

COUNTY AUDIT

OKLAHOMA CITY - COUNTY HEALTH DEPARTMENT

For the fiscal year ended June 30, 2013



*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 STATEMENT – CASH BASIS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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

July 1, 2014

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Transmitted herewith is the audit of Oklahoma City-County Health Department for the fiscal year ended June 30, 2013. The audit was conducted in accordance with Government Auditing Standards.

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

The 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, appearing to read 'Gary A. Jones', is written over a horizontal line.

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

BOARD MEMBERS

CHAIRPERSON

Stephen Cagle, M.D.

VICE CHAIRPERSON

Tim Hill, M.D.

MEMBERS

Dr. J. Don Harris
Lois Salmeron, Ed.D., R.N.C., M.S.N.
William Mills, M.D.
Scott Mitchell
Courtney V. Gray, M.D.
Dr. Gary Raskob
Mary Mélon

DIRECTOR

Gary Cox, Director

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 introductory information.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Report on the Financial Statements

We have audited the accompanying financial statements of the general fund of Oklahoma City-County Health Department, which comprise the balance sheet as of and for the year ended June 30, 2013, and the related statement of cash receipts, disbursements, and changes in fund balance, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position—cash basis of the general fund of Oklahoma City-County Health Department, for the year ended June 30, 2013, on the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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 an opinion on the combined total of all Oklahoma city-county health department funds on the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all city-county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, 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 in considering Oklahoma City-County Health Department's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 18, 2014

FINANCIAL STATEMENTS

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE—GENERAL FUND
BALANCE SHEET—CASH BASIS
JUNE 30, 2013**

	<u>General Fund</u>
Assets:	
Cash	<u>\$ 14,940,545</u>
Total Assets	<u><u>\$ 14,940,545</u></u>
Fund Balance:	
Fund Balance Arising From Cash Transactions	<u>\$ 14,940,545</u>
Total Fund Balance	<u><u>\$ 14,940,545</u></u>

The notes to the financial statement 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, 2013**

	General Fund
Cash Receipts:	
Property Taxes	\$ 15,272,931
Intergovernmental Revenues	8,052,715
Charges for Services	1,063,521
Miscellaneous Revenues	211,447
Interest Income	24,988
Total Cash Receipts	24,625,602
Cash Disbursements:	
Personal Services	18,456,033
Maintenance and Operations	3,640,932
Capital Outlay	1,074,669
Travel	405,431
Total Cash Disbursements	23,577,065
Excess of Cash Receipts Over Cash Disbursements	1,048,537
Fund Balance Arising From Cash Transactions July 1, 2012	13,892,008
Fund Balance Arising From Cash Transactions June 30, 2013	\$ 14,940,545

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 Equivalent

The OCCHD adopted a formal investment policy in 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, 2013.

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; has coverage through CompSource Oklahoma for workers compensation coverage; and is self-insured for errors and omissions and for other general liability 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 2013 fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 \$14,940,545 and the bank balance was \$15,466,628. 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, 2013, OCCHD's bank balance of \$15,466,628 was FDIC insured for \$250,000 and the bank had pledged securities of \$18,960,341.

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 2013. This limited the possibility of interest rate risk affecting deposits of OCCHD.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B. Description of Funds

During the year ended June 30, 2013, 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, 2013, was \$5,875,630,918 after deducting homestead exemptions of \$125,050,090.

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, 2013, were approximately 96.80 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 STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013, were \$1,469,583. 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.

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, 2013, the Department paid \$508,550 in principal and interest on the building.

F. 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, 2013.

G. Federal Grants

In the fiscal year ended June 30, 2013, 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 five major programs titled Special Supplemental Nutrition Program for Women, Infants, and Children, Family Planning Services, Immunization Cooperative Agreements, Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program, PHPF 2012: Community Transformation Grants and National Dissemination and Support for Community

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Transformation Grants – financed solely by 2012 Prevention and Public Health Funds; eleven non-major programs, including Recreational Trails Program, Public Health Emergency Preparedness, Maternal and Child Health Federal Consolidated Programs, Project Grants and Cooperative Agreements for Tuberculosis Control Programs, Community-Based Child Abuse Prevention Grants, Medical Assistance Program, Preventive Health Services_Sexually Transmitted Disease Control Grants, Maternal and Child Health Services Block Grant to the States, Substance Abuse and Mental Health Services_Projects of Regional and National Significance, Affordable Care Act (ACA) Public Health Training Centers Program, and Citizens-Community Resilience Innovation Challenge.

H. State Grants

During fiscal year 2013, 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 Perinatal Pediatrics, 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.

OTHER SUPPLEMENTARY INFORMATION

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 13,892,008	\$ 13,892,008	\$ -
Less: Prior Year Encumbrances	(1,897,825)	(1,210,358)	687,467
Beginning Cash Balances, Budgetary Basis	<u>11,994,183</u>	<u>12,681,650</u>	<u>687,467</u>
Receipts:			
Property Taxes	13,838,757	15,272,017	1,433,260
Intergovernmental Revenues	7,019,742	8,333,959	1,314,217
Charges for Services	683,192	754,608	71,416
Miscellaneous Revenues	178,295	265,018	86,723
Total Receipts, Budgetary Basis	<u>21,719,986</u>	<u>24,625,602</u>	<u>2,905,616</u>
Disbursements:			
Personal Services	20,663,423	18,802,097	1,861,326
Maintenance and Operations	5,024,037	4,606,829	417,208
Capital Outlay	7,254,666	1,575,376	5,679,290
Travel	772,043	443,547	328,496
Total Disbursements, Budgetary Basis	<u>33,714,169</u>	<u>25,427,849</u>	<u>8,286,320</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	11,879,403	<u>\$ 11,879,403</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances			
Add: Current Year Encumbrances		<u>3,061,142</u>	
Ending Cash Balance		<u>\$ 14,940,545</u>	

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 OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through the Oklahoma Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,347,460
Total U.S. Department of Agriculture		<u>1,347,460</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed Through the Oklahoma Department of Transportation:		
Recreational Trails Program	20.219	160,000
Total U.S. Department of Transportation		<u>160,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through the Oklahoma Department of Health:		
Public Health Emergency Preparedness	93.069	956,814
Maternal and Child Health Federal Consolidated Programs	93.110	296,458
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	40,173
Family Planning _Services	93.217	548,532
Immunization Cooperative Agreements	*93.268	1,789,181
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	404,194
Direct Award:		
PHPF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	93.531	530,243
Passed Through the Oklahoma Department of Health:		
Community-Based Child Abuse Prevention Grants	93.590	150,758
Medical Assistance Program	93.778	297,943
Preventive Health Services _Sexually Transmitted Diseases Control Grants	93.977	11,508
Maternal and Child Health Services Block Grant to the States	93.994	129,034
Passed Through the Oklahoma Department of Mental Health:		
Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	95,069
Passed Through the Oklahoma University Health Sciences Center:		
Affordable Care Act (ACA) Public Health Training Centers Program	93.516	61,929
Total U.S. Department of Health and Human Services		<u>5,311,836</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed Through the Oklahoma Office of Homeland Security:		
Citizens-Community Resilience Innovation Challenge	97.053	8,011
Total U.S. Department of Homeland Security		<u>8,011</u>
Total Expenditures of Federal Awards		<u>\$ 6,827,307</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, 2013**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Oklahoma City-County Health Department, and is presented on the *cash basis of accounting*. Grant expenditures reported were paid as of June 30, 2013. 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 \$1,418,083 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, 2013**

<u>State Grantor/Grant Program Title</u>	<u>State P.O. Number</u>	<u>State Expenditures</u>
OKLAHOMA STATE DEPARTMENT OF HEALTH		
Child Guidance Program	H016798	\$ 370,390
Tuberculosis Prevention	H015024	140
Maternal and Child Health Services	H016841	315,748
Special Perinatal Pediatrics	H015063	75,000
Children First Program	H016836	805,438
State Omnibus	H016918	756,198
Total Oklahoma State Department of Health		<u>2,322,914</u>
Total Expenditures of State Awards		<u>\$ 2,322,914</u>

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's 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
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited, in accordance with the 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, the accompanying cash basis financial statements of the general fund of Oklahoma City-County Health Department, as of and for the year ended June 30, 2013, which comprises Oklahoma City-County Health Department's financial statements, and have issued our report thereon dated June 18, 2014. Our report also includes an explanatory paragraph that certain required supplementary information has been omitted.

Our report included an unmodified opinion that the cash basis financial statements of the general fund are presented fairly, in all material respects, for the year ended June 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma City-County Health Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma City-County Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control.

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. *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.

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2013-155-001, 2013-155-002, 2013-155-003, 2013-155-005, 2013-155-006, and 2013-155-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City-County's financial statement is free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oklahoma City-County Health Department's Responses to Findings

Oklahoma City-County Health Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Oklahoma City-County Health Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

June 18, 2014



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE BOARD OF
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Report on Compliance for Each Major Program

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, 2013. 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.

