

STATE OF OKLAHOMA 2008

FOR FISCAL YEAR JUNE 30, 2008

SINGLE AUDIT REPORT



Oklahoma State Auditor
& Inspector

OKLAHOMA

2008

Single Audit Report

For The Fiscal Year Ended June 30, 2008

Prepared by
Office of State Auditor and Inspector

Steve Burrage, CPA
State Auditor and Inspector

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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March 30, 2009

**TO THE HONORABLE BRAD HENRY, GOVERNOR
OF THE STATE OF OKLAHOMA AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2008. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

Sincerely,

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

Steve Burrage, CPA
State Auditor and Inspector

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**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133 and Opinion on the
Supplementary Schedule of Expenditures of Federal Award**

STATE AUDITOR AND INSPECTOR

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**To the Honorable Brad Henry, Governor
and Members of the Legislature of the
State of Oklahoma**

Compliance

We have audited the compliance of the State of Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce, the Department of Wildlife Conservation, Insurance Department, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those programs represent 1.66% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

The State of Oklahoma'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 State of Oklahoma's management. Our responsibility is to express an opinion on the State of Oklahoma's compliance based on our audit and the reports of the other auditors.

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2008. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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 State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Oklahoma's compliance with those requirements.

In our opinion, the State of Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

| | | | | |
|--------------|------------|--------------|--------------|------------|
| 08-025-001 | 08-265-001 | 08-290-001 | 08-340-001 | 08-345-001 |
| 08-452-001IT | 08-452-002 | 08-452-002IT | 08-452-003IT | 08-805-001 |
| 08-805-002 | 08-805-003 | 08-805-004 | 08-807-003 | 08-807-004 |
| 08-807-005 | 08-807-006 | 08-807-008 | 08-807-009 | 08-807-010 |
| 08-807-011 | 08-830-002 | 08-830-003 | 08-830-005 | 08-830-006 |
| 08-830-007 | 08-830-011 | 08-830-012 | 08-830-013 | 08-830-015 |
| 08-830-016 | 08-830-017 | 08-830-020 | | |

Internal Control Over Compliance

The management of the State of Oklahoma 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 the State of Oklahoma'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 State of Oklahoma'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 (see list below) to be significant deficiencies:

| | | | | |
|--------------|------------|--------------|--------------|------------|
| 08-025-001 | 08-265-001 | 08-290-001 | 08-340-001 | 08-345-001 |
| 08-452-001IT | 08-452-002 | 08-452-002IT | 08-452-003IT | 08-805-001 |
| 08-805-002 | 08-805-003 | 08-805-004 | 08-807-003 | 08-807-010 |
| 08-830-006 | 08-830-007 | 08-830-011 | 08-830-012 | 08-830-013 |
| 08-830-015 | 08-830-020 | | | |

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 cost, we consider items 08-265-001 and 08-340-001 to be a material weaknesses.

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of Oklahoma's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2008, and have issued our report thereon dated December 30, 2008, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and identification of financial statements audited by other auditors. Our audit was performed for the purpose of forming

opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Selected Activities for Internal Service Type Funds section listed in the table of contents has not been audited by us, and accordingly, we express no opinion on it.

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



Steve Burrage, CPA
State Auditor and Inspector

March 20, 2009 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 30, 2008

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**Schedule of Expenditures of Federal Awards
By Federal Grantor**

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA | | Expenditures/Expenses | |
|---|--------|---|-----------------------|-------------|
| | Number | Agency | Agency | State |
| U.S. Department of Agriculture | | | | |
| Direct Programs: | | | | |
| Plant and Animal Disease, Pest Control, and Animal Care Wildlife Services (B) | 10.025 | Department of Agriculture | | 1,436,290 |
| Conservation Reserve Program | 10.028 | Department of Wildlife Conservation | | 56,738 |
| Market Protection and Promotion | 10.069 | Department of Agriculture | | 8,455 |
| Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 10.163 | Department of Agriculture | | 73,124 |
| Food Donation | 10.475 | Department of Agriculture | | 1,843,012 |
| Supplemental Nutrition Assistance Program | 10.550 | Department of Human Services | | 12,207,047 |
| School Breakfast Program | 10.551 | Department of Human Services | | 483,067,507 |
| National School Lunch Program | 10.553 | Department of Education | | 40,385,399 |
| | 10.555 | Department of Education | 113,599,091 | |
| | 10.555 | Department of Human Services | 1,721,743 | 115,320,834 |
| Special Milk Program for Children | 10.556 | Department of Education | | 29,899 |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | State Department of Health | | 88,830,008 |
| Child and Adult Care Food Program | 10.558 | Department of Education | | 51,990,736 |
| Summer Food Service Program for Children | 10.559 | Department of Education | | 2,938,211 |
| State Administrative Expenses for Child Nutrition | 10.560 | Department of Education | 2,428,210 | |
| | 10.560 | Department of Human Services | 388,456 | 2,816,666 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | Department of Human Services | | 38,292,825 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | Department of Human Services | | 478,743 |
| Team Nutrition Grants | 10.574 | Department of Education | | 14,178 |
| Cooperative Forestry Assistance | 10.664 | Department of Agriculture | | 1,958,017 |
| Soil and Water Conservation | 10.902 | Conservation Commission | 3,626,188 | |
| Soil and Water Conservation | 10.902 | Department of Wildlife Conservation | 209,071 | 3,835,259 |
| Cost Reimbursement Contract - Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | Department of Wildlife Conservation | | 70,987 |
| Cost Reimbursement Contract - Plant and Animal Disease, Pest Control, and Animal Care | 10.025 | Boll Weevil Eradication | | 450,000 |
| Subtotal | | | | 846,103,935 |
| U.S. Department of Defense | | | | |
| Direct Programs: | | | | |
| Procurement Technical Assistance For Business Firms | 12.002 | Department of Career & Technology Education | | 538,285 |
| State Memorandum of Agreement Program for the Reimbursement of Technical Services | 12.113 | Department of Environmental Quality | | 7,044,195 |
| Cost Reimbursement Contract - Military Construction, National Guard | 12.400 | Oklahoma Military Department | | 2,724,779 |
| Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects | 12.401 | Oklahoma Military Department | | 19,295,415 |
| Cost Reimbursements Contract - National Guard Civilian Youth Opportunities Program | 12.404 | Oklahoma Military Department | | 2,606,759 |
| National Guard Civilian Youth Opportunities Program | 12.404 | Department of Education | | 157,079 |
| Subtotal | | | | 32,366,512 |
| U.S. Drug Enforcement Administration | | | | |
| Direct Programs: | | | | |
| Other Federal Assistance - Marijuana Eradication Suppression Program | - | Bureau of Narcotics & Dangerous Drugs Control | | 297,362 |
| Subtotal | | | | 297,362 |
| U.S. Department of Housing and Urban Development | | | | |
| Direct Programs: | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | Department of Environmental Quality | | 7,176 |
| Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii | 14.228 | Department of Commerce | | 16,978,306 |
| Emergency Shelter Grants Program | 14.231 | Department of Commerce | | 1,929,491 |
| Shelter Plus Care | 14.238 | Department of Commerce | 159,675 | |
| | 14.238 | Mental Health and Substance Abuse Service | 59,015 | 218,690 |
| Community Development Block Grants/ Brownfields Economic Development Initiative | 14.246 | Department of Commerce | | 217,800 |
| Fair Housing Assistance Program-State and Local | 14.401 | Human Rights Commission | | 54,052 |
| Subtotal | | | | 19,405,515 |

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA | | Expenditures/Expenses | |
|---|--------|---|-----------------------|-------------|
| | Number | Agency | Agency | State |
| U.S. Department of the Interior | | | | |
| Direct Programs: | | | | |
| Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 15.250 | Department of Mines | | 956,409 |
| Abandoned Mine Land Reclamation (AMLR) Program | 15.252 | Conservation Commission | | 1,731,265 |
| Federal Oil and Gas Royalty Management | 15.427 | State Auditor and Inspector | | 306,398 |
| Water Reclamation and Reuse Program | 15.504 | Water Resources Board | | 350,555 |
| Water Desalination Research and Development Program | 15.506 | Water Resources Board | | 13,555 |
| Sport Fish Restoration | 15.605 | Department of Wildlife Conservation | | 5,815,222 ♦ |
| Wildlife Restoration | 15.611 | Department of Wildlife Conservation | | 5,186,546 ♦ |
| Cooperative Endangered Species Conservation Fund | 15.615 | Department of Wildlife Conservation | | 427,313 |
| Clean Vessel Act | 15.616 | Department of Environmental Quality | | 17,707 |
| Sportfishing and Boating Safety Act | 15.622 | Department of Tourism and Recreation | | 106,999 |
| Hunter Education and Safety Program | 15.626 | Department of Wildlife Conservation | | 140,090 |
| Landowner Incentive Program | 15.633 | Department of Wildlife Conservation | | 63,651 |
| State Wildlife Grants | 15.634 | Department of Wildlife Conservation | | 2,239,254 ♦ |
| U. S. Geological Survey-Research & Data Collection | 15.808 | Conservation Commission | | 2,981 |
| Historic Preservation Fund Grants-In-Aid | 15.904 | Historical Society | | 652,246 |
| Outdoor Recreation - Acquisition, Development and Planning | 15.916 | Department of Tourism and Recreation | | 1,004,877 |
| Cost Reimbursement Contracts: | | | | |
| McGee Creek Project | - | Department of Wildlife Conservation | | 91,619 |
| Subtotal | | | | 19,106,687 |
| U.S. Department of Justice | | | | |
| Direct Programs: | | | | |
| State and Local Domestic Preparedness Equipment Support Program | 16.007 | Department of Public Safety | | 3,745,505 |
| Prisoner Reentry Initiative Demonstration (Offender Reentry) | 16.202 | Department of Corrections | | 10,147 |
| Juvenile Accountability Block Grants | 16.523 | Office of Juvenile Affairs | | 879,478 |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540 | Office of Juvenile Affairs | | 796,715 |
| Missing Children's Assistance | 16.543 | State Bureau of Investigation | | 119,221 |
| Title V - Delinquency Prevention Program | 16.548 | Office of Juvenile Affairs | | 84,048 |
| State Justice Statistics Program for Statistical Analysis Centers | 16.550 | Legislative Service Bureau | | 44,839 |
| National Criminal History Improvement Program (NCHIP) | 16.554 | District Attorneys Council | | 132,441 |
| National Institute of Justice Research, Evaluation and Development Project Grants | | | | |
| | 16.560 | District Attorneys Council | 228,345 | |
| | 16.560 | State Bureau of Investigation | 47,394 | 275,739 |
| No Suspect Casework DNA Backlog Reduction | 16.564 | State Bureau of Investigation | | 173,793 |
| Crime Victim Assistance | 16.575 | District Attorneys Council | | 4,594,952 |
| Crime Victim Compensation | 16.576 | District Attorneys Council | | 1,589,539 |
| Edward Byrne Memorial Formula Grant Program | 16.579 | District Attorneys Council | | 124,195 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 16.580 | Bureau of Narcotics & Dangerous Drugs Control | | 344,996 |
| Drug Court Discretionary Grant Program | 16.585 | Mental Health and Substance Abuse Services | | 41,297 |
| Violence Against Women Formula Grants | 16.588 | District Attorneys Council | | 1,648,323 |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders | | | | |
| | 16.590 | Attorney General | 296,344 | |
| | 16.590 | District Attorneys Council | 111,263 | 407,607 |
| Local Law Enforcement Block Grant Program | 16.592 | District Attorneys Council | | (491) |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | District Attorneys Council | | 170,717 |
| State Criminal Alien Assistance Program | 16.606 | Department of Corrections | | 908,162 |
| Community Prosecution and Project Safe Neighborhoods | 16.609 | District Attorneys Council | | 341,266 |
| Public Safety Partnership and Community Policing Grants | 16.710 | Department of Public Safety | 140,001 | |
| | 16.710 | Bureau of Narcotics & Dangerous Drugs Co | 1,430,313 | 1,570,314 |
| Enforcing Underage Drinking Laws Program | 16.727 | Department of Public Safety | | 307,704 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | District Attorneys Council | | 3,649,890 |
| Statewide Automated Victim Information Notification (SAVIN) Program | 16.740 | Attorney General | | 423,155 |
| Forensic DNA Backlog Reduction Program | 16.741 | State Bureau of Investigation | | 220,888 |
| Forensic Casework DNA Backlog Reduction | 16.743 | State Bureau of Investigation | | 19,246 |
| Convicted Offender and/or Arrestee DNA Backlog Reduction Program | 16.748 | State Bureau of Investigation | | 240,521 |
| Anti-Gang Initiative | 16.744 | District Attorneys Council | | 504,587 |
| Cost Reimbursement Contract: | | | | |
| High Intensity Drug Trafficking Area | - | Bureau of Narcotics & Dangerous Drugs Control | | 7,676 |
| Subtotal | | | | 23,376,470 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses Agency | State |
|---|----------------|--|---------------------------------|-------------|
| U.S. Department of Labor | | | | |
| Direct Programs: | | | | |
| Labor Force Statistics | 17.002 | Employment Security Commission | | 1,095,036 |
| Compensation and Working Conditions | 17.005 | Department of Labor | | 96,741 |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | Employment Security Commission | | 14,694,818 |
| Unemployment Insurance | 17.225 | Employment Security Commission | | 195,525,582 |
| Senior Community Service Employment Program | 17.235 | Employment Security Commission | | 1,434,248 |
| Trade Adjustment Assistance | 17.245 | Employment Security Commission | | 13,478,416 |
| WIA Adult Program | 17.258 | Department of Commerce | | 6,516,429 |
| WIA Youth Activities | 17.259 | Department of Commerce | | 9,517,490 |
| WIA Dislocated Workers | 17.260 | Employment Security Commission | 659,985 | |
| | 17.260 | Department of Commerce | 8,467,357 | 9,127,342 |
| WIA Pilots, Demonstrations, and Research Projects | 17.261 | Department of Career & Technology Educat | 1,517,647 | |
| | 17.261 | Department of Commerce | 25,766 | 1,543,413 |
| Work Incentive | 17.266 | Employment Security Commission | | 1,299,984 |
| Incentive Grants - WIA Section 503 | 17.267 | Department of Commerce | | 475,792 |
| H-1B Job Training Grants | 17.268 | Department of Commerce | | 476,460 |
| Work Opportunity Tax Credit Program (WOTC) | 17.271 | Employment Security Commission | | 207,642 |
| Temporary Labor Certification for Foreign Workers | 17.273 | Employment Security Commission | | 66,291 |
| Consultation Agreements | 17.504 | Department of Labor | | 1,126,466 |
| Mine Health and Safety Grants | 17.600 | Department of Mines | | 111,595 |
| Disabled Veterans' Outreach Program (DVOP) | 17.801 | Employment Security Commission | | 418,023 |
| Local Veterans' Employment Representative Program | 17.804 | Employment Security Commission | | 1,553,478 |
| Subtotal | | | | 258,765,246 |
| U.S. Department of Transportation | | | | |
| Direct Programs: | | | | |
| Airport Improvement Program | 20.106 | Oklahoma Aeronautics Commission | 1,003,322 | |
| | 20.106 | Oklahoma Space Industry Development Aut | 80,266 | 1,083,588 |
| Highway Planning and Construction | 20.205 | Department of Transportation | | 623,567,696 |
| National Motor Carrier Safety | 20.218 | Department of Public Safety | | 5,135,673 |
| Recreational Trails Program | 20.219 | Department of Tourism and Recreation | | 780,528 |
| Commercial Drivers License State Programs | 20.232 | Department of Public Safety | | 648,846 |
| Formula Grants for Other Than Urbanized Areas | 20.509 | Department of Transportation | | 14,300,825 |
| Capital Assistance Program for Elderly Persons and Persons with Disabilities | 20.513 | Department of Human Services | | 1,238,991 |
| State and Community Highway Safety | 20.600 | Department of Public Safety | | 3,363,796 |
| Alcohol Traffic Safety & Drunk Driving | | | | |
| Prevention Incentive Grants | 20.601 | Department of Public Safety | | 1,598,542 |
| Safety Belt Performance Grant | 20.609 | Department of Public Safety | | 847,961 |
| State Traffic Safety Information System Improvement Grants | 20.610 | Department of Public Safety | | 374,245 |
| Incentive Grant Program to Increase Motorecyclist Safety | 20.612 | Department of Public Safety | | 201,246 |
| Cost Reimbursement Contract - Pipeline Safety | | | | |
| Program Base Grants | 20.700 | Corporation Commission | | 569,203 |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | Department of Emergency Management | | 195,275 |
| Subtotal | | | | 653,906,415 |
| Direct Programs: | | | | |
| Jobs and Growth Tax Relief | 21.999 | State of Oklahoma | | 2,516 |
| Subtotal | | | | 2,516 |
| Equal Employment Opportunity Commission | | | | |
| Direct Programs: | | | | |
| Employment Discrimination - State and Local Fair | | | | |
| Employment Practices Agency Contracts | 30.002 | Human Rights Commission | | 253,990 |
| Subtotal | | | | 253,990 |
| General Services Administration | | | | |
| Direct Programs: | | | | |
| Donation of Federal Surplus Personal Property | 39.003 | Department of Central Services | | 3,214,020 |
| Election Reform Payments | 39.011 | State Election Board | | 418,566 |
| Subtotal | | | | 3,632,586 |

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses | |
|---|----------------|---|-----------------------|------------|
| | | | Agency | State |
| National Aeronautics and Space Administration | | | | |
| Direct Programs: | | | | |
| Aerospace Education Services Program | 43.001 | Oklahoma Space Industry Development Authority | | 142,898 |
| Subtotal | | | | 142,898 |
| National Foundation on the Arts and the Humanities | | | | |
| Direct Programs: | | | | |
| Promotion of the Arts - Partnership Agreements | 45.025 | State Arts Council | | 610,800 |
| Grants to States | 45.310 | Department of Libraries | | 1,662,033 |
| National Leadership Grants | 45.312 | Department of Libraries | | 1,009 |
| Subtotal | | | | 2,273,842 |
| U.S. Department of Veterans Affairs | | | | |
| Direct Programs: | | | | |
| Veterans State Nursing Home Care | 64.015 | Department of Veterans Affairs | | 36,963,650 |
| All-Volunteer Force Educational Assistance | 64.124 | Department of Veterans Affairs | | 351,820 |
| Cost Reimbursement Contract - Grants to States for Construction of State Home Facilities | 64.005 | Department of Veterans Affairs | | 494,074 |
| Subtotal | | | | 37,809,544 |
| U.S. Environmental Protection Agency | | | | |
| Direct Programs: | | | | |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 66.034 | Department of Environmental Quality | | 486,895 |
| Congressionally Mandated Projects | 66.202 | Department of Environmental Quality | | 2,953,000 |
| Water Pollution Control State, Interstate, and Tribal Program Support | 66.419 | Water Resources Board | | 2,769,665 |
| State Underground Water Source Protection | 66.433 | Corporation Commission | | 496,548 |
| Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act | 66.436 | Water Resources Board | | 106,978 |
| Water Quality Management Planning | 66.454 | Water Resources Board | | 160,370 |
| Nonpoint Source Implementation Grants | 66.460 | Water Resources Board | | 6,047,992 |
| Regional Wetland Program - Development Grants | 66.461 | Water Resources Board | | 327,845 |
| Water Quality Cooperative Agreements | 66.463 | Water Resources Board | | 243,554 |
| Capitalization Grants for Drinking Water State Revolving Fund | 66.468 | Department of Environmental Quality | | 2,999,536 |
| State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs | 66.471 | Department of Environmental Quality | | 392,760 |
| Water Protection Grants to the States | 66.474 | Department of Environmental Quality | | 80,326 |
| Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects | 66.512 | Water Resources Board | | 226,127 |
| Performance Partnership Grants | 66.605 | Department of Environmental Quality | | 4,080,925 |
| Surveys, Studies, Investigations and Special Purpose Grants | 66.606 | Department of Environmental Quality | 774,359 | |
| | 66.606 | Water Resources Board | 103,294 | 877,653 |
| Environmental Information Exchange Network | | | | |
| Grant Program and Related Assistance | 66.608 | Department of Environmental Quality | 6,000 | |
| | 66.608 | Department of Agriculture | 78,136 | 84,136 |
| Consolidated Pesticide Enforcement Cooperative Agreements | 66.700 | Department of Agriculture | | 657,665 |
| Toxic Substances Compliance Monitoring Cooperative Agreements | 66.701 | Department of Labor | | 285,363 |
| Pollution Prevention Grants Program | 66.708 | Department of Environmental Quality | | 34,826 |
| Multi-Media Capacity Building Grants for States and Tribes | 66.709 | Water Resources Board | | 69,238 |
| Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies | 66.716 | State Department of Health | | 19,625 |
| Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 66.802 | Department of Environmental Quality | | 4,681,379 |
| State and Tribal Underground Storage Tanks Program | 66.804 | Corporation Commission | | 543,447 |
| Leaking Underground Storage Tank Trust Fund Program | 66.805 | Corporation Commission | | 1,163,670 |
| Brownfields Pilots Cooperative Agreements | 66.811 | Department of Environmental Quality | | 898 |
| State and Tribal Response Program Grants | 66.817 | Department of Environmental Quality | 154,763 | |
| | 66.817 | Corporation Commission | 165,126 | 319,889 |
| Subtotal | | | | 30,110,310 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses Agency | State |
|---|----------------|---|---------------------------------|-------------|
| U.S. Department of Energy | | | | |
| Direct Programs: | | | | |
| State Energy Program | 81.041 | Department of Commerce | | 1,250,290 |
| Weatherization Assistance for Low-Income Persons | 81.042 | Department of Commerce | | 2,674,839 |
| Energy Efficiency and Renewable Energy Information | | | | |
| Dissemination, Outreach, Training and Technical Analysis/Assistance | 81.117 | Department of Commerce | | 22,603 |
| Subtotal | | | | 3,947,732 |
| U.S. Department of Education | | | | |
| Direct Programs: | | | | |
| Adult Education - Basic Grants to States | 84.002 | Department of Education | | 6,462,351 |
| Title I Grants to Local Educational Agencies | 84.010 | Department of Education | | 138,629,974 |
| Migrant Education - State Grant Program | 84.011 | Department of Education | | 1,013,917 |
| Title I Program for Neglected and Delinquent Children | 84.013 | Department of Education | | 274,293 |
| Special Education - Grants to States | 84.027 | Department of Education | | 150,515,748 |
| Career and Technical Education -- Basic Grants to States | 84.048 | Department of Career & Technology Education | | 13,657,674 |
| Rehabilitation Services - Vocational | | | | |
| Rehabilitation Grants to States | 84.126 | Department of Rehabilitation Services | | 40,429,383 |
| Rehabilitation Services - Client Assistance Program | 84.161 | Office of Handicapped Concerns | | 131,705 |
| Independent Living - State Grants | 84.169 | Department of Rehabilitation Services | | 142,456 |
| Special Education - Preschool Grants | 84.173 | Department of Education | | 4,071,215 |
| Rehabilitation Services - Independent Living Services | | | | |
| for Older Individuals Who are Blind | 84.177 | Department of Rehabilitation Services | | 364,896 |
| Special Education - Grants for Infants and Families | 84.181 | Department of Education | | 6,304,605 |
| Byrd Honors Scholarships | 84.185 | Department of Education | | 422,192 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | Department of Education | 3,749,121 | |
| | 84.186 | Mental Health and Substance Abuse Service | 335,094 | 4,084,215 |
| Supported Employment Services for Individuals | | | | |
| with Significant Disabilities | 84.187 | Department of Rehabilitation Services | | 300,373 |
| Education for Homeless Children and Youth | 84.196 | Department of Education | | 793,192 |
| Even Start - State Educational Agencies | 84.213 | Department of Education | | 850,009 |
| Fund for the Improvement of Education | 84.215 | Department of Education | | 42,066 |
| Tech-Prep Education | 84.243 | Department of Career & Technology Education | | 1,540,837 |
| Literacy Programs for Prisoners | 84.255 | Department of Corrections | | 17,284 |
| Rehabilitation Training - State Vocational | | | | |
| Rehabilitation Unit In-Service Training | 84.265 | Department of Rehabilitation Services | | 102,021 |
| Twenty-First Century Community Learning Centers | 84.287 | Department of Education | | 10,998,749 |
| State Grants for Innovative Programs | 84.298 | Department of Education | | 2,271,553 |
| Education Technology State Grants | 84.318 | Department of Education | | 2,850,812 |
| Special Education - State Personnel Development | 84.323 | Department of Education | | 796,337 |
| Grants to States for Incarcerated Youth Offenders | 84.331 | Department of Corrections | | 380,813 |
| Comprehensive School Reform Demonstration | 84.332 | Department of Education | | 461,226 |
| Reading First State Grants | 84.357 | Department of Education | | 13,350,579 |
| Rural Education | 84.358 | Department of Education | | 4,653,640 |
| English Language Acquisition Grants | 84.365 | Department of Education | | 4,841,510 |
| Mathematics and Science Partnerships | 84.366 | Department of Education | | 2,492,514 |
| Improving Teacher Quality State Grants | 84.367 | Department of Education | | 29,317,278 |
| Grants for State Assessments and Related Activities | 84.369 | Department of Education | | 7,147,753 |
| School Improvement Grants | 84.377 | Department of Education | | 35,348 |
| Subtotal | | | | 449,748,518 |
| National Archives and Records Administration | | | | |
| Direct Programs: | | | | |
| National Historical Publications and Records Grants | 89.003 | Department of Libraries | | 44,007 |
| Subtotal | | | | 44,007 |
| Direct Programs: | | | | |
| Help America Vote Act Requirements Payments | 90.401 | State Election Board | | 168,174 |
| Subtotal | | | | 168,174 |
| U.S. Department of Health and Human Services | | | | |
| Direct Programs: | | | | |
| Special Programs for the Aging - Title VII, | | | | |
| Chapter 3 Programs for Prevention of | | | | |
| Elder Abuse, Neglect, and Exploitation | 93.041 | Department of Human Services | | 59,672 |
| Special Programs for the Aging - Title VII, | | | | |
| Chapter 2 - Long Term Care Ombudsman | | | | |
| Services for Older Individuals | 93.042 | Department of Human Services | | 186,705 |
| Special Programs for the Aging - Title III, Part D - Disease | | | | |
| Prevention and Health Promotion Services | 93.043 | Department of Human Services | | 289,152 |

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses | |
|--|----------------|--|-----------------------|-------------|
| | | | Agency | State |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | Department of Human Services | | 4,370,569 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | Department of Human Services | | 7,542,264 |
| Special Programs for the Aging - Title IV and Title II Discretionary Projects | 93.048 | Insurance Department | 233,736 | |
| | 93.048 | Department of Human Services | 189,603 | 423,339 |
| National Family Caregiver Support, Title III, Part E | 93.052 | Department of Human Services | | 1,974,377 |
| Nutrition Services Incentive Program | 93.053 | Department of Human Services | | 2,416,140 |
| Public Health Emergency Preparedness | 93.069 | State Department of Health | | 12,689,548 |
| Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | Department of Human Services | | 490,106 |
| Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse | 93.087 | Mental Health and Substance Abuse Services | | 27,455 |
| Food and Drug Administration Research | 93.103 | Department of Agriculture | | 76,615 |
| Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances | 93.104 | Mental Health and Substance Abuse Services | | 1,212,325 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | State Department of Health | | 334,011 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | State Department of Health | | 752,400 |
| Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 93.130 | State Department of Health | | 132,904 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | State Department of Health | | 1,048,429 |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | Mental Health and Substance Abuse Services | | 367,043 |
| Heath Programs for Toxic Substances and Disease Registry | 93.161 | State Department of Health | | 176,410 |
| Grants to States for Loan Repayment Program | 93.165 | Physician Manpower Training Commission | | 12,500 |
| Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | State Department of Health | | 202,605 |
| Family Planning Services | 93.217 | State Department of Health | | 4,341,037 |
| Traumatic Brain Injury State Demonstration Grant Program | 93.234 | State Department of Health | | 94,910 |
| Abstinence Education | 93.235 | State Department of Health | | 466,943 |
| Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement | 93.238 | State Department of Health | | 145,438 |
| Mental Health Research Grants | 93.242 | Mental Health and Substance Abuse Services | | 261,224 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | Mental Health and Substance Abuse Services | | 3,636,206 |
| Universal Newborn Hearing Screening | 93.251 | State Department of Health | | 229,657 |
| Occupational Safety & Health | 93.262 | State Department of Health | | 127,767 |
| Immunization Grants | 93.268 | State Department of Health | | 46,073,084 |
| Substance Abuse and Mental Health Services - Access to Recovery | 93.275 | Mental Health and Substance Abuse Services | | 431,820 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | State Department of Health | | 6,255,426 |
| State Partnership Grant to Improve Minority Health | 93.296 | State Department of Health | | 103,038 |
| Promoting Safe and Stable Families | 93.556 | Department of Human Services | | 6,695,643 |
| Temporary Assistance for Needy Families | 93.558 | Department of Human Services | | 117,026,727 |
| Child Support Enforcement | 93.563 | Department of Human Services | | 28,561,636 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | Department of Human Services | | 536,593 |
| Low-Income Home Energy Assistance | 93.568 | Department of Human Services | | 14,837,876 |
| Community Services Block Grant | 93.569 | Department of Commerce | | 7,253,458 |
| Child Care and Development Block Grant | 93.575 | Department of Human Services | | 58,935,756 |
| Refugee and Entrant Assistance - Discretionary Grants | 93.576 | Department of Human Services | | 24,193 |
| State Court Improvement Program | 93.586 | Supreme Court | | 425,048 |
| Community-Based Child Abuse Prevention Grants | 93.590 | State Department of Health | | 1,056,553 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | Department of Human Services | | 44,937,390 |
| Grants to States for Access and Visitation Programs | 93.597 | Department of Human Services | | 81,977 |
| Chafee Education and Training Vouchers Program | 93.599 | Department of Human Services | | 577,525 |
| Head Start | 93.600 | Department of Commerce | | 266,292 |
| Voter Access for Individuals with Disabilities | 93.617 | State Election board | | 10,210 |
| Developmental Disabilities Basic Support and Advocacy Grants | 93.630 | Department of Human Services | | 664,678 |
| Children's Justice Grants to States | 93.643 | Department of Human Services | | 176,314 |
| Child Welfare Services - State Grants | 93.645 | Department of Human Services | | 1,911,726 |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses | |
|---|----------------|---|-----------------------|---------------|
| | | | Agency | State |
| Social Services Research and Demonstration | 93.647 | Department of Human Services | | 18,535 |
| Adoption Opportunities | 93.652 | Department of Human Services | | 126,197 |
| Foster Care - Title IV-E | 93.658 | Department of Human Services | | 42,676,571 ✱ |
| Adoption Assistance | 93.659 | Department of Human Services | | 25,661,510 |
| Social Services Block Grant | 93.667 | Department of Human Services | | 34,888,501 |
| Child Abuse and Neglect State Grants | 93.669 | Department of Human Services | | 385,106 |
| Family Violence Prevention and Services - Grants for Battered Women's Shelters - Grants to States and Indian Tribes | 93.671 | Attorney General | | 1,180,842 |
| Chafee Foster Care Independence Program | 93.674 | Department of Human Services | | 2,929,530 |
| State Children's Insurance Program | 93.767 | Health Care Authority | | 95,927,657 ✱ |
| Medicare - Hospital Insurance | 93.773 | State Department of Health | | 7,014,846 |
| State Medicaid Fraud Control Units | 93.775 | Attorney General | | 1,190,611 ✱ |
| State Survey and Certification of Health Care Providers and Suppliers | 93.777 | Health Care Authority | | 6,761,456 ✱ |
| Medical Assistance Program | 93.778 | Health Care Authority | 2,442,416,244 | ✱ |
| | 93.778 | Department of Human Services | 59,047,883 | 2,501,464,127 |
| CMS Research, Demonstrations and Evaluations | 93.779 | Insurance Department | 460,836 | ✱ |
| | 93.779 | Mental Health and Substance Abuse Service | 64,907 | 525,743 |
| Money Follows the Person Rebalancing Demonstration | 93.791 | Health Care Authority | | 306,214 |
| Medicaid Transformation Grant | 93.793 | Health Care Authority | | 170,747 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | State Department of Health | | 6,315,369 |
| HIV Care Formula Grants | 93.917 | State Department of Health | | 9,473,333 |
| Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 93.938 | Department of Education | | 222,642 |
| HIV Prevention Activities - Health Department Based | 93.940 | State Department of Health | | 2,459,479 |
| Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 93.944 | State Department of Health | | 464,695 |
| Assistance Programs for Chronic Disease Prevention and Control | 93.945 | State Department of Health | | 170,933 |
| Block Grants for Community Mental Health Services | 93.958 | Mental Health and Substance Abuse Services | | 4,343,179 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Mental Health and Substance Abuse Services | | 18,542,770 ✱ |
| Preventive Health Services - Sexually Transmitted Diseases Control Grants | 93.977 | State Department of Health | | 1,145,829 |
| Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 93.988 | State Department of Health | | 207,450 |
| Preventive Health and Health Services Block Grant | 93.991 | State Department of Health | | 994,308 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | State Department of Health | 4,873,496 | |
| | 93.994 | Department of Human Services | 2,430,197 | 7,303,693 |
| Other Federal Assistance - X-Ray Inspections | - | State Department of Health | | 42,579 |
| Other Federal Assistance - Clinical Laboratory Improvement Amendments | - | State Department of Health | | 263,445 |
| Cost Reimbursement Contracts: | | | | |
| Implementation Alcohol Drug Data Collection | - | Mental Health and Substance Abuse Services | | 43,922 |
| Client Level Projects | - | Mental Health and Substance Abuse Services | | 6,086 |
| CSAP Prevention Fellowship | - | Mental Health and Substance Abuse Services | | 37,448 |
| State Outcome Measurement & Management System | - | Mental Health and Substance Abuse Services | | 29,526 |
| State Epidemiological Outcomes Workgroup | - | Mental Health and Substance Abuse Services | | 66,871 |
| Subtotal | | | | 3,154,292,464 |
| Corporation for National and Community Service | | | | |
| Direct Programs: | | | | |
| Learn and Serve America - Higher Education | 94.005 | Department of Education | | 207,556 |
| AmeriCorps | 94.006 | Bureau of Narcotics & Dangerous Drugs Control | | 25,334 |
| Foster Grandparent Program | 94.011 | Department of Human Services | | 391,857 |
| Volunteers in Service to America | 94.013 | Department of Education | | 34,366 |
| Subtotal | | | | 659,113 |
| Social Security Administration | | | | |
| Direct Programs: | | | | |
| Social Security - Disability Insurance | 96.001 | Department of Rehabilitation Services | | 22,522,065 ✱ |
| Subtotal | | | | 22,522,065 |

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2008

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Agency | Expenditures/Expenses Agency | State |
|---|----------------|--------------------------------------|---------------------------------|---------------|
| U.S. Department of Homeland Security | | | | |
| Direct Programs: | | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | Department of Public Safety | | 5,364,182 |
| Boating Safety Financial Assistance | 97.012 | Department of Public Safety | | 2,101,409 |
| Community Assistance Program State Support Services Element (CAP-SSSE) | 97.023 | Department of Emergency Management | | 143,059 |
| Crisis Counseling | 97.032 | Department of Emergency Management | | 105,419 |
| Disaster Grants-Public Assistance(Presidentially Declared Disasters) | 97.036 | Department of Emergency Management | 131,802,252 | |
| | 97.036 | Department of Tourism and Recreation | 112,992 | 131,915,244 |
| Hazard Mitigation Grant | 97.039 | Department of Emergency Management | | 2,098,493 |
| National Dam Safety Program | 97.041 | Water Resources Board | | 271,199 |
| Emergency Management Performance Grants | 97.042 | Department of Emergency Management | 3,012,261 | |
| | 97.042 | Department of Public Safety | 3,042,519 | 6,054,780 |
| Fire Management Assistance Grant | 97.046 | Department of Emergency Management | | 15,921 |
| Pre-Disaster Mitigation | 97.047 | Department of Emergency Management | | 323,281 |
| Emergency Operations Center | 97.052 | Department of Emergency Management | | 1,959,294 |
| Citizens Corp | 97.053 | Department of Emergency Management | | 74,744 |
| Homeland Security Grant | 97.067 | Department of Public Safety | | 20,043,324 |
| Map Modernization Management Support | 97.070 | Department of Emergency Management | | 81,653 |
| Buffer Zone Protection Program | 97.078 | Department of Public Safety | | 8,534 |
| Repetitive Food Claims | 97.092 | Department of Emergency Management | | 268,814 |
| | | | | 170,829,350 |
| Total Federal Assistance | | | \$ | 5,729,765,251 |

⌘ Noncash Assistance

❖ Partially Noncash Assistance

⌘ Tested as a major program as defined by OMB Circular A-133

◆ Program audited as a major program by independent auditor of entity within the State

**Notes to the Schedule of Expenditures
of Federal Awards**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2008

Note 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of OMB Circular A-133, and have not been included in the Schedule. OMB Circular A-133 allows non-Federal entities to meet the audit requirements of the Circular through a series of audits that cover the reporting entity.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2008. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the Schedule. Solicited contracts between the State and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying Schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying Schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the Schedule at a percentage of the federal government acquisition cost.

The scope of the Schedule includes expenditures and expenses of federal assistance directly received by state primary recipients. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient state agency expenditures. State agency expenditures and expenses of federal assistance received indirectly from non-state sources are reported as "passed through" those non-state sources.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the OMB Circular A-133.

Notes to the Schedule of Expenditures of Federal Awards

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Department of Environmental Quality (CFDA 66.468) a primary government enterprise fund, and the Wildlife Conservation Commission, a governmental fund, use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. Petroleum Violation Escrow Funds

Petroleum Violation Escrow (PVE) funds received by the State as restitution relative to litigation involving violations of federal price controls are not federal funds and therefore are not included in the Schedule. However, certain PVE funds were made subject to OMB Circular A-133 by the terms of federal legislation, or by court orders. Those PVE funds subject to OMB Circular A-133, and included within the scope of our audit, were utilized in the following programs during fiscal year 2008:

| <u>CFDA Number</u> | <u>Program Name</u> |
|--------------------|--|
| 81.041 | State Energy Program |
| 81.042 | Weatherization Assistance for Low Income Persons |

Note 3. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA 17.225) include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to \$165,010,204. The federal portion of UI funds amounted to \$30,515,378.

Note 4. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Clean Water Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$194,594,129 at June 30, 2008. A federal grant from the U.S. Environmental Protection Agency provides approximately 80% of the program's loan funding, with State funds matching the remaining 20%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$217,338,885 at June 30, 2008. The Oklahoma Drinking Water State Revolving Fund Program utilizes Federal Capitalization grants, from the U.S. Environmental Protection Agency under CFDA 66.468, required State matching funds equal to 20% of federal funds received, and interest income for drinking water loan assistance. Included in the schedule of federal expenditures are funds withdrawn for loans, state matching funds used for loans and program operating costs. During fiscal year 2008, the ODEQ withdrew federal funds in the amount of \$6,470,203. Of these funds, no funds were used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2008, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$23,248,680 on sales of formula to participants in the Special Supplemental Food Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are

Notes to the Schedule of Expenditures of Federal Awards

held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$4,277,000 were in suspense at June 30, 2008, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 85 percent will be considered available.

Note 6. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife
Oklahoma Department of Environmental Quality
Oklahoma Insurance Department

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities within the State.

Note 7. Department of Education Grant Transfers

The Department of Education made the following transfers between programs for the fiscal year 2008:

| | Transferred From: | | | | Total |
|--|--|--|---|--|-----------------------|
| | Improving Teacher Quality State Grants (CFDA #84.367) | Education Technology State Grants (CFDA #84.318) | Safe and Drug-Free Schools and Communities_ State Grants (CFDA #84.186) | State Grants For Innovative Programs (CFDA #84.298) | |
| Transferred To: | | | | | |
| Title I Grants to LEAs (CFDA #84.010) | \$1,252,041.82 | \$1,536.07 | \$30,210.00 | \$3,481.75 | \$1,287,269.63 |
| Education Technology State Grants (CFDA #84.318) | \$211,626.50 | | | | \$211,626.50 |
| Safe and Drug-Free Schools and Communities_State Grants (CFDA #84.186) | \$48,366.44 | | \$2,037.96 | | \$50,404.40 |
| State Grants for Innovative Programs (CFDA #84.298) | \$872,823.58 | | \$7,686.73 | | \$880,510.31 |
| Totals: | \$2,384,858.33 | \$1,536.07 | \$39,934.69 | \$3,481.75 | \$2,429,810.84 |

Note 8. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the "soft match" provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of state matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as state match. The state's share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma's highway projects.

**Notes to the Schedule of
Expenditures of Federal Awards**

The Department utilized approximately \$87,635,647 of the soft match provision for projects billed during fiscal year 2008. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Schedule of Findings and Questioned Costs

Schedule of Findings Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:.....unqualified

Internal control over financial reporting:

Material weakness(es) identified?.....yes

Significant deficiencies identified that are not
considered to be material weakness(es)?.....no

Noncompliance material to financial statements noted?no

For fiscal year 2008, 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*, and related finding, was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2008, dated December 30, 2008.

Federal Awards

Internal control over major programs:

Material weakness(es) identified?.....yes

Significant deficiencies 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

Dollar threshold used to distinguish between
type A and type B programs: \$17,180,297

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

| | <u>Program and CFDA Number</u> | <u>State Agency</u> |
|-------------------------|--|----------------------------|
| Child Nutrition Cluster | 10.553 School Breakfast Program 10.555 National School Lunch Program 10.556 Special Milk Program for Children 10.559 Summer Food Service Program for Children | Department of Education |
| | 10.558 Child and Adult Care Food Program | Department of Education |
| | 12.401 National Guard Military Operations and Maintenance (O&M) Projects | Military Department |
| | 14.228 Community Development Block Grants – State's Program | Department of Commerce |

Schedule of Findings
Summary of Auditor's Results

| | <u>Program and CFDA Number</u> | <u>State Agency</u> |
|----------------------------|---|---------------------------------------|
| | 14.231 Emergency Shelter Grant Program | Department of Commerce |
| Fish and Wildlife Cluster | 15.605 Sport Fish Restoration | |
| | 15.611 Wildlife Restoration | Wildlife Conservation Commission |
| | 15.634 State Wildlife Grants | |
| Employment Service Cluster | 17.207 Employment Service/Wagner-Peyser Funded Activities | |
| | 17.801 Disabled Veterans' Outreach Program (DVOP) | Employment Security Commission |
| | 17.804 Local Veterans Employment Representative Program | |
| | 17.225 Unemployment Insurance | Employment Security Commission |
| WIA Cluster | 17.258 WIA Adult Program | |
| | 17.259 WIA Youth Activities | Department of Commerce |
| | 17.260 WIA Dislocated Workers | |
| | 20.205 Highway Planning and Construction | Department of Transportation |
| | 66.468 Capitalization Grants for Drinking Water State Revolving Fund | Department of Environmental Quality |
| | 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States | Department of Rehabilitation Services |
| | 84.357 Reading First State Grants | Department of Education |
| | 93.069 Public Health Emergency Preparedness | Department of Health |
| | 93.558 Temporary Assistance for Needy Families | Department of Human Services |
| | 93.563 Child Support Enforcement | Department of Human Services |
| | 93.568 Low Income Home Energy Assistance | Department of Human Services |
| CCDF Cluster | 93.575 Child Care and Development Block Grant | |
| | 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund | Department of Human Services |
| | | |
| | 93.658 Foster Care – Title IV-E | Department of Human Services |
| | 93.767 State Children's Insurance Program | Health Care Authority |

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Summary of Auditor's Results**

| | <u>Program and CFDA Number</u> | <u>State Agency</u> |
|------------------|--|--|
| Medicaid Cluster | 93.775 State Medicaid Fraud Control Units | Attorney General |
| | 93.777 State Survey and Certification of Health Care Providers and Suppliers | Health Care Authority |
| | 93.778 Medical Assistance Program | Health Care Authority |
| | 93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | Insurance Department |
| | 93.959 Block Grants for Prevention and Treatment of Substance Abuse | Department of Mental Health and Substance Abuse Services |
| | 96.001 Social Security – Disability Insurance | Rehabilitation Services |

Schedule of Findings

Federal Award Findings

And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Education

FINDING NO: 08-265-001

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.357

FEDERAL PROGRAM NAME: Reading First Grants to States

FEDERAL AWARD NUMBER: S357A050037A

FEDERAL AWARD YEAR: FY 2008

CONTROL CATEGORY: Period of Availability

QUESTIONED COSTS: \$642,052

Criteria: 34 CFR Section 80.23 – Period of availability of funds states:

- a) General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.
- b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee.

Condition: During our testwork for the period of availability requirement, we reviewed 44 administration expenditures and 11 claim adjustments recorded to the 2006 grant award and noted the following:

- Four claims were not obligated within the period of availability or paid by the liquidation date of December 31, 2007.

| Claim Number | Month | Day | Year | Description | Obj Code | Prog Code | Amount |
|--------------|-------|-----|------|----------------------------|----------|-----------|-------------------|
| C007735 | 1 | 23 | 8 | VOYAGERS EXPANDED LEARNING | 515460 | 3446253 | \$1,100.00 |
| C011559 | 6 | 4 | 8 | SMITH, MARTHA K | 515460 | 3446253 | \$2,497.01 |
| C007191 | 1 | 2 | 8 | WHEELER, ANDREA | 521110 | 3446253 | \$561.53 |
| C007178 | 1 | 2 | 8 | FOSTER, D RANEE | 521110 | 3446253 | \$217.62 |
| Total | | | | | | | <u>\$4,376.16</u> |

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- Eleven claims were not paid by the liquidation date of December 31, 2007.

| Claim Number | Month | Day | Year | Description | Obj Code | Prog Code | Amount |
|--------------|-------|-----|------|---------------------------|----------|-----------|--------------|
| C008062 | 2 | 1 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$2,094.59 |
| C008405 | 2 | 13 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$8,100.76 |
| C010793 | 5 | 5 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$5,595.23 |
| C011331 | 5 | 23 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$7,364.85 |
| C008067 | 2 | 1 | 8 | WIRELESS GENERATION | 515460 | 3446143 | \$410,608.93 |
| C010368 | 4 | 21 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$5,154.10 |
| C009340 | 3 | 19 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$7,486.80 |
| C009793 | 4 | 3 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$7,433.90 |
| C007715 | 1 | 22 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$5,077.14 |
| C008843 | 3 | 3 | 8 | DYNAMIC MEASUREMENT GROUP | 515460 | 3446253 | \$4,230.66 |
| C008399 | 2 | 13 | 8 | DYNAMIC MEASUREMENT GROUP | 536190 | 3446253 | \$8,528.75 |

Total \$471,675.71

- Five claims were not obligated within the period of availability.

| Claim Number | Month | Day | Year | Description | Obj Code | Prog Code | Amount |
|--------------|-------|-----|------|----------------------------|----------|-----------|----------|
| C006375 | 11 | 26 | 8 | EMPLOYEES BENEFITS COUNCIL | 519130 | 3446113 | \$28.06 |
| C006955 | 12 | 18 | 8 | FOSTER, D RANEE | 521110 | 3446253 | \$800.19 |
| C006959 | 12 | 18 | 8 | WHEELER, ANDREA | 521110 | 3446253 | \$408.00 |
| C007096 | 12 | 21 | 8 | BRYAN, JANICE | 521120 | 3446113 | \$144.87 |
| C007109 | 12 | 21 | 8 | WHEELER, ANDREA | 521210 | 3446253 | \$130.08 |

Total \$1,511.20

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- Two adjustments were added to the 2006 grant with underlying claims that were not paid by the liquidation date of December 31, 2007.

| Claim Number | Month | Day | Year | Description | Obj Code | Prog Code | Amount |
|--------------|-------|-----|------|---------------------|----------|-----------|---------------------|
| E008067 | 6 | 27 | 8 | WIRELESS GENERATION | 515460 | 3446143 | \$155,408.26 |
| G008067 | 6 | 30 | 8 | WIRELESS GENERATION | 532170 | 3446253 | \$9,081.29 |
| Total | | | | | | | <u>\$164,489.55</u> |

Effect: Obligating funds after the period of availability and/or payment of claims after the liquidation date could result in loss of Federal funds.

Recommendation: We recommend the Department implement policies and procedures to ensure all claims are obligated within the period of availability and obligations are liquidated by the corresponding liquidation date unless proper extensions are requested and approved.

Views of Responsible Official(s)

Contact Person: Vonna Anderson, Administrator-Federal Accounting and Reporting

Anticipated Completion Date: January 2009

Corrective Action Planned:

Wireless Generation - The agency should have requested permission from the USDE program office to pay this invoice from 2006 grant funds after the liquidation period ended.

Correcting entries have been made for the identified claims paid after the period of availability or liquidation period ended; claims are now charged to a later grant year which charges them to the proper period of availability.

Period of availability dates have been incorporated into the agency program code listing used for charging expenditures to federal programs. The listing is being reviewed with personnel to ensure that the dates are understood. Once December business is closed, encumbrances coded to the grant that just closed will either be cancelled or changed to a more current eligible year of funding. A list of program codes that are closed will be added to the agency program code listing.

Auditor Response: Although entries were made in Tandem to correct the claims totaling \$66,947.88 incorrectly charged to the 2005/2006 grant year period of availability by moving them from the 2005/2006 grant year to the 2006/2007 grant year and thus, into the proper period of availability; and to move claims totaling approximately that same amount from to the 2006/2007 grant year period of availability to the 2005/2006 grant year period of availability, an internal control deficiency exists in that OSDE does not have an effective system in place to ensure expenditures charged to the Reading First Program are obligated within the period of availability and paid by the corresponding liquidation date.

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Employment Security Commission

FINDING NO: 08-290-001

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR:

CONTROL CATEGORY: Special Tests and Provisions – Employer Experience Rating

QUESTIONED COSTS: Undeterminable

Criteria: Oklahoma's Unemployment Insurance contribution rates are determined by the Employer Experience Rating system as described in 40 O.S. §3-109. This statute states, "The contribution rate for each employer for each calendar quarter after December 31, 1983, to be applied to his current payroll shall be in accordance with the following table based upon the state experience factor and his benefit wage ratio." (Due to the size of the table, it has not been included in this finding).

In addition, according to 40 O.S. § 4-307, "Whenever the Commission believes that a change in contribution or benefit rates will become necessary to protect the solvency of the fund, it shall promptly so inform the Governor, who may make to the Legislature recommendations with respect thereto."

Condition: The Oklahoma Employment Security Commission (Commission) uses a computer system to apply the rates based on the employer's benefit wage ratio and the State Experience Factor. During testwork we discovered the table programmed into the system varied from the table provided by 40 O.S. §3-109.

Cause: Based on discussions with management, it appears that adjustments were made to the Employer Experience Rating table in approximately fiscal year 2003. The rate changes were never brought to the attention of the Governor and were therefore never approved by the Legislature.

Effect: The agency is charging employers based on an unapproved rate table. Employers may be charged rates different than those required by state statute.

Recommendation: We recommend the Commission notify the Governor of the changes to the rate table so that the Legislature can determine if the rates currently in use are appropriate, and if so, approve the rate table currently in use by the Commission.

Views of Responsible Official(s)

Contact Person: Barbara Ramsey, Assistant Director UI Tax

Anticipated Completion Date:

Corrective Action Planned: In 2004 the agency validated the Rate Table Schedule using an excel spreadsheet. This validation resulted in very minimal changes to the tax table. Based on the agency's preliminary review of the employers' accounts that fell within the corrections of the rate table, it was determined the correction in the table did not appear to have an adverse effect on the employers' rates or charged the employers a higher rate than the rate table posted in official statutes would have given the employers. In addition, it does not appear from this review that this amendment would have had an adverse effect on the UTF balance.

It is the agency's position that 40 O.S. Section 4-307 is not applicable to the change referenced in this finding since it was not made in order to protect the solvency of the UTF. The tax rate table was

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amended due to the discovery of a .01 per cent rounding error. Oklahoma's UTF has never had a deficit or faced insolvency.

The following is the agency's plan to address this issue:

- The UI Tax Division will conduct a comprehensive review to ensure no employer was adversely affected;
- Although we believe the tax table being utilized is accurate, the UI Tax Division will work with an actuary to revalidate that table;
- After the actuary's validation is completed, the UI Tax Division will review the actuary's findings; and
- Propose the necessary statutory amendments to the Governor and Legislature for adoption.

Thank you for bringing this to our attention. We appreciate the professionalism displayed by the audit staff during this audit.

Department of Health

FINDING NO: 08-340-001(**Repeat Finding**)

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.069

FEDERAL PROGRAM NAME: Public Health Emergency Preparedness

FEDERAL AWARD NUMBER: U90/CCU616982-06, U90/CCU616982-07, and 5U90TP616982-08

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Equipment and Real Property Management

QUESTIONED COSTS: \$-0-

Criteria: A critical aspect of effective inventory management is the maintenance of accurate inventory records. The A-102 Common Rule requires that equipment records shall be maintained, and a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records for equipment purchased with Federal awards.

OMB Circular A-87 Attachment A, C. states: "To be allowable under Federal awards, costs must meet the following general criteria.... e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit." and "g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles."

74 O.S., § 110.1, states, in part:

- A. The Director of Central Services shall have the authority to promulgate rules to implement the provisions of this section.
- B. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity,...

OAC 580: 70-1-3 (a) General threshold, states, "Unless the Director specifies otherwise (Reference (b) of this Section), the threshold for tangible asset inventory reports is \$500.00."

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OAC 580: 70-3-1 (a) Report due date, states, “All agencies must submit an annual report of current inventory of tangible assets owned by the agency as of June 30 of the preceding fiscal year to the Department by August 15. The report shall include all tangible assets based upon the threshold stated in 580:70-1-3(a).”

Condition: During our follow-up of prior year finding over equipment, we noted the following:

- Purchase order amounts are used to record equipment in the Department’s records rather than the actual costs of the items. Purchase order amounts may not include ancillary charges that are directly attributable to the acquisition-such as freight and site preparation costs.
- There appears to be no formal policy in place regarding the valuation of equipment at the time of disposition. The current software used for inventory defaults salvage value of all assets to 10% of the original purchase price.
- Policies to communicate applicable requirements and guidelines for equipment to program managers and to discourage misuse of Federal assets have not been finalized.

Effect: Without accurate inventory records, and official policies and procedures, the Department may be unable to demonstrate proper accountability over equipment purchased with Federal awards.

Recommendation: We recommend the Department continue in its efforts the development of policies and procedures. We also recommend the department use the actual cost of the purchased equipment and develop a policy for the valuation of equipment at the time of disposition.

Views of Responsible Official(s)

Contact Person: Tamela Gibson-Agahnia

Anticipated Completion Date: June 30, 2009

Corrective Action Planned: The 2009 physical inventory account cycle for FY-09 will be completed in accordance with current policy and the conversion to another software application will also be completed in this timeframe. In an effort to better record asset costs accurately, a manual review of the claim amounts has been added to the task list as time allows. The new application should enable us to build a more accurate depreciation base that should be functional in calendar year 2010. OSDH is also participating in the Phase II CORE Asset Management workgroups to begin preparation for a seamless system that will record assets at cost, depreciate based on commodity code and report more effectively in a uniform manner. Policy revisions are in draft status and will be submitted to the policy review committee during this fiscal year in an effort to more effectively communicate responsibilities to program managers.

Health Care Authority

FINDING NO: 08-807-003

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.778, 93.767

FEDERAL PROGRAM NAME: Medical Assistance Program and State Children’s Insurance Program

FEDERAL AWARD NUMBER: 50705OK5028, 50805OK5028 and 0705OK5021, 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: Medical Assistance Program \$128,948

Criteria: A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information.

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The FY 2008 Treasury-State Agreement 6.2.1 states:

“Actual Clearance, ZBA – ACH

The State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of funds that clear the State’s account on the settlement date. This funding technique is interest neutral.”

Condition: We noted two program draw and one administrative draw amounts were calculated incorrectly. One miscalculation occurred when making a reduction to a Title XXI (CFDA 93.767) program draw. Another program draw and one administrative draw were miscalculated when totaling the expenditures for Title XIX (CFDA 93.778).

Effect: The Authority could be overdrawing funds.

Recommendation: We recommend that an appropriate level of supervision and review of the draw preparation be performed to help ensure that draws made by the Authority are accurate and reliable.

Views of Responsible Official(s)

Contact Person: Marianne Lingle

Anticipated Completion Date: 3/31/09

Corrective Action Planned: OHCA currently has appropriate procedures in place assuring federal funds are not overdrawn. Federal funds for program expenditures are drawn at the current FMAP so OHCA is always owed federal funds because of enhanced funding. Administrative draws are calculated using the same procedures. Because we reconcile our federal draws and expenditures at the end of each quarter, if errors have occurred they are corrected during the reconciliation process.

FINDING NO: 08-807-004

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.778 and 93.767

FEDERAL PROGRAM NAME: Medical Assistance Program and State Children’s Insurance Program

FEDERAL AWARD NUMBER: 50705OK5028, 50805OK5028 and 0705OK5021, 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: State Children’s Insurance Program \$7,249

Criteria: The Oklahoma Health Care Authority Cost Allocation Plan provides for the allocation of department wide costs in the following manner:

“Payroll, Benefits and Travel – Expenses of each employee will be charged to the cost center where the employee is assigned on a monthly basis.

Rent/Lease – When space is leased, rent will be charged to each cost center based on the number of FTE.

Equipment purchases, repairs, depreciation and expensing – Expenses will be charged to the cost center where equipment is utilized.

The allocation of department wide costs from cost pool 529 shall be allocated based on time and/or effort reports.

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The allocation of department wide costs from cost pool 702 shall be based on the proportionate share of salary and benefit previously distributed from pools 552 and 529 to each cost objective.”

Additionally, a component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: We reviewed allocated costs for the quarter ending 03/31/2008; it appears the following cost objectives were calculated incorrectly:

| | OHCA Calculation | SA&I Calculation | Difference |
|---|-----------------------------|-----------------------------|----------------------|
| A8 Title XIX - General Administration | \$16,769,867.52 | \$16,647,786.09 | \$122,081.43 |
| A13 Title XIX - Family Planning (90%) | \$24,166.81 | \$25,018.08 | (\$851.27) |
| A53 Title XIX - PASARR | \$127,809.72 | \$127,191.06 | \$618.66 |
| A77 Title XIX - Drug Utilization Review | \$0.00 | \$0.00 | \$0.00 |
| A83 Title XIX - MMIS 90% | \$303,548.09 | \$327,761.58 | (\$24,213.49) |
| 534 Title XIX - MMIS 75% | \$1,345,292.86 | \$1,507,925.84 | (\$162,632.98) |
| Title XIX - SPMP | \$1,265,378.67 | \$1,265,506.75 | (\$128.08) |
| TOTAL TITLE XIX | \$19,836,063.67 | \$19,901,189.40 | (\$65,125.73) |
| A14 Title XXI - Medicaid Expansion | \$792,554.39 | \$785,305.18 | \$7,249.21 |
| TOTAL TITLE XXI | \$792,554.39 | \$785,305.18 | \$7,249.21 |
| GRAND TOTAL | \$20,628,618.06 | \$20,686,494.58 | (\$57,876.52) |

Cause: Based on testwork performed, it appears cost pools were incorrectly calculated, causing the cost objectives to be incorrectly reported. We traced the cost allocation spreadsheet to the Fund 200 Expenditure spreadsheet, which was then traced to supporting documentation. Based on the testwork performed, it appears Workers Comp was calculated incorrectly due to human error, Travel and Training costs were distributed incorrectly amongst the cost pools, the Miscellaneous Admin and Furniture and Equipment was misstated due to not including a department or including the wrong amount. Random moment time studies were incorrect due to a report query that was incorrectly included. We also noted the remaining three quarters of the random moment time study for State Fiscal Year 2008 were incorrectly calculated.

Effect: The Authority may be incorrectly charging administrative costs against federal grants.

Recommendation: We recommend the authority review the entire cost allocation process and design procedures to ensure all necessary amounts are included correctly in the cost allocation calculations.

Views of Responsible Official(s)

Contact Person: Marianne Lingle

Anticipated Completion Date: 3/31/2009

Corrective Action Planned:

- Workers Compensation: We concur with the auditor's finding. There was a correction made on a worker's compensation billing and the formula was not changed in the following months until May of 2008. This correction is calculated into the prior period adjustment for QE 03-31-08 and will be made on the CMS 64 for QE 03-31-09.
- Travel and Training: We concur with the auditor's finding that there were some items that were not broken out as Travel and Training but were included in Miscellaneous. This, however, made no difference in the allocation between cost pools as miscellaneous and Travel and Training were allocated the same.
- Postage: We do not agree with the auditors findings as the \$11,075.71 in question was postage for Fund 245 (OEPIC) and not Fund 200. This amount is entered directly to OEPIC and not allocated. This was not figured in to the proposed adjustment; therefore no additional adjustment is necessary.

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- Rent: We agree with the auditors finding that \$1,794.62 in rent was incorrectly coded to miscellaneous, however, this resulted in no change in allocation between the pools.
- Furniture and Equipment: We agree with the auditors finding that some items such as books were incorrectly coded to miscellaneous rather than equipment, however, this did not result in any change to the allocation to the cost pools.
- Miscellaneous Expenditures: As mentioned previously the items that were not broken out separately were included in miscellaneous. As long as they were on the same line the overall allocation between the pools should not be affected.
- Random Moment Time Studies: We have received the corrected RMTS from IS and will be using these corrected figures to reallocate the Administrative Expenses for the periods involved. These corrections will appear as prior period adjustments on the CMS 64 for QE 03-31-09.

FINDING NO: 08-807-005

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.778 and 93.767

FEDERAL PROGRAM NAME: Medical Assistance Program and State Children's Insurance Program

FEDERAL AWARD NUMBER: 50705OK5028, 50805OK5028 and 0705OK5021, 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: Medical Assistance Program \$291 and State Children's Insurance Program \$39

Criteria: According to OMB A-133, Compliance Supplement (March 2007): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to OAC 317:30-3-1. Creation and implementation of rules; applicability states:

- (d) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically necessary and essential to the diagnosis and treatment of the patient's presenting problem. Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.
- (f) Services provided within the scope of the Oklahoma Medicaid Program shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:
 - (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
 - (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
 - (6) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity.

317:30-5-3. Documentation of services

Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered....

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Condition: Based on a medical professional's review of medical records to support thirty physician services claims, we noted:

- Three claims where the services provided were not supported by medical records or other evidence indicating the service was actually provided. (Medical Assistance Program Questioned Costs \$69, SCHIP Questioned Costs \$39)
- Three claims were paid at a rate other than that allowed by the State Plan. (Medical Assistance Questioned Costs \$222)

Effect: The Authority may be paying for services that are not being performed or are improperly coded based on the recipient's medical diagnosis.

Recommendation: We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Justin Etchieson

Anticipated Completion Date: Within 60-Days

Corrective Action Planned: The OHCA has reviewed the services billed and will recoup any inappropriately billed services.

FINDING NO: 08-807-006

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778, 93.767

FEDERAL PROGRAM NAME: Medical Assistance Program, State Children's Insurance Program

FEDERAL AWARD NUMBER: 50705OK5028, 50805OK2058 and 0705OK5021, 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: Medical Assistance Program \$7,683 and State Children's Insurance Program \$1,581

Criteria: According to OMB A-133, Compliance Supplement: To be allowable, Medicaid costs for medical services must be: (3) properly coded.

Condition: While performing analytical procedures on 83,174 MAP and 3,095 SCHIP physician service claims, we noted 82 MAP claims and 3 SCHIP claims that had an age specific procedure code and the recipient did not meet the age requirement. (MAP Questioned Costs \$7,683) (SCHIP Questioned Costs \$1,581)

Cause: The MMIS system is failing to deny claims which are not properly coded.

Effect: OHCA paid claims that were improperly coded according to the recipient's age.

Recommendation: We recommend the Authority perform the necessary procedures to ensure edits are in place and operating so that age requirements are met for age specific procedure codes. We further recommend the Authority review the above-mentioned claims and perform the necessary procedures to recoup those funds if necessary.

Views of Responsible Official(s)

Contact Person: Justin Etchieson

Anticipated Completion Date: Within 60-Days

Corrective Action Planned: The OHCA has reviewed the services billed and will recoup any inappropriately billed services.

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FINDING NO: 08-807-008

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50705OK5028 and 50805OK2058

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: Medical Assistance Program \$56,908

Criteria: According to OMB A-133, Compliance Supplement: To be allowable, Medicaid costs for medical services must be: (3) properly coded.

Condition: While performing analytical procedures on 45,317 home and community based waiver claims; we noted 246 claims that appear to have been improperly coded. These claims were coded with an age specific procedure code and the recipient did not meet the required age.

Cause: The MMIS system is failing to deny claims which are not properly coded.

Effect: OHCA paid claims that were improperly coded according to the recipient's age.

Recommendation: We recommend the Authority perform the necessary procedures to ensure edits are in place and operating so that age and gender requirements are met for age or gender specific procedure codes. We further recommend the Authority review the above-mentioned claims and perform the necessary procedures to recoup those funds if necessary.

Views of Responsible Official(s)

Contact Person: Justin Etchieson

Anticipated Completion Date: Within 60-Days

Corrective Action Planned: In response to procedure code S5136, OAC 317:40-5-1. Purpose of Agency Companion gives authority to serve children in Agency Companion. Specifically, it says "(b) Persons under the age of 18 years may be served with approval from the Developmental Disabilities Services Division (DDSD) director or designee." In accordance with this policy, all of the children identified in the audit were approved to receive Agency Companion Services by the DDSD director or designee. Additionally, all of these children were approved to receive the pervasive rate of agency companion services. We believe that the services in question were allowable and appropriately paid, however in the future we will determine if a different procedure code could be used to describe the service provided that reflects the ages of all members served.

For the additional codes in question, we will recoup any inappropriately billed service.

FINDING NO: 08-807-009

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50705OK5028, 50805OK5028

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: Medical Assistance Program \$61

Criteria: According to OMB A-133, Compliance Supplement (March 2007): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the

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service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to OAC 317:30-3-1. Creation and implementation of rules; applicability states:

- (e) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically necessary and essential to the diagnosis and treatment of the patient's presenting problem. Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.
- (g) Services provided within the scope of the Oklahoma Medicaid Program shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:
 - (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
 - (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
 - (7) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity.

317:30-5-3. Documentation of services

Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered....

Condition: Based on a medical professional's review of medical records to support thirty clinic services claims, we noted one claim where the medical records did not support the services provided.

Effect: The Authority may be paying for services that are not being performed or are improperly coded based on the recipient's medical diagnosis.

Recommendation: We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Justin Etchieson

Anticipated Completion Date: Within 60-Days

Corrective Action Planned: The OHCA has reviewed the services billed and will recoup any inappropriately billed services.

FINDING NO: 08-807-010

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50705OK5028 and 50805OK5028

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: According to the contract with OHCA, Section 3.3.22 Drug Rebate Processing; "Oklahoma requires the MMIS to provide automated support to carry out the federal mandates related to drug rebate processing."

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Also, according to EDS' Drug Rebate Procedures Manual, Section 8: Quarterly Invoice Cycle Technical Procedures, the Overview states: "The Drug Rebate Invoice Cycle is initiated on receipt of the CMS Quarterly Rate Tape. This tape contains information used to create drug rebate invoices on a quarterly basis as well as several reports. It is typically received from CMS within 45 days after the end of the previous quarter. After receipt of the CMS tape 15 days are allowed to create and send out drug rebate invoices."

Condition: Based on the procedures performed, it appears OHCA is not mailing invoices within 60 days from the end of the previous calendar quarter.

Cause: Based on the procedures performed, it appears invoices were mailed late due to issues with the receipt of data from EDS.

Effect: If invoices are mailed late, the labelers may not be given sufficient time to mail payments or disputes.

Recommendation: We recommend EDS work with the Drug Rebate Division to resolve the system issues and ensure invoices are mailed within 60 days after the previous quarter has ended.

Views of Responsible Official(s)

Contact Person: Tom Simonson, Drug Rebate Program Manager

Anticipated Completion Date: 08-26-2008

Corrective Action Planned: Corrective action has been taken, and situation remedied. The last three quarterly invoices have been mailed earlier than their respective due dates:

| | | |
|------------|----------------|-------------------|
| Qtr 2-2008 | Due 08-29-2008 | Mailed 08-26-2008 |
| Qtr 3-2008 | Due 12-01-2008 | Mailed 11-26-2008 |
| Qtr 4-2008 | Due 03-02-2009 | Mailed 02-27-2009 |

FINDING NO: 08-807-011

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: State Children's Insurance Program

FEDERAL AWARD NUMBER: 0705OK5021, 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$803

Criteria: According to OMB A-133, Compliance Supplement (March 2007): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to OAC 317:30-3-1. Creation and implementation of rules; applicability states:

- (f) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically necessary and essential to the diagnosis and treatment of the patient's presenting problem. Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.
- (h) Services provided within the scope of the Oklahoma Medicaid Program shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of

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medical necessity. Medical necessity is established through consideration of the following standards:

- (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
- (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
- (8) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity.

317:30-5-3. Documentation of services

Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered....

Condition: Based on a medical professional's review of medical records to support thirty dental services claims, we noted the following exceptions:

- Six claims where the services provided were not supported by medical records or other evidence indicating the service was actually provided. (Questioned Costs \$558)
- Three claims where the services provided do not appear to be medically necessary. (Questioned Costs \$232)
- Two claims where the services provided was not properly coded based on the recipient's medical diagnosis. (Questioned Costs \$13)

Effect: The Authority may be paying for services that are not being performed or are improperly coded based on the recipient's medical diagnosis.

Recommendation: We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Justin Etchieson

Anticipated Completion Date: Within 60-Days

Corrective Action Planned: The OHCA has reviewed the services billed and will recoup any inappropriately billed services.

Department of Human Services

FINDING NO: 08-830-002

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0601OKTANF

FEDERAL AWARD YEAR: 2006

CONTROL CATEGORY: Period of Availability of Federal Funds

QUESTIONED COSTS: \$-0-

Criteria: OMB A-133 Compliance Supplement Part H 1.b. states, "Current Fiscal Year Federal Expenditures on Non-Assistance - The State must obligate by September 30 of the current fiscal year any funds for expenditures on non-assistance. Non-assistance expenditures are reported on Line 6 categories of

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the ACF-196 TANF Financial Report. The State must liquidate these obligations by September 30 of the immediately succeeding Federal fiscal year for which the funds were awarded”.

Condition: During our testwork, we noted a transfer in the amount of \$2,580,717.39 from FY06 TANF grant funds to FY06 TANF Administration on June 28, 2007. We also noted these funds were then drawn the same day. Based upon follow-up discussions with the TANF program accountant, we determined this transfer and subsequent draw was for FY07 TANF non-assistance expenditures.

Cause: The draw was made from the oldest open grant, which was the FY06 grant, even though the expenditures were for FY07 non-assistance.

Effect: It appears the Department is not in compliance with the period of availability of federal funds requirement since these funds were obligated during FY07 but drawn from the FY06 grant.

Recommendation: We recommend the Department establish and implement procedures to ensure non-assistance expenditures are obligated within the first year of the grant and that those obligations are liquidated by the end of the year following the grant award year.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: May 30, 2008

Corrective Action Planned: Concur. We believe this to be an isolated incident. Our policy is to draw funds from the oldest grant and then adjust quarterly once reconciled. Procedures have been updated to ensure the grants are reconciled and adjusted quarterly.

FINDING NO: 08-830-003

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 1,298

Criteria: 45 CFR Section 264.1(a) (1) states, “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance (as defined in § 260.31 of this chapter) to a family that includes an adult head-of-household or a spouse of the head-of-household who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

45 CFR Section 264.1 (c) states, “States have the option to extend assistance paid for by Federal TANF funds beyond the five-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the State elects. States are permitted to extend assistance to families only on the basis of: (1) Hardship, as defined by the State; or (2) The fact that the family includes someone who has been battered, or subject to extreme cruelty based on the fact that the individual has been subjected to: (i) Physical acts that resulted in, or threatened to result in, physical injury to the individual; (ii) Sexual abuse; (iii) Sexual activity involving a dependent child; (iv) Being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities; (v) Threats of, or attempts at, physical or sexual abuse; (vi) Mental abuse; or (vii) Neglect or deprivation of medical care.”

DHS Policy Instructions to Staff 340:10-3-56-4.b. (2) states, “(b) When the TANF benefit is active and the client is approaching the 60 month time limit, the system sends an automatic notice in the 57th month of

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benefit receipt. The notice advises the client to contact the worker as benefits are ending soon. The worker's CWA Report 57 lists all cases where TANF clients are within 90 calendar days of the 60 month time limit. When a case appears on the worker's CWA, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request a hardship extension request. (2) When the client fails to respond to the interview request or marks on Form 08TW024E that an extension request is not requested, the worker closes the TANF benefit for the next effective date and follows the same procedures outlined in (a)(3) of this Instruction. If the client requests a fair hearing during the ten-day period following the issuance of the adverse notice, the benefit can remain open until a decision is made by the Appeals Unit. Refer to OAC 340:65-5-1."

DHS Policy Instructions to Staff 340:10-3-56-4.d.(2) states, "(d) When the client's hardship extension approval time frame is completed, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request an additional hardship extension. (2) When the client fails to respond to the interview request or marks on Form 08TW025E that a continued extension request is not requested, the worker closes the TANF benefit for the next effective date using code 29C "receipt of 60 months of TANF. Extension time frame completed."

Condition: From the counties located in Areas 2 and 4, we identified 18 cases that received TANF benefits for more than 60 months. We tested all 18 cases and noted two cases where the client received benefits for more than 60 months without applying for a hardship extension or an additional hardship extension. One case did not contain documentation of an application for a hardship extension (Form TW-24) and one case did not contain documentation of a review for an additional hardship extension (Form TW-25).

Cause: The case was not closed in a timely matter. It appears that the action to close the case was not taken until after the client had received over 60 months of benefits.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow the policy established to ensure a request for an extension of benefits (Form 08TW024E) and additional hardship extension of benefits (Form 08TW025E) are documented in the case files or that cases are closed in a timely manner to make certain that only 60 months of benefits are paid.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: January 6, 2009

Corrective Action Planned: Concur. The proper paperwork and documentation was not completed and the County Directors have been notified of the finding. Both cases were awaiting SSI decisions, and would have been approved for extension beyond the 60 month timeframe, had it been requested. Staff has been instructed to review the proper procedures for TANF hardship extensions. Policy and Instructions to Staff on this issue were updated August 1, 2008.

FINDING NO: 08-830-005

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

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Criteria: The TANF Data Report Section One Instructions for Line #44, Number of Months Countable toward Federal Time Limit, state: “Enter the number of months countable toward the adult’s (or minor child head-of-household’s) Federal five-year time limit based on the cumulative amount of time the individual has been either the head-of-household or the spouse of the head-of-household and has received Federal TANF assistance from both the State (Tribe) and other States or Tribes.”

Condition: We selected 45 cases from Section One of the quarter ended 6/30/08 TANF ACF-199 Data Report and traced the data included in the report to case file information for the critical line items as defined by the Compliance Supplement. We noted one case that was not exempt from federal time limit provisions and had 13 benefit payments recorded on Line #44 “Number of Months Countable toward Federal Time Limit” of the report for three consecutive months (April, May, and June 2008). The DHS Mainframe ‘BNMENU’ screen indicates the April 2008 payment was the 16th payment, the May 2008 payment was the 17th payment, and the June 2008 payment was the 18th payment.

Cause: The counts reflected on the DHS mainframe ‘BNMENU’ screen and the ACF-199 reports do not agree.

Effect: Inaccurate information may be reported in the TANF ACF-199 Data Report. Additionally, failure to count the months of TANF benefits could result in recipients receiving benefits for more than 60 months.

Recommendation: We recommend the Department implement procedures to ensure that the information included in the ACF-199 Data Report is accurate and reliable prior to submitting this report.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: March 31, 2009

Corrective Action Planned: Concur. This finding involves a case that received TANF benefits in another state(s). Since there is no national data base, the client must notify us of such benefits. The benefits are then manually entered into our BNMENU data base. The program that produces the ACF-199 is currently being rewritten due to new federal rules and interpretations. The “months of receipt” code for the new ACF-199 has already been rewritten and successfully tested against out-of-state cases. The revisions will be reflected on the ACF-199 report for the quarter ended December 31, 2008, which will be submitted in March.

FINDING NO: 08-830-006

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

QUESTIONED COSTS: \$-0-

Criteria: 45 CFR Section 261.62(a) states, “To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP–MOE Data Report, each State must establish and employ procedures for determining whether its work activities may count for participation rate purposes; establish and employ procedures for determining how to count and verify reported hours of work; establish and employ procedures for identifying who is a work-eligible individual; establish and employ internal controls to ensure compliance with the procedures...”

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Condition: During our testing of internal controls over the OKDHS Work Verification Plan, we noted a lack of documentation to validate work participation data and for the reviews performed on work participation data used in calculating work participation rates.

Cause: Internal control procedures established and employed to validate the work participation data used in calculating work participation rates is not being documented.

Effect: The work participation data used in calculating work participation rates could be inaccurate.

Recommendation: We recommend the Department document the procedures established and employed to validate the work participation data used in calculating work participation rates.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: 01/30/2009

Corrective Action Planned: Concur. As of 01/30/2009, procedures were established requiring the needed documentation to be retained.

FINDING NO: 08-830-007

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$348

Criteria: OAC 340:65-3-1(a) states, "The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. "

OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition of Family Support Services Division (FSSD) case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the local Oklahoma Department of Human Services (OKDHS) office, working and history records, and all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes."

OAC 340:65-3-8(d) (2) states, "The worker completes a review or recertification at 12-month intervals with a: (A) TANF recipient unless an earlier review date is warranted..."

OAC 340:65-3-8(d) (1) states "The worker completes a review at six month intervals with a:(A) TANF recipient due to:(i) pending required immunizations; (ii) payment standard reductions because of intentional program violations; (iii) hardship extension approvals; (iv) earned income; (v) a work-eligible person exempt from TANF Work activities because of incapacity; or (vi) a work-eligible person exempt from TANF Work activities to care for a disabled family member living in the household."

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Condition: From the population of 4,774 cases from Areas 2 and 4, we selected 40 cases for testing and noted one case in which no TANF eligibility review or re-determination was found for the time period tested in the case file provided by the county office. (Questioned Costs \$ 348)

Cause: TANF eligibility review or re-determination documentation is not being adequately maintained.

Effect: The Department may not be in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and complete eligibility review or re-determinations for TANF recipients as required and also ensure that these reviews or re-determinations are maintained in the case records.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: 03/31/09

Corrective Action Planned: Concur. The county director, field liaison, county supervisor and worker will be advised of the finding. They will be asked to review policy and procedures regarding applications and reviews for the TANF program. This appears to be an isolated incident.

FINDING NO: 08-830-011

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

QUESTIONED COSTS: \$-0-

Criteria: 45 CFR Section 261.62(a) states, “To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP–MOE Data Report, each State must establish and employ procedures for determining whether its work activities may count for participation rate purposes; establish and employ procedures for determining how to count and verify reported hours of work; establish and employ procedures for identifying who is a work-eligible individual; establish and employ internal controls to ensure compliance with the procedures...”

Condition: From the population of 9,522 cases from Areas 2 and 4, we selected 45 cases for testing the Penalty for Failure to Comply with Work Verification Plan requirement and noted two cases where the work participation hours recorded on the ACF-199 report did not agree with the average work participation hours per week that were documented in the case file.

Cause: The weekly average TANF work participation hours appear to be calculated inaccurately.

Effect: The Department may not be in compliance with the above stated regulations, which may result in ineligible individuals receiving TANF benefits as well as inaccurate reporting on the TANF Data Report.

Recommendation: We recommend the Department follow policy and procedures for determining how to count and verify reported hours of work to ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report.

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Views of Responsible Official(s)

Contact Person: James Conway/Linda Hughes

Anticipated Completion Date: April 30, 2009

Corrective Action Planned: Concur. These two cases are believed to be isolated incidents. The program that produces the ACF-199 is being rewritten due to new federal rules and interpretations. This includes revisions to the case data specifications. All FFY 2008 cases will be recalculated and reported based on the revised specifications. These changes are expected to result in work participation hours being counted and reported correctly.

FINDING NO: 08-830-012

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: G08B1OKLIEA

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$1,164

Criteria: OAC 340:20-1-10 (f) (2) states, "All households must not exceed the income and resource standards as shown on the Oklahoma Department of Human Services (OKDHS) Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size. The income amounts are established at 110% of the applicable Federal Poverty Guidelines."

OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes.

OAC 340:20-1-12 Instructions to Staff state "(3) A copy of the bill is filed in the case record, or verification from the energy supplier is recorded in the case record."

According to the LIHEAP Checklist for Walk-In Applications, income must be verified for "N" cases using either the Department income verification screens or another method of income verification which also must be indicated on the checklist.

Condition: During analytical and substantive testing, we noted the following:

- 2 of the 38,581 heating cases that were not preauthorized appear to have an income greater than the income and resource standards shown on OKDHS Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size. (Questioned Costs \$170)
- For 1 of the 40 case files selected for testing from Area's 2 and 4, we were unable to obtain the case file supporting the eligibility determination. (Questioned Costs \$100)
- For 6 of the 40 case files selected for testing from Area's 2 and 4, there was no LIHEAP application included to support the eligibility determination for the benefit selected for testing. (Questioned Costs \$894)
- For 3 of the 40 case files selected for testing, we did not find a copy of the bill filed in the case record. (Questioned Costs \$0)
- For 2 of the 4 "N" type cases for which we received case files, we did not find a completed LIHEAP Checklist for Walk-In Applications and noted no documentation supporting the verification of income. (Questioned costs \$0)

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Cause: Case records were not adequately documented and maintained to ensure recipients were eligible.

Effect: The State may be paying ineligible recipients; therefore, not meeting program objectives.

Recommendation: We recommend the Department implement control procedures to ensure all recipients are eligible to receive assistance payments. Additionally, we recommend the Department ensure all eligibility documentation is maintained as required.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: March 23, 2009 – Revise program instructions and instructions on use of checklists

June 30, 2009 – Review and enhance edits currently in place to prevent certification of households with income in excess of eligibility standards.

Prior to the start of next winter heating program – Revise training packets

Corrective Action Planned: Concur. The program instructions and annual training packets will be revised to emphasize that all LIHEAP documentation is to be maintained in the permanent case record. The program instructions will also include instructions on the proper use of checklists. Edits are currently in place that should have prevented certification of the two cases noted in the finding. A determination will be made on why the two cases received assistance and how to prevent such occurrences in the future.

FINDING NO: 08-830-013

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: G08B1OKLIEA

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$300

Criteria: Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states:

The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes.

Condition: We noted 581 cooling cases where the cooling benefit payment detail indicated no vendor or fuel type. After follow-up with agency personnel, we determined that these cooling benefit payments were

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sent directly to clients to purchase fans, air conditioning, or make repairs to cooling equipment. After further analyzing the benefit payment detail, we determined that 338 of these 581 cooling benefit payments (58.2%) were authorized by the same county office (McCurtain County). We selected 10 of these cases for further review and noted the following:

- For 7 of the 10 case files selected from McCurtain County, we noted a completed application for cooling assistance with an indication of a desire to purchase fan/air conditioner equipment; however, there was no purchase documentation (receipt) indicating that the purchase of this equipment was made. (Questioned Costs \$0)
- For 1 of the 10 case files selected from McCurtain County, we noted a completed application for cooling assistance with no indication of a desire to purchase fan/air conditioner equipment with the benefit funds and no purchase documentation (receipt) indicating that the purchase was made. (Questioned Costs \$0)
- For 2 of the 10 case files selected from McCurtain County, we received the case file; however, there was no FY08 LIHEAP cooling application included to support the eligibility determination. (Questioned Costs \$300)
- In addition to the above noted items, while looking in the selected case files, we also noted several instances where this type of benefit payment for the purchase of fan/air conditioner equipment was requested in different years by the same applicant. Although it is possible that the same person could need a replacement fan/air conditioner each year, this could also indicate that these direct payments to the client are being obtained and used for other purposes since purchase documentation is not required to obtain the benefit.

Cause: There is no written policy governing the Summer Cooling program. Additionally, there are no written procedures specifically addressing these types of cooling benefit payments issued directly to clients.

Effect: The State may be issuing cooling benefit payments directly to clients and those payments may not be going for the intended purpose; therefore, not meeting program objectives. Additionally, without written policy and procedures, there is no guidance for the county offices to use when issuing these types of payments which could lead to inconsistency among the various county offices.

Recommendation: We recommend the Department develop written policy and procedures governing the Summer Cooling program. Included in that, we recommend procedures be implemented for issuance of payments directly to clients. Additionally, we recommend the Department begin requiring purchase documentation to support these benefit payments to ensure these funds are being used for the intended purpose. One possible alternative for this would be to implement a voucher system similar to the FSSD Flexible Fund authorizations. If clients are determined eligible for benefits, a voucher would be issued for the benefit amount and the client would then take the voucher to an approved vendor to purchase the fan/air conditioning equipment. The vendor would then submit the voucher to the Department for payment. This could help to ensure that program funds are being used for the intended purpose.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: June 30, 2009

Corrective Action Planned: Concur. Policy and procedures will be developed relating specifically to the summer cooling program. It will include instructions to staff regarding direct payments to clients for the purchase of fans or air conditioners. Further investigation will be made into the cases where payments were made directly to clients, particularly McCurtain County, to explore the possibility and necessity of implementing a voucher system.

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FINDING NO: 08-830-015

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0801OKTANF

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System

QUESTIONED COSTS: \$-0-

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program

DHS Policy Instructions to Staff 340:65-3-4-14 states, "Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, an automated system of notification posts discrepancy messages to IMS. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 30 days of the error posting."

Condition: We performed testwork on the SFY 2008 G1DX Exception Report. We noted the following:

| Error Type | G1DX TOTAL EXCEPTIONS | G1DX EXCEPTIONS OVER 30 DAYS | % OF EXCEPTIONS OVER 30 DAYS |
|--------------|--------------------------|---------------------------------|---------------------------------|
| BEN | 1,453 | 150 | 10.32% |
| IEVDX | 688 | 156 | 22.67% |
| OWGD | 3,205 | 671 | 20.94% |
| SDX | 8,365 | 1,010 | 12.07% |
| SNH | 7,247 | 1,310 | 18.08% |
| UIB | 972 | 101 | 10.39% |
| TOTAL | 21,930 | 3,398 | 15.49% |

Cause: The discrepancies were not cleared within the allowable 30 days per OKDHS policy.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department utilize the monitoring reports created for the G1DX discrepancies that summarize these discrepancies by worker, supervisor, county and area. These reports allow management to monitor not only the type of discrepancy and length of days outstanding, but also to distinguish who is responsible for clearing the discrepancy within the 30 days allowed under current OKDHS policy.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: June 30, 2009

Corrective Action Planned: Concur. Over the next 90 days a report that is more indicative of actual performance will be developed and will replace the current "snapshot" report. This will give field managers an accurate means of tracking staff performance.

OKDHS policy gives staff 30 days to clear a discrepancy although the federal standard is 45 days. The federal standard also makes allowances for obtaining collateral information from second parties, which

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OKDHS policy does not. The policy team will conduct a review over the next 60 days. Whether to change the OKDHS standard from 30 days will be one item to consider.

Over the last year FSSD has identified a need for updated training on clearing case discrepancies. As a result, deployment of training is targeted for the summer of 2009.

FINDING NO: 08-830-016

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558, 93.568, 93.563, 93.658, 93.575, 93.596

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families, Low Income Home Energy Assistance Program, Child Support Enforcement, Title IV-E Foster Care, CCDF Cluster

FEDERAL AWARD NUMBER: Multiple

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: Office of Management and Budget (OMB) Circular A-87 Attachment B, Section 23.b (4) states, "For debt arrangements over \$1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month."

Department of Human Services, Cost Allocation Plan (March 2008) Section 7.D. Interest on State/Department Owned Building states, "...In compliance with A-87, Attachment B, Section 23.b. (4), DHS shall prepare cumulative reports, describing each building exceeding \$1,000,000 in costs, if any."

Condition: During testing of capital lease expenditures, we were unable to determine that the entire amount of the interest expense associated with the capital lease bond indebtedness was allowable.

Cause: The above noted cumulative report of monthly cash flows was not prepared by the Department.

Effect: The Department is not in compliance with A-87 Attachment B, Section 23.b (4). Additionally, without preparing the cumulative report of monthly cash flows described above, the Department is unable to ensure that the entire interest expense associated with the bond indebtedness is actually an allowable expense.

Recommendation: We recommend the Department implement procedures to ensure that the cumulative report of monthly cash flows is prepared in order to determine the allowable amount of the interest expense associated with the bond indebtedness.

Views of Responsible Official(s)

Contact Person: Melissa Lange, Finance Administrator

Anticipated Completion Date: 06/30/09

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Corrective Action Planned: A project is underway to develop a process on the Finance System that will capture this information monthly. Included in this project, as an outcome, is a cumulative report of monthly cash flows on depreciable property.

FINDING NO: 08-830-017

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: Form ACF-196 Instructions state for Line 5b. Expenditures on Assistance - Child Care, "Enter in columns (A), (B), (C), and (D) the cumulative total expenditures for child care that meet the definition of assistance from October 1 of the Federal fiscal year for which the report is being submitted through the current quarter being reported. The amounts reported in this category do not include funds transferred to CCDF or SSBG programs. Include child care expenditures for families that are not employed, but need child care to participate in other work activities such as job search, community service, education or training, or for respite purposes..." Form ACF-196 Instructions state for Line 6b. Expenditures on Non-Assistance - Child Care, "Enter in columns (A), (B), (C), and (D) the cumulative total expenditures for child care that does not meet the definition of assistance from October 1 of the Federal fiscal year for which the report is being submitted through the current quarter being reported. Include child care provided to employed families and child care provided as nonrecurrent, short-term benefit..."

The ACF Guide "Helping Families Achieve Self-Sufficiency – A Guide on Funding Services for Children and Families through the TANF Program", indicates that assistance includes benefits directed at basic needs including child care for families that are not employed. Assistance excludes child care provided to families that are employed. Additionally, this guide states that "All State expenditures claimed under the MOE requirements must be made with respect to "eligible families." The definition of "eligible families" is similar to that of "needy families"; eligible families are families that meet the income and resource standards in the State Plan. In addition, they must be either: (1) eligible for TANF; or (2) eligible for TANF, but for the five-year limit on federally funded assistance or the restriction on benefits to immigrants found in title IV of the 1996 welfare law.

The A-133 Compliance Supplement Part H 1.b. states, "Current Fiscal Year Federal Expenditures on Non-Assistance - The State must obligate by September 30 of the current fiscal year any funds for expenditures on non-assistance. Non-assistance expenditures are reported on Line 6 categories of the ACF-196 TANF Financial Report. The State must liquidate these obligations by September 30 of the immediately succeeding Federal fiscal year for which the funds were awarded".

Condition: During our testing of the ACF-196 for Grant Year 2007 (QE 09/30/07) we noted the Department reported \$23,873,660 in State MOE Child Care on Assistance and reported \$0 Child Care on Non-Assistance. We were unable to obtain documentation supporting the amount reported as assistance to ensure this entire amount was in fact assistance.

Cause: The Department does not differentiate between the TANF Daycare Expenditures being paid for assistance or non-assistance.

Effect: The Department may not be in compliance with the above instructions, which may result in incorrect reporting. Due to the requirement that State expenditures claimed under the MOE requirement

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must be made with respect to eligible families, it is possible that there could be MOE problems arise if the “assistance” payments do not meet the Matching Fund MOE for Daycare (currently \$10,630,233). Additionally, since non-assistance expenditures must be obligated within the first year of the grant and be liquidated by the end of the year following the grant award year, it is possible that funds could be spent on non-assistance expenditures after the period of availability since the distinction between assistance and non-assistance is not being made.

Recommendation: We recommend the Department establish and implement procedures to differentiate between TANF Daycare assistance and non-assistance benefits in order to correctly report these expenditures.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: February 13, 2009

Corrective Action Planned: Concur. Procedures are now in place to correctly identify and report day care expenditures. The Federal Grant Year 2007 Daycare expenditures have been correctly identified and adjustments have been made on the December 2008 ACF-196 report.

FINDING NO: 08-830-020

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: State Children’s Insurance Program

FEDERAL AWARD NUMBER: 0705OK5021 and 0805OK5021

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$390 SCHIP

Criteria: 42 CFR 435.907(a), states: “The agency must require a written application from the applicant, an authorized representative, or, if the applicant is incompetent or incapacitated, someone acting responsibly for the applicant.”

Additionally, 42 CFR 435.913(a), states: “The agency must include in each applicant’s case record facts to support the agency’s decision on his application.”

OAC 340:65-1-3 states, “...The case record is the means used by the Agency to document the factual basis for decisions.”

OAC 340:65-1-3 Instructions to Staff state, “(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client’s eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. The Agency retains these records for legal requirements and audit purposes.

Condition: During testwork of 90 recipient case files (45 MAP and 45 SCHIP), we noted one case where the determination which covered the time period selected for testing was not found in the case file.

Cause: The documentation required to document program eligibility has either not been obtained from the recipient or has not been adequately maintained in the recipient case file.

Effect: Recipients receiving Medical Assistance benefits may not be eligible.

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Recommendation: We recommend the Department review established procedures to ensure they are adequate to facilitate compliance with obtaining written applications to ensure that individuals meet the financial and categorical requirements for the Medical Assistance Programs.

Views of Responsible Official(s)

Contact Person: Karen Hylton

Anticipated Completion Date: March 31, 2009

Corrective Action Planned: Concur. All field staff are trained on completing case reviews timely and properly. The case in question was transferred twice between March 2007 and January 2008. This oversight will be addressed with the three counties that were involved with the case. The case will also be examined to ensure a current review is in the files.

Department of Mental Health and Substance Abuse Services

FINDING NO: 08-452-002

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

FEDERAL AWARD NUMBER: 08B1OKSAPT

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: 45 CFR 96.130 (d) states “(1) The State shall conduct annual, random, unannounced inspections of both over-the-counter and vending machine outlets. The random inspections shall cover a range of outlets (not preselected on the basis of prior violations) to measure overall levels of compliance as well as to identify violations. (2) Random, unannounced inspections shall be conducted annually to ensure compliance with the law and shall be conducted in such a way as to provide a probability sample of outlets. The sample must reflect the distribution of the population under age 18 throughout the State and the distribution of the outlets throughout the State accessible to youth.”

45 CFR 96.130 (e) states “As provided by Sec. 96.122(d), the State shall annually submit to the Secretary a report which shall include the following: (1) a detailed description of the State's activities to enforce the law required in paragraph (b) of this section during the fiscal year preceding the fiscal year for which that State is seeking the grant; (2) a detailed description regarding the overall success the State has achieved during the previous fiscal year in reducing the availability of tobacco products to individuals under the age of 18, including the results of the unannounced inspections as provided by paragraph (d) of this section for which the results of over-the-counter and vending machine outlet inspections shall be reported separately....”

Also, the State of Oklahoma Administrative Plan states, “A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: During our testing of the FY 2008 Annual Synar Report, we noted the following:

- For 6 of the 55 sample stratum, the counts reported in the ‘Outlet Sample Size’, ‘Number of Eligible Outlets in Sample’, ‘Number of Sample Outlets Inspected’ and/or ‘Number of Sample Outlets in Violation’ columns do not trace to the supporting Synar Compliance Sample List.
- For 2 of the 38 inspections selected for testing, the supporting Synar Survey Inspection Form indicates that the outlet could not be inspected at the time of the visits. However, the outlets are reflected as having been inspected in the SSES Table 2 of the FY 2008 Annual Synar Report.
- The errors noted above caused the SSES Table 2 Totals and Retailer Violation Rates to be incorrect.

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Cause: The FY 2008 Annual Synar Report does not appear to have been thoroughly reviewed before submission.

Effect: The FY 2008 Annual Synar Report is inaccurate.

Recommendation: We recommend ODMHSAS implement procedures to ensure the information reported in the Annual Synar Report is accurate. Additionally, we recommend the FY 2008 Annual Synar Report be revised to correct the inaccuracies.

Views of Responsible Official(s):

Contact Person: Richard Bowden

Anticipated Completion Date: March 31, 2009

Corrective Action Planned: ODMHSAS staff examined strata where the counts reported in the 'Outlet Sample Size', 'Number of Eligible Outlets in Sample', 'Number of Sample Outlets Inspected' and/or 'Number of Sample Outlets in Violation' columns do not trace to the supporting Synar Compliance Sample List. In fiscal year 2008 ODMHSAS oversampled by 20%, which is not federally required. Oversampling is preferred to address situations, such as this, that may arise. Had ODMHSAS utilized the minimum sample, the total number of inspections required would have been 291, and the strata samples would have been less. Therefore, the actual number of inspections in each stratum was sufficient to meet the federal requirement. Outlets are included in strata based on the geographic location reported by the Oklahoma Tax Commission. If an outlet is placed into a stratum outside the actual geographic location, inspection officers are required to visit that outlet regardless and keep the outlet in the predesignated stratum. In addition, ODMHSAS has instituted an additional staff review of inspection forms to ensure strata totals are accurate. According to Table 3 in the report, there were two outlets visited that were closed at the time of the visit and recorded as such. The two outlets identified in Table 2 may have been closed at the time of the first visit, but were inspected upon a second visit. If an outlet is closed at the time of the visit then open upon a revisit, a second form is completed by the inspection officer. It is possible that the second form was not properly attached to the original first form by the officer or a data entry error occurred, mistakenly recording the outlet as ineligible. ODMHSAS will advise the inspection officer to attach related outlet forms together to reduce errors. ODMHSAS will also require the ABLE Commission to utilize data entry forms prescribed by ODMHSAS to reduce clerical errors.

REF NO: 08-452-001IT

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

CONTROL CATEGORY: Information Systems

QUESTIONED COSTS: \$-0-

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Delivery and Support DS5, information services management should ensure that system's security safeguard information against unauthorized use, disclosure or modification, damage or loss.

Condition: Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee For Service Applications. The ICIS system is used to collect and validate information about clients and the services provided to them. This information is used for evaluation, audit, and payment of services. Fee For Service uses information in ICIS and from contract services to determine the appropriate source of payment for services. It produces invoices and provides management reports based on ICIS data.

Effect: Unauthorized accesses and changes to the system may go unnoticed.

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Recommendation: We recommend the Department establish reports for security breaches, and formal resolution procedures. These reports should include:

- Unauthorized attempts to access system (sign on)
- Unauthorized attempts to access system resources.
- Unauthorized attempts to view or change security definitions and rules.
- Resource access privileges by user id.
- Authorized security definitions and rule changes.
- Authorized access to resources (selected by user and resource).
- Status change of the system security.
- Accesses to operation system security parameter tables.

View of Responsible Official(s):

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: July 1, 2005

Corrective Action Planned: The agency has changed the entry into the ICIS system, which now has an “access control” module restricting user access, based upon a business need. In addition the agency is logging access attempts and enforcing a HIPAA access control standard. However the development of a monitoring report application is still being developed.

Auditor Response: 01/15/09, we observed the “access control” system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however since the monitoring and reporting portion of this application is still under development we are rating this as partially corrected.

REF NO: 08-452-002IT

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

CONTROL CATEGORY: Information Systems

QUESTIONED COSTS: \$-0-

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Delivery and Support DS5, information services management should ensure systems security safeguard information against unauthorized use, disclosure, modification or damage/loss through logical access controls that restrict access to systems, data and programs.

Condition: Policies and procedures do not exist for the following areas:

- Developer and support services access rights and responsibilities
- Remote access assignment, control and monitoring

Effect: Risks have not been identified for each type of access and controls may not be adequate to prevent or detect unauthorized use of the system, disclosure of sensitive data and modification to programs.

There are several facilities that connect to the Tahlequah facility. These facilities do not have any servers or firewalls but have valid IP addresses connected to the internet.

Recommendation: The Department of Mental Health:

- Perform a risk assessment to identify critical and sensitive data
- Develop written policies and procedures
- Implement procedures to monitor effectiveness of controls

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Views of Responsible Official(s):

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: July 1, 2005

Corrective Action Planned: Risk assessment of critical and sensitive data is in progress and will be completed by the ODMHSAS Security Officer. Policies and procedures will be developed to control developer and support staff access rights and responsibilities.

Auditor's Response: As of 1/15/09, the agency has changed the developer access rights to the system and now only allows developers to have access rights to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel. The development and implementation of an environment that is only available to the developers and removing the developer's access rights from the production environment does mitigate a number of concerns in the original finding, however since remote access policies and procedures are still under development we are rating this as partially corrected.

REF NO: 08-452-003IT

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

CONTROL CATEGORY: Information Systems

QUESTIONED COSTS: \$-0-

Criteria: Quality Assurance:

According to CobiT Planning and Organization PO4.5, management should assign the responsibility of the quality assurance function to staff members of the IT function and ensure that appropriate quality assurance, systems, controls and communications expertise exists in the IT function's quality assurance group. The organizational placement within the IT function and the responsibilities and the size of the quality assurance group should satisfy the requirements of the organization.

Condition: The agency does not have a quality assurance program to adequately review projects ensuring that they meet user requirements and agency standards.

Effect: The lack of a quality assurance program increases the potential that application development is not adequately tested and does not meet the project plans and specifications.

Recommendation: We recommend the OSDMH develop and implement a quality assurance unit within the IT function to provide oversight and review of system development and implementation.

Views of Responsible Official(s):

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: Ongoing

Corrective Action Planned: Develop and implement a quality assurance unit within the IT division to provide oversight for development and implementation of IT projects. A position description is being drafted to establish an IT Quality Assurance Analyst position to provide oversight for development and implementation of IT projects. ODMHSAS has contracted with Gartner, an IT technical assistance company, to review and assess IT infrastructure needs.

Auditor Response: As of 01/21/09, the IT Steering Committee has been discussing how to proceed on this issue, and has requested information to help them in planning for quality assurance.

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Oklahoma Military Department

FINDING NO: 08-025-001

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: U.S. Department of Defense, National Guard Bureau

CFDA NO: 12.401

FEDERAL PROGRAM NAME: National Guard Military Operations & Maintenance (O&M) Projects

FEDERAL AWARD NUMBER: 57-3840-0-1-051

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Equipment and Real Property

QUESTIONED COSTS: \$-0-

Criteria: According to Master Cooperative Agreement, 7-2 b. (5):

“State Military purchased equipment, unless otherwise prohibited by State law, will be accounted for as follows:

- (A) Equipment property records will be maintained, and reported to the USPFO. Reports will include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (B) A physical inventory of the property will be taken and the results reconciled with the USPFO property records at least once every two years.”

The A-102 Common Rule and OMB Circular A-110 require that equipment records shall be maintained, and a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records for equipment purchased with Federal awards.

Condition: Based on information provided by the Oklahoma Military Department, it appears the most recent Federal site audit was performed in July/August 2006 on the Youth Challenge program, which is not part of the O&M Projects. Based on testwork performed at the Oklahoma Military Department, it appears two items from the inventory listing could not be located.

Cause: The Oklahoma Military Department failed to perform the required inventory counts and reconciliations. Additionally, the inventory listing did not reflect the actual location of each item. The listing provided a location where the property was sent initially; however, the property was then redistributed and this information was not provided to the inventory officer. Two items may have been traded in as they had become obsolete and the inventory officer had not removed them from the books.

Effect: Equipment purchased with federal funds could be misplaced or stolen.

Recommendation: We recommend the Department ensure a physical inventory of property is taken at least once every two years as required. We also recommend the Department ensure items traded in are documented and removed from the inventory books.

Views of Responsible Official(s) We concur with this finding.

Contact Person: Lisa Smith, Acting Resource Manager

Anticipated Completion Date: 30 June 2009

Corrective Action Planned: A schedule has been made for all locations containing equipment bought through the Cooperative Agreement and a physical audit of all equipment will be completed by 30 June 2009.

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Department of Rehabilitation Services

FINDING NO: 08-805-001 (**Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-070053 and H126A-080053

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Criteria: The FY 2008 Treasury-State Agreement with the State of Oklahoma details the manner in which federal funds are to be drawn down:

Exhibit II lists the funding techniques to be used for the Department of Rehabilitation Services (DRS) for particular component expenditures of the grant. Draws for administrative, nonpayroll, and nonmedical client services must be made using Payment Schedule-Monthly-Variation #3. Draws for medical/pharmacy expenditures and maintenance and transportation expenditures must be made using Payment Schedule-Monthly-Variation #8. Draws for payroll expenditures must be made using the Average Clearance Technique.

The FY 2008 Treasury-State Agreement 6.2.4 states:

Payment Schedule – Monthly – Variation #3

The State shall request funds such that they are deposited in a State account on the fifteenth (or closest working day prior to the 15th) to fund the costs incurred during that period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be an estimate based on actual payments of the prior month and adjusted to actual on a quarterly basis.

Payment Schedule – Monthly – Variation #8

The State shall request funds such that they are deposited in a State account on the fifteenth (or closest working day prior to the 15th) to fund the costs incurred during that period. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be an estimate based on actual payments of the prior month and adjusted to actual on a monthly basis.

The FY 2008 Treasury-State Agreement 6.2.1 states:

Average Clearance

The State shall request funds such that they are deposited by ACH on the dollar-weighted average day of clearance for the disbursement, in accordance with the clearance pattern specified in Exhibit II (0 days). The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the exact amount of that disbursement.

Condition: During our testwork for the cash management requirement, we reviewed 18 cash draws performed during SFY 2008 and noted the following:

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- Three draws which included requests for nonpayroll expenditures were deposited more than seven business days after the fifteenth of the month.

| <u>Draw Number</u> | <u>Draw Date</u> | <u>Deposit Date</u> | <u>Draw Amount</u> |
|--------------------|------------------|---------------------|--------------------|
| Draw 316 | 12/27/07 | 12/28/07 | \$1,549,288.00 |
| Draw 320 | 2/25/08 | 2/26/08 | \$4,351,239.00 |
| Draw 322 | 3/27/08 | 3/28/08 | \$2,436,400.00 |

- One payroll draw was deposited seven business days after disbursement.

| <u>Draw Number</u> | <u>Draw Date</u> | <u>Deposit Date</u> | <u>Draw Amount</u> |
|--------------------|------------------|---------------------|--------------------|
| Draw 321 | 3/10/08 | 3/11/08 | \$728,378.00 |

- Two draws did not have proper supporting documentation and were not based on the prior month's actual payments.

| <u>Draw Number</u> | <u>Draw Date</u> | <u>Deposit Date</u> | <u>Draw Amount</u> |
|--------------------|------------------|---------------------|--------------------|
| Draw 307 | 8/20/07 | 8/21/07 | \$1,119,339.00 |
| Draw 308 | 8/20/07 | 8/21/07 | \$814,677.00 |

We also reviewed the Department's reconciliation of cash draws to actual payments, and we determined that the Department is not performing reconciliations for medical/pharmacy and maintenance and transportation expenditures monthly as required by the FY 2008 Treasury-State Agreement.

Effect: The Department of Rehabilitation Services is in violation of the State of Oklahoma's FY 2008 Treasury-State Agreement with the U.S. Treasurer.

Recommendation: We recommend the Department draw funds in accordance with the proper funding techniques specified in the Treasury-State Agreement regarding the timeliness of the draws and estimate-to-actual adjustments or request an amendment to the Treasury-State Agreement to implement Payment Schedule-Monthly-Variation #5 as the specified funding technique for all nonpayroll draws. In addition, we recommend the Department not draw payroll and nonpayroll expenditures on the same day because one will not be drawn in a timely manner consistent with the Treasury-State Agreement.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2009

Corrective Action Planned: We concur with the finding in regards to timeliness of the draws. Due diligence will be given to correcting the timeliness of the draws. Issues highlighted by the audit point will be analyzed by staff and adjustments made either to internal business processes or changes as negotiated in the agreement to comply with the finding.

FINDING NO: 08-805-002 (Repeat Finding)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-070053 and H126A-080053

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FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

QUESTIONED COSTS: \$1,691

Criteria: OMB Circular A-133 Compliance Supplement Part B (a) (2) states, "To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, Paragraph C.1): (j) Be adequately documented."

OAC 612:10-7-110 states, "Medical examinations are provided only when necessary to determine eligibility, to achieve a goal in the IPE, or when related to an intercurrent illness."

Condition: We reviewed sixty client case files to determine compliance with the activities allowed and allowable costs/cost principles requirement and we noted the following:

- Three out of sixty (or 5%) case files tested did not contain a copy of the specified claim/authorization number and supporting documentation. In addition, claim #504020 appeared to be for diagnosis and *treatment* of impairments and we were unable to locate an Individualized Plan for Employment (IPE) in the case file.

| <u>Authorization Number</u> | <u>Claim Amount</u> |
|-----------------------------|---------------------|
| 042105070203 | \$453.20 |
| 448205 | \$1,067.00 |
| 504020 | \$170.49 |

Cause: Adequate documentation was not appropriately maintained in the case file to support expenditures, and the Department did not follow its internal policies and procedures.

Effect: The Department is not in compliance with the above stated internal policies and federal regulations.

Recommendation: We recommend the Department of Rehabilitation Services implement policies and procedures to ensure adequate documentation is maintained in the case files to support expenditures and ensure that established policies and procedures are followed.

Views of Responsible Official(s)

Contact Person: Lori Estep

Anticipated Completion Date: March 30, 2009

Corrective Action Planned: All three cases have been reviewed by the Field Coordinator and the appropriate documentation has been added to the case files. The program manager has been briefed and the policy and process has been reviewed with the counselor and staff. Bi-annual case reviews are conducted to assure that DRS policy and procedures are followed with regards to case management practices. Special attention will given to the issues identified by this audit point.

FINDING NO: 08-805-003

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-070053 and H126A-080053

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$-0-

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Criteria: OAC 612:10-7-87 states a supervisor's approval is required for "all case closures in which an IPE was developed and services initiated."

Condition: During our testwork for the eligibility requirement, we noted one out of twenty-one closed case files reviewed did not contain evidence of a supervisory review and/or approval. Case #54351 was closed on May 19, 2008, and the case closure document was not signed by the supervisor to indicate their review and approval.

Effect: The Department may not be in compliance with the above stated internal policy and procedure.

Recommendation: Train staff to ensure compliance with the Department's internal policies and procedures.

Views of Responsible Official(s)

Contact Person: Lori Estep

Anticipated Completion Date: March 30, 2009

Corrective Action Planned: The necessary documentation has been reviewed by the Field Coordinator and the counselor. The narrative and supervisory approval have been added to the case file. The program manager has been briefed and the policy and process has been reviewed with the counselor and staff. Bi-annual case reviews are conducted to assure that DRS policy and procedures are followed with regards to case management practices. Special attention will given to the issues identified by this audit point.

FINDING NO: 08-805-004 (**Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-070053 and H126A-080053

FEDERAL AWARD YEAR: 2007 and 2008

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-87 Attachment B 8.h.3 states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Condition: During testing of the direct payroll certifications, we noted the certifications for the period of January 1, 2008 through June 30, 2008 were not completed in a timely manner for 13 out of 60 direct employees selected for testing. In addition, these certifications were not approved by the employees' direct supervisor.

Effect: Unallowable costs may be charged to the federal award.

Recommendation: We recommend the Department develop policies and procedures to ensure payroll certifications are completed in a timely manner and approved by the employees' direct supervisor.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: April 30, 2009

Corrective Action Planned: The Agency concurs with the audit finding. The Agency switched to an electronic reporting system in SFY-2007. Certifications will be corrected. The system and the

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instructions have been modified to make it more user friendly and the instructions should clarify the process for the supervisors. The new instructions will be provided to reporting staff by March 30, 2009. Financial Staff will monitor the certifications for accuracy.

Department of Transportation

FINDING NO: 08-345-001

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning & Construction

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Davis-Bacon Act

QUESTIONED COSTS: \$-0-

Criteria:

29 CFR § 3.3(b) states in part:

“Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period.”

29 CFR § 3.4(a) states in part:

“Each weekly statement required under 3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work.”

29 CFR § 5.5(a) states in part:

“Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project). Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid.”

And

“The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls...”

And

“Each payroll submitted shall be accompanied by a Statement of Compliance, signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under

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the contract and shall certify the following: (1) That the payroll for the payroll period contains the information required to be maintained under 5.5(a)(3)(i) of Regulations, 29 CFR part 5 and that such information is correct and complete; (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3; (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract”

29 CFR § 5.6(a) states in part:

“Investigations shall be made of all contracts with such frequency as may be necessary to assure compliance. Such investigations shall include interviews with employees...and examinations of payroll data...”

To ensure compliance with these requirements, the Oklahoma Department of Transportation (ODOT) has adopted and implemented Construction Control Directive 971114, which states in part:

Contractor Payrolls

The prime contractor and all approved subcontractors performing work on a Federally funded contract are required to submit weekly payroll records to the Residency. All payroll records from the prime contractor or subcontractor shall be received within two weeks of the end of the payroll reporting period. Payrolls for periods of “no work in progress” will not be required. The Residency will be required to stamp all payrolls indicating the date on which they were received.

The Residency must monitor the payroll records received weekly and should notify the prime contractor in writing for any failure to submit the required payrolls or to submit a record with the necessary information (as detailed below) within the two week period. The written notification to the prime contractor may state actions that could be taken by the Residency, including holding future progressive payments until the contractual requirement has been satisfied. Any such correspondence must be stored in the project’s payroll files.

Wage Rate Interviews

The Residency employees shall conduct systematic spot interviews of the prime contractor’s and approved subcontractor’s employees to identify whether the minimum wage and other labor standards of the contract are being fully complied with and that there is no misclassification of an employee. One employee of the prime contractor or subcontractor shall be interviewed each month during the original duration of the original contract time. A minimum of two employees shall be interviewed on a specific contract. The Residency should ensure that interviews of the subcontractors’ employees are done as well as the prime contractor’s employees. An employee shall not be interviewed more than once per contract...

Once the employee is interviewed, the results of the interview should be checked against the information contained in the weekly payroll record for that date and the payroll record should be reviewed for completeness. There is no mandatorily prescribed format for the contractor’s or subcontractor’s payroll records; however, payroll records received by the Residency shall contain, at a minimum, the following information:

1. Each employee’s full name, address, and social security number.
2. Each employee’s classification.
3. Each employee’s hourly rate and, where applicable, overtime hourly rate.
4. The daily and weekly hours worked in each of the employee’s classification, including actual overtime hours worked.

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5. The itemized deductions made for each employee.
6. The net wages paid to each employee.

Condition:

Of the 144 construction projects awarded in the year ended June 30, 2008 subject to the Davis-Bacon Act, we selected 60 to test for compliance with the requirements of 29 CFR Parts 3 and 5 and ODOT's internal controls as described in Construction Control Directive Number 971114 and by George Raymond, ODOT Construction Engineer. These sections of the Code of Federal Regulations were designed to aid in the enforcement of the minimum wage provisions of the Davis-Bacon Act. For the 60 projects selected, we requested the following:

- Contracts
- All weekly payrolls received for the weeks during state fiscal year 2008 (July 1, 2007 through June 30, 2008)
- All correspondence sent to the contractor to notify them of any deficiencies during that time
- All wage rate interviews and payroll reviews completed during that time.

Each project file was reviewed to determine if the residency appeared to be monitoring the contractor and / or subcontractor to reasonably ensure the contractors or subcontractors were operating in compliance with the requirements of the Davis-Bacon Act and the related internal controls.

Based on testwork performed, we noted the following:

- Seventeen of the 60 projects tested had weekly payrolls that were not stamped on the date received.
- Thirty-seven of the 60 projects tested had payrolls received more than two weeks after the end of the payroll period, and no notice of the delinquency was sent to the contractor to correct the deficiency.
- One of the 60 projects tested had weekly payrolls that did not contain the daily hours worked, and no notice was sent to the contractor to correct the deficiency.
- Eight of the 60 projects tested had missing wage-rate interviews.
- Eight of the 60 projects tested had completed wage rate interviews that lacked the required payroll reviews. Four of the 60 projects had payroll reviews that were completed but not signed.
- For two of the 60 projects tested, the payroll records had gaps during which it was unclear whether work was performed.
- Eight of the 60 projects tested had payrolls that were not certified.

Cause:

Residencies are not consistently complying with the requirements of Construction Control Directive 971114.

Effect:

Construction projects subject to the Davis-Bacon Act are not in compliance with the provisions of the Act.

Recommendation:

We recommend the Department develop and implement additional internal controls, policies, and procedures as needed to ensure compliance with federal regulations and established internal control directives.

Views of Responsible Official(s)

Contact Person: George T. Raymond, State Construction Engineer

Anticipated Completion Date: Staged implementation beginning FY 2009.

Corrective Action Planned:

1. Continued emphasis and communication on the Davis-Bacon requirements, including:

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- a. Distribution of the Finding results (once they are made available from SA&I) and the Department's response to field personnel.
 - b. Discussion with management to continue emphasis with field personnel.
 - c. Discussion and emphasis to contractor associations.
2. The ODOT – Operations Review & Evaluation (OR&E) Division has recently completed an internal audit of each of the 25 residency office procedures and compliance with the Davis-Bacon requirements and CCD 971114. OR&E has conducted exit interviews with each of the 8 Field Division offices on the results in their Division.
3. Participation of ODOT in an AASHTO pool-funded project to develop software that can interface with SiteManager is currently underway. This new software will assist the agency in managing the submittal and verification of payrolls and the reporting required by the federal regulations. It is currently being tested by a couple of state DOT's and should be available for ODOT for testing later this year.

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Note: Schedule is presented alphabetically by state agency.

Department of Education

Finding No: 96-265-003

CFDA: All Federal Programs

Federal Agency: Department of Education

Questioned Costs: \$6,200,000

Control Category: Allowable Costs/Cost Principles

Finding Summary: Statistical data reports submitted to the Office of Education's Statistics Center were audited by the Office of Inspector General. The years audited were 1982 through 1983, which determined the Department's federal program allocations for 1985 and 1986. The audit indicated that Oklahoma received an over-allocation.

Status: Does not warrant further action. The reasons are (1) two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse, (2) the federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and (3) a management decision was not issued.

Department of Health

Finding No: 04-340-001, 05-340-006, 06-340-008, 07-340-007

CFDA: 93.283

Federal Agency: Department of Health and Human Services

Questioned Costs: \$12,831 for FY '04 & \$3,293 for FY '05

Control Category: Real Property and Equipment Management

Finding Summary: Based on tests of individual equipment items purchased, we noted instances where equipment was not recorded accurately, timely, or for an intended purpose of the program. In addition, although the department performed a physical inventory count, the count had not been reconciled to the agency inventory records. Also, purchase order amounts are used to record equipment instead of actual costs and salvage value of all assets in the department's inventory records were set at 10% of the items original value.

Status: Partially Corrected. Current year finding number 08-340-001. The 2009 physical inventory account cycle for FY-09 will be completed in accordance with current policy and the conversion to another software application will also be completed in this timeframe. In an effort to better record asset costs accurately, a manual review of the claim amounts has been added to the task list as time allows. The new application should enable us to build a more accurate depreciation base that should be functional in calendar year 2010. OSDH is also participating in the Phase II CORE Asset Management workgroups to begin preparation for a seamless system that will record assets at cost, depreciate based on commodity code and report more effectively in a uniform manner. Policy revisions are in draft status and will be submitted to the policy review committee during this fiscal year in an effort to more effectively communicate responsibilities to program managers.

Oklahoma Health Care Authority

Finding No: 06-807-007, 07-807-001

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Questioned Costs: \$460,762

Finding Summary: Based on testwork for Fund 200 Cost Allocation, we noted that no department-wide codes were allocated to cost objective A44 from cost pool 702. Also, the total allocated amounts from cost pool 702 do not match the total to be allocated from cost pool 702.

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Status: Corrected.

Finding No: 06-807-010

CFDA: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: While determining the completeness of the data provided by the Drug Rebate Unit, we noted that the tape sent to CMS for the quarter ended March 31, 2006 did not contain HCPC rebates.

Status: Corrected.

REF No: 06-807-015, 07-807-008

CFDA: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$811

Finding Summary: Based upon a medical professional's review of medical records to support forty-five Case Management services, the following exceptions were noted:

- Service in which the medical records do not include sufficient documentation to support the procedure code billed.
- Services in which the medical records do not support the procedure billed; however, does support another procedure code.
- One service in which the medical record documentation indicated no direct contact with the member occurred during the billing period as required by Medicaid.

Status: Corrected.

REF No: 07-807-002

CFDA: 93.778, 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: Based on internal control testing procedures, it appears OHCA is not mailing invoices within 60 days from the end of the quarter.

Status: Not corrected, see current year audit finding #08-807-010. Corrective action has been taken, and situation remedied. The last three quarterly invoices have been mailed earlier than their respective due dates:

| | | |
|------------|----------------|-------------------|
| Qtr 2-2008 | Due 08-29-2008 | Mailed 08-26-2008 |
| Qtr 3-2008 | Due 12-01-2008 | Mailed 11-26-2008 |
| Qtr 4-2008 | Due 03-02-2009 | Mailed 02-27-2009 |

REF No: 07-807-007

CFDA: 93.778, 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Finding Summary: Based on a review of fifty-five nursing facility recipients Pre-Admission Screening and Resident Reviews (PASRR), we noted thirteen Long Term Care Assessment forms (LTC-300R) were not submitted to LOCEU within 30 days after services began of which three appear to not have been submitted at all.

Status: Corrected.

Department of Human Services

Finding No: 01-830-023, 02-830-009, 03-830-021, 04-830-024, 05-830-0018, 06-830-007, 07-830-018

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Child Support Non-Cooperation

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Finding Summary: There were cases that appeared to have individuals who were not cooperating with the State in child support enforcement efforts; however, the TANF benefits did not appear to have been reduced or denied as required by federal regulations. Further, there were benefits that were reduced or denied, but not within a reasonable time frame (30 days).

Status: Corrected

Finding No: 03-830-018, 04-830-004, 05-830-010, 06-830-004, 07-830-004

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Finding Summary: During testing of cases that received both TANF and Diversion Assistance, we noted cases that received both types of assistance during the same month. In addition, we noted cases that received both types of assistance in the same year without documentation of approval from the county director and cases that received both TANF and Diversion Assistance during the same year that was approved by the County Director, however the TANF was issued within three months of the Diversion Assistance resulting in a duplication of benefits.

Status: Corrected

Finding No: 04-830-017, 05-830-004, 06-830-016, 07-830-007

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testwork we noted there is no distinction made as to whether TANF funds are paying for daycare expenditures that meet the definition of assistance or non-assistance.

Status: Partially corrected, current year finding #08-830-017. Procedures are now in place to correctly identify and report day care expenditures. The Federal Grant Year 2007 Daycare expenditures have been correctly identified and adjustments have been made on the December 2008 ACF-196 report.

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,640 for FY '04, \$142 for FY '05, \$545 for FY '06, and \$2,409 for FY '07

Finding Summary: From review of Area case files, we noted the following: case files that did not contain an application for the time period in which the benefit was received; case files did not have a copy of the bill filed in the case record; case files did not have a completed checklist for walk-in applications; case files that could not be located; and case files where the individual was pre-authorized to receive LIHEAP benefits; however, no pre-authorization letter (37-K) was sent to the individual. Additionally, based on review of cases from the "Cases Selected to Receive LIHEAP 37-K" report, it appears no pre-authorization letters were sent to any of the individuals.

Status: Partially corrected, current year finding #08-830-012. The program instructions and annual training packets will be revised to emphasize that all LIHEAP documentation is to be maintained in the permanent case record. The program instructions will also include instructions on the proper use of checklists. Edits are currently in place that should have prevented certification of the two cases noted in the finding. We will be working with DSD staff to determine why the two cases received assistance and how to prevent it in the future.

Finding No: 04-830-032, 05-830-012, 06-830-010

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility/Activities Allowed or Unallowed/Reporting

Questioned Costs: \$8,864 for FY '04, \$11,848 for FY '05 and \$400 for FY '06

Finding Summary: During analytical procedure testing, we noted the following: cases that appeared to have received the incorrect payment amount or received benefits when their household income was greater than the allowable rate; cases that appeared to have received duplicate payments; cooling recipients

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appeared to have received payments for natural gas; and cooling recipients appeared to have received payments for firewood.

Status: Partially corrected, current year finding #08-830-012. The program instructions and annual training packets will be revised to emphasize that all LIHEAP documentation is to be maintained in the permanent case record. The program instructions will also include instructions on the proper use of checklists. Edits are currently in place that should have prevented certification of the two cases noted in the finding. We will be working with DSD staff to determine why the two cases received assistance and how to prevent it in the future.

Finding No: 06-830-012, 07-830-017

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: We selected cases from Section One of the TANF ACF-199 Data Report and traced the data included in the report to case file information for the critical line items as defined by the Compliance Supplement. We noted cases that were not exempt from federal time limit provisions; however, come of the monthly benefit payments were not counted toward the federal time limit.

Status: Not corrected, current year finding #08-830-005. This finding involves a case that had received TANF benefits in another state(s). Since there is no national data base, we have to be notified by the client of such benefits. We then gather evidence and manually enter the out-of-state benefit into our BNMENU data base. We are in the process of re-writing the ACF-199 report due to new federal rules and interpretations of the Deficit Reduction Act. We have rewritten the “months of receipt” code for the new ACF-199 report and have successfully tested it against out-of-state cases. The revisions will be reflected on the ACF-199 report for quarter ended December 31, 2008, which will be submitted in March.

Finding No: 07-830-001

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Cash Management

Finding Summary: During testing we noted that the TANF EBT draws were not made using the Cost Allocation-Daily –Variation #2 funding technique. Instead, the TANF EBT draws appear to be made using Actual Clearance, (ZBA) ZBA-ACH.

Status: Corrected

Finding No: 07-830-005

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$77

Finding Summary: During our testing of Diversion Assistance benefits allowed during SFY 2007, we noted one case received \$2,027 in Diversion Assistance benefits during SFY 2007, which is greater than the \$1,950 maximum allowable benefit.

Status: Corrected

Finding No: 07-830-008

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testing of the ACF-204 Report we noted 5 exceptions. The exceptions noted were that on 4 of the 6 benefit types tested, the report indicates that the “Total Number of Families Serviced under the Program with MOE Funds” is a report on the total number served over the course of the year. However, the number reflected on the report agrees with the average monthly number of families being served over the course of the year as recorded on the DHS Statistical Bulletins report. In addition, on 1 of the 6 benefit types tested (Child Care Assistance); the report indicates that the “Total Number of Families Serviced under the Program with MOE Funds” is a report on the total number served over the

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course of the year. However, we could not obtain supporting documentation for the number provided on the report.

Status: Corrected

Finding No: 07-830-009

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,408

Finding Summary: From the counties located in Area 3, we identified 91 cases that received TANF benefits for more than 60 months. We sampled 23 cases for testing and noted two cases where the client received benefits for more than 60 months without applying for a hardship extension.

Status: Not corrected, current year finding #08-830-003. Concur. The proper paperwork and documentation was not completed and the County Directors have been notified of the finding. Both cases were awaiting SSI decisions, and would have been approved for extensions beyond the 60 month timeframe, had it been requested. The County Directors have been requested to see that their staff review the proper procedure for TANF hardship extensions beyond the 60 month timeframe. Policy and Instructions to Staff on this issue were updated August 1, 2008.

Finding No: 07-830-010

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Child Under Six

Finding Summary: We tested 45 of 2,850 occurrences in cases with children under six that were closed for failure to cooperate with TANF work requirements (closure code 52A or 29B). We noted one case that was closed for not meeting TANF work requirements; however, Department records (case notes) do not indicate there was a failure in meeting TANF work requirements; instead records indicate the client did not cooperate with child support enforcement. The case appears to have been closed using an incorrect case closure code.

Status: Corrected

Finding No: 07-830-011

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During testing of the FY 2007 LIHEAP Carryover and Reallotment Report we noted that this report was not completed and submitted by the Department until August 18, 2007. The deadline for submission was August 1, 2007.

Status: Corrected

Finding No: 07-830-012

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: During testing of the cost allocation report for the quarter ending 12/31/06 we noted that the percentage used to allocate the portion of Cost Pool 674 to the TANF program was 84.69%. Based on review we determined that this allocation is based on SFY04 activity. According to supporting documentation, we noted that the SFY06 allocation percentage was 91.55%.

Status: Corrected

Finding No: 07-830-013

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$9,155

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Finding Summary: From the Area 3 population of 7,285 cases, we noted the following during eligibility testwork of 40 cases:

1. Three cases in which no case file was provided by the county office.
2. Four cases in which no TANF application or review was found for the time period tested in the case file provided by the county office.
3. One case in which no TANF re-determination was found for the time period tested in the case file provided by the county office.

Status: Partially corrected, current year finding #08-830-007. Concur. The county director, field liaison, county supervisor and worker will be advised of the finding. They will be asked to review policy and procedures regarding applications and reviews for the TANF program. This appears to be an isolated incident.

Finding No: 07-830-014

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification Systems

Finding Summary: We tested forty TANF cases to determine that income verification occurred and noted that two of the case files did not contain documentation that the data exchange verification had been performed for the application or review during SFY 07.

Status: Corrected

Finding No: 07-830-015

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification Systems

Finding Summary: We performed testwork on the SFY 2007 G1DX Exception Report. We noted the following exceptions that were not cleared within the allowable 30 days per OKDHS policy:

| Error Type | G1DX TOTAL EXCEPTIONS | G1DX EXCEPTIONS OVER 30 DAYS | % OF EXCEPTIONS OVER 30 DAYS |
|--------------|--------------------------|---------------------------------|---------------------------------|
| BEN | 10,071 | 1,241 | 12.33% |
| IEVDX | 20,425 | 1,889 | 9.25% |
| OWGD | 12,466 | 1,809 | 14.51% |
| SDX | 23,175 | 2,168 | 9.38% |
| SNH | 34,179 | 4,103 | 12.00% |
| UIB01 | 3,127 | 332 | 10.62% |
| TOTAL | 103,443 | 11,542 | 11.16% |

Status: Not corrected, current year finding #08-830-015. Concur. Our goal is to build a better monitoring report, review the business process, analyze for needed policy changes and publish new online/interactive training material. The 12 monthly files that were audited are not all inclusive of reported data discrepancies. They are twelve points in time snapshots. When the discrepancy flag is removed the record is no longer visible. Therefore all of the timely clearances between snapshots are not reflected in the files. The timely clearances are underrepresented and the ratio from the file is not an accurate timeliness percentage.

FSSD acknowledges there is room for improvement in the GIDX process. Over the next 90 days a report that is more indicative of actual performance will be developed and will replace the current “snapshot” report. This will give field managers an accurate means of tracking staff performance.

OKDHS policy gives staff 30 days to clear a discrepancy although the federal standard is 45 days. The federal standard also makes allowances for obtaining collateral information from second parties, which

Summary Schedule of Prior Findings

OKDHS policy does not. The policy team will conduct a review over the next 60 days. Whether to change OKDHS standard from 30 days will be one item to consider.

Over the last year FSSD has identified a need for updated training on clearing case discrepancies. As a result, deployment of training is targeted for the summer of 2009.

Finding No: 07-830-016

CFDA: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$12,967

Finding Summary: During testwork of 90 recipient case files (45 MAP and 45 SCHIP), we noted the following instances of noncompliance:

- For 6 of the 90 recipient case files selected for testing from Area 3, we were unable to obtain the case file supporting the eligibility determination.
- For 5 of the 90 recipient case files selected for testing from Area 3, the case file was provided; however, the determination which covered the time period when the service selected for testing was provided was not found in the case file.
- For 1 of the 90 recipient case files selected we were unable to conclude from the recipient case file documentation that the recipient was eligible to receive program benefits.

Status: Partially corrected, current year finding #08-830-020. Concur. All field staff are trained on completing case reviews timely and properly. The case in question was transferred twice between March 2007 and January 2008. This oversight will be addressed with the three counties that were involved with the case. The case will also be examined to ensure a current review is in the files.

Department of Mental Health and Substance Abuse Services

Finding No: 03-452-001, 04-452-009IT, 05-452-005IT, 06-452-005IT (a), 06-452-005IT (b), 06-452-005IT (c), 07-452-003IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: The Department does not have an IT strategic plan available for review. In addition, the Department does not have an IT steering committee to plan and direct the IT function or a quality assurance program to adequately review projects to ensure user requirements and agency standards are met.

Status: Corrected

Finding No: 02-452-009, 04-452-006IT, 05-452-002IT, 06-452-002IT, 07-452-001IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee for Service Applications.

Status: Partially corrected, see current year finding #08-452-001IT. On 01/15/09, we observed the “access control” system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however, since the monitoring and reporting portion of this application is still under development, we are rating this as partially corrected.

Finding No: 02-452-012, 04-452-007IT, 05-452-003IT, 06-452-003IT, 07-452-002IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: Policies and procedures do not exist for the following areas:

- Developer and support services access rights and responsibilities

Summary Schedule of Prior Findings

- Remote access assignment, control and monitoring

Status: Partially corrected, see current year finding #08-452-002IT. As of 1/15/09, the agency has changed the developer access rights to the system and now only allows developers to have access rights to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel. The development and implementation of an environment that is only available to the developers and removing the developer's access rights from the production environment does mitigate a number of concerns in the original finding, however, since remote access policies and procedures are still under development, we are rating this as partially corrected.

Finding No: 06-452-001, 07-452-002

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: During our testwork of six A-133 audits submitted by subrecipients to ODMHSAS, we noted the following:

- One audit included findings and it appeared ODMHSAS had not followed-up on corrective action within six months of receipt of the audit.
- Three subrecipients submitted their audit reports after the five month due date which is required by ODMHSAS internal policy.

Status: Corrected

Finding No: 07-452-001

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testwork of the Annual SYNAR Report for FFY2007, we noted the following:

- For one outlet, the reported 'Number of Sample Outlets Inspected' in SSES Table 2, for the strata to which it belonged, was not supported by the Synar Compliance Sample List.
- For one outlet, a variance regarding eligibility status exists between the Oklahoma Synar Survey Inspection Form and the data reported in Synar Compliance Sample List and in SSES Table 2

Status: Not corrected, see current year finding #08-452-002. ODMHSAS staff examined strata where the counts reported in the 'Outlet Sample Size', 'Number of Eligible Outlets in Sample', 'Number of Sample Outlets Inspected' and/or 'Number of Sample Outlets in Violation' columns do not trace to the supporting Synar Compliance Sample List. In fiscal year 2008 ODMHSAS oversampled by 20%, which is not federally required. Oversampling is preferred to address situations, such as this, that may arise. Had ODMHSAS utilized the minimum sample, the total number of inspections required would have been 291, and the strata samples would have been less. Therefore, the actual number of inspections in each stratum was sufficient to meet the federal requirement. Outlets are included in strata based on the geographic location reported by the Oklahoma Tax Commission. If an outlet is placed into a stratum outside the actual geographic location, inspection officers are required to visit that outlet regardless and keep the outlet in the predesignated stratum. In addition, ODMHSAS has instituted an additional staff review of inspection forms to ensure strata totals are accurate. According to Table 3 in the report, there were two outlets visited that were closed at the time of the visit and recorded as such. The two outlets identified in Table 2 may have been closed at the time of the first visit, but were inspected upon a second visit. If an outlet is closed at the time of the visit then open upon a revisit, a second form is completed by the inspection officer. It is possible that the second form was not properly attached to the original first form by the officer or a data entry error occurred, mistakenly recording the outlet as ineligible. ODMHSAS will advise the inspection officer to attach related outlet forms together to reduce errors. ODMHSAS will also require the ABLE Commission to utilize data entry forms prescribed by ODMHSAS to reduce clerical errors

Finding No: 07-452-004IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Summary Schedule of Prior Findings

Finding Summary: The agency does not have a quality assurance program to adequately review projects ensuring that they meet user requirements and agency standards.

Status: Partially corrected, see current year finding #08-452-003IT. As of 01/21/09, the IT Steering Committee has been discussing how to proceed on this issue, and has requested information to help them in planning for quality assurance.

Oklahoma Military Department

Finding No: 07-025-001

CFDA No: 12.401

Federal Agency: Department of Defense

Control Category: Allowable Costs/Cost Principles

Finding Summary: Based on payroll testwork performed and discussion with management, we noted the department did not perform a periodic certification for an employee expected to work solely on the National Guard Military Operations & Maintenance Projects program.

Status: Corrected

Finding No: 07-025-002

CFDA No: 12.401

Federal Agency: Department of Defense

Control Category: Allowable Costs/Cost Principles

Finding Summary: Based on payroll testwork performed and discussion with management, we noted that one timesheet was not in the employee's file, three timesheets were not signed by the employee, and one timesheet was not signed by the supervisor.

Status: Corrected

Finding No: 07-025-003

CFDA No: 12.401

Federal Agency: Department of Defense, National Guard Bureau

Control Category: Equipment and Real Property

Finding Summary: Based on procedures performed, we noted the following:

- The Oklahoma Military Department is maintaining an inventory list; however, we were unable to determine that the inventory listing was complete.
- Supporting documentation of inventory purchases were not maintained in the inventory files.
- The agency is maintaining a list of surplus property disposed of by the Department; however, the list does not include where the property is maintained, purchase price, when sold or selling price, if transferred to which state agency or authorized entity, and if otherwise disposed of, what manner.

Status: Partially corrected. The Military Department has supporting documentation of inventory purchases with inventory files and has corrected the surplus property list to meet DCS Standards. However, the Department has not performed a physical inventory count within the specified amount of time and we were unable to locate two items on the inventory listing. See current year audit finding # 08-025-001. A schedule has been made for all locations containing equipment bought through the Cooperative Agreement and a physical audit of all equipment will be completed by 30 June 2009.

Department Of Rehabilitation Services

Finding No's: 00-805-005, 01-805-001, 02-805-001, 03-805-001, 04-805-009, 05-805-002, 06-805-002, 07-805-001

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Cash Management

Summary Schedule of Prior Findings

Finding Summary: During testing, we noted the Department did not have adequate documentation supporting their draws. In addition, the Department is not requesting funds on the fifteenth of the month (or the closest working day) or adjusting to actual on a quarterly basis as required by the CMIA agreement.

Status: Not corrected. Current year finding number 08-805-001. We concur with the finding in regards to timeliness of the draws. Due diligence will be given to correcting the timeliness of the draws. Issues highlighted by the audit point will be analyzed by staff and adjustments made either to internal business processes or changes as negotiated in the agreement to comply with the finding.

Finding No: 06-805-001, 07-805-002

CFDA: 84.126

Federal Agency: US Department of Education

Control Category: Activities Allowed, Allowable Costs, & Eligibility

Finding Summary: We noted direct services and medical maintenance and transportation client case files tested included clients that were receiving services (other than those listed in Title 612:10-3-4) and had no supporting information to verify the client's financial status. Also, we noted a case file tested included a client for which eligibility was improperly awarded.

Status: Corrected.

Finding No: 07-805-003

CFDA: 84.126

Federal Agency: US Department of Education

Control Category: Allowable Costs/Cost Principles

Finding Summary: During testing of the direct payroll certifications, we noted the following:

- We were unable to obtain the payroll certifications for SFY07 for 4 of the 45 direct employees selected for testing.
- We were unable to obtain the payroll certifications for the 7/1/06-12/31/06 period for 11 of the 45 direct employees selected for testing.

Status: Not corrected. Current year finding number 08-805-003. The Agency concurs with the audit finding. The Agency switched to an electronic reporting system in SFY-2007. Certifications will be corrected. The system and the instructions have been modified to make it more user friendly and the instructions should clarify the process for the supervisors. The new instructions will be provided to reporting staff by March 30, 2009. Financial Staff will monitor the certifications for accuracy.

Finding No: 07-805-004

CFDA: 84.126

Federal Agency: US Department of Education

Questioned Costs: \$21,986

Control Category: Eligibility and Activities Allowed or Unallowed

Finding Summary: Of the Vocational Rehabilitation/Visual Services case files tested, we noted the following:

- In four of the forty cases files selected for testing, the eligibility determination was not made within 60 days after the individual submitted the application for service. Additionally, in one of these four cases, an award letter was not obtained for the client receiving Social Security Disability benefits.
- In one of the forty cases selected for testing, an Individualized Plan for Employment was not prepared for the client and the client received services after the case was closed.
- In three of the forty cases selected for testing, the client did not provide a grade report at the end of the semester verifying a satisfactory passing grade in all courses paid by the Department.
- In two of the forty cases selected for testing, an award letter was not obtained for the client receiving Social Security Disability benefits and the VR Specialists did not verify the benefits were being received through their liaison to the Social Security Administration.
- In one of the forty cases selected for testing, the case file was not provided for testing by the Department.

Summary Schedule of Prior Findings

Status: Partially corrected. Current year finding number 08-805-002. All three cases have been reviewed by the Field Coordinator and the appropriate documentation has been added to the case files. The program manager has been briefed and the policy and process has been reviewed with the counselor and staff. Bi-annual case reviews are conducted to assure that DRS policy and procedures are followed with regards to case management practices. Special attention will given to the issues identified by this audit point.

Department Of Transportation

Finding No: 03-345-018, 04-345-010IT, 05-345-005IT, 06-345-001IT, 07-345-001IT

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

Finding Summary: There is no documented, approved, and tested disaster recovery plan or alternative processing procedures to ensure the continuance of state business in the event of a disaster.

Status: Does not warrant further action. The reasons are (1) two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse, (2) The federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and (3) Although a management decision was issued, the Federal Highway Administration has since stated they do not expect to see this as a repeat finding for FY 2008.

Finding No: 03-345-017, 04-345-008IT, 05-345-006IT, 06-345-002IT, 07-345-002IT

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

Finding Summary: Review of the process to transfer data from the Financial Management System to the Project Funding System and subsequent creation of the weekly billing to FHWA found the procedures inadequate in ensuring the transfer was complete. In addition, the data processing and tracking techniques used to calculate the weekly billing to the FHWA does not prove data processing continuity either in number or records or dollar amounts between the source information used to create the billing and the final amount billed to FHWA.

Status: Does not warrant further action. The reasons are (1) two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse, (2) The federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and (3) Although a management decision was issued, the Federal Highway Administration has since stated they do not expect to see this as a repeat finding for FY 2008.

Finding No: 03-345-021, 04-345-012IT, 05-345-007IT, 06-345-003IT, 07-345-003IT

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

Finding Summary: End users within the Comptroller Division have direct access to change/modify production reporting through TSO. This ability jeopardizes the integrity of financial information. Additionally, the financial reconciliation of the material ODOT accounts found in their statement of net assets (e.g., Infrastructure, Construction in Progress, Federal Receivable) are performed using Ad-Hoc queries rather than through standardized production reporting.

Status: This finding is rescinded. The original finding was based on a misunderstanding between the auditor and auditee of the terminology ad-hoc query vs. ad-hoc report.

Finding No: 05-345-011, 06-345-005, 07-345-001

CFDA: 20.205

Federal Agency: Department of Transportation

Summary Schedule of Prior Findings

Control Category: Davis-Bacon Act

Finding Summary: For the projects tested, we noted instances where there were no payroll reports in the documentation provided by management for the weeks in which payroll reports were expected. There were also instances where the expected payroll reports were not received by the Department within two weeks of the end of the payroll reporting period. There was no evidence in the documentation provided that management had followed up with the contractors regarding the missing payroll reports in accordance with the Department's control directive. We also observed payroll reports that did not indicate the date they were received by the Department. In addition, we noted inconsistencies between data reported in SiteManager and what was present in the actual project files.

Status: Partially corrected, current year finding #08-345-001. The agency continues to require documentation necessary for proper reporting. As this reporting improves the data will improve for the audit.

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Attorney General

16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.740 Statewide Automated Victim Information Notification (SAVIN) Program
93.671 Family Violence Prevention and Services - Grants for Battered Women's Shelters - Grants to States and Indian Tribes
93.775 State Medicaid Fraud Control Units

Agriculture, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
10.069 Conservation Reserve Program
10.163 Market Protection and Promotion
10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
10.664 Cooperative Forestry Assistance
66.608 Environmental Information Exchange Network Grant Program and Related Assistance
66.700 Consolidated Pesticide Enforcement Cooperative Agreements
93.103 Food and Drug Administration Research

Boll Weevil Eradication

10.025 Plant and Animal Disease, Pest Control, and Animal Care

Career and Technology Education, Department of

12.002 Procurement for Technical Assistance for Business Firms
17.261 WIA Pilots, Demonstrations, and Research Projects
84.048 Career and Technical Education - Basic Grants to States
84.243 Tech Prep Education

Central Services, Department of

39.003 Donation of Federal Surplus Personal Property

Commerce, Department of

14.228 Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii
14.231 Emergency Shelter Grant Program
14.238 Shelter Plus Care
14.246 Community Development Block Grants/Brownfields Economic Development Initiative
17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers
17.261 WIA Pilots, Demonstrations, and Research Projects
17.267 Incentive Grants - WIA Section 503
17.268 H-1B Job Training Grants
81.041 State Energy Program
81.042 Weatherization Assistance for Low-Income Persons
81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
93.569 Community Services Block Grant
93.600 Head Start

Conservation Commission

10.902 Soil and Water Conservation
15.252 Abandoned Mine Land Reclamation (AMLR) Program
15.808 U.S. Geological Survey - Research & Data Collection

Corporation Commission

20.700 Pipeline Safety Program Base Grants
66.433 State Underground Water Source Protection
66.804 State and Tribal Underground Storage Tanks Program
66.805 Leaking Underground Storage Tank Trust Fund Program
66.817 State and Tribal Response Program Grants

Corrections, Department of

16.202 Prisoner Reentry Initiative Demonstration (Offender Reentry)
16.606 State Criminal Alien Assistance
84.255 Literacy Programs for Prisoners
84.331 Grants to States for Incarcerated Youth Offenders

Schedule of Federal Programs by State Agency

District Attorneys Council

16.554 National Criminal History Improvement Program (NCHIP)
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.575 Crime Victim Assistance
16.576 Crime Victim Compensation
16.579 Edward Byrne Memorial Formula Grant Program
16.588 Violence Against Women Formula Grants
16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.592 Local Law Enforcement Block Grant Program
16.593 Residential Substance Abuse Treatment for State Prisoners
16.609 Community Prosecution and Project Safe Neighborhoods
16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.744 Anti-Gang Initiative

Education, Department of

10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.558 Child and Adult Care Food Program
10.559 Summer Food Service Program for Children
10.560 State Administrative Expenses for Child Nutrition
10.574 Team Nutrition Grants
12.404 National Guard Civilian Youth Opportunities Program
84.002 Adult Education - Basic Grants to States
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education-Basic State Grant Program
84.013 Title I Program for Neglected and Delinquent Children
84.027 Special Education-Grants to States
84.173 Special Education - Preschool Grants
84.181 Special Education-Grants for Infants and Families
84.185 Byrd Honors Scholarships
84.186 Safe and Drug-Free Schools and Communities - State Grants
84.196 Education for Homeless Children and Youth
84.213 Even Start - State Educational Agencies
84.215 Fund for the Improvement of Education
84.287 Twenty-First Century Community Learning Centers
84.298 State Grants for Innovative Programs
84.318 Education Technology State Grants
84.323 Special Education - State Personnel Development
84.332 Comprehensive School Reform Demonstration
84.357 Reading First State Grants
84.358 Rural Education
84.365 English Language Acquisition Grants
84.366 Mathematics and Science Partnerships
84.367 Improving Teacher Quality State Grants
84.369 Grants for State Assessments and Related Activities
84.377 School Improvement Grants
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health
94.005 Learn and Serve America - Higher Education
94.013 Volunteers in Service to America

Election Board, State

39.011 Election Reform Payments
90.401 Help America Vote Act Requirement Payments
93.617 Voter Access for Individuals with Disabilities

Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
97.023 Community Assistance Program State Support Services Element (CAP-SSSE)
97.032 Crisis Counseling
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.042 Emergency Management Performance Grants
97.046 Fire Management Assistance Grant
97.047 Pre-Disaster Mitigation
97.052 Emergency Operations Center
97.053 Citizens Corp
97.070 Map Modernization Management Support
97.092 Repetitive Food Claims

Schedule of Federal Programs by State Agency

Employment Security Commission

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|--------|--|
| 17.002 | Labor Force Statistics |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities |
| 17.225 | Unemployment Insurance |
| 17.235 | Senior Community Service Employment Program |
| 17.245 | Trade Adjustment Assistance |
| 17.260 | WIA Dislocated Workers |
| 17.266 | Work Incentive Grants |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) |
| 17.273 | Temporary Labor Certification for Foreign Workers |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) |
| 17.804 | Local Veterans' Employment Representative Program |

Environmental Quality, Department of

| | |
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| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services |
| 14.218 | Community Development Block Grants/Entitlement Grants |
| 15.616 | Clean Vessel Act |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act |
| 66.202 | Congressionally Mandated Projects |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Fund |
| 66.471 | State Grants to Reimburse Operators Of Small Water Systems for Training and Certification Costs |
| 66.474 | Water Protection Grants to the States |
| 66.605 | Performance Partnership Grants |
| 66.606 | Surveys, Studies, Investigations and Special Purpose Grants |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance |
| 66.708 | Pollution Prevention Grants Program |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements |
| 66.811 | Brownfields Pilots Cooperative Agreements |
| 66.817 | State and Tribal Response Program Grants |

Health, Department of,

| | |
|--------|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 66.716 | Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies |
| 93.069 | Public Health Emergency Preparedness |
| 93.110 | Maternal and Child Health Federal Consolidated Programs |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs |
| 93.161 | Health Programs for Toxic Substances and Disease Registry |
| 93.197 | Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead |
| 93.217 | Family Planning Services |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program |
| 93.235 | Abstinence Education Program |
| 93.238 | Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement |
| 93.251 | Universal Newborn Hearing Screening |
| 93.262 | Occupational Safety & Health Program |
| 93.268 | Immunization Grants |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance |
| 93.296 | State Partnership Grant to Improve Minority Health |
| 93.590 | Community-Based Child Abuse Prevention Grants |
| 93.773 | Medicare - Hospital Insurance |
| 93.889 | National Bioterrorism Hospital Preparedness Program |
| 93.917 | HIV Care Formula Grants |
| 93.940 | HIV Prevention Activities - Health Department Based |
| 93.944 | Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control |
| 93.977 | Preventive Health Services - Sexually Transmitted Diseases Control Grants |
| 93.988 | Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems |
| 93.991 | Preventive Health and Health Services Block Grant |
| 93.994 | Maternal and Child Health Services Block Grant to the States |
| - | X-Ray Inspections |
| - | Clinical Laboratory Improvement Amendments |

Historical Society

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| 15.904 | Historic Preservation Fund Grants-In-Aid |
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Human Rights Commission

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| 14.401 | Fair Housing Assistance Program-State and Local |
| 30.002 | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts |

Schedule of Federal Programs by State Agency

Human Services, Department of

10.550 Food Donation
10.551 Supplemental Nutrition Assistance Program
10.555 National School Lunch Program
10.560 State Administrative Expenses for Child Nutrition
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.568 Emergency Food Assistance Program (Administrative Costs)
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
93.041 Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation
93.042 Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals
93.043 Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services
93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services
93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
93.052 National Family Caregiver Support, Title III, Part E
93.053 Nutrition Services Incentive Program
93.086 Healthy Marriage Promotion and Responsible Fatherhood Grants
93.556 Promoting Safe and Stable Families
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.566 Refugee and Entrant Assistance - State Administered Programs
93.568 Low-Income Home Energy Assistance
93.575 Child Care and Development Block Grant
93.576 Refugee and Entrant Assistance - Discretionary Grants
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.597 Grants to States for Access and Visitation Programs
93.599 Chafee Education and Training Vouchers Program
93.630 Developmental Disabilities Basic Support and Advocacy Grants
93.643 Children's Justice Grants to States
93.645 Child Welfare Services - State Grants
93.647 Social Services Research and Demonstration
93.652 Adoption Opportunities
93.658 Foster Care - Title IV - E
93.659 Adoption Assistance
93.667 Social Services Block Grant
93.669 Child Abuse and Neglect State Grants
93.674 Chafee Foster Care Independence Program
93.778 Medical Assistance Program
93.994 Maternal and Child Health Services Block Grant to the States
94.011 Foster Grandparent Program

Insurance Department

93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
93.779 CMS Research, Demonstrations and Evaluations

Labor, Department of

17.005 Compensation and Working Conditions
17.504 Consultation Agreements
66.701 Toxic Substances Compliance Monitoring Cooperative Agreements

Legislative Service Bureau

16.550 State Justice Statistics Program for Statistical Analysis Centers

Libraries, Department of

45.310 Grants to States
45.312 National Leadership Grant
89.003 National Historical Publications and Records Grants

Schedule of Federal Programs by State Agency

Mental Health and Substance Abuse, Department of

14.238 Shelter Plus Care
16.585 Drug Court Discretionary Grant Program
84.186 Safe and Drug-Free Schools and Communities - State Grants
93.087 Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse
93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances
93.150 Projects for Assistance in Transition from Homelessness (PATH)
93.242 Mental Health Research Grants
93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
93.275 Substance Abuse and Mental Health Services - Access to Recovery
93.779 CMS Research, Demonstration and Evaluations
93.958 Block Grants for Community Mental Health Services
93.959 Block Grants for Prevention and Treatment of Substance Abuