

COUNTY AUDIT

OKLAHOMA CITY - COUNTY HEALTH DEPARTMENT

For the fiscal year ended June 30, 2011



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



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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENTS—CASH BASIS
AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Oklahoma State Auditor & Inspector

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

May 23, 2012

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Transmitted herewith is the audit of the Oklahoma City-County Health Department for the fiscal year ended June 30, 2011. The audit was conducted in accordance with *Government Auditing Standards*.

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

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

BOARD MEMBERS

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Gary Cox, Director

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

INTRODUCTION

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

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

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's Report

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the accompanying financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of the Oklahoma City-County Health Department, as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the general fund of the Oklahoma City-County Health Department, as of June 30, 2011, and the changes in financial position thereof for the year ended June 30, 2011, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2012, on our consideration of Oklahoma City-County Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

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

May 7, 2012

Financial Statements

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE—GENERAL FUND
BALANCE SHEET—CASH BASIS
JUNE 30, 2011**

	<u>General Fund</u>
Assets:	
Cash	\$ 12,633,182
Total Assets	<u>\$ 12,633,182</u>
Fund Balance:	
Fund Balance Arising From Cash Transactions	\$ 12,633,182
Total Fund Balance	<u>\$ 12,633,182</u>

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE—GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund
Cash Receipts:	
Property Taxes	\$ 14,579,373
Intergovernmental Revenues	7,055,746
Charges for Services	751,738
Miscellaneous Revenues	129,342
Interest Income	33,003
Total Cash Receipts	22,549,202
Cash Disbursements:	
Personal Services	17,251,793
Maintenance and Operations	3,098,166
Capital Outlay	1,732,131
Travel	408,655
Total Cash Disbursements	22,490,745
Excess of Cash Receipts Over Cash Disbursements	58,457
Fund Balance Arising From Cash Transactions July 1, 2010	12,574,725
Fund Balance Arising From Cash Transactions June 30, 2011	\$ 12,633,182

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Related Organization Excluded from the Reporting Entity

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

Partners in Public Health, Inc. is a not-for-profit corporation organized for "charitable and educational" purposes.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B. Fund Accounting

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

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

C. Basis of Accounting

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

D. Cash and Equivalents

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

All funds were fully invested or deposited in interest-bearing demand accounts and Government Obligations Money Market Funds at June 30, 2011.

E. Risk Management

The OCCHD is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCCHD carries commercial insurance for its physical plant, with a \$50,000 deductible; participates in the Oklahoma State health and dental plans for its health benefits coverage for employees; is self-insured for errors and omissions and for other general liability and workers' compensation for claims under \$100,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the OCCHD. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the Governmental Tort Claims Act in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2011 fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

F. Compensated Absences

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

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in Government Obligations Money Market Account and demand deposits. The reported amount of the OCCHD's deposits was \$12,633,182 and the bank balance was \$12,892,559. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Department's agent in the Department's name.

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure the OCCHD may not be able to recover its deposits. The OCCHD policy requires banks to be 110 percent secured by collateral valued at market value less FDIC insurance. As of June 30, 2010, OCCHD's bank balance of \$12,892,559 was FDIC insured for \$250,000 and the bank had pledged securities of \$16,890,204.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCCHD limited activity to interest bearing Government Obligations Money Market Funds and demand deposits only for FY 2011. This limited the possibility of interest rate risk affecting deposits of OCCHD.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

B. Description of Funds

During the year ended June 30, 2011, the OCCHD used only a general fund.

C. Ad Valorem Tax

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

The assessed property value as of January 1, 2010, was \$5,492,579,023 after deducting homestead exemptions of \$128,132,691.

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

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

Current year tax collections for the year ended June 30, 2011, were approximately 93.16 percent of the tax levy.

D. Pension Plan

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

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

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

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's cash contributions to the defined contribution plan for the year ending June 30, 2011, were \$1,348,067. A copy of the plan may be obtained from the Oklahoma County Clerk's Office at 320 Robert S. Kerr, Room 105, Oklahoma City, Oklahoma or you may call 405-713-1400.

E. Lease Obligations

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

During the year ending June 30, 2011, the Department paid \$74,415.01 in principal and interest on the clinic building. No additional lease obligations were incurred.

F. Construction and Other Significant Commitments

As of June 30, 2011, the OCCHD had renovated the third floor of the NE 23rd and Kelley facility for \$25,765. Capital assets are not presented in the general fund.

G. Contingent Liabilities

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

The OCCHD does not have any pending or threatened litigation that would have a material impact on the financial statements at the fiscal year ending June 30, 2011. The OCCHD also has no pending or threatened action involving alleged discriminatory acts against the OCCHD or its officials for the fiscal year ending June 30, 2011.

H. Federal Grants

In the fiscal year ended June 30, 2011, the Department received federal funds from the U.S. Department of Agriculture and U.S. Department of Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

The federal funds included four major programs titled Special Supplemental Nutrition Program for Women, Infants, and Children, ARRA-Immunization Recovery, Public Health Emergency Preparedness and Centers for Disease Control and Prevention-Investigations and Technical Assistance; seven non-major programs, including Project Grants & Cooperative Agreements for Tuberculosis Control Programs, Family Planning –Services, Immunization Grants, Community-Based Child Abuse

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Prevention Grants, Preventive Health Services – Sexually Transmitted Disease Control Grants, Maternal & Child Health Services Block Grant to the States, and Medical Assistance Program.

I. State Grants

During fiscal year 2011, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the state department. State funds were provided for Child Guidance Program, Child Guidance and Pediatrics, Family Planning, Children First Program, Special Parental Pediatrics, Infant Mortality Review, Turning Point, and State Omnibus. Further information on state assistance is included in the Schedule of Expenditures of State Awards, as required by contract.

Required Supplementary Information

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 12,574,725	\$ 12,574,725	\$ -
Less: Prior Year Encumbrances	(1,316,048)	(1,036,056)	279,992
Beginning Cash Balances, Budgetary Basis	<u>11,258,677</u>	<u>11,538,669</u>	<u>279,992</u>
Receipts:			
Property Taxes	13,234,222	14,579,373	1,345,151
Charges for Services	623,170	751,738	128,568
Intergovernmental Revenues	6,717,657	7,055,746	338,089
Miscellaneous Revenues	127,118	162,345	35,227
Total Receipts, Budgetary Basis	<u>20,702,167</u>	<u>22,549,202</u>	<u>1,847,035</u>
Disbursements:			
Personal Services	19,407,268	17,786,789	1,620,479
Maintenance and Operations	4,876,602	3,512,209	1,364,393
Capital Outlay	2,538,366	1,881,972	656,394
Future Capital Outlay (pursuant to 63 O.S. § 1-226)	4,139,425	-	4,139,425
Travel	999,183	442,253	556,930
Total Disbursements, Budgetary Basis	<u>31,960,844</u>	<u>23,623,223</u>	<u>8,337,621</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	10,464,648	<u>\$ 10,464,648</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances			
Add: Current Year Encumbrances		<u>2,168,534</u>	
Ending Cash Balance		<u>\$ 12,633,182</u>	

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

Schedule of Expenditures of Federal and State Awards

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Oklahoma State Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 1,416,762
Total U.S. Department of Agriculture		<u>1,416,762</u>
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through Oklahoma State Department of Health:		
Public Health Emergency Preparedness	93.069	947,051
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	40,597
Family Planning - Services	93.217	452,804
Immunization Grants	*93.268	1,686,879
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	858,391
Community-Based Child Abuse Prevention Grants	93.590	106,699
ARRA Immunization Recovery	93.712	104,077
Medical Assistance Program	93.778	216,540
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	11,902
Maternal and Child Health Services Block Grant to the States	93.994	86,319
Total U.S. Department of Health and Human Services		<u>4,511,259</u>
 Total Expenditures of Federal Awards		 <u>\$ 5,928,021</u>

* Partially Noncash Assistance

The accompanying notes are an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid as of June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

Non-cash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The federal value of \$1,329,002.35 is included in the Schedule of Expenditures of Federal Awards.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>State Grantor/Grant Program Title</u>	<u>State PO Number</u>	<u>State Expenditures</u>
<u>OKLAHOMA STATE DEPARTMENT OF HEALTH</u>		
Child Guidance Program	H014552	\$ 360,326
Child Guidance & Pediatrics	H013442	100,000
Family Planning	H013442	23,320
Children First Program	H014547	953,482
Special Parental Pediatrics	H013442	76,624
Infant Mortality Review	H013442	77,909
Turning Point	H015063	53,344
State Omnibus	H013522	<u>565,692</u>
Total Oklahoma State Department of Health		<u>2,210,697</u>
Total Expenditures of State Awards		<u>\$ 2,210,697</u>

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid as of June 30, 2011. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the cash basis financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2011, and have issued our report thereon dated May 7, 2012. Our report states that the general fund presentation does not purport to present fairly the financial position of the Oklahoma City-County Health Department in accordance with accounting principles generally accepted in the United States of America. Our report also includes an explanatory paragraph that certain required supplementary information has been omitted. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oklahoma City-County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 11-155-001 and 11-155-002. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City-County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

May 7, 2012

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

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

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of the Oklahoma City-County Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Oklahoma City-County Health Department's major federal programs for the year ended June 30, 2011. Oklahoma City-County Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on Oklahoma City-County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oklahoma City-County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oklahoma City-County Health Department's compliance with those requirements.

In our opinion, the Oklahoma City-County Health Department, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Oklahoma City-County Health Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oklahoma City-County Health Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures

for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

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

May 7, 2012

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.712	ARRA Immunization Recovery
93.069	Public Health Emergency Preparedness
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

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

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Finding 2011-1 - Bank Reconciliations (Repeat Finding)

Ref No: 11-155-001

Department: Finance/CFO

Fund Type: Capital Projects Reserve Account

Condition: During our test work, we noted the following:

- In the Capital Projects Reserve Account there were two exceptions consisting of a missing date for second review, July 2010 and August 2010.
- In the Capital Projects Reserve Account, the December 2010 reconciliation had an approved date of December 5, 2010, and the reconciliation was not completed until January 3, 2011.

Cause of Condition: The failure of the Oklahoma City-County Health Department to properly sign-off on the bank reconciliations.

Effect of Condition: By failing to properly approve reconciliations, the risk of misstatements and misappropriations and the timely detection thereof increases.

Recommendation: OSAI recommends the Oklahoma City-County Health Department ensure that the second review of the Bank Account Reconciliations is properly performed and that review is properly documented.

Management Response: The agency has reviewed its process regarding the review and approval by an independent reviewer of the monthly Bank Account reconciliation. The agency will ensure that the bank account reconciliations are properly performed and that the review is signed and dated by an independent reviewer.

Criteria: Safeguarding controls are an aspect of internal controls. The reconciliation safeguard control relates to the prevention or timely detection of unauthorized transactions and unauthorized access to assets.

Failure to perform tasks that are part of internal controls, such as preparing timely reconciliations and having the reconciliations reviewed and approved are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis, be performed timely, and be reviewed and approved by an independent reviewer.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding 2011-2 - Disaster Recovery Plan (Repeat Finding)

Ref No: 11-155-002

Department: Information Security

Condition: During our review, we found that:

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

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

Effect of Condition:

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

Recommendation: OSAI recommends that OCCHD develop an IT Continuity Plan based on the agency framework, designed to reduce the impact of a major disruption on key business functions and processes. The disaster recovery plan should address the following:

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

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Management's Corrective Action Plan

Contact Person: Marsha Jefferson, IT Technician III

Corrective Action Planned: Currently three backups are done nightly. Onsite incremental tape backup which is stored onsite. Onsite full backup to disk which is stored at Bank of Oklahoma security deposit box located Downtown OKC. The third backup is a file or data changed backup to disk which is Dallas TX. Management will review our disaster recovery plan and make modifications as needed.

2007 Follow up:

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

2008 Follow up:

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

2009 Follow up:

Current status: OCCHD has modified its disaster recovery plan employing backup-to-disk (Symantec Backup Exec), backup-to-tape (Symantec Backup Exec), off-site media storage (Bank of Oklahoma OKC), and off-site file replication (DeltaCopy).

2010 Follow up:

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

2011 Follow up:

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2012 Follow up:

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

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

Auditor Response: This will be sufficient to close this finding, if documentation of the event is provided.

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINDING 2010-003

PASS THROUGH ENTITY: Oklahoma State Department of Health

CFDA NO: 93.712

FEDERAL PROGRAM: ARRA Immunization Recovery Grant

CONTROL CATEGORY: Suspension and Debarment

FINDING SUMMARY: For the ARRA Immunization Grant CFDA #93.712, the Oklahoma City-County Health Department did not follow the procedure in place to ensure employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency. However, we verified that the one employee whose salary is reimbursed by Federal Awards through the ARRA Immunization Grant, was not on the EPLS Suspension and Debarment List.

STATUS: Corrected



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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