



# Office of Juvenile Affairs Special Audit Report December 1, 1999 – June 30, 2003

## Audit Summary:

**JEFF A. McMAHAN, CFE**

OKLAHOMA OFFICE  
OF THE  
STATE AUDITOR & INSPECTOR

### Why the audit was performed

The Attorney General requested the audit pursuant to **74 O.S. 2001, § 18f.**

- ✓ Oklahoma Sheriff's Association (OSA) was paid in advance on two of the three contracts reviewed. Federal funds were used to pay OSA for the three contracts. *Pgs 8 and 17*
- ✓ Sole source affidavits were signed on the three contracts; however, OSA does not meet the criteria of a sole source. Because of the improper sole source designation, the validity of all three contracts is in question; therefore, total expenditures of \$398,894.00, \$98,000.00 and \$115,000.00 could be questioned. Although OSA was designated a sole source, OSA hired employees and purchased equipment. In the second contract, the services were sub-contracted. *Pgs 8, 18 and 21*
- ✓ Services for one contract appear to duplicate duties of Graduated Sanctions Specialists. *Pg 9*
- ✓ OJA employees were involved in the performance of the first (\$398,894.00) contract, contrary to contract provisions. *Pg 10*
- ✓ There was a lack of monitoring and accountability for funds advanced to OSA on all three contracts. *Pgs 10, 18 and 25*
- ✓ Contracts were signed several months after the funding period began on all three contracts. *Pgs 8, 16 and 23*
- ✓ Neither OSA nor OJA maintained supporting documentation for expenditures (purchase orders, invoices) for the \$98,000.00 contract. *Pg 17*
- ✓ Employee insurance and benefits were charged to the program for the first and third contract. *Pgs 11 and 24*
- ✓ Questioned costs associated with the first contract included, inadequate supporting documentation for meal and lodging expenses; charge of \$187.73 on a motel bill for food and beverages; another charge for \$115.00 at a lounge; tips were reimbursed; travel expenses did not follow the State Travel Reimbursement Act; lunch was provided to trainees contrary to the **Constitution of Oklahoma**; and supplies were purchased subsequent to the period of availability. *Pgs 13 - 15*
- ✓ Questioned costs associated with the second contract (\$98,000.00) included reimbursement of \$20,461.51 for salary expenses incurred prior to the contract; payments totaling \$7533.05 were actually transfers to the OSA account to show funds expended; and the balance of \$2826.53 was not remitted back to OJA. *Pgs 19 - 21*



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✓ Specific findings associated with the third contract (\$115,000.00) included; OJA's internal audit was conducted based on unreliable supporting documentation, OJA allowed salaries and benefits without supporting time and effort reports, OJA allowed expenses prior to the contract, and OJA allowed expenses that were already paid under the previous contract due to an overlapping funding period. *Pgs 23 - 25*

✓ The following findings related to the Graduated Sanctions conference:

a. The Juvenile Crime Enforcement Coalition (JCEC) awarded \$50,000.00 to OSA. *Pg 26*

b. OJA and OSA facilitated a conference without a contract in place. *Pg 27*

c. OJA subsequently contracted with UCO in the amount of \$15,415.64 to complete the conference. OJA did not require supporting documentation for expenses incurred by UCO. *Pg 28*

d. OJA may have paid UCO for services performed prior to a contract. *Pg 29*

e. OSA expenses included lodging for 3 local OJA employees. *Pg 30*

f. Only 19 of the 255 participants paid the \$50.00 registration fees. Fees were waived and OJA employees did not pay fees. *Pg 30*

g. OSA is requesting reimbursement for unallowable promotional items containing the OJA logo. An OJA employee appeared to approve these items. *Pg 31*

h. OJA employees appeared to be involved in the planning of social events that were subsequently deemed unallowable by OJA. *Pg 31*

i. The costs OJA is questioning that are associated with social events, transportation, and a golf tournament, were similar to a previous OJA conference. *Pg 32*



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## *Audit Summary:*

- ✓ Four OJA employees participated in the 2002 Graduated Sanctions golf tournament and the 2001 OJA conference tournament without reporting annual leave. One employee accrued 9 hours of comp-time on the day of the 2002 tournament. *Pg 33*
- ✓ The JCEC violated the Open Meeting Act by not having written minutes for meetings. *Pg 35*
- ✓ JCEC members appeared to operate beyond their authority by engaging in the decision-making process of awarding JAIBG contracts to specific organizations. There is also an apparent conflict of interest since contracts were awarded to organizations represented by JCEC members. *Pgs 35 - 37*
- ✓ There was an investigation of an OJA employee that forged signatures on several forms. This matter was handled internally. There was also a matter in which another employee allegedly forged the signature of a former OJA employee. The employee indicated that she placed her initials beside the name in the instances in which she signed the individual's name. On the document in question, the employee denies signing the name. *Pg 37*
- ✓ There were other areas of concern that were brought to our attention, which were not addressed at this time, since they were outside the scope of this engagement. *Pg 39*

**JEFF A. McMAHAN, CFE**

OKLAHOMA OFFICE

OF THE

STATE AUDITOR & INSPECTOR

### Why the audit was performed

The Attorney General requested the audit pursuant to **74 O.S. 2001, § 18f.**

**OKLAHOMA OFFICE OF JUVENILE AFFAIRS**  
**SPECIAL AUDIT REPORT**  
**FOR THE PERIOD DECEMBER 1, 1999 THROUGH JUNE 30, 2003**

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This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. 2001, § 18f. Pursuant to 74 O.S. 2001, § 3105(B), 35 copies have been prepared and distributed at a cost of \$147.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



April 21, 2004

Honorable Drew Edmondson  
Attorney General for the State of Oklahoma  
Room 112, State Capitol  
Oklahoma City, Oklahoma 73105

Transmitted herewith is the Special Audit Report of the Oklahoma Office of Juvenile Affairs. We performed our special audit in accordance with the requirements of 74 O.S. 2001, § 18f.

A report of this type is critical in nature; however, we do not intend to imply that our report failed to disclose commendable features in the present accounting and operating procedures of the Office of Juvenile Affairs.

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

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

Sincerely,

JEFF A. McMAHAN, CFE  
State Auditor and Inspector

**OKLAHOMA OFFICE OF JUVENILE AFFAIRS  
SPECIAL AUDIT REPORT  
DECEMBER 1, 1999 THROUGH JUNE 30, 2003**

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**OFFICE OF JUVENILE AFFAIRS  
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Mr. Robert A. Ravitz ..... Vice Chairman  
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Mr. Charles N. Nobles ..... Member  
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**OFFICE OF JUVENILE AFFAIRS**

Mr. Richard Delaughter ..... Executive Director

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Howard Snowbarger ..... Deputy Director, Department of Support Services  
Ginger Spear ..... Director, State Advisory Group  
Len Morris ..... Director, Management Information Systems



Office of Juvenile Affairs  
3812 North Santa Fe  
Suite 400  
Oklahoma City, Oklahoma 73118

Pursuant to the Attorney General's request and in accordance with the requirements of 74 O.S. 2001, § 18f, we performed a special audit with respect to the Office of Juvenile Affairs, for the period of December 1, 1999 through June 30, 2003.

The objectives of our special audit primarily included the areas listed below. Our audit focused on areas of concern noted in a Department of Central Services (DCS) report dated October 20, 2003. The findings in the DCS report are summarized as follows:

- ***“There is an appearance of a conflict of interest in the awarding of the contracts to the OSA which include a provision for the payment of 100% of the OSA Executive/Interim Director’s salary. The OSA Executive/Interim Director was a member of the JCEC.”***
- ***“The contracts awarded to the OSA were designated as ‘sole source’ contracts. The contracts do not meet the criteria for ‘sole source’ contracts.”***
- ***“The OJA did not comply with the Oklahoma Constitution, state statutes, Oklahoma Administrative Code, the OJA internal purchasing procedures, grant guidelines and federal regulations or the terms of the contracts awarded to the OSA.”***
- ***“Services were authorized by OJA staff to be performed by OSA prior to a signed contract and an encumbrance document.”***
- ***“Advance payments were made to the OSA for services not yet rendered.”***
- ***“Claims were paid without documentation to substantiate the validity of the claims.”***
- ***“OJA did not monitor contract compliance for the contracts awarded to OSA during the contract periods.”***
- ***“OJA allowed OSA to purchase equipment in violation of state statutes.”***
- ***“Grant application documents were forged. In addition, a former program administrator’s signature was forged on a contract review sheet.”***



Our findings and concerns related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Office of Juvenile Affairs, for the period December 1, 1999 through June 30, 2003.

Further, due to the test nature and other inherent limitations of a special audit report, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undiscovered. This report relates only to the accounts and items specified above and do not extend to any financial statements of the Office taken as a whole.

This report is intended to provide information to the Attorney General, OJA Board Members, and Administration of the Agency. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN, CFE  
State Auditor and Inspector

March 24, 2004

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**INTRODUCTION**

Office of Juvenile Affairs is an agency of the State of Oklahoma. Created under 10 O.S. Chapter 73, § 7302-2.2, the Office of Juvenile Affairs is entrusted by the people of Oklahoma to provide professional prevention, education, and treatment services as well as secure facilities for juveniles in order to promote public safety and reduce juvenile delinquency. Within the Office of Juvenile Affairs is the Oklahoma Department of Juvenile Justice, which is responsible for programs and services for juveniles alleged or adjudicated to be delinquent or in need of supervision.

The Office of Juvenile Affairs through the Oklahoma Department of Juvenile Justice offers services to the State of Oklahoma such as Community Intervention, OJA Community Volunteer Programs, treatment centers, Parental Responsibility Projects, and Vocational Training.

The State Auditor and Inspector conducted a special audit of the records of the Office of Juvenile Affairs, primarily those records relating to the Attorney General's concerns. The results of the special audit are in the following report.

## BACKGROUND

### Engagement Nature

In December of 2003, at the request of the Oklahoma Attorney General (AG), our office began an audit of the Office of Juvenile Affairs (OJA). The engagement focused on concerns noted as a result of an audit performed by Oklahoma Department of Central Services (DCS) concerning OJA contracts. The DCS audit was limited to specific contract(s) of an OJA vendor, the Oklahoma Sheriff's Association. There are approximately 500 contracts with OJA. The DCS report focused on the contracts with OSA; therefore, our report was limited to 3 of the approximate 500 contracts.

### The Oklahoma Sheriff's Association (OSA)

OSA is a non-profit association, which represents the elected sheriffs in all 77 counties within Oklahoma. OSA provides support for local sheriffs through training, education, developing laws and policies that promote public safety, provide technical and informational support, and provide effective and quality law enforcement services to the citizens of the State of Oklahoma.

### Federal Money - Juvenile Accountability Incentive Block Grant

OJA was awarded a grant from the United States Department of Justice, Office of Juvenile Justice and Delinquency Prevention (OJJDP). The title of the grant is the Juvenile Accountability Incentive Block Grant (JAIBG). The grant is identified in the United States Catalog of Federal Domestic Assistance (CFDA) as Federal Program #16.523.

The purpose of this federal program was to provide financial assistance to develop programs to promote greater accountability in the current juvenile justice system. The grant provided that the Office of Juvenile Affairs would survey the field and identify projects that would benefit from research, demonstration, and evaluation in the 12 purpose areas identified in the JAIBG Program.

The essential focus of the grant concentrated on twelve (12) different allowable purpose areas in which the federal monies could be expended. The following purpose areas were obtained from the JAIBG Guidance Manual.

- Purpose – 1 Building, expanding, renovating, or operating temporary or permanent juvenile correction or detention facilities, including training of correctional personnel.
- Purpose – 2 Developing and administering accountability-based sanctions for juvenile offenders.
- Purpose – 3 Hiring additional juvenile judges, probation officers, and court-appointed defenders, and funding pre-trial services for juveniles, to ensure the smooth and expeditious administration of the juvenile justice system.
- Purpose – 4 Hiring additional prosecutors, so that more cases involving violent juvenile offenders can be prosecuted and backlogs reduced.
- Purpose – 5 Providing funding to enable prosecutors to address drug, gang, and youth violence problems more effectively.

**BACKGROUND (CONTINUED)**

- *Purpose – 6* Providing funding for technology, equipment, and training to assist prosecutors in identifying and expediting the prosecution of violent juvenile offenders.
- *Purpose – 7* Providing funding to enable juvenile courts and juvenile probation officers to be more effective and efficient in holding juvenile offenders accountable and reducing recidivism.
- *Purpose – 8* The establishment of court-based juvenile justice programs that target young firearms offenders through the establishment of juvenile gun courts for the adjudication and prosecution of juvenile firearms offenders.
- *Purpose – 9* The establishment of drug court programs for juveniles so as to provide continuing judicial supervision over juvenile offenders with substance abuse problems and to provide the integrated administration of other sanctions and services.
- *Purpose – 10* Establishing and maintaining interagency information-sharing programs that enable the juvenile and criminal justice system, schools, and social services agencies to make more informed decisions regarding the early identification, control, supervision, and treatment of juveniles who repeatedly commit serious delinquent or criminal acts.
- *Purpose – 11* Establishing and maintaining accountability-based programs that work with juvenile offenders who are referred by law enforcement agencies, or which are designed, in cooperation with law enforcement officials, to protect students and school personnel from drug, gang, and youth violence.
- *Purpose – 12* Implementing a policy of controlled substance testing for appropriate categories of juveniles within the juvenile justice system.

**Graduated Sanctions Program (GSP)**

Graduated Sanctions is a JAIBG program implemented to accomplish Purpose 2. Graduated Sanctions or accountability-based sanctions program is a program that States implement to ensure that juveniles receive an appropriate disposition through the juvenile courts. Inherent in Graduated Sanctions programs is the idea of providing swift and appropriate punishment to youth offenders based on the gravity of their offense and an assessment of the potential risk for re-offending, coupled with appropriate treatment to reduce the risk of recidivism.

A Graduated Sanctions system holds young people accountable for their actions every step of the way from the least to the most serious patterns of offending while maintaining public safety. It provides swift and sure punishment when a youngster first commits a crime followed by progressively tougher sanctions if he or she continues to offend.

**Contract(s) between The Office of Juvenile Affairs (OJA) and Oklahoma Sheriff's Association (OSA)**

The professional service contracts between OJA and OSA were executed to address Purpose Area # 2 (Developing and administering accountability-based sanctions for juvenile offenders) and covered the following three (3) separate periods.

**BACKGROUND (CONTINUED)**

***Contract # 1 (See page 8)***

(T044099) JAIBG 98 – January 1, 1999 through January 20, 2001 (24 months).

The contract was for \$398,000. The OSA was to provide accountability-based sanctions for juvenile offenders by providing training to units of local government on the best practices on starting local Graduated Sanctions programs in their area.

***Contract # 2 (See page 16)***

(X071607) JAIBG-99 – January 1, 2001 through September 30, 2001 (9 months).

The contract was for \$ 98,000. The OSA was to conduct an evaluation of the progress and effectiveness of implemented juvenile accountability-based sanctions programs across Oklahoma.

***Contract # 3 (See page 21)***

(Y066468) JAIBG 2000 – July 1, 2001 through June 30, 2002 (12 months).

The contract was for \$115,000. The OSA was to conduct an evaluation of the progress and effectiveness of the implementation of the juvenile accountability-based sanction programs across Oklahoma.

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**DESCRIPTION OF ACRONYMS**

<u>Acronyms</u>	<u>Affiliation</u>	<u>Description</u>
<b>OJA</b>	State of Oklahoma	Office of Juvenile Affairs
<b>OSA</b>	Private Organization	Oklahoma Sheriff's Association
<b>AG</b>	State of Oklahoma	Attorney General
<b>DCS</b>	State of Oklahoma	Department of Central Services
<b>OJJDP</b>	United States	Office of Juvenile Justice & Delinquency Prevention
<b>JAIBG</b>	Federal Grant to OJA	Juvenile Accountability Incentive Block Grant
<b>CFDA</b>	United States	Catalog of Federal Domestic Assistance
<b>GSP</b>	OJA – Federal Funded Program	Graduated Sanctions Program
<b>CFO</b>	Office of Juvenile Affairs	Chief Financial Officer
<b>UCO</b>	State of Oklahoma	University of Central Oklahoma
<b>CPO</b>	Office of Juvenile Affairs	Certified Procurement Officer
<b>DJJ</b>	United States	Department of Juvenile Justice
<b>JCEC</b>	OJA – Advisory Board	Juvenile Crime Enforcement Coalition
<b>OMB</b>	United States	Office of Management and Budget
<b>CFR</b>	United States	Code of Federal Regulations

## **FINDINGS AND RECOMMENDATIONS**

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**OKLAHOMA SHERIFF'S ASSOCIATION CONTRACT (#1)  
(JANUARY 1, 1999 – JANUARY 20, 2001) \$398,894**

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**General Information**

The Office of Juvenile Affairs (OJA) executed a contract with the Oklahoma Sheriff's Association (OSA) for the purpose of developing and administering accountability-based sanctions for juvenile offenders; by providing training on the best practices on starting a local Graduated Sanctions Program. The funding for the project was provided from a United States Department of Justice grant 98-JAIBG-41 in the amount of \$398,894.00. The period of availability was January 1, 1999 through January 20, 2001.

A former Executive Director of OSA and the former Executive Director of OJA signed the contract (not dated) between OSA and OJA. The former OJA Executive Director signed the "Professional and Personal Services Contract Exception Request" and the "Sole Source or Sole Acquisition Affidavit" on November 23, 1999. The affidavit indicated OSA was the only entity qualified to provide the service. The purchase order was issued for the entire amount on December 2, 1999.

The contract with OSA was signed almost one year after the beginning of the funding period. Therefore, there was approximately one year to fulfill the terms of the contract. However, the contract period was for two years.

Based on a review of expenditures, it does not appear there were any expenditures prior to the date of the purchase order. We noted no expenditures prior to December 1999.

**Funds Were Advanced**

On December 31, 1999, the OSA received a lump sum payment of \$398,894 for the contract. OSA began expending the funds in January 2000. Since the funds were provided to OSA in advance, it appears this payment was remitted to OSA by OJA with no supporting documentation and no accountability.

The advancement of funds appears to be precluded by **74 O.S. 2001, § 85.44B** and **Article X § 15A** of the **Constitution of Oklahoma**. See Appendix.

**Sole Source**

The definition of a sole source contract is set forth in **74 O.S. 2001, § 85.2 (30)** which provides:

“Sole source acquisition means an acquisition which, by specification, restricts the acquisition to one supplier.”

The format used for the "Sole Source or Sole Brand Acquisition Affidavit," signed by the former Executive Director of OJA, is pursuant to **74 O.S. 2001, § 85.45j**. See Appendix



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The Sole Source or Sole Brand Acquisition Affidavit provides in part:

“I hereby affirm that the acquisition pursuant to the provisions of the attached requisition or contract is very specialized or requires great expertise and to the best of my knowledge the Oklahoma Sheriff’s Association is the only person or business entity which is singularly and particularly qualified to provide the acquisition ...

...I understand that the signing of this affidavit knowing such information to be false may subject me to punishment for perjury.”

The penalty for affirming the affidavit and knowing the information to be false is set forth in **74 O.S. 2001, § 85.45j (A) (4)**. See Appendix

The affidavit states that OSA was the sole source for these services. It was the only organization that represented all of the elected sheriffs and was the only organization recognized by the National Sheriff’s Association to provide training for sheriffs and other law enforcement. There was no provision in the grant guidelines requiring the use of an organization, which is recognized by the National Sheriff’s Association. Although the former Executive Director of OJA signed the affidavit affirming this was a sole source, it appears this contract did not meet the requirements of a sole source.

The OSA did not have the resources to fulfill the contract at the time the contract was executed. OSA hired additional employees and purchased in excess of \$90,000 in needed equipment. It should be further noted that the sole source was justified and approved by the State Purchasing Director. Interviews with OJA’s Chief Financial Officer (CFO) and a representative of the Attorney General’s office (AG) confirmed that OSA was not the only vendor who could provide the training.

### **Possible Duplication of Services**

It appears that there was a possible duplication of services. The purpose of the OSA contract was for developing a GSP program; this also appears to be the function of the GSP specialists employed by OJA. The description of the job duties for the Juvenile Justice Specialists is as follows:

“Meet with communities and provide information to encourage the implementation of Graduated Sanctions. Work closely with communities to implement programs and provide ongoing technical assistance.”

The contract with OSA provides in part:

“...provide accountability-based sanctions for juvenile offenders by providing training to units of local government on the best practices on starting local Graduated Sanctions programs in their area”.

The appearance of duplicated services was confirmed in an interview with the former JAIBG Coordinator. She also indicated this was questioned by the Juvenile Crime Enforcement Coalition (JCEC), which explains the reason for the decrease in the amounts of OSA contracts.

### **Involvement of OJA Employees**

The Contract Requisition Justification states in relevant part:

“no current state employee will engage in the performance of this contract.”

Based on interviews and status reports prepared by OSA, it appears OJA employees (Graduated Sanctions Specialists) were directly involved in the project. One employee was specifically mentioned.

### **Lack of Monitoring and Accountability**

The Contract Requisition Justification indicated a former Unit Supervisor would monitor the program to ensure compliance with the contract. However, it does not appear anyone from OJA actually monitored the contract. In the contract documents, there are expenditure reports for the period August 2000 through January 2001; however, these reports did not appear to be reviewed or approved since there was not an approval signature from an OJA employee. We found no reports prior to August 2000. Also in the contract file were JAIBG Progress Reports; again, these reports did not appear to be approved since there was not an approval signature from an OJA employee. In addition, we found no documentation at OJA supporting the expenditure reports. We obtained the supporting documentation, purchase orders and invoices, from the OSA.

Also, OSA submitted a proposed budget (not dated), and there is no indication that the budget was approved since there was not an approval signature from an OJA employee. The proposed budget was attached to the contract. Also in the contract file is a budget detail and expenditure summary for March 2000 - January 2001. This appeared to have been faxed to OJA on March 17, 2000, from a former OSA Programs Director to a former JAIBG Coordinator. This budget detail provided salary increases for a former OSA Program Director from \$32,000 per year to \$40,000, and a salary increase for a former OSA Administrative Assistant from \$21,000 per year to \$25,000 per year. In the budget proposal, job titles were initially classified as Training Program Coordinator and Training Program Clerk, respectively. Again, we found no indication the changes to the proposed budget had been reviewed and approved by OJA. The OSA employees received the salary increases beginning in March 2000. Based on the documentation provided, it does not appear modifications were approved in accordance with the terms of the contract.

According to Part II, Section 27 part (b) and (c) of the contract:

“b. Except as otherwise provided in this agreement, the work and services to be performed and the total grant amount may be modified only upon written agreement of the duly authorized representatives of the parties.

c. Agreement modifications shall be requested by Grantee only during the last twenty (20) days of each quarter. Changes will become effective the following quarter.”

Requirements for monitoring contracts and ensuring funds are used for authorized purposes is set forth in **OMB Circular A-110, 28 CFR § 66.40 and 74 O.S. 2001, § 85.41 (D)**. See Appendix.

## **Questioned Costs**

### **Payment of Salaries and Benefits**

We traced expenditures, which appeared to be for salaries from the check register, to supporting documentation maintained by OSA. Based on the review of salary related expenditures, we noted the following questionable expenditures:

Grant proceeds were used to pay salaries for OSA employees totaling \$119,934.68. Based on documentation, OSA hired two full-time employees and at least three part-time employees. It appears these employees were hired to fulfill the terms of the contract. This indicates OSA would not have hired individuals for these positions without this contract. OSA was deemed the only organization that could provide the training, yet OSA had to hire the personnel to perform the training. Therefore, it does not appear OSA had the personnel to fulfill the terms of the contract at the time the sole source contract was executed. We further question whether OSA is the only organization that can perform the training. It appears there are several organizations which can perform training. Because OSA does not appear to be a sole source, we are questioning the validity of the contract. Therefore, the total salary costs associated with this contract could be in question.

If this had not been a sole source contract, there would still be questioned costs associated with salary costs funded by federal monies. These questioned costs are included in the \$119,934.68 total salary costs.

- Direct payments were made to a former Project Director and a former Administrative Assistant for insurance and retirement benefits totaling \$7,950.00. The budget proposal attached to the contract did provide for employee benefits.
- Check #1095, dated July 31, 2000, was issued in the amount of \$20,094.76 to reimburse OSA for (fourteen) 14 months salary and benefits for a legal researcher and file manager. No documentation was attached verifying OSA had paid salaries for these positions. Further, the contract had been in effect for less than eight months. In addition, in January 2001, a check in the amount of \$2,800.00 was issued to a former OSA employee for legal research. There was no documentation attached to indicate how the amount was determined and a portion of the \$20,094.76 was also for a legal researcher. We are questioning the undocumented payment of \$20,094.76 and the \$2,800.00 additional payment for legal research when the \$20,094.76 included salary for a legal researcher.
- Two OSA employees' regular monthly gross salary was \$583.33. In December 2000, in addition to their December salary, they were both compensated for "5 additional months for last 5 newsletter publications". The total gross salary for employee #1 was \$3,034.60 and \$3,499.78 for employee #2. Therefore, we question the \$5,367.69 in additional compensation to these employees.
- In January 2001, the entire gross salary of \$3,333.33 for the former Project Director and \$2,083.33 for the former Administrative Assistant were charged to the federal grant. The contract expired on January 20, 2001.
- In December 2000, a check was issued in the amount of \$560.00 to reimburse OSA for a

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worker's compensation premium. Part II, Section 13a of the contract specifically states, "Grantee has full responsibility for payment of worker's compensation insurance..."

These findings appear to be a result of the lack of accountability for the advancement of funds provided to OSA. We found no documentation verifying these individuals worked exclusively on Graduated Sanctions training. We found no documentation supporting the salary costs, such as payroll reports or time sheets. Since there was no accountability for these funds and the contract was not monitored, OJA did not know whether salary costs were allowable and they did not determine expenditures were supported by adequate documentation as required by **OMB Circular A-87** and **28 CFR § 66.20**. See Appendix.

**Purchase of Equipment**

During the course of the contract, OSA purchased over \$92,000.00 in equipment with grant proceeds. The equipment purchased was needed to perform the duties prescribed by the contract. It was deemed that OSA was the only organization that could perform the training, yet they did not possess the equipment needed to provide training. Since OSA had to purchase the equipment needed to perform the requirements of the contract, it does not appear they had the resources to perform the services at the time the sole source contract was executed. Because OSA does not appear to be a sole source, we are questioning the validity of the contract. Therefore, the total equipment costs associated with this contract could be in question. The proposed budget attached to the contract did provide for the purchase of equipment.

In addition, because of the lack of accountability and monitoring, it appears OJA did not ensure the equipment purchased was necessary and reasonable as required by **OMB Circular A-87** and **28 CFR § 66.20**. See Appendix.

OSA purchased the equipment under the terms of this contract; therefore ownership vested with the vendor. OJA was unable to provide a list of the equipment purchased by OSA. Therefore, OJA does not know specifically what equipment OSA purchased. Since OSA acquired ownership of the equipment, this practice appears to be contrary to **74 O.S. 2001, § 85.44C**. See Appendix.

On December 18, 2003, the Executive Director of OSA signed a certification with the Federal Agency that the OSA will use the equipment for criminal justice purposes and, therefore, the title to the equipment will vest with OSA (Subgrantee).

**Supplies and Travel Expenses**

We reviewed the files of purchase orders and invoices maintained by the OSA and noted the costs, which appeared to be questionable.

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*Insufficient Documentation*

Date	Check #	Vendor	Amount Questioned	Comments
3/15/00	1032	Hilton Inn	\$24.36	Meal on hotel bill, no itemized documentation
3/15/00	1032	Hilton Inn	\$33.00	Bill is for 2 individuals, second person not identified, amount is above single rate
3/31/00	1042	Former Project Director	\$24.69	Meal expense documented by cash register tape
7/27/00	1093	Blimpie	\$19.94	Who were sandwiches purchased for?
7/31/00	1105	Former Project Director	\$239.78	Hotel expense, documented by credit card receipt
8/30/00	1126	Former Project Director	\$167.08	No itemized documentation for meals
9/28/00	1164	Contract Labor	\$130.22	No description of work performed
9/29/00	1175	Former Project Director	\$43.39	Lodging documented by credit card receipt
10/19/00	1210	Howard Johnson	\$316.40	Lodging for 7 unidentified individuals
11/30/00	1256	Former Project Director	\$147.46	Meals of \$35.02, \$65.25, \$47.19 credit card receipt
11/30/00	1256	Former Project Director	\$45.37	Meal for unidentified individuals
12/20/00	1270	Former Project Director	\$607.09	Meals of \$169.08, \$363, \$75.01 unidentified persons
12/20/00	1271	Former Administrative Assistant	\$47.58	Meal expense documented by credit card receipt
1/31/00	1306	Former Project Director	\$41.88	Meal on hotel bill, no itemized documentation
Total			\$1,888.24	

There were other charges of a questionable nature, which were also not supported by adequate documentation.

Date	Check #	Vendor	Amount Questioned	Comments
11/30/00	1256	Former Project Director	\$187.73	Charge on motel bill for food and beverages
12/20/00	1270	Former Project Director	\$115.00	Charge on motel bill, Marque Lounge at 11:04 pm
Total			\$302.73	

Adequate supporting documentation is required by **28 CFR § 66.20** and **74 O.S. 2001, § 500.9**, which requires the actual lodging receipt accompany the claim for payment. See Appendix

The reimbursements for meals and lodging expenses noted above, do not provide sufficient documentation to determine the expenses are necessary and reasonable in accordance with **OMB Circular A-87**. See Appendix.

We also noted gratuities were included with meal expenses totaling \$163.45. However, check #1270 issued to reimburse the former Project Director for expenses included meal receipts totaling \$916.24 and only \$693.27 was claimed for reimbursement. We were unable to determine how the \$693.27 was calculated and what expenses were actually reimbursed. Documentation associated with this claim indicated \$88.86 in gratuities; however, we could not verify if this amount was actually reimbursed. Also, included with the documentation supporting this check was a meal receipt that included alcoholic beverages totaling \$14.61, again we cannot determine if this expense was actually reimbursed.

**OMB Circular A-87** (See Appendix) specifically prohibits the payment of gratuities and the purchase of alcoholic beverages.

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*Inappropriate Travel Reimbursements and Expenses*

Date	Check #	Vendor	Amount Questioned	Comments
3/31/00	1042	Former Project Director	\$7.00	Meal included purchase of two Coronas
6/30/00	1086	Former Project Director	\$13.52	Meal expense, not on overnight travel
7/31/00	1105	Former Project Director	\$12.09	Meal expense, not on overnight travel
11/30/00	1256	Former Project Director	\$137.29	Lodging expenses, not overnight travel
12/20/00	1270	Former Project Director	\$14.60	Charge on motel bill, \$1.60 laundry, \$13.00 health club
Total			\$184.50	

Part II, Section 12a of the contract provides in relevant part:

“...All payments for travel-related costs, including per diem...shall be in accordance with the State Travel Reimbursement Act, **74 O.S. 500.1** et seq.”

Expenses incurred, which do not include overnight travel appear to be prohibited by **74 O.S. 2001, § 500.7** and **§ 500.8**. See Appendix.

OSA employees were reimbursed for actual meal expenses and not on a per diem basis. Since there is no provision in this Act for reimbursement of actual meal expenses, all meal expenses could be in question.

We noted the following instances in which funds were used to pay lodging for an OJA employee. The Contract Requisition Justification prohibits the involvement of OJA employees in the performance of the contract.

Date	Check #	Vendor	Amount
9/26/00	1160	Tulsa Doubletree	\$66.11
9/29/00	1167	Holiday Inn Norman	\$80.28
11/16/00	1244	Ramada Inn McAlester	\$52.80
Total			\$199.19

*Expenses for Training Attendees*

It was noted lunch was provided for individuals attending the training at a total cost of \$2,441.23. In addition, training attendees were reimbursed expenses for attending the conferences, mileage totaling \$2,162.47, per diem totaling \$154.24 and lodging totaling \$2,128.93. This practice appears to be directed by a former Programs Administrator for OJA, who issued a memo to the former OJA Executive Director, indicating the training should be provided at no cost and lunch should be provided as well as mileage. Further, the budget proposal attached to the contract also provided for lunch and mileage expenses for the participants. These payments appear to be in the nature of gifts, which appears to be contrary to **Article X, § 15A** of the **Constitution of Oklahoma**. See Appendix.

On October 3, 2000, check #1187 was issued to UCO in the amount of \$307.00 to pay registration fees for two individuals to attend a Juvenile Justice Conference. There was no documentation indicating this was training for Graduated Sanctions. This was not one of the training sites for the GSP training. This payment also appears to be contrary to **Article X, § 15A** of the **Constitution of Oklahoma**. See Appendix.

*Purchase of Supplies*

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On December 5, 2000, check #1257 was issued to the Oklahoma Children's Cancer Association (OCCA) to purchase Christmas cards in the amount of \$1,593.20. This purchase appears to be gifts, which would be contrary to **Article X, § 15A** of the **Constitution of Oklahoma**. See Appendix.

On January 18, 2001, check #1299 was issued to Boise Cascade in the amount of \$1,250.00 to purchase paper. This expenditure occurred two days prior to the end of the contract.

The following expenditures occurred subsequent to the contract period and the period of availability of the grant:

Date	Check #	Vendor	Amount	Description
1/29/01	1303	BEB Enterprises	\$3,600.00	Purchase of two computers
1/29/01	1304	BEB Enterprises	\$4,650.00	Scanner, printer, software
1/29/01	1305	Transcript Press	\$4,179.95	Newsletter
1/31/01	1306	Wolf Mailing Services	\$3,243.79	Postage for newsletter
Total			\$15,673.74	

According to Part II, Section 5a of the contract:

"Funds made available pursuant to this agreement shall be used for expenses incurred during the period funded as specified in Part I and II for the purposes and activities approved and agreed to by OJA. No grant funds may be used for expenses incurred either prior to or after the time specified."

OSA Reimbursements

We noted payments to OSA for the following reimbursements for expenses:

Date	Check #	Amount	Description
3/8/00	1027	\$2,500.00	Telephone system upgrade
3/10/00	1028	\$7,000.00	Rent for 14 months
3/10/00	1030	\$1,070.33	Install 3 phone lines
1/8/01	1293	\$4,524.55	Janitorial, alarm monitoring, storage for 9 months
Total		\$15,094.55	

There was no documentation attached to the \$2,500.00, \$7,000.00 and the \$4,524.55 expenditures verifying OSA actually incurred these expenses. In addition, it does not appear OSA had the resources to fulfill the contract since they acquired additional office space, upgraded the telephone system and installation of additional lines. Further, the janitorial services and alarm monitoring do not appear to be additional expenses incurred because of the contract. The budget proposal attached to the contract provided for telephone lines and rent.

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**OKLAHOMA SHERIFF'S ASSOCIATION CONTRACT (#2)  
(JANUARY 1, 2001 – SEPTEMBER 30, 2001) \$98,000**

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**General Information**

The Office of Juvenile Affairs (OJA) executed a contract with the Oklahoma Sheriff's Association (OSA) for the purpose of conducting an evaluation of the progress and effectiveness of implemented Juvenile Accountability Based Sanctions Programs across Oklahoma. The funding for the project was provided to OJA through a grant received from the United States Department of Justice, Office of Juvenile Justice and Delinquency Prevention Program, grant 99-JAIBG-41 in the amount of \$98,000.00. The period of availability for the contract was January 1, 2001 through September 30, 2001.

Former Interim Executive Director of OSA and Executive Director of OJA signed the contract (contract not dated) between OSA and OJA. The former OJA Programs Administrator and an OJA CPO signed the "Professional Services Contract Requisition Justification", which is not dated. On February 26, 2001, the former OJA Programs Administrator and the Executive Director signed a "Sole Source or Sole Acquisition Affidavit". The sole source affidavit indicated OSA was the only entity qualified to provide the services. The sole source affidavit also states "No efforts were made to secure other bids for this service". Purchase order (X071607) was approved for the entire \$98,000.00 to OSA on April 10, 2001. A lump-sum payment of \$98,000.00 was remitted to OSA on April 23, 2001.

The contract with OSA was not executed for almost 4½ months after the beginning of the funding period. Therefore, there were approximately 4½ months to fulfill the terms of the contract. The contract period was for nine (9) months.

Based on a review of expenditures, it appears no expenditures were made relating to this contract prior to the date DCS approved the purchase order. We noted expenditures for January 2001, which were recognized by a previous contract. We also noted expenditures in April 2001 for salaries and benefits to OSA employees simultaneous to the receipt of the OJA lump-sum payment.

**Oklahoma Sheriff's Association Ledger**

The following summary of disbursements was obtained from the Oklahoma Sheriff's Association check register and their monthly bank statements. The OSA did not maintain a general ledger for July, August, and September. The activity for the grant appears to have been disbursed from an account titled Oklahoma Sheriff's Association - OJA Juvenile Accountability.



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			No OSA Ledger	No OSA Ledger				
Payment Description	Check #	January-01	February- 01	March-01	Payment Description	Check #	April-01	Monthly Balance
Office Depot	1292	\$474.57	\$0.00	\$0.00	Former Administrative Assistant	1312	\$1,191.68	** \$98,050.00
Oklahoma Sheriff's Assn	1293	\$4,524.55	*	*	Former Programs Director	1313	\$2,861.68	
Ok. Poster Compliance Center	1294	\$42.25			First Fidelity Bank	1314	\$1,489.60	
Ramada Inn – McAlester	1295	\$52.80			Ok. Tax Comm.	1315	\$243.00	
OSA Employee	1296	\$1,980.70						
Roman Nose Resort	1297	\$1,230.26						
Office Max	1298	\$680.17						
Boise Cascade	1299	\$1,250.23						
Office Depot	1300	\$912.83						
Ionex – Phone	1301	\$198.81						
Copelin's Office Center	1302	\$136.53						
BEB Enterprises	1303	\$3,600.00						
BEB Enterprises	1304	\$4,650.00						
Transcript Press	1305	\$4,179.95						
Former Programs Director-Travel	1306	\$418.88						
Former Programs Director-Salary	1307	\$2,499.33						
Former Administrative Assistant - Salary	1308	\$1,614.95						
First Fidelity Bank Tax	1309	\$2,366.16						
Ok. Tax Comm. - Tax	1310	\$384.10						
Wolf Mailing Services	1311	\$3,243.79						
Totals		\$34,440.8					\$5,785.96	\$92,264.04

The grant periods for this contract and the previous contract overlap. The checks issued in January were expenditures for the previous contract. The months of February and March have no detailed records to support transactions or activities. When the documentation was requested from OSA, the Executive Director stated that he was not employed there during that period and all the records maintained at that time were in a box, which he provided. The boxes and ledgers provided did not contain information on the expenses for these two months.

**Funds Were Advanced**

On April 23, 2001, the OSA received a lump-sum payment of \$98,000.00 for the contract. OSA began expending the funds in April 2001. Since the funds were provided to OSA in advance it appears this payment was remitted to OSA by OJA with no supporting documentation and no accountability.

The advancement of funds appears to be precluded **74 O.S. 2001, § 85.44B** and **Article X, § 15A** of the **Constitution of Oklahoma**. See Appendix.

### **Sole Source**

The definition of a sole source contract is set forth in **74 O.S. 2001, § 85.2 (30)**, previously cited.

The format used for the Sole Source or Sole Brand Acquisition Affidavit, signed by the former OJA Programs Administrator and the Executive Director, is pursuant to **74 O.S. 2001, § 85.45j**. The Sole Source or Sole Brand Acquisition Affidavit provides in part:

“I hereby affirm that the acquisition pursuant to the provisions of the attached requisition or contract is very specialized or requires great expertise and to the best of my knowledge the Oklahoma Sheriff’s Association is the only person or business entity which is singularly and particularly qualified to provide the acquisition . . . I understand that the signing of this affidavit knowing such information to be false may subject me to punishment for perjury.”

The penalty for affirming the affidavit and knowing the information to be false is set forth in **74 O.S. 2001, § 85.45j (A) (4)**. See Appendix.

The affidavit states that OSA was the sole source for these services. It was the only organization that represented all of the elected sheriffs and was the only organization recognized by the National Sheriff’s Association to provide training for sheriffs and other law enforcement. There was no provision in the grant guidelines requiring the use of an organization, which is recognized by the National Sheriff’s Association. Although the above individuals signed the affidavit affirming this was a sole source, it appears this contract did not meet the requirements of a sole source.

The OSA did not have the resources to fulfill the contract at the time the contract was executed. OSA sub-contracted with individuals for \$20,000.00 to develop and implement an evaluation tool and conduct the evaluation. Interviews with OJA employees confirmed that OSA was not the only vendor who could perform the evaluation. It should be further noted that the sole source was justified and approved by an OJA-CPO and the State Purchasing Director.

### **Lack of Monitoring and Accountability**

The Contract Requisition Justification indicated a former Unit Supervisor would monitor the program to ensure compliance with the contract. It does not appear anyone from OJA actually monitored the contract. In the contract documents there are no expenditure reports for the contract period January 2001 through September 2001, except a JAIBG Final Expenditure Report. However, the report was not signed by an OJA monitor indicating the report was reviewed and approved.

We were informed by two OJA employees and the OSA Executive Director that there were no invoices, claims, expense reports, payroll timesheets, or other type of documentation to support costs charged to the contract, further indicating OJA did not review and approve OSA expenditures.

The requirements for monitoring contracts and ensuring funds are used for authorized purposes is set forth in **OMB CIRCULAR A-110, 28 CFR § 66.40** and **74 O.S. 2001, § 85.41 (D)**. See Appendix.

## Questioned Costs

### Payment of OSA Expenses

We traced expenditures, which appeared to be for OSA expenses from the check register; however, OSA did not maintain supporting documentation. Based on a review of OSA expenditures, we noted the following questionable expenditures:

- As previously discussed, it does not appear OSA was a sole source. Therefore, we question the validity of the contract and all cost associated with this contract. Grant proceeds were used to pay salaries, buy supplies, pay for services, travel, personal cell phones and other expenses for OSA totaling more than \$95,000.00.
- This condition appears to be a result of the lack of accountability for the advancement of funds provided to OSA. We found no supporting documentation verifying any of these individuals worked exclusively on the Graduated Sanctions evaluation. Since there was no accountability for these funds and the contract was not monitored, OJA did not know whether the costs were allowable, necessary, reasonable and supported by adequate documentation as required by **OMB Circular A-87** and **28 CFR § 66.20**. See Appendix.

### History OJA Contract Monitoring Ability

An interview with the State Purchasing Director indicated OJA contracts often contained language that were boiler-plate, lacked a clear understanding of contract content, and contractor requirements that were often contradictory. He also indicated that OJA rarely provided documentation to DCS assessing the monitoring or performance of its contracts.

### Improper OSA expense reimbursements

Part II, Section 5 of the contract prohibits grant funds from being used for expenses incurred either prior to or after the time period specified.

The two highlighted entries below indicate two checks payable to OSA in July 2001. The purpose of these payments was to reimburse OSA for salaries and expenses they incurred in February and March 2001. OJA did not have a signed contract in place for these months. The DCS purchase order was not issued until April 2001. Therefore, we question these payments totaling \$20,461.51 for the reimbursement of expenses incurred prior to the approved contract.

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Payment Description	Check #	July-01	Monthly Balance
			\$67,261.65
Oklahoma Sheriff's Assn	1343	\$6,156.00	
Oklahoma Sheriff's Assn	1344	\$14,305.51	
Oklahoma Sheriff's Assn	1345	\$650.50	
Oklahoma Sheriff's Assn	1346	\$464.13	
Oklahoma Sheriff's Assn	1347	\$923.87	
Cox Communications	1348	\$141.04	
Contract Labor	1349	\$93.15	
Contract Labor	1350	\$1,003.28	
Contract Labor	1351	\$863.28	
Voided	1352	\$0.00	
Voided	1353	\$0.00	
Former Administrative Assistant	1354	\$1,911.68	
Former Programs Director	1355	\$2,861.68	
		\$29,374.12	
			\$37,887.53

The highlighted entries below indicate checks payable to OSA on September 30, 2001. The purpose of these payments was to reimburse OSA for salaries and expenses. However, the OSA did not deposit the checks until December 2001. The period of availability, for this contract, ends on September 30, 2001. Since these checks were not deposited until December 2001 (subsequent to the period of availability) we question these payments, which total \$7,533.06. Also, these expenditures were actually transfers to the OSA account. It appears these transfers were completed to provide the appearance that funds were expended prior to the end of the period of availability. The checks were held for approximately 75 days beyond the allowable contract period of availability, before deposited into the OSA operating account. It appears OSA wrote these checks with the intention to obligate monies to fund future operating expenses, which could be construed as supplanting. The definition for supplanting is set forth in § 6.9 of the **JAIBG Guidance Manual**:

“The term ‘nonsupplanting’ means the prohibition on using Federal funds to substitute or replace State or local funds that would otherwise be spent for a particular program or purpose. The nonsupplanting requirement provides that funds shall be used to increase the amount of funds that would be made available from State or local sources.”

In addition, it appears a balance of \$2,826.53 was not expended at the end of the contract period; therefore, it appears this unexpended balance and the highlighted questioned amount should have been remitted back to OJA.

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Payment Description	Check #	September-01	Monthly Balance
			\$24,309.64
Critical Content Website	1369	\$180.00	
Voided	1370	\$0.00	
BEB Enterprises	1371	\$1,394.42	
Former Programs Director	1372	\$1,590.52	
R.K. Black INC.	1373	\$4,277.00	
Cingular Wireless	1374	\$509.66	
Contract Labor	1375	\$1,000.00	
Voided	1376	\$0.00	
OSA Operating Account	1377	\$542.40	
OSA Operating Account	1378	\$806.21	
OSA Operating Account	1379	\$147.88	
OSA Operating Account	1380	\$3,000.00	
OSA Operating Account	1381	\$185.00	
OSA Operating Account	1382	\$369.26	
OSA Operating Account	1383	\$1,430.00	
OSA Operating Account	1384	\$806.52	
OSA Operating Account	1385	\$50.79	
OSA Operating Account	1386	\$195.00	
	1387	\$13.80	
	1388	\$78.31	
Voided	1389		
OSA Operating Account	1390	\$4,906.34	
OSA Operating Account	1391	\$0.00	
		\$21,483.11	
			\$2,826.53

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**OKLAHOMA SHERIFF’S ASSOCIATION CONTRACT (#3)  
(JULY 1, 2001 – JUNE 30, 2002) \$115,000**

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**Contract and Sole Source History**

In October 2001, the “Sole Source or Sole Brand Acquisition Affidavit” was briefly discussed between a former OJA Grants Administrator and a CPO, concerning the validity of awarding the contract as a “sole source” to the OSA. The CPO’s memo (dated November 1, 2002) stated “My unit will not mail the grant to the Sheriff’s Association for signature until it has been demonstrated that this grant qualifies as a sole source.” The “sole source” affidavit stated the following reasons for the sole source award:

- The only organization which represents all 77 elected sheriffs in Oklahoma.
- The only organization recognized in Oklahoma by the National Sheriff’s Association to provide training for sheriffs and other law enforcement nationwide.

There was no provision in the grant guidelines requiring the use of an organization, which represents all sheriffs in Oklahoma and is recognized by the National Sheriff’s Association.

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The “sole source” affidavit further states,

“No efforts were made to secure other bids for this service because the Oklahoma Sheriff’s Association provided statewide training and evaluation on the best practices on implementing Graduated Sanctions Programs for units of local government that did not qualify for a direct allocation from JAIBG”.

The definition of a sole source contract is set forth in **74 O.S. 2001, § 85.2 (30)**, as previously cited.

The former Grants Administrator wrote the sole source and the affidavit was approved by the Executive Director on December 3, 2001. It should be further noted that the sole source was justified and approved by the State Purchasing Director.

As stated in the prior two (2) contracts, it appears that other entities could have provided the training and the evaluation for the GSP programs. Interviews with OJA’s CFO and a representative of the AG’s office confirmed that OSA was not the only vendor who could provide the training and the evaluations. Although the Executive Director signed the affidavit affirming this was a sole source, it appears this contract did not meet the requirements of a sole source.

**Purpose of Award Unclear**

In December 2001, original subgrant agreements for the Juvenile Accountability Incentive Block Grant (JAIBG) in the amount of \$115,000.00 between OJA and OSA were sent to OSA for approval and original signatures.

There are two (2) different purposes from three (3) sources detailing the intent of the contract. They are as follows (emphasis is ours):

The purpose of the grant per the grant award notification (contract) was,

“to provide juvenile-related training to assist the law enforcement community to identify social service resources and develop Graduated Sanctions programs in rural settings”.

However, the purchase order requisition (generated and approved by an OJA CPO) and purchase order (generated and approved by DCS) states the monies were to,

“Conduct an evaluation of the progress and the effectiveness of the implementation of the Juvenile Accountability Based Sanction Programs across the State of Oklahoma.”

In addition, the Federal FY 2000 JAIBG Oklahoma Coordinated Enforcement Plan (JCEC Board approves this plan) for the State contract period of July 1, 2001 through June 30, 2002, stated the purpose was,

“to conduct a statewide evaluation of the Juvenile Graduated Sanctions Program.”

This wording appears to be the purpose for which the prior \$98,000.00 contract was intended and paid.

OJA received one (1) statewide GSP evaluation paid for by the previous awarded contract of \$98,000.00. From the purposes above it appears OJA paid for another evaluation, which it never received.

**Contract Signed and Approved 8 Months After Funding Period Began**

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The grant funding period was July 1, 2001 through June 30, 2002. However, OSA did not return the contract agreement until February 2002. OJA Executive Director did not sign/approve the contract until March 4, 2002, four (4) months prior to the contract funding period expiration. The award notification's Term of Agreement expressly states,

“The Term of this Agreement shall commence on the date of the signature of the Executive Director of the Office of Juvenile Affairs and continue through June 30, 2002.”

An OJA CPO approved the purchase requisition on March 7, 2002. The Department of Central Services approved the contract purchase order on March 19, 2002.

According to the contract review sheet filed at OJA, the Finance Services Department Director, the CPO, the Program Director, and a representative of the AG's office, reviewed the contract and approved the same.

**OJA's Internal Audit of Contract**

This contract was a reimbursable contract and was not paid up front in one lump-sum as allowed by OJA in the first two OSA contracts. In August 2002 (after the GSP conference), OJA verbally requested from OSA supporting documentation for reimbursement for the grant ending on June 30, 2002. Subsequently, a former OSA Director resigned and took OSA documents home to sort out invoices for the contract and GSP conference. Once OJA's Federal Funds Accounting Manager, obtained the supporting documentation, they audited the grant funds for disallowable/allowable costs.

We obtained OJA's audit of all expenditures for the \$115,000.00 grant. OJA disallowed \$62,000.00 of the total expenses; therefore, only \$53,000.00 was paid to OSA for expenses incurred. The payment was remitted to OSA on July 29, 2003.

However, we question some of the costs allowed by OJA. They are noted in the following paragraphs:

**Unreliable Supporting Documentation**

While attempting to verify the accuracy of OJA's internal audit, we spoke with the OJA's Federal Funds Accounting Manager on the procedures used during the audit of the \$115,000.00 contract. She stated that subsequent to the funding period, she requested supporting documentation for the expenses that OSA was asking to be reimbursed. She conducted her audit from the invoices and receipts the OSA had given her without obtaining the check stubs for verification that the expenses had actually been incurred. We noted while reviewing OSA's checks, that late payments (i.e. telephone, wireless telephones, rent) and expenses for other OSA programs were allowed without a clear definition of what the expense was for and whom they were for.

**Salaries**

It appears OJA allowed 10% of personnel salary of former Interim Executive Director of OSA, in the amount of \$68,044.02 (\$6,804.40), when the contract budget for personnel stated \$40,000.00 (\$3,333 per month). The 10% amount came from a letter by the former OSA Interim Executive Director, dated February 11, 2003, stating his participation in GSP after becoming Interim Director for the OSA in July 2001. The Federal Funds Accounting Manager stated that since there were so many verbal agreements

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between OJA and OSA, she decided to allow 10% of his full salary for reimbursement. He became Interim Director of OSA in July 2001 and was no longer the project director of GSP activities. Also, she stated she allowed his salary because when he became interim director in July 2001, he never hired another person in his capacity as GSP project director, so she felt it was justified. She also stated that she failed to refer to the contract budget to verify the allowed salary amount.

Per the contract budget, the former OSA Interim Executive Director was overpaid for several months and was eventually receiving \$7,375.02 per month.

**OMB Circular A- 87** and **28 CFR § 66.20** (See Appendix) require salaries to be supported by payroll records and documentation the individual worked solely on the program. Also, contract guidelines (previously cited) indicate terms may be modified only upon written agreement of the parties.

OJA should not have allowed his salary after his appointment as interim director of OSA. Even if new personnel were hired by OSA to fulfill GSP requirements, the amount should not have exceeded the contract budget amount of \$40,000.00.

**Benefits**

Benefits paid to personnel totaling \$1,676.70 were allowed as direct payroll. Ten percent (10%) of the former OSA Interim Executive Director's benefits (totaling \$4,835.52) were also allowed as payroll. When we questioned these expenses, the Federal Funds Accounting Manager stated that she did not realize the OSA did not have medical benefits, so on her own authority, she allowed the deductions paid to the employer as benefits. These deductions were made up of Social Security and Medicare payments withheld from their paychecks. The employees did not receive these monies as actual take-home payments for benefits, as was done on the first two contracts.

**OBM Circular A- 87** and **28 CFR § 66.20** (See Appendix) require charges for salary and wages be based on documented payrolls and time and attendance records.

In addition, Part III – General Terms and Conditions, Section 12, Employee Benefits of the JAIBG Subgrant Agreement states,

*“Subgrantee has a full responsibility for payment of worker’s compensation insurance, unemployment insurance, social security, state and federal income tax, and any other deductions required by law for its purposes.”* (ea)

**Time and Effort Reports**

OSA did not maintain time and effort (timesheets) reports that would show the amount of time individuals spent working on the GSP program. OJA may have erroneously funded OSA by allowing these individuals' salaries for reimbursement without the proper documentation.

This appears to be contrary to **OMB Circular A- 87** and **28 CFR § 66.20**. See Appendix.



*Expenses Allowed Prior to Contract Date*

All expenses were recognized (allowed/disallowed) from July 1, 2001 through March 2002, which was not in accordance with the contract agreement, which states,

“The Term of this Agreement shall commence on the date of the signature of the Executive Director of the Office of Juvenile Affairs and continue through June 30, 2002.”

OJA’s Executive Director signed the contract on March 4, 2002. It appears expenses were allowed for reimbursement before the contract was in place.

Because of the methods used by OJA to audit this contract, we could not quantify the amount of expenses that were reimbursed. However, we question all expenses that were reimbursed by OJA for the period prior to March 2002 when the contract was approved.

*Double Payments from Overlapping Contracts*

Expenditures from July 2001 through September 2001 may have been duplicated with the \$98,000.00 GSP contract expenditures whose funding period was January 2, 2001 through September 30, 2001 (as noted on page 11). We noted the same expenses were submitted to OJA for reimbursement that was already paid for in the prior \$98,000.00 lump-sum contract. OJA allowed these expenses for reimbursement. The Federal Funds Accounting Manager stated that it was not until after the internal audit that it was realized that OSA had another GSP contract, which overlapped the current contract.

*Lack of Monitoring and Accountability*

Part II – Special Conditions, (4) of the Subgrant Agreement states,

“Subgrantee must verify the actual cash expenditures of JAIBG funds on a monthly basis by submitting a Report of Expenditures due by the 15th of each month.”

We obtained monthly expenditure reports from OSA. We could find no indication that the reports were ever submitted to OJA, nor did OJA request the required information. In addition, the expenditure reports do not reflect the *actual* expenses OSA incurred for the GSP program. By allowing OSA to submit all their expenditures for reimbursement for the funding period at one time, OJA’s lack of monitoring and accountability may have contributed to the double payment of contracts and the payment of unallowable expenses.

This appears to be contrary to guidelines as set forth in **OMB CIRCULAR A-110, 28 CFR § 66.40** and **74 O.S. 2001, § 85.41 (D)**, (See Appendix) and contract clauses denoting the requirements for monitoring contracts and ensuring funds are used for authorized purposes.

We questions the methodology OJA used to determine the amount paid to OSA on the \$115,000.00 contract. Therefore, OJA should again, evaluate the amount paid to OSA. In addition, the individual conducting the audit should be knowledgeable of the contract guidelines and federal/state requirements.

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## **2002 GSP CONFERENCE FINDINGS**

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### **JCEC Board Approves 2002 GSP Conference**

In February 2002, during the JCEC Board meeting, the Board approved \$50,000.00 to be awarded to the OSA. In addition, the Federal FY 2001 JAIBG Oklahoma Coordinated Enforcement Plan (JCEC Board approves this plan) for the State contract period of July 1, 2002 through June 30, 2003 also states the OSA was to receive \$50,000.00, for Purpose Area 2 (developing and administering accountability-based sanctions programs for juvenile offenders), although it does not specify the intent of the monies.

From a "Position Paper" submitted by the former Interim Executive Director of OSA, dialogue with OJA began in February 2002 about the possibility of OSA hosting the GSP conference. We noted a letter from the Deputy Director (OJA), dated April 16, 2002, to former Interim Executive Director of OSA, stating the following: (this letter was written by a former JAIBG Coordinator, as directed by the Deputy Director. Our office could not confirm that the letter was actually sent to OSA.)

"On February 21, 2002, the state Juvenile Crime Enforcement Coalition approved \$50,000 of the state-held portion of the Juvenile Accountability Incentive Block Grant to go to the Sheriff's Association to plan a Graduated Sanctions Conference. I would like to schedule some time with you to discuss the details for the conference...."

### **OJA in Conjunction with OSA Plan the 2002 GSP Conference**

From the position paper, we noted that on May 16, 2002, OSA employees met with OJA employees in Norman to discuss the "conference details and reduced to writing the framework of our agreement with specific dates mentioned, roles and responsibilities determined and precise tasks assigned." The position paper denotes the following points that were agreed upon during the meeting. They are as follows in partial part:

- OSA and OJA would co-host the First Annual GSP Conference;
- It would be a modest effort with an estimated 125-150 attendees;
- The Northwest Hilton Hotel would serve as the designated site;
- Attendee registration fees would be the primary funding source;
- Attendee registration fees should come from grants allocations;
- OJA was the client; OSA was the conference service provider;
- OJA would oversee the conference planning project;

The initial projected budget for 125 to 150 registrants was \$22,600.00 (golf tournament included) less the projected revenue of registration fees \$7,500.00 (150 x \$50.00) totaling \$15,100.00.

After the initial planning stage, it appears the final attendance grew to 255 participants (per registrant database). To substantiate this statement, OSA's former Interim Executive Director states, "Subsequent meetings produced significant modifications to the number of attendees, and thus to the original working budget figures."

The position paper further states,

“... had added an offsite golf tournament, meal, and social event requiring round trip transportation to our previous discussions; ... From May 16th through August 2nd, generally, OJA personnel provided guidance and direction while OSA personnel acted as service provider to facilitate the conference. Services included a wide range of planning and implementation activities, including speaker contract and arrangements, communication with prospective conference attendees, golf tournament arrangements, speaker reception, off-site dinner and mixer, marketing, registration, staffing, etc. ... Immediately preceding the conference, we held meetings nearly every day on an as needed basis in Oklahoma City.”

### **OJA/OSA Becomes Aware There is Not an Existing Contract with OSA to Host the Conference**

Apparently, subsequent to the JCEC Board approving the \$50,000.00 award to the OSA to facilitate a GSP Conference, the process of procuring a contract within OJA's JAIBG Department failed to be executed. Our office noted a memo from the former JAIBG Coordinator on July 30, 2002, to a former Programs Administrator, which states,

“Oklahoma Sheriff's Association: In the staff meeting held by ... on 4/15/02, I updated him on the status on the contracts for the JAIBG program. I informed him that I had not received the application back from the Sheriff's Association. I was instructed to draft a letter to ... from ... requesting that they meet and discuss the Graduated Sanctions Conference (attached). From that point, I was awaiting further directives, which I received on July 29, 2002, to process the application I received on July 29, 2002, from....”

### **OJA Suspends Sole Source Contract**

We noted an application and a JAIBG plan review form, signed and dated on July 29, 2002, between OJA and OSA to be reviewed for contract approval in the amount of \$50,000. A hold was put on the documents per OJA's CFO and a former Programs Administrator until further notice from legal and finance.

It was subsequently determined by the OJA CFO and a representative of the AG's office that the contract in progress did not meet sole source requirements. The CFO stated that the OSA former Interim Executive Director informed him that anyone could host a conference, not just OSA. It was then OJA realized the prior three sole source contracts with OSA may not have met the sole source requirements either.

On July 30, 2002, (two days prior to the conference) a meeting was held at OJA offices at 2:00 pm, with OJA and OSA employees. The meeting was called to discuss why a sole source contract could not be awarded and how a Settlement Agreement should be done for the obligations already incurred by the OSA for the conference. Minutes taken by an OJA employee stated:

“ There was also discussion regarding the expenditures for buses to transport participants from the conference to Bricktown for the continuation of the conference/dinner. It was felt by several of those in attendance that this was not incidental to the conference and could not be considered entertainment/diversion. State and federal guidelines prohibit the use of funds being used for this type of event. ...agreed that the OSA could pay for those expenses.”

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A letter from OJA’s Executive Director was drafted on July 30, 2002, to OSA’s former Interim Executive Director, stating,

“Therefore, please find this letter as formal notification to cease all work related to such conference as of this date and do not incur any further obligations with respect to the conference. All proper expenses incurred by the Oklahoma Sheriff’s Association, which is associated with services performed and obligations made between July 1, 2001, and today’s date shall be compensated pursuant to a settlement agreement entered into between the Office of Juvenile Affairs and the Oklahoma Sheriff’s Association.”

However, on July 31, 2002, OSA issued a check to the Hilton Hotel (official conference site) in the amount of \$27,153.23. It appears the hotel would not reserve that many rooms without an upfront payment. An OJA employee asked the OSA former Interim Executive Director to remit this payment since neither UCO nor OJA could submit this payment without following the proper purchasing procedures in such a short period of time.

**OJA Contracts With UCO to Facilitate the Conference**

Once OJA established there was not an existing contract with OSA to fund the 2002 GSP conference, they entered into an Interagency Contract with UCO dated July 30, 2002, (two days prior to the conference) in the amount of \$15,416.00, (the actual amount paid was \$15,116.00, less \$300.00 registration fees received at the conference) to administer services for the conference. After a discussion with an OJA employee, he stated that it was too late to cancel the conference; therefore, UCO was contracted to carry out the remaining obligations to complete the conference.

We noted an invoice from UCO stating \$13,149.00 was charged to OJA for Project Administration and Oversight. We requested from UCO the itemized billing (i.e., actual hours billed, invoices of supplies, etc.) to support the conference expenses. They are as follows:

Data Base Development	9hrs@ 16.58	132.64
Enrollment	20hrs@ 11.50	230.00
On Site Registration (3 staff)	20hrs@ 31.88	638.00*
	20hrs@ 25.00	500.00*
	20hrs@ 16.58	332.00*
Project Admin. (3 staff)	140hrs@ 31.88	4,463.20*
	60hrs@ 25.00	1,506.25*
	140hrs@ 16.58	1,610.00*
Postage/Communications		500.00*
Program Development	24hrs@ 25.00	600.00*
Printing: Copies/Programs		650.00
Signs	8hrs@ 25.00	200.00
Colating Materials	300 packets (2.00ea)	600.00
Travel (3 staff)		103.55
Equipment and supplies		350.00
Management fee (profit)		<u>3,000.00*</u>
	Total	<u>\$15,415.64</u>

\* These numbers represent the project administration expense of \$13,149.45.

**Supporting Documentation Not Required for Payment**

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We inquired from UCO personnel whether the above totals were the *actual* expenses incurred for the conference. It was indicated these were the amounts that were used to make up the budget, a requirement for the contract. It was further indicated that the Interagency Contract did not state or require actual supporting documentation for payment, nor did OJA request this documentation before payment was submitted. The invoice was approved and signed by OJA's Deputy Director.

In addition, we inquired from UCO as to what work was entailed for the Project Administration fee. UCO personnel stated they facilitated the conference, produced the programs, prepared handouts for speakers, name badges, registration, signs, evening events (Bricktown Brewery), catering, and applied for the Continuing Education Units (CEU's) from the various agencies that pertained to the registrants. However, we received an affidavit from an OSA employee who stated that all these services were completed with the exception of the morning registration, signs and name badges. The database for the registration, speaker travel and lodging, flyers, programs, registrant lodging, CEU units, catering, and all other items were already established by OSA prior to the conference. Also, a position paper from the former Executive Director of OSA states,

“Services included a wide range of planning and implementation activities, including speaker contact and arrangements, communication with prospective conference attendees, golf tournament arrangements, speaker reception, off-site dinner and mixer, marketing, registration, staffing, etc. Periphery services included compilation of databases and web page creation and construction. Immediately preceding the conference, we held meetings nearly every day on an as needed basis in Oklahoma City”.

We noted an E-mail from UCO to OSA, dated July 25, 2002, stating,

“Just wanted to introduce myself to you, since we'll be working together on the OJA conference next week. I did leave a message at your office for you to email the database (of registrants) directly to me, since I'll be the one working the most with it. Also, as you receive additional registrations for the conference, will you please email the information, so that we may get it added to the database? We'll need to access all of the attendees to make name badges. Additionally does the database include all the presenters and the VIPS attending the luncheon?”

Furthermore, Article I, Section G, of the Interagency Contract states,

G. To provide a final report to OJA regarding all activities related to this project;

We requested a copy of the final report from UCO and found there was not one issued. A UCO employee stated she was not aware of that particular contract requirement and that OJA never requested a final report. Also, she stated that the contract did not specifically state a “written” report and it could have been a verbal report given to OJA. We could not determine if there was a verbal report issued to OJA, since the former UCO Director of Professional Development at the time of the conference has since resigned and taken employment with the former Executive Director of OJA in Florida.

It appears that UCO may not have been owed the amount paid to them for actual services performed. OJA never requested accountability of expenses for the amount prior to payment. In addition, from the date of the E-mail, it appears that UCO may have been reimbursed for expenses prior to an approved contract with OJA. It further demonstrates that OSA already had a database in place for the conference in which UCO

was reimbursed.

### **OSA's Final Expenses to Facilitate the Conference**

OSA submitted their final conference expenses to OJA for reimbursement for approximately \$40,861.29. The original invoice was \$48,644.21; however, OJA entered into a Settlement Agreement, dated June 3, 2003, in the amount of \$7,711.88 to reimburse the conference speakers their presentation fees, travel expenses, and per diem. This amount was deducted from OSA's final invoice amount.

### **Local OJA Employees Stay at Hotel at OSA's Expense**

During the planning phases of the conference, it was agreed upon between OJA and OSA that registrants' travel and hotel expenses would be paid through their local GSP funds for training. However, as noted above, OSA paid the total hotel bill for all participants of the conference. We noted three (3) OJA employees had two nights of hotel stay even though their official duty station is in Oklahoma City.

One employee was provided a suite. He informed our office the suite was to host a "speakers' reception" on July 31, 2002, and to store conference materials. He also stated he did not stay in the suite, and that it was only used for storage space. He further stated he did not realize the participants did not pay for their own rooms and was surprised that OSA had absorbed the expense without reimbursement.

This appears to be contrary to **Article X, § 15A** of the **Constitution of Oklahoma** and **OMB Circular A-87**. See Appendix.

### **Registration Fees Waived**

The GSP conference flyer and brochure created by OSA denoted there was to be a \$50.00 registration fee to attend the conference (this amount also included Friday's luncheon). We obtained the final registrant totals from UCO. Two hundred fifty-five (255) registrants were documented as attending the conference. However, it appears that only nineteen (19) individuals paid their registration fee. Initially from meeting notes, it was intended by OSA and OJA the registration fee would aid in offsetting the expense of the conference. Again, the registrants' fees were to be paid from their local GSP funds for training. OSA received \$600.00 in fees prior to the conference and UCO received \$300.00 in fees the morning of registration (19 x \$50.00 = \$900.00). It appears \$11,800.00 of funds that could have offset the expense of the conference was waived or not received. (255 - 19 = 236)(236 x \$50.00 = \$11,800.00) The majority of attendees at the conference were OJA employees.

From interviews with an OSA employee, she stated that she would receive phone calls from various registrants prior to the conference informing her that an OJA employee had waived registration fees. The OJA employee denies this occurred. He stated he does not have the authority to waive registration fees. We noted correspondence from the Oklahoma County Juvenile Bureau, which states,

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“I have spoken to . . . Office of Juvenile Affairs, and he indicated that two scholarships are available for the Oklahoma County Juvenile Bureau to attend the conference. I informed him that I would be submitting registration for these two staff to attend and utilize the scholarship.”

The above two registration forms indicated “Invitation by (OJA employee)”. It is unclear whether OSA was ever reimbursed from the scholarship fund.

We noted two other registration forms indicating “Guest of (OJA employee) Fee waived”. Also noted were two registration forms indicating “Registration fee waived per telephone conversation with (OSA employee)”.

### **Promotional Expenses**

OSA is also requesting reimbursement in the amount of \$2,464.52 for tote bags, folders, note pads, and ballpoint pens. Each registrant was issued one as part of their attendance. All items displayed the OJA logo. We noted a fax from OSA to OJA asking which logo OJA wanted on the bags, pens, and notepads. All were approved by an OJA GSP specialist to display the OJA logo.

This appears to be contrary to **OMB Circular A-87** (See Appendix), which does not permit promotional items and memorabilia as an allowable cost.

### **Improper Use of JAIBG State Vehicle**

An OJA GSP program employee indicated that she was directed by OJA employees to drive to Kansas in a JAIBG state vehicle to retrieve the tote bags, one day prior to the conference.

This appears to be an improper use of a JAIBG state vehicle, since promotional items are not allowed per **OMB Circular A-87**. See Appendix.

### **Luncheon Provided to Attendees**

Included in the registration fee was an August 2, 2002, (Friday) Graduated Sanctions luncheon that was approved by OJA. However, since few registrants paid their registration fee, it appears OSA is requesting \$8,564.14 for reimbursement that is not allowed by **OMB Circular A-87**. In addition, it appears to be contrary to **Article X, § 15A** of the **Constitution of Oklahoma**. See Appendix.

### **Other Expenses**

OSA had agreed to pay for the Golf Tournament (\$1,497.31), Speaker’s Orientation Reception beverages (\$150.00) and the Off-Site Attendee Dinner and Mixer at Bricktown Brewery (\$4,590.00) due to OJA informing them these expenses were unallowable and could not be reimbursed. However, from OSA documents and interviews performed, it is apparent that OJA was fully involved in the planning and the initiation of these events, primarily, four OJA employees.

In the “Position Paper,” he stated that expenses for the golf tournament, social event, transportation, reception, and meal were not out of the ordinary for OJA. He referenced a previous OJA conference in Tulsa that included a golf tournament and social event. He further cited that an OJA employee specifically requested these activities. In an interview, this employee stated that OSA originated these activities and it

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was understood that OSA would be responsible for the expenses associated with these activities. However, a OJA GSP program employee, stated that during the planning phase of the conference, it was the GSP's Program Administrator's initiative to add the social events and that OSA just carried out the objectives with the full understanding that they would be reimbursed.

We obtained a copy of the invoice submitted by UCO for the September 2001 OJA conference in Tulsa. The total conference expenses of \$85,359.83 were offset by \$29,997.50 in net revenue with a total cost of \$55,362.33. Included in the conference expenses were a Director's Reception at a cost of \$5,140.50, miscellaneous expenses of \$2,627.06 for tote bags, award plaques etc., and \$2,770.00 for Honorariums on opening and Thursday evening events. In addition, based on interviews, there was also a golf tournament prior to the conference.

It appears OJA is questioning OSA for expenses that are similar to the expenses incurred for the 2001 conference. Based on previous practice and involvement of OJA employees, it is certainly questionable that expenses associated with the golf tournament, social events, Friday's luncheon, etc., that are being questioned by OJA, were actually initiated by OJA employees. Therefore, it appears OJA has, at a minimum, partial liability for the questioned costs absorbed by OSA.

In an interview with UCO employees, it was indicated that the fees paid by exhibitors offset expenses for the social events. However, it appears revenue collected by exhibitors should be used to offset *allowable* conference expenses.

In addition, it appears OJA did not require supporting documentation for expenses claimed by UCO during 2001 Conference.

### **Weakness in Internal Controls**

Based on documentation, interviews and observation, it appears there is a weakness in the internal control structure governing contracts. This weakness appears to be a contributing factor in the activities related to planning the conference in the absence of a written contract. There is an apparent separation between the JAIBG unit, which is responsible for the financial phase, and the program unit that assists in the implementation of the Graduated Sanctions Programs. Although Graduated Sanctions is a Program under the JAIBG grant, these two areas appear to be independent of each other. The JAIBG Coordinator, who appears to be responsible for the contracts, reports to one deputy director and the program unit reports to another. In relation to the conference, it appears the program unit was actively involved in organizing the conference without ensuring there was a contract. Because of the autonomy between the two units, it appears the JAIBG unit is not always aware of the activities of the GSP unit.

### **GRADUATED SANCTIONS CONFERENCE GOLF TOURNAMENT**

In an interview with an OJA employee, he stated that annual leave was taken during the golf tournament on July 31, 2002, prior to the August 1st and 2nd Graduated Sanctions conference. He confirmed that along with himself, three other OJA employees also played golf.



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Receipts obtained from OSA confirmed payments for two of the employees. We obtained timesheets for the months of July 2002 and August 2002 to determine if annual leave was actually reported. Based on our review of timesheets during the time period surrounding the golf tournament and the conference, annual leave was not reported for the following employees:

- The Executive Director - No annual leave was reported on the day of the golf tournament. Timesheet does not reflect any additional hours during the month of July prior to the tournament.
- A Program's Administrator - No annual leave was reported on the day of the golf tournament. Timesheet does not reflect any additional hours during the month of July prior to the tournament.
- A Deputy Director - No annual leave was reported on the day of the golf tournament. Timesheet does not reflect any additional hours during the month of July prior to the tournament.
- A Juvenile Justice Specialist - No annual leave was reported the day of the golf tournament. Documentation indicates this employee was the contact person for the tournament. He accrued 9 hours comp-time on the day of the tournament. His timesheet reflects a total of 17 hours worked on the day of the golf tournament. In addition, on August 1, the first day of the conference, his timesheet reflects a 16.30 hour-day, with 8.30 of accrued comp-time. On the second day of the conference his timesheet reflects a 9 hour-day with 1 hour of comp-time.

**Additional Procedures**

In addition, in an interview with UCO employees, it was brought to our attention that they facilitated an OJA conference in September 2001 and they mentioned a golf tournament during that time. They also provided a list of individuals who participated in this golf tournament. We obtained the timesheets for the individuals who participated in the July 2002 tournament for the month of September 2001 to determine if annual leave was reported. Based on the invoice from UCO, the conference was held on September 19, 20, and 21, 2001. According to the former JAIBG Coordinator at the time, the golf tournament was the day before the conference. Based on our review of timesheets and leave records, annual leave was not reported for the following employees:

**September 2001 Conference Golf Tournament Findings**

- The Executive Director - No annual was reported on any days surrounding the conference.
- A Programs Administrator - No annual leave was reported on any days prior to the conference.
- A Deputy Director - No annual leave was reported on any days surrounding the conference.
- A Federal Funds Administrator - No annual leave was reported on any days surrounding the conference.

According to 21 O.S. 2001, § 463:

“Any person who knowingly procures or offers any false or forged instrument to be filed, registered, or recorded in any public office within the state, which instrument, if genuine, might be filed or registered or recorded under any law of this state or of the United States shall be guilty of a felony.”

### **Contract’s Recommendation**

We recommend that internal control procedures are implemented on sole source contracts to ensure no other organizations can provide the particular acquisition or service. These steps should include assurances to the Executive Director, prior to signing; this is indeed a sole source. OJA should consider developing a form that requires signatures from, at a minimum, a Procurement Officer, a Deputy Director, and the Chief Financial Officer to provide assurances this organization is a sole source. The form should also provide for comments and any reservations by any of the staff. The Executive Director should ensure the form contains all signatures without any reservations prior to signing.

Internal control procedures should also be implemented to ensure contracts are executed in a timely manner, no services are provided prior to a written contract, expenditures are supported by adequate documentation, expenditures are in compliance with contract provisions, applicable state statutes and federal regulations. These internal control procedures should include the following:

- A method of communication should be developed between financial and program staff. Financial staff should be updated on the activities of the program staff. This would assist the financial staff in confirming a contract is in place when necessary.
- Program staff should be educated on the importance of having a written contract prior to any services.
- The Executive Director should designate the employees that are authorized to enter into contracts. Only these employees would be allowed to negotiate with vendors and obligate the Agency.
- Graduated Sanctions is a program under the JAIBG grant and it appears the JAIBG Coordinator is responsible for ensuring contracts are completed. Therefore, the Executive Director should consider requiring Graduated Sanctions Specialists report to the JAIBG Coordinator. This would facilitate communication between the employee responsible for contracts and the employees implementing programs.
- Additional training should be provided to financial, procurement and program staff to educate employees on federal regulations, specifically costs that are not allowable.
- The Executive Director should consider implementing a contract monitoring division. The sole purpose of these staff members would be to monitor contracts and report findings. These staff members should receive proper training in financial matters. Monitors should review for contract compliance and be able to recognize costs, which are not allowable under applicable state and federal guidelines.
- A system should be developed which provides follow-up on corrective action taken as a result of

any findings noted by contract monitors.

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## JUVENILE CRIME ENFORCEMENT COALITION (JCEC)

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### Meetings – Violating the State Open Meetings Act

To become eligible to receive federal funds under the Juvenile Accountability Incentive Block Grant (JAIBG), the State of Oklahoma was required to “establish and convene an advisory board to recommend a coordinated enforcement plan for the use of such funds.”

The Oklahoma advisory board (Juvenile Crime Enforcement Coalition (JCEC) approved the Coordinated Enforcement Plan for fiscal years 1998 through 2001. It appears the JCEC operated beyond their authority as an advisory board by actually awarding JAIBG contracts to specific organizations and specifically directing how funds were to be used.

Although advisory boards are generally not subject to the Oklahoma Open Meetings Act (25 O.S., § 301 et seq.), the manner in which the JCEC operated appears to bring it under its authority. The JCEC does not appear to have made any attempt to meet the requirements of the Open Meetings Act regarding written minutes and recording votes.

The federal law requiring the establishment of an advisory committee requires representation of various law enforcement, educational, and social service entities on the committee. Because the JCEC was directing the awarding of contracts and funds instead of merely making recommendations, it appears that this condition created a conflict of interest for the members of the JCEC and impaired their independence.

We noted the following instances in which organizations represented by JCEC members received JAIBG contracts and funds.

### Coordinated Enforcement Plans

#### 1998 State Plan

The plan provided that \$500,000.00 of state level funds will be passed through the District Attorney’s Council. The Executive Coordinator of the District Attorney’s Council was a member of the JCEC.

Three juvenile probation officers would be hired to implement and maintain Graduated Sanctions Programs.

Tulsa County District Attorney’s office would receive \$138,000.00 for the implementation of a juvenile pilot gun program. The Tulsa County District Attorney is a member of the JCEC.

The Oklahoma Sheriff’s Association would receive \$398,894.00 to provide training on the best practices on implementing Graduated Sanctions programs.

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**Fiscal Year 1999 Plan**

Approximately \$70,000.00 would be available to continue funding the three Graduated Sanctions Specialists.

The Oklahoma Sheriff's Association was allocated approximately \$98,000.00 for Purpose Area 2. The Designee of the Executive Director of the Oklahoma Sheriff's Association is a member of the JCEC.

Approximately \$592,500.00 would be made available to continue funding the District Attorney's Council for Purpose Area 4. The Designee of the Executive Coordinator of the District Attorney's Council is a member of the JCEC.

Approximately \$265,000.00 would be made available to continue funding the Tulsa Gun Court for Purpose Area 8. The Tulsa County District Attorney is also a member of the JCEC.

Approximately \$48,340.00 would be available to the Management Information Systems Division of OJA.

**Fiscal Year 2000 Plan**

Approximately \$114,928.00 would be made available to continue funding three Graduated Sanctions Specialists' positions.

The Oklahoma Sheriff's Association was allocated approximately \$115,000.00 for Purpose Area 2. The Executive Director the Oklahoma Sheriff's Association, was a member of the JCEC.

Approximately \$670,000.00 would be available to continue funding the District Attorney's Council for Purpose Area 4. The Designee for the Executive Coordinator of the District Attorney's Council was a member of the JCEC.

Approximately \$265,000.00 would be made available to continue funding the Tulsa Gun Court for Purpose Area 8. The Tulsa County District Attorney is also a member of the JCEC.

Approximately \$42,500.00 would be available to the Tulsa Public Defender's Office for Purpose Area 3. The Chief Public Defender for Tulsa County was a member of the JCEC.

Approximately \$337,750.00 would be available to the Office of Juvenile Affairs.

**Federal Year 2001 Plan**

50% pass-through for state contract period 2002-03

Canadian County Sanctions Detention is approved for \$138,000.00 for Purpose Area 2. The Canadian County Judge is a member of the JCEC.

The Oklahoma Sheriff's Association is approved for \$50,000.00 for Purpose Area 2.

Tulsa Public Defender is approved for \$50,140.00 for Purpose Area 3. The Chief Public Defender

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for Tulsa County is a member of JCEC.

The District Attorney's Council is approved for \$634,800.00 for Purpose Area 4. The Designee for the Executive Coordinator of the District Attorney's Council was a member of the JCEC.

The Tulsa Gun Court is approved for \$219,880.00 for Purpose Area 8. The Tulsa County District Attorney was a member of the JCEC.

Graduated Sanctions Specialists are approved for \$202,143.00.

**State held allocation state contract period 2002**

Approximately \$114,928.00 would be made available to continue funding three Graduated Sanctions Specialists' positions.

The Oklahoma Sheriff's Association was budgeted \$115,000.00 for Purpose Area 2.

\$670,000.00 was budgeted to continue funding the District Attorney's Council for Purpose Area 4. The Designee for the Executive Coordinator of the District Attorney's Council was a member of the JCEC.

\$265,000.00 was budgeted to fund the Tulsa Gun Court for Purpose Area 8. The Tulsa County District Attorney is also a member of the JCEC.

\$42,500.00 was budgeted to fund the Tulsa Public Defender's Office for Purpose Area 3. The Chief Public Defender for Tulsa County was a member of the JCEC.

\$237,750.00 was allocated to the Office of Juvenile Affairs to enhance substance abuse services.

It appears steps have been taken to ensure the JCEC is in compliance with the Open Meeting Act, agendas were posted, minutes were written and votes recorded for the January 2003 meeting.

**Recommendation**

We recommend internal controls be implemented to ensure the JCEC adheres to federal guidelines as an advisory board and not a decision-making authority.

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**FORGERY**

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We obtained copies of documents from the Contract Audit and Training Branch Chief for DCS Central Purchasing, indicating an OJA employee forged signatures on documents.

A memo dated March 5, 2002, indicates an Investigator for the Office of Public Integrity investigated the incident. An OJA employee signed a statement alleging she witnessed her supervisor sign the names of a Canadian County Commissioner and the Cotton County District Attorney to forms for the Canadian and

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Cotton counties Graduated Sanctions Program. Based on the memo, the documents in question for Canadian County were "Controlled Substance Testing Policy of Appropriate Categories of Juveniles with the Juvenile Justice System"; "Certification Regarding Supplies and Equipment"; "Certification Regarding Lobbying, Debarment, Suspension and other Responsibility Matters"; and Drug-Free Workplace Requirements". The documents in question for Cotton County were "Certification of Distribution of JAIBG Funds Within the Purpose Areas" and "Control Substance Testing Policy of Appropriate Categories of Juveniles with the Juvenile Justice System". Based on the statement from an OJA employee, the signatures on these forms were required for the contracts to be approved.

This was presented to the Oklahoma County District Attorney's Office on February 27, 2002. According to the investigator, the matter was presented to an ADA who indicated he did not see anything wrong.

According to the investigation, the employee in question had confessed to signing a County Commissioner's name to documents and there may be questions to grants from other counties.

E-mail from a former OJA Grants Administrator indicated that the employee in question signed on behalf of county representatives in contracts for Wagoner, Canadian, Latimer, and Pittsburg counties.

Letters were sent to the Commissioners whose names were signed by the employee in question requesting they review the documents in question and determine if they would have signed such documents if they had been given the opportunity.

According to the investigation, the Commissioners indicated they would have signed the documents had they been included in the original package.

It was indicated that this matter was handled internally.

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The OJA CFO indicated one of the forgeries referenced in the DCS report involved another OJA employee. This employee indicated that she was given permission to sign her Supervisor's name. The employee also stated that anytime she signed her Supervisor's name, she wrote her initials beside the signature.

In an interview with the former OJA Supervisor on 3/9/04, she expressed concern that her name was being signed without her knowledge. She indicated that an employee was signing her name, but she never actually witnessed the act.

DCS provided us a copy of the document. This signature is inconsistent with the signatures the employee was signing.

On 3/11/04, the employee reviewed the documents in question. She indicated the instances in which she signed her Supervisor's name. There was one instance in which the employee indicated she did not sign the name and it did not appear to be her Supervisor's signature.

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**DISPOSITION OF PRIOR YEAR FINDINGS**

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In November of 2000, we performed a financial review of the Office of Juvenile Affairs. As a result of our review, we noted the following findings in which OJA management assured corrective action in a timely manner.

***Fixed Assets:***

OJA purchased equipment with JAIBG funds that had a cost exceeding \$440,000.00. Upon examination of the equipment, our office noted a weakness in OJA internal controls, lack of accountability of fixed assets, and incomplete records of fixed assets.

***Safeguarding of Accounts:***

OJA purchased 16 laptop computers, and assigned them to agency employees. When we inquired to the accountability of the equipment, OJA could not confirm the whereabouts of the equipment.

***General Ledger:***

OJA did not perform accurate and timely accounting reconciliations of its funds, accounts, and contracts.

***Contracts:***

OJA did not have controls or processes in place to monitor contracts ensuring,

- Goals and objectives were met.
- Contract standards (accountability).
- Contract monitoring process reflecting all contracts were satisfactorily fulfilled and met the intended needs of OJA.

Our office examined two professional services' contracts OJA entered into with vendors, Oklahoma Association of Youth Services (OAYS) and (d.b.a WCT Management Services, Inc). Based on OJA documentation provided, we were unable to determine if contract-defined goals and objectives were performed or met.

**Disposition:**

Based on the findings noted in this report, it does not appear corrective action has been taken on these prior findings.

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**OTHER AREAS OF CONCERN**

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During the course of our audit numerous concerns were brought to our attention. However, these concerns were outside the scope of our engagement; therefore, we did not address these areas at this time. Due to the nature of these concerns, we believe these matters warrant further review.

**APPENDIX**

**FUNDS WERE ADVANCED**

**74 O.S. 2001, § 85.44B:**

“Payment for products or services pursuant to a contract executed by a state agency...shall be made only after products have been provided or services rendered.”

**Article X, § 15A of the Constitution of Oklahoma:**

“A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift...to any company, association, or corporation.”

**SOLE SOURCE**

The penalty for affirming the affidavit and knowing the information to be false is set forth in **74 O.S. 2001, § 85.45j (A)(4)**:

“4. Any chief administrative officer of a state agency affirming the affidavit required by this subsection who knows the information to be false shall be deemed guilty of perjury and upon conviction shall be punished by fine or by imprisonment or both fine and imprisonment pursuant to law. Upon conviction or upon entering a plea of nolo contendere pursuant to this paragraph, the chief administrative officer shall immediately forfeit his or her position and shall be ineligible for appointment to or employment in the state service for a period of five (5) years after entering a plea of nolo contendere or being convicted.”

**MONITORING AND ACCOUNTABILITY**

**OMB Circular A-110, Subpart C \_\_. 47:**

“A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and ensure adequate and timely follow up of all purchases. Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.”

**28 CFR § 66.40 Paragraph (a):**

“(a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are achieved. Grantee monitoring must cover each program, function or activity.”

**74 O.S. 2001, § 85.41 D):**

“D. A state agency shall administer, monitor and audit the professional services contract.”



**REQUIRED TO DETERMINE COSTS ARE ALLOWABLE, REASONABLE AND ARE SUPPORTED BY ADEQUATE DOCUMENTATION**

**OBM Circular A-87, Attachment B, Section (11) (h) (1), (3), (4) and (5)** provides in relevant part:

“(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

\* \* \*

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which meets the standards in subsection (5)...

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes...”

**28 CFR § 66.20 Paragraphs (b) (5) and (6):**

“(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.
- (6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.”

**OMB Circular A- 87, Attachment A (C), Basic Guidelines** provides in relevant part:

“1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.

c. Be authorized or not prohibited under State or local laws or regulations. “

**28 CFR § 66.20 Paragraphs (b) (3):**

“(b) The financial management systems of other grantees and subgrantees must meet the following standards:

\* \* \*

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

**VENDOR ACQUIRED OWNERSHIP OF EQUIPMENT**

**74 O.S. 2001, § 85.44C:**

”It shall be unlawful for any state agency, whether or not such state agency is subject to the Oklahoma Central Purchasing Act<sup>1</sup>, to enter into any contract which provides for the state or state agency to furnish material or equipment to be used by the vendor or service provider contracting with the state in the performance of the contract if the contract allows the vendor or service provider to acquire ownership of the material or equipment during or after the term of the contract in any manner other than through competitive bidding or a public sale procedure.”

**MEAL AND LODGING EXPENSES**

**OMB Circular A- 87, Attachment A (C), Basic Guidelines** provides in relevant part:

“1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

**74 O.S. 2001, § 500.7:**

“[T]ravel status for meals and lodging purposes shall be defined as absence from the officer’s or employee’s home area and/or official duty station area while performing assigned official duties.”

**74 O.S. 2001, § 500.8:**

“[N]o reimbursement for meals and incidentals shall be made for periods which do not include overnight status.”

**74 O.S. 2001, § 500.9 (A):**

“Receipts issued by the hotel, motel or other public lodging place shall accompany claims for reimbursement.”

**COSTS THAT ARE UNALLOWABLE**

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OMB Circular A-87, Attachment B (2)(e); (4); (18) and (41)(b) provide in part:

“2. Advertising and public relations costs.

\* \* \*

e. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subsections c. and d.;

(2) Except as otherwise permitted by these cost principles, costs of conventions, meetings, or other events related to other activities of the governmental unit including:

(a) Costs of displays, demonstrations, and exhibits;

(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs; and

(4) Costs of advertising and public relations designed solely to promote the governmental unit.

4. Alcoholic beverages. Costs of alcoholic beverages are unallowable...

18. Entertainment. Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

41. Travel costs.

b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as a result of the governmental unit's policy. In the absence of a written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57 of Title 5, United States Code ‘Travel and Subsistence Expenses; Mileage Allowances,’ or by the Administrator of General Services, or the President (or his designee) pursuant to any provisions of such subchapter shall be used as guidance for travel under Federal awards (41 U.S.C. 420, ‘Travel Expenses of Government Contractors’).”

**GIFTS ARE PROHIBITED**

**Article X, § 15A of the Constitution of Oklahoma:**

“A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift...to any company, association, or corporation.”