

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 24, 2004

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, 2003. The audit was conducted in accordance with *Government Auditing Standards*.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENTS
JUNE 30, 2003**

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OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
BOARD MEMBERS
JUNE 30, 2003

CHAIRMAN

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

VICE CHAIRMAN

Don Hudman

MEMBERS

Lynnell Harkins, M.T. (ASCP) J.D.

Rick Hensley

Joe P. Fallin, D.D.S.

J. Don Harris, D.D.S.

Tim Hill, M.D.

Barbara Chishko

(vacant)

DIRECTOR

Paul B. Dungan, D.V.M., M.P.H.

INTRODUCTION

The Oklahoma City-County Health Department (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 governing board of the Department is the City-County Board of Health, 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.

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-mill levy to support the operations of the OCCHD. 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.

The operating agreement between Oklahoma County and Oklahoma City provides that the Department will be audited by the State Auditor and Inspector.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the special-purpose financial statements of Oklahoma City-County Health Department, as of and for the year ended June 30, 2003, as listed in the table of contents. These special-purpose 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.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of all funds of Oklahoma City-County Health Department, and comparisons of such information with the corresponding budgeted information for the general fund of the Department, and are not intended to be a complete presentation of the financial position and results of operations of those funds or of the Oklahoma City-County Health Department in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Oklahoma City-County Health Department, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2003, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special-purpose financial statements of Oklahoma City-County Health Department, taken as a whole. 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*. 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 special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. The information listed in the table of contents as *Introduction* has not been audited by us, and accordingly, we express no opinion on such data.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of the Oklahoma City-County Health Department and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 20, 2004

Special-Purpose Financial Statements

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - ALL FUNDS
JUNE 30, 2003**

	General Fund
Beginning Cash Balance	<u>\$ 5,494,000</u>
Receipts Apportioned:	
Ad Valorem Taxes	8,915,498
Charges for Services	396,921
Intergovernmental Revenues	4,041,646
Miscellaneous	<u>151,101</u>
Total Receipts	<u>13,505,166</u>
Disbursements:	
Warrants Paid	<u>13,283,816</u>
Total Disbursements	<u>13,283,816</u>
Ending Cash Balance	<u>\$ 5,715,350</u>

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2003**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances:	\$5,494,000	\$5,494,000	\$5,494,000	\$ -
Less: Beginning Encumbrances	(321,439)	(321,439)	(316,715)	4,724
Beginning Cash Balance, Budgetary Basis	<u>5,172,561</u>	<u>5,172,561</u>	<u>5,177,285</u>	<u>4,724</u>
Receipts:				
Ad Valorem Taxes	8,340,075	8,340,075	8,915,498	575,423
Charges for Services	305,808	305,808	396,921	91,113
Intergovernmental Revenues	2,879,755	2,879,755	4,041,646	1,161,891
Miscellaneous Revenues	176,176	176,176	151,101	(25,075)
Total Receipts, Budgetary Basis	<u>11,701,814</u>	<u>11,701,814</u>	<u>13,505,166</u>	<u>1,803,352</u>
Expenditures:				
Personal Services	11,794,317	11,794,317	10,017,502	1,776,815
Maintenance and Operations	3,685,622	3,685,622	2,841,675	843,947
Capital Outlay	1,394,436	1,394,436	856,126	538,310
Total Expenditures, Budgetary Basis	<u>16,874,375</u>	<u>16,874,375</u>	<u>13,715,303</u>	<u>3,159,072</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	4,967,148	<u>\$ 4,967,148</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			748,202	
Ending Cash Balance			<u>\$5,715,350</u>	

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

Notes to the Financial Statements

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. Summary of Significant Accounting Policies

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of the Oklahoma City-County Health Department (OCCHD or Department), and comparisons of such information with the corresponding budgeted information for the OCCHD. 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 accompanying special-purpose financial statements include all OCCHD 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 does not have any component units. The primary sources of funding for the Department are a countywide ad valorem tax levy and intergovernmental grants and contracts.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of the OCCHD, and comparisons of such information with the corresponding budgeted information for the OCCHD.

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
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

B. Fund Accounting

A government uses funds to report 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 all financial resources except those required to be accounted for in another fund. Any other funds presented would account for financial resources whose use is restricted for specified purposes.

C. Basis of Accounting

The special-purpose financial statements are prepared on a 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.

D. Budgetary Policies

Oklahoma Statutes require the Department to prepare a formal budget for the general fund and other funds as the Board may require. This budget presented for the general fund includes the originally approved budgeted appropriations for expenditures, 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.

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund 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 Receipts, Disbursements, and Changes in Cash Balances - All Funds because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances to their related budget year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Summary of Significant Accounting Policies (continued)

E. Cash and Investments

State statutes authorize the OCCHD to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies, if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2003.

F. Risk Management

The OCCHD is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCCHD carries commercial insurance for its physical plant, participates in the Oklahoma State health and dental plans for its health benefits coverage for employees, is self-insured for errors and omissions and for other general liability and worker's compensation. Management believes such coverage is sufficient to preclude any significant uninsured losses to the OCCHD. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the Governmental Tort Claims Act in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2003 fiscal year.

G. Compensated Absences

Annual Leave - Accrual rates vary in four stages from 15 days (10 hours/month) per year for less than 5 years to 25 days (16 2/3 hours/month) per year for 15 or more years. Maximum accumulation of annual leave is limited to 60 days or 480 hours.

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 is based on the most current retirement plan in effect at the time.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

Pursuant to 68 O.S. 2001, § 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 approved by fund and object. 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.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the OCCHD's deposits was \$5,715,350 and the bank balance was \$5,865,266. 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.

B. Description of Funds

During the year ended June 30, 2003, the OCCHD had 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.

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-mill levy to support the operations of the OCCHD. The County subsequently voted to repeal the personal property tax. The initiative provided that real property tax levies were increased to make up for the loss of taxable personal property and is now 2.59 mills. The assessed property value as of January 1, 2002, was \$3,543,389,815 after deducting homestead exemptions of \$132,178,670.

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, 2003, were approximately 93.3 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.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Account Balances (continued)

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) are 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.

The plan operates on an accrual basis of accounting. Contributions are recognized as revenue in the period in which the employees provide services. Investment income is recognized when earned. Assets are valued at quoted market prices at June 30, 2003.

The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's contributions to the defined contribution plan for the year ending June 30, 2003, were \$712,796.

E. Capital Leases

The Department is paying on a fifteen (15) year capital lease 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. At the end of the lease agreement, the Department plans to take possession of the clinic building for a minimal fee.

Providing the capital lease is renewed each year by resolution of the Board of Health, minimum lease commitments under the capitalized lease-purchase agreement as of June 30, 2003, are as follows:

Year Ending	Principle	Interest	Total
2004	\$ 45,000	\$ 36,855	\$ 81,855
2005	45,000	34,560	79,560
2006	50,000	32,220	82,220
2007	55,000	29,750	84,750
2008	55,000	26,600	81,600
2009-13	330,000	82,605	412,605
2014	75,000	4,500	79,500
TOTAL	\$655,000	\$247,090	\$ 902,090

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

Detailed Notes on Account Balances (continued)

During the year ending June 30, 2003, the Department paid \$84,105 in principal and interest on the clinic building. No additional lease purchase obligations were incurred.

F. Construction and Other Significant Commitments

As of June 30, 2003, the OCCHD had in progress approximately \$300,000 in construction projects, including the remodeling of the 1st floor of the OCCHD main building, plus new parking lots and a new security fence at the same location.

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 expenditures 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 Department is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Department's staff attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Department.

H. Federal Grants

In the fiscal year ended June 30, 2003, the Department received federal funds from the U.S. Departments of Agriculture and Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

The federal funds included four Type A programs titled Women, Infants, and Children; Medical Assistance Program (Medicaid Title XIX); Sexually Transmitted Disease Control; and CDC Investigations/Technical Assistance and six Type B programs, including Family Planning-Services; Immunization Action Plan; Breast & Cervical Cancer Detection; Tuberculosis Control and Elimination; Maternal and Child Health Services Block Grant; and Emergency Shelter Grant. Additional information on federal grants is presented in the summary section of the schedule of findings and questioned costs and the schedule of expenditures of federal awards.

I. State Grants

During fiscal year 2003, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the State Department. Further information on state assistance is included in the supplemental schedule of expenditures of state awards, as required by contract.

Schedule of Expenditures of Federal Awards

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed through the Oklahoma Department of Health:		
Women, Infants and Children	10.557	\$ 146,157
Women, Infants and Children	10.557	654,446
Total U.S. Department of Agriculture		<u>800,603</u>
 <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed through the City of Oklahoma City:		
Emergency Shelter Grant	14.231	17,753
Total U.S. Department of Housing and Urban Development		<u>17,753</u>
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed through the State Department of Health:		
Tuberculosis Control Program	93.116	45,745
Family Planning - Services	93.217	12,243
Family Planning - Services	93.217	38,876
Immunization Grants	93.268	245,898
Centers for Disease Control - Investigations/Technical Assistance	93.283	46,524
Centers for Disease Control - Investigations/Technical Assistance	93.283	57,065
Centers for Disease Control - Investigations/Technical Assistance	93.283	396,915
Centers for Disease Control - Investigations/Technical Assistance	93.283	19,894
Medical Assistance Program (Medicaid Title XIX)	93.778	587,851
Medical Assistance Program (Medicaid Title XIX)	93.778	15,662
Breast and Cervical Cancer Early Detection	93.919	14,545
Preventive Health Services - STD Control	93.977	136,307
Preventive Health Services - STD Control	93.977	3,019
Preventive Health Services - STD Control	93.977	3,912
Preventive Health Services - STD Control	93.977	879
Preventive Health Services - STD Control	93.977	117,671
Preventive Health Services - STD Control	93.977	86,250
Preventive Health Services - STD Control	93.977	3,912
Preventive Health Services - STD Control	93.977	4,122
Preventive Health Services - STD Control	93.977	2,509
Maternal & Child Health Services Block Grant	93.994	152,198
Maternal & Child Health Services Block Grant	93.994	50,774
Total U.S. Department of Health and Human Services		<u>2,042,771</u>
Total Expenditures of Federal Awards		<u>\$ 2,861,127</u>

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2003**

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 *modified accrual basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2003. 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*.

Schedule of Expenditures of State Awards

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2003**

<u>State Grantor/Grant Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
<u>STATE DEPARTMENT OF HEALTH</u>		
Tobacco Use Prevention	Z004509	\$ 52,503
Child Guidance Program	Z006005	92,324
Children First Program	Z006529	767,201
Perinatal Health	Z006633	29,163
State Omnibus	Z026547	250,650
Total U.S. Department of Housing and Urban Development		<u>1,191,841</u>
Total Expenditures of State Awards		\$ <u>1,191,841</u>

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
JUNE 30, 2003**

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 *modified accrual basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2003. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial Reporting
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 special-purpose financial statements of Oklahoma City-County Health Department, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 20, 2004. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation. 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.

Compliance

As part of obtaining reasonable assurance about whether Oklahoma City-County Health Department's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of special-purpose 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oklahoma City-County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the OCCHD's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report.

This report is intended solely for the information and use of the Board of the Oklahoma City-County Health Department, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of the Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 20, 2004

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of Oklahoma City-County Health Department with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The 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 the Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 the 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 on Oklahoma City-County Health Department's compliance with those requirements.

In our opinion, Oklahoma City-County Health Department complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Oklahoma City-County Health Department is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing

procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of Oklahoma City-County Health Department, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

April 20, 2004

Schedule of Findings and Questioned Costs

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Reportable condition(s) identified that are not considered to be material weakness(es)? None reported

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

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

Identification of Major Programs

CFDA Number(s)

10.557

93.283

Name of Federal Program or Cluster

Women, Infants and Children (WIC)

CDC Investigations/Technical Assistance

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

Auditee qualified as low-risk auditee? Yes

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003**

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

Finding - 2003-1- Information Systems

Criteria: According to the standards of the Information Systems Audit and Control Association (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and administrative support personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios, from minor to loss of total capability, and response to each in sufficient detail for step by step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up sites for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Condition: The Department obtained the services of a consultant to assess information security. However, the consultant only provided a boilerplate document for the Disaster Recovery Plan. The Department does not have a written Disaster Recovery Plan.

Recommendation: The Department should establish an information system Disaster Recovery Plan that includes the above information in order to ensure the safekeeping and integrity of the Department's financial and non-financial data.

Management Response: Management is currently developing a Disaster Recovery Plan. The anticipated date of completion is August 2004.

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

No matters were reported.