

# OKLAHOMA CITY - COUNTY HEALTH DEPARTMENT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008

# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FINANCIAL STATEMENTS—CASH BASIS  
AND INDEPENDENT AUDITOR'S REPORTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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May 18, 2009

## 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, 2008. 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.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**BOARD MEMBERS**

CHAIRPERSON

Tim Hill, M.D.

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

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Chief Deputy



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## 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, 2008, 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, 2008, 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, 2008, and the changes in financial position thereof for the year ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2009, 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 has determined is necessary to supplement, although not required 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

May 12, 2009

## **Financial Statements**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
GOVERNMENTAL FUND TYPE—GENERAL FUND  
BALANCE SHEET - CASH BASIS  
JUNE 30, 2008**

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	<u>General Fund</u>
Assets:	
Cash	\$ 10,877,783
Total Assets	<u>\$ 10,877,783</u>
Fund Balance:	
Fund Balance Arising From Cash Transactions	\$ 10,877,783
Total Fund Balance	<u>\$ 10,877,783</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, 2008**

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	<u>General Fund</u>
Cash Receipts:	
Property Taxes	\$ 13,031,906
Intergovernmental Revenues	5,900,087
Charges for Services	962,455
Miscellaneous Revenues	22,384
Interest Income	<u>337,826</u>
Total Cash Receipts	<u>20,254,658</u>
Cash Disbursements:	
Personal Services	14,928,146
Maintenance and Operations	3,537,229
Capital Outlay	<u>359,303</u>
Total Cash Disbursements	<u>18,824,678</u>
Excess of Cash Receipts Over Cash Disbursements	1,429,980
Fund Balance Arising From Cash Transactions, July 1, 2007	<u>9,447,803</u>
Fund Balance Arising From Cash Transactions, June 30, 2008	<u><u>\$ 10,877,783</u></u>

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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 countywide 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 not-for-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, 2008**

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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 Finance Manager 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 and Government Obligations Money Market Fund at June 30, 2008.

**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, 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. 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 2008 fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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. Maximum accumulation of accrued annual leave is limited to 60 days or 480 hours per year.

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.

**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 by fund and 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 Government Obligations Money Market Account and demand deposits. The reported amount of the OCCHD's deposits was \$10,877,783 and the bank balance was \$11,022,492. 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, 2008, OCCHD's bank balance of \$4,284,310 was FDIC insured for \$200,000 and the bank had pledged securities of \$8,438,565.

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 Fund and demand deposits only for FY 2008. 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, 2008**

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**B. Description of Funds**

During the year ended June 30, 2008, 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, 2007, was \$5,284,374,851 after deducting homestead exemptions of \$152,193,840.

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, 2008, were approximately 95.0 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, 2008**

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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, 2008, were \$1,239,234. 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 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, 2008, the Department paid \$75,900.04 in principal and interest on the clinic building. No additional lease obligations were incurred.

**F. Construction and Other Significant Commitments**

As of June 30, 2008, the OCCHD had performed remodels of the OCCHD main building for \$47,860. Capital assets are not presented in the general fund.

**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.

**H. Federal Grants**

In the fiscal year ended June 30, 2008, the Department received federal funds from the U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, 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, Immunization Grants, Public Health Emergency Preparedness, and Medical Assistance Program; five non-major programs, including Project Grants & Cooperative Agreements for Tuberculosis Control Programs, Family Planning - Services, Community-Based Child Abuse Prevention Grants, Preventive Health Services – STD Control Grants, and Maternal & Child Health Services Block Grant to the States.

Additional information on federal grants is presented in the summary section of the Schedule of Findings and Questioned Costs and the Schedule of Expenditures of Federal Awards.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**I. State Grants**

During fiscal year 2008, 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. 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, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 9,447,803	\$ 9,447,803	\$ 9,447,803	\$ -
Less: Prior Year Encumbrances	914,939	914,939	800,981	113,958
Beginning Cash Balances, Budgetary Basis	8,532,864	8,532,864	8,646,822	113,958
Receipts:				
Property Taxes	11,569,810	11,569,810	13,031,906	1,462,096
Charges for Services	587,627	587,627	962,455	374,828
Intergovernmental Revenues	5,001,190	5,001,190	5,900,087	898,897
Miscellaneous Revenues	487,319	487,319	360,210	(127,109)
Total Receipts, Budgetary Basis	17,645,946	17,645,946	20,254,658	2,608,712
Disbursements:				
Personal Services	16,899,989	16,899,989	14,944,384	1,955,605
Maintenance and Operations	5,143,609	5,143,609	3,439,432	1,704,177
Capital Outlay	2,560,382	2,560,382	1,184,106	1,376,276
Future Capital Outlay (pursuant to 63 O.S. § 1-226)	1,574,830	1,574,830		1,574,830
Total Disbursements, Budgetary Basis	26,178,810	26,178,810	19,567,922	6,610,888
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ -	\$ -	9,333,558	\$ 9,333,558
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances				
Add: Current Year Encumbrances			1,544,225	
Ending Cash Balance			\$ 10,877,783	

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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 and State Awards**

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed Through State Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,195,535
Total U.S. Department of Agriculture		<u>1,195,535</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed Through State Department of Health:		
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	45,860
Family Planning - Services	93.217	158,523
Immunization Grants	* 93.268	1,590,086
Community-Based Child Abuse Prevention Grants	93.590	67,068
Public Health Emergency Preparedness	93.069	953,798
Preventive Health Services - STD Control Grants	93.977	41,004
Maternal & Child Health Services Block Grant to the States	93.994	33,174
Medical Assistance Program	93.778	598,880
Total U.S. Department of Health and Human Services		<u>3,488,393</u>
Total Expenditures of Federal Awards		<u>\$ 4,683,928</u>

\* Partially Noncash Assistance

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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 or incurred as of June 30, 2008. 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 \$1,201,302 is included in the Schedule of Expenditures of Federal Awards.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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<u>State Grantor/Grant Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
<u>OKLAHOMA STATE DEPARTMENT OF HEALTH</u>		
Child Guidance Service	3409008343	\$ 237,837
Family Planning Services	3409005724	353,500
Children First Program	3409007877	871,586
State Omnibus	3409010273	301,228
Total Oklahoma State Department of Health		<u>1,764,151</u>
Total Expenditures of State Awards		\$ <u><u>1,764,151</u></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, 2008**

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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 or incurred as of June 30, 2008. 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**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 [www.sai.ok.gov](http://www.sai.ok.gov)

## **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, 2008, and have issued our report thereon dated May 12, 2009. 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 Oklahoma City-County Health Department'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the

deficiencies 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, and 2008-6 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City-County Health Department's financial statements are 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 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 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 them.

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and should not be used 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

May 12, 2009

**Report on Compliance With Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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## **Report on Compliance With Requirements Applicable to Each Major Program and on 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 the 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 are applicable to each of its major federal programs for the year ended June 30, 2008. 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 each of its major federal programs is 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, the Oklahoma City-County Health Department complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and should not be used 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

May 12, 2009

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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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 that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ..... None Reported

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?..... No

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
93.268	Immunization Grants
93.778	Medical Assistance Program
93.069	Public Health Emergency Preparedness

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  
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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 2008-1—Information Systems—Segregation of Duties**

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Planning & Organization PO4), IT management should define the IT organization and its relationships to deliver IT services suitable in numbers and skills. The roles and responsibilities should be defined and communicated, as well as be aligned with the business and facilitate the strategy and provide for effective direction and adequate control.

Condition: During our audit, we noted that OCCHD does not have sufficient staff to effectively direct and control the IT infrastructure. The IT department lacks several key positions needed to operate efficiently. There are no segregation duties within the IT department.

Effect: The agency may not be able to manage all IT projects and/or personnel resulting in inefficient IT operations.

Recommendation: OSAI recommends senior management review the IT function within the overall organizational structure and ensure authority and independence from user departments to the degree necessary to guarantee effective IT solutions and sufficient progress in implementing them.

Management should evaluate staffing requirements regularly to ensure the IT function has a sufficient number of competent IT staff. Staffing requirements should be evaluated at least annually or upon major changes to the business, operational or IT environment. Evaluation results should be acted upon promptly to ensure adequate staffing now and in the future.

Views of responsible officials and planned corrective actions: Management will be reviewing the IT organizational structure, segregation of duties, and staffing levels in the near future. Requesting more details on the staffing levels and ratio based upon this audit's recommendation.

**Finding 2008-2—Information Systems—Disaster Recovery Plan**

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.

Condition: During our audit, we found that:

- OCCHD's disaster recovery plan is inadequate to sufficiently recover business processes.
- OCCHD has never tested a full system recovery.

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- Alternative processing procedures to ensure the continuance of state business do not exist.
- OCCHD does not currently have an off-site storage facility.

Effect:

- 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 case 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: OSAI recommends that OCCHD 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. 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 and IT contingency plans.
- 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 case of a disaster.

OSAI also recommends management assess their continuity 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 planned procedures and their assigned responsibilities.

OSAI further recommends 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.

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Views of responsible officials and planned corrective actions: Currently, three backups are done nightly. Onsite incremental tape backup which is stored onsite. Onsite full backup to disk which is stored at Bank of Oklahoma security deposit box located Downtown, OKC. The third backup is a file or data changed backup to disk which is Oklahoma City, OK. Management will review our disaster recovery plan and make modifications as needed.

**Finding 2008-3—Information Systems—Updates**

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery & Support Objective DS5.9), management should put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the Organization to protect information systems and technology from malware (e.g., viruses, worms, spyware, spam).

Condition: We performed a Nessus internal vulnerability scan as performed in 2007. The scan found some of the exact same vulnerabilities as were found last time. This means that the updates recommended during our last audit were not installed at the time of our most recent scan.

Effect: With these vulnerabilities still open, a potential security violation could easily occur.

Recommendation: OSAI highly recommends that OCCHD immediately test and install the recommended patches.

Views of responsible officials and planned corrective actions: Since 2008 the Agency has used Windows Software Update Services (WSUS) to ensure software is up-to-date. All desktops are using WSUS. Windows servers are updated manually by MIS Network Administrator the third Saturday of every month under the monthly maintenance plan. Once we review the specific finding we will take appropriate action.

**Finding 2008-4—Information Systems—Policy and Procedures**

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery & Support DS5.4), IT management should establish and provide account management procedures addressing system modifications. This would include issuing, suspending, closing, and changing user privileges. These procedures should apply to all users. Rights, as well as obligations relative to access to systems and information should be contractually arranged for all types of users. Management should also perform a regular review of all accounts and related privileges.

Condition: During our audit of the Sage MIP Fund Accounting, we noted there were no formalized procedures in place for transferring user privileges or adding and deletion of employees.

Effect: The lack of procedures in place for adding and deleting of users can lead to access rights being assigned improperly or not removed promptly. Due to this, a previous employee could still have access to

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sensitive information on the network. This leaves the agency vulnerable to unauthorized user accounts and unauthorized privileges, all of which could be used for malicious intent. In the case personnel in charge of the access rights procedure is no longer with the agency, the procedure becomes an issue as there is no documentation to support or provide guidance.

Recommendation: OSAI recommends senior management formalize account management procedures that address transferring of user privileges, as well as for deletion and addition of a new employee.

Views of responsible officials and planned corrective actions: Finance will develop a formalized procedure that documents all additions and deletions of user rights. Terminated employee information will be received from Human Resources and at that time all user rights to the MIP software will be removed. In addition, a formal request will be developed and be required to be submitted by a Department Head and approved by the CFO before any changes will be made to a new or existing user's rights.

**Finding 2008-5—Information Systems—System Logs**

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery & Support DS5.5), IT management should test and monitor the IT security implementation in a proactive way. A logging and monitoring function will enable the early prevention/detection of unusual and or abnormal activities that may need to be addressed.

Condition: During our audit of Sage MIP Fund Accounting, we noted that audit trails were enabled to track logins and attempts to change users. OCCHD IT staff currently does not monitor these logs on a scheduled or periodic basis.

Effect: Failure to monitor log activity increases the possibility for unusual and abnormal activity (i.e., repeated failed login) to go undetected. This could lead to unauthorized access and/or privileges.

Recommendation: OSAI recommends senior management establish and maintain a procedure/schedule that outlines when and how to review log activity. OSAI suggests that this process be documented to provide continuity, establish a baseline for process improvement, and ensure consistency of task.

Views of responsible officials and planned corrective actions: Finance will ensure that as part of the monthly closing procedure(s) that the log activity is reviewed and documented on a monthly basis.

**Finding 2008-6—Information Systems--Passwords**

Criteria: According to the standards of Office of State Finance Information Security Policy Procedure Guidelines, passwords should have a minimum length of eight (8) characters, be free of consecutive, identical, and all numeric or alphabetical characters. Passwords should be changed at regular intervals, with passwords for privileged accounts (i.e., administrator) changed more frequently than normal users. Additionally, the standards of the Information Systems Audit and Control Association (Cobit, Delivery &

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Support DS5.5), IT management should test and monitor the IT security implementation in a proactive way. A logging and monitoring function will enable the early prevention/detection of unusual and or abnormal activities that may need to be addressed.

Condition: During our audit of Sage MIP Fund Accounting, we observed that the administrator password was three (3) characters in length. We also detected there were no procedures in place to enforce password changes at regular intervals.

Effect: The lack of procedures and policies that enforce password changes increase the risk of data being compromised. The simplicity of a three-character password greatly increases the risk to the agency's data.

Recommendation: OSAI recommends senior management schedule and maintain password changes throughout the year. OSAI also advises the administrator password be changed to at least eight (8) characters.

Views of responsible officials and planned corrective actions: The Administrator password has been corrected to be at least 8 characters long. In addition, users will be instructed to change passwords in the MIP software every 90 days.

**SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.**

No matters were reported.



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