Management's Responsibility

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.

Auditor's Responsibility

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.

Opinion on Each Major Federal Program

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, 2013.

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 a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2013-055-10. 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.

Other Matters

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, 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 AND INSPECTOR

June 18, 2014

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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?..... No

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.217	Family Planning_Services
93.268	Immunization Cooperative Agreements
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Identification of Major Programs - Continued

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.531	PHPF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds

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, 2013**

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 – 2013–155–001 – Oklahoma City-County Health Department Inaccurately Invoicing the University of Oklahoma Health and Science Center – College of Public Health

Condition: The Oklahoma City-County Health Department (OCCHD) has contracted with the University of Oklahoma Health and Science Center (OUHSC) – College of Public Health (COPH) to provide the COPH with professional services to help with their reaccreditation. The contract lists two OCCHD employees who will provide their services to COPH. These two OCCHD employees will code their COPH time on their OCCHD timesheet as “OUHSC Accreditation.” At this point, the OCCHD invoices the COPH for the time that these two OCCHD employees have coded to “OUHSC Accreditation.”

One of the OCCHD employees contracted with the COPH went to the National Network of Public Health Institutes Conference in Milwaukee, Wisconsin on June 12-13, 2013 representing OCCHD. On this employee’s timesheet for the days of June 12-13, 2013, the employee coded their time to the “OUHSC Accreditation” instead of OCCHD. Therefore, the employee inaccurately coded their time to “OUHSC Accreditation” and the OCCHD inaccurately invoiced the COPH for the employee’s time on the days of June 12-13, 2013.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure OCCHD resources are used only for purposes of the entity.

Effect of Condition: These conditions resulted in unrecorded transactions, misstated financial reports or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that management design and implement management oversight, and policy and procedures to ensure that OCCHD timesheets are accurately recorded and invoicing is accurate.

Management Response: The Director of Planning and Development was invited to participate as an expert panel member at the NNPHI Quality Improvement Forum and all expenses were paid for by the conference. Her attendance at the conference was limited to the participation in the panel and before and after discussions around the panel. The total time spent on these activities consisted of one hour.

Time not spent directly at the conference was spent in review of the CEPH accreditation criteria for the recent request by the University of Oklahoma College of Public Health to utilize the Director of Planning and Development for the upcoming re-accreditation process. As such, time spent reviewing materials and corresponding with representatives of the OUCOPH was appropriately accounted for utilizing the OCCHD software.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Upon review, it appears that the employee's timesheet inadvertently did not include the one hour spent on the expert panel. Since the time coded to OUHSC Accreditation was actual time spent on that activity, Management asserts that the invoice submitted to OUHSC was correct.

Management will also review the current time reporting procedures and make any corrections as deemed 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 attitude, qualifications, and operating style become the foundation of all other internal control components.

Finding – 2013–155–002 – Oklahoma City-County Health Department Resources Being Used for Non-Profit Organization

Condition: It was determined that three employees are completing work for the Partners in Public Health Foundation (PiPH) on agency time. The Oklahoma City-County Health Department (OCCHD) is paying the entire paycheck for these three employees and invoicing the PiPH for the hours worked at the PiPH. OCCHD has invoiced the PiPH for four 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 and was paid by the PiPH on June 14, 2013.
- The second invoice dated March 29, 2013 was for the period of January 2013 through March 2013 totaling \$1,066.11 and was paid by the PiPH on July 17, 2013.
- The third invoice dated May 21, 2013 was for the month of April 2013 totaling \$14.48 and was paid by the PiPH on July 17, 2013.
- The fourth invoice dated June 21, 2013 was for the month of May 2013 totaling \$1,178.47 and was paid by the PiPH on October 4, 2013.

All four of these payments are outside of the Contractual Agreement of being paid before thirty days (30 days) after receiving the invoice.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the compliance with the Contractual Agreement between the Oklahoma City-County Board of Health (BOH) and the PiPH.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, misappropriation of funds, and did result in violation of the Contractual Agreement between the Oklahoma City-County Board of Health and the PiPH.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure compliance with the Contractual Agreement between the Oklahoma City-County Board of Health and the PiPH. OSAI recommends that a clear division be established between the Oklahoma City-County Health Department and any not-for-profit organizations with which OCCHD conducts business.

Management Response: Partners in Public Health, Inc. (PiPH) is a non-profit organization that was formed for the benefit of Oklahoma County taxpayers by providing financial support for OCCHD and public health activities in Oklahoma County. Because of the fact that PiPH was in need of management and support services, the agreement was made between the two organizations. These services were provided by OCCHD staff with the intention of receiving payment within 30 days as stated in the agreement. All invoices sent to PiPH have been paid and received by the agency. Beginning in FY 2014, these services are no longer being provided by the agency to PiPH.

Criteria: In the Contractual Agreement between the BOH and PiPH, Section 5 states in part, “OCCHD shall send to PiPH an invoice for the costs, and PiPH shall pay the invoice on or before thirty (30) days after receiving the invoice.”

Also in the Contractual Agreement between the BOH and PiPH, Section 6 states, “It is the express intention of the 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 otherwise create any joint or several liability with the other.”

Finding – 2013–155–003 – Purchase Card Expenditures

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

- P-Card expenditures included meals for eight retirement parties totaling \$765.93.

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 of the CFO and was informed no meetings are taking place. All purchases of \$250 or more are approved only by the Section Chief.

- 21% of the purchases were over the \$250 spending limit and did not have an exception meeting or approval by the CFO.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

All OCCHD expenditures should only be used for the operation of the agency.

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 expenditures.

Effect of Condition: Because procedures are not being followed at OCCHD, this condition has led to numerous unallowable purchases.

Recommendation: OSAI recommends that employees follow OCCHD policy and procedures regarding the utilization of P-Cards for expenditures.

Management Response: Changes were made to the Purchasing Card procedures after receiving the FY 2012 audit report. However, these findings were not received until after the end of Fiscal Year 2013 so changes could not be made until after the period covered by this audit report. The changes that occurred to the procedures removed the ability to use agency funds for retirement parties as well as addressing the \$250 spending limits on the Purchasing Cards. Additional training for all Purchasing Card users also occurred and are now required on an annual basis. Based on these changes, Management believes that these issues have been addressed satisfactorily.

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.*

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 - 2013-155-005 – Fuel Card Purchases

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

During our audit, OSAI selected and reviewed the supporting documentation for twenty-six fuel card purchases and noted the following:

- Four invoices were paid without receipts attached.
- On ten occasions, employees did not enter accurate mileage when fueling OCCHD vehicles.
- Monitoring the fuel reports for accuracy is not being performed.

Cause of Condition: Policies and procedures have not been followed regarding fuel card purchases. Further, fuel card purchases were not monitored to ensure compliance with OCCHD policies.

Effect of Condition: These conditions resulted in invoices being paid without all receipts attached and failure to monitor the fuel reports for accuracy.

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

Management Response: Changes were made to the Fuel Card procedures after receiving the FY 2012 audit report. However, these findings were not received until after the end of Fiscal Year 2013 so changes could not be made until after the period covered by this audit report. These changes have provided additional oversight by the Financial Services and Facility Management departments. Additional training for all Fuel Card users also occurred and are now required on an annual basis. Based on these changes, Management believes that these issues have been addressed satisfactorily.

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 – 2013–155–006 – Disaster Recovery Plan (Repeat Finding)

Condition: During our review, we noted the following:

- OCCHD's Disaster Recovery Plan is inadequate to sufficiently recover business processes in the event of a disaster.
- OCCHD has never tested a full system recovery.

Cause of Condition: Management has not completed the new Disaster Recovery Plan.

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 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 case of disaster.

Recommendation: OSAI recommends that OCCHD develop a Business Continuity Plan based on the organizations business needs, designed to reduce the impact of a major disruption on key business functions and processes. This would include a Disaster Recovery Plan that should address the following:

- The process for continuity management, covering roles, tasks and responsibilities of staff and external service providers,
- Policy and procedures to document, test, and execute the Disaster Recovery and Business Continuity Plans,
- Monitoring and reporting of the availability of critical resources and alternative processing, and
- Principles of backup and recovery.

Management should review their Disaster Recovery Plan 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 plans' procedures and their assigned responsibilities.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Management Response: To better prepare for a real world disaster recovery, OCCHD purchased hardware and software to better facilitate disaster recovery in Fiscal Year 2014. With assistance from an outside consultant we have built a redundant storage infrastructure at our Kelley location that will match our NERHWC location. We have identical servers, either physical or virtual, at each location. One is a production server (hot) and the other is 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. Due to some unexpected delays, the completion of the plan did not occur prior to the audit report being finalized. However, completion is expected in the next month.

Criteria: According to CobiT *Deliver and Support 4.5, Testing of the IT Continuity Plan*, management should test the IT continuity plan on a regular basis to ensure that IT systems can be effectively recovered, and that shortcomings are addressed and the plan remains relevant. This requires careful preparation, documentation, reporting of test results and, according to the results, implementation of an action plan. Management should consider the extent of testing recovery of single applications to integrated testing scenarios to end-to-end testing and integrated vendor testing.

Finding – 2013–155–007 – Information Technology Software Reviews

Condition: OSAI noted that the fund accounting software users had access to conflicting roles in the application. We found the following issues:

- Employees no longer working at OCCHD had roles within the application,
- User roles were not updated when an employee changed positions, and
- Two users had conflicting roles that violates segregation of duties principles.

Cause of Condition: Management does not perform reviews of user roles and responsibilities with regularity.

Effect of Condition: Failing to have a policy or procedure for management or review of users' roles in the software application can allow for segregation of duties issues that could materially impact the organizations finances or allow for unauthorized access to the system.

Recommendation: OSAI recommends that the OCCHD develop a policy for the software application that details the steps to take regarding the management of user roles.

Management Response: Management has implemented new procedures that include periodic review of user rights for the accounting software application to help ensure that user roles and responsibilities are appropriate. Management is also reviewing current procedures involving communication between departments regarding terminated and transferred employees and will make any necessary changes to help minimize these risks.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: According to CobiT *Plan and Organize 5.4, User Account Management*, management should address requesting, establishing, issuing, suspending, modifying and closing user accounts, and related user privileges with a set of user account management procedures. This includes an approval procedure outlining the data or system owner granting the access privileges. These procedures should apply for all users, including administrators (privileged users) and internal and external users, for normal and emergency cases. Management should ensure that rights and obligations relative to access to enterprise systems and information are contractually arranged for all types of users. Management should perform regular management review of all accounts and related privileges.

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 – 2013 – Community Transformation Grants

REF NO: 2013–155–010

COUNTY: OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.531

FEDERAL PROGRAM NAME: PHPF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds

FEDERAL AWARD YEAR: 2012-2013

CONTROL CATEGORY: Suspension and Debarment

QUESTIONED COSTS: \$0

Condition: The Oklahoma City-County Health Department monitors the suspension and debarment of all of its employees who work under federal grants. The Oklahoma City-County Health Department is the direct recipient of the PHPF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds. It must also monitor the suspension and debarment status of all sub-recipients contracted under federal grants. The Oklahoma City-County Health Department does not have any documentation showing that it checked the suspension and debarment of all sub-recipients used in its administration of the Community Transformation Grants – CFDA # 93.531.

Cause of Condition: In these instances with sub-recipients, Oklahoma City-County Health Department did not follow proper procedures as outlined in federal compliance requirements regarding suspension and debarment.

Effect of Condition: Existing policies and procedures regarding the documentation of suspension and debarment of sub-recipients of federal grants were not followed in these instances resulting in noncompliance with suspension and debarment procedures.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Recommendation: OSAI recommends that the Oklahoma City-County Health Department maintain documentation of sub-recipients who are contracted to receive money from federal grants.

Management Response: Management is reviewing current suspension and debarment procedures and will make changes to the procedures as necessary to ensure compliance in the future. Also, all sub-recipients status has since been checked and it was confirmed that none were on the suspension and debarment list.

Criteria: The A-133 Compliance Supplement states, “Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.”

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

Summary of Finding: 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.

Status: Corrective action has not been taken. OCCHD stated that this employee would not be required to reimburse either the THD or OCCHD.

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

Summary of Finding: 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

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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.

Status: Corrective action has not been taken. The OCCHD stated that this employee would not be required to reimburse either the THD or OCCHD.

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

Summary of Finding: 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.

Status: Corrective action has not been taken. The OCCHD stated that this employee would not be required to reimburse the OCCHD.

FINDING – 2012-12 – WIC Embezzlement

REF NO: 2012-155-012

AGENCY: 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

Summary of Finding: 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

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vendors dating back to at least November, 2011; November, 2011 was as far back as the bank would research without a fee.

Status: The OCCHD has terminated employment of this employee and charges have been filed against this employee.

FINDING – 2012-13 – Family Planning - Services
REF NO: 2012-155-013
AGENCY: 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-

Summary of Finding: 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.

Status: The OCCHD has taken corrective action in regards to this finding.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV