken in for that day is balanced with their computer system, Document Manager, and then put in the safe until the courier comes for the weekly deposit every Thursday. Every clerk, translator, and supervisor in the Family Planning Program has access to the safe. The courier then takes the deposit to the main office and to the accounting department for process.

**Cause of Condition:** Due to a lack of management oversight, management failed to comply with the requirements of the cash management control category of the Family Planning Grant.

**Effect of Condition:** The lack of management compliance to the cash management control category of the federal grant could result in future loss of federal grant funds, possible reimbursement of funds expended, or misappropriation of funds.

**Recommendation:** OSAI recommend management design and implement a set of policies and procedures to ensure federal grant funds are secure and that cash management controls are in place; such as: allow only supervisors or upper management access to the safe.

**Management Response:** While it should be noted that there is no indication that the existing procedures have resulted in any losses due to theft or embezzlement, management will review the procedures and strengthen them as necessary.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management's attitude, qualifications, and operating style become the foundation of all other internal control components.





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