

OKLAHOMA CITY - COUNTY HEALTH DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2007

COUNTY AUDIT



Jeff A. McMahan

Oklahoma State Auditor
& Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENTS - CASH BASIS
AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

March 28, 2008

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, 2007. The audit was conducted in accordance with *Government Auditing Standards*.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

BOARD MEMBERS

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

INTRODUCTION

The Oklahoma City-County Health Department (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 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 mills 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.

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

FINANCIAL SECTION



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 accompanying financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2007, 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, 2007, 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, 2007, and the changes in financial position thereof for the year ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2008, 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 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the Budgetary Comparison Schedule, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

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



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

March 27, 2008

Financial Statements

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE - GENERAL FUND
BALANCE SHEET - CASH BASIS
JUNE 30, 2007**

	<u>General Fund</u>
Assets:	
Cash	\$ 9,447,803
Total Assets	<u>\$ 9,447,803</u>
 Fund Balance:	
Fund Balance Arising From Cash Transactions	\$ 9,447,803
Total Fund Balance	<u>\$ 9,447,803</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 BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund
Cash Receipts:	
Property Taxes	\$ 11,746,914
Intergovernmental Revenues	5,156,391
Charges for Services	1,097,474
Miscellaneous Revenues	18,794
Interest Income	477,309
Total Cash Receipts	<u>18,496,882</u>
Cash Disbursements:	
Personal Services	13,978,594
Maintenance and Operations	3,210,775
Capital Outlay	440,777
Total Cash Disbursements	<u>17,630,146</u>
Excess of Cash Receipts Over Cash Disbursements	866,736
Fund Balance Arising From Cash Transactions, July 1, 2006	<u>8,581,067</u>
Fund Balance Arising From Cash Transactions, June 30, 2007	<u>\$ 9,447,803</u>

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, 2007**

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 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.

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.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

C. Basis of Accounting

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

D. Cash and Equivalents

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

All funds were fully invested or deposited in interest-bearing demand accounts and Government Obligations Money Market Fund at June 30, 2007.

E. Risk Management

The OCCHD is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCCHD carries commercial insurance for its physical plant, participates in the Oklahoma State health and dental plans for its health benefits coverage for employees, is self-insured for errors and omissions and for other general liability and workers' compensation. Management believes such coverage is sufficient to preclude any significant uninsured losses to the OCCHD. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the Governmental Tort Claims Act in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2007 fiscal year.

F. Compensated Absences

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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

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

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in Government Obligation Money Market Account and demand deposits. The reported amount of the OCCHD's deposits was \$9,477,803 and the bank balance was \$7,100,541. 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, 2007, OCCHD's bank balance of \$7,100,541 was FDIC insured for \$200,000 and the bank had pledged securities of \$8,458,660.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCCHD limited activity to interest bearing Government Obligations Money Market Fund and demand deposits only for FY 2007. This limited the possibility of interest rate risk affecting deposits of OCCHD.

B. Description of Funds

During the year ended June 30, 2007, 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 CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2006, was \$4,656,576,955 after deducting homestead exemptions of \$130,163,521.

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, 2007, were approximately 91.7 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.

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, 2007, were \$1,071,347.43. 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

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007, the Department paid \$78,773.72 in principal and interest on the clinic building. No additional lease obligations were incurred.

F. Construction and Other Significant Commitments

As of June 30, 2007, the OCCHD had performed remodels of the OCCHD main building for \$33,030. Capital assets are not presented in the general fund.

G. Contingent Liabilities

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

H. Federal Grants

In the fiscal year ended June 30, 2007, the Department received federal funds from the U.S. Department of Agriculture, U.S. Department of Housing and Urban Development, and U.S. Department of Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

The federal funds included two major programs titled Special Supplemental Nutrition Program for Women, Infants, and Children, and Immunization Grants; seven non-major programs, including Project Grants & Cooperative Agreements for Tuberculosis Control Programs, Family Planning - Services, Community-Based Child Abuse Prevention Grants, Centers for Disease Control & Prevention-Investigations and Technical Assistance, Preventive Health Services – STD Control Grants, Maternal & Child Health Services Block Grant to the States and Medical Assistance Program.

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 2007, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the state department. Further information on state assistance is included in the Schedule of Expenditures of State Awards, as required by contract.

Required Supplementary Information

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 8,581,067	\$ 8,581,067	\$ 8,581,067	\$ -
Less: Prior Year Encumbrances	408,350	408,350	402,460	5,890
Beginning Cash Balances, Budgetary Basis	8,172,717	8,172,717	8,178,607	5,890
Receipts:				
Property Taxes	10,966,644	10,966,644	11,745,620	778,975
Charges for Services	397,140	397,140	652,919	255,779
Intergovernmental Revenues	4,910,403	4,910,403	5,556,878	646,475
Miscellaneous Revenues	304,604	304,604	541,466	236,862
Total Receipts, Budgetary Basis	16,578,791	16,578,791	18,496,883	1,918,092
Disbursements:				
Personal Services	15,835,159	15,835,159	13,980,255	1,854,904
Maintenance and Operations	4,888,409	4,888,409	3,653,359	1,235,050
Capital Outlay	2,365,333	2,365,333	509,011	1,856,322
Future Capital Outlay (pursuant to 63 O.S. § 1-226)	1,662,606	1,662,606		1,662,606
Total Disbursements, Budgetary Basis	24,751,507	24,751,507	18,142,625	6,608,882
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	\$ 0	\$ 0	8,532,864	\$ 8,532,864
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances				
Add: Current Year Encumbrances			914,939	
Ending Cash Balance			\$ 9,447,803	

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, 2007**

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, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed Through State Department of Health:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 1,098,978</u>
Total U.S. Department of Agriculture		<u>1,098,978</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed Through State Department of Health:		
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	45,729
Family Planning - Services	93.217	104,601
Immunization Grants	* 93.268	1,505,029
Community-Based Child Abuse Prevention Grants	93.590	43,333
Centers for Disease Control & Prevention-Investigations and Technical Assistance	93.283	1,030,393
Preventive Health Services - STD Control Grants	93.977	182,117
Maternal & Child Health Services Block Grant to the States	93.994	81,624
Medical Assistance Program	93.778	58,253
Total U.S. Department of Health and Human Services		<u>3,051,079</u>
Total Expenditures of Federal Awards		<u><u>\$ 4,150,057</u></u>

* Partially Non cash Assistance

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2007. 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 \$1,180,437 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, 2007**

<u>State Grantor/Grant Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
<u>STATE DEPARTMENT OF HEALTH</u>		
Child Guidance Service	3409008343	\$ 181,164
Family Planning Services	3409005724	388,290
Children First Program	3409007877	1,363,344
Total Oklahoma State Department of Health		<u>1,932,798</u>
Total Expenditures of State Awards		\$ <u><u>1,932,798</u></u>

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2007. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

INTERNAL CONTROL AND COMPLIANCE SECTION



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**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 Oklahoma City-County Health Department, as of and for the year ended June 30, 2007, and have issued our report thereon dated March 27, 2008. 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 Oklahoma City-County Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oklahoma City-County Health Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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*.

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

March 27, 2008

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

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of the Oklahoma City-County Health Department with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 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 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 the Oklahoma City-County Health Department's compliance with those requirements.

In our opinion, the Oklahoma City-County Health Department complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Oklahoma City-County Health Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Oklahoma City-County Health Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-001, 2007-002, 2007-003 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2007-2 to be a material weakness.

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

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

March 27, 2008

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Immunization Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	Yes

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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*

No matters were reported.

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

REF NO: 2007-001

COUNTY: Oklahoma City-County Health Department

PASS THRU ENTITY: Oklahoma State Department of Health

CFDA NO: 93.268

FEDERAL PROGRAM NAME: Immunization Grant

FEDERAL AWARD YEAR: 2006-2007

CONTROL CATEGORY: Suspension and Debarment

Criteria: The Immunization Grants Contract states in part:

"...By signing the contract, the Contractor attests and assures that no employee or any of its principals performing hereunder: are presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency..."

Condition: The Oklahoma City-County Health Department does not have procedures 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 ten employees, whose salaries are reimbursed by Federal Awards through the Immunization Grant, were not on the EPLS Suspension and Debarment List.

Effect: The Oklahoma City-County Health Department may be liable for any Federal Awards received for reimbursement of an employee who is debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

Recommendation: We recommend the Oklahoma City-County Health Department develop procedures to ensure employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

Views of responsible officials and planned corrective actions: See attached response.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

REF NO: 2007-002

COUNTY: Oklahoma City-County Health Department

PASS THRU ENTITY: Oklahoma State Department of Health

CFDA NO: 93.268

FEDERAL PROGRAM NAME: Immunization Grant

FEDERAL AWARD YEAR: 2006-2007

CONTROL CATEGORY: Non-Cash Assistance

Criteria: OMB circular A-133 Subpart C §___.310 (b) states in part:

‘...The auditee shall also prepare a schedule of expenditures of Federal Awards for the period covered by the auditee’s financial statement. At a minimum, the schedule shall: (6) include either the schedule or a note to the schedule, the value of Federal Awards expended in the form of non-cash assistance...’

The OMB Circular A-133 Compliance Supplement for March 2007 states in part:

“...The value of vaccine shall be included with grant funds on the Schedule of Expenditures of Federal Awards.”

Condition: We noted that \$1,180,437 of non-cash assistance of vaccines for the Immunization Grant was not included in the Schedule of Expenditures of Federal Awards.

Effect: The condition could result in unreported non-cash assistance expenditures on the Schedule of Expenditures of Federal Awards.

Recommendation: We recommend the Oklahoma City-County Health Department develop procedures to ensure all non-cash assistance expenditures are included in the Schedule of Expenditures of Federal Awards.

Views of responsible officials and planned corrective actions: See attached response.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

REF NO: 2007-003

COUNTY: Oklahoma City-County Health Department

PASS THRU ENTITY: Oklahoma State Department of Health

CFDA NO: 10.557

FEDERAL PROGRAM NAME: Special Supplemental Nutrition Program for Women, Infants and Children

FEDERAL AWARD YEAR: 2006-2007

CONTROL CATEGORY: Suspension and Debarment

Criteria: The WIC Contract states in part:

"...By signing the contract, the Contractor attests and assures that no employee or any of its principals performing hereunder: are presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency..."

Condition: The Oklahoma City-County Health Department does not have procedures 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 twenty-four employees, whose salaries are reimbursed by Federal Awards through the WIC Grant, were not on the EPLS Suspension and Debarment List.

Effect: The Oklahoma City-County Health Department may be liable for any Federal Awards received for reimbursement of an employee who is debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

Recommendation: We recommend the Oklahoma City-County Health Department develop procedures to ensure employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

Views of responsible officials and planned corrective actions: See attached response.



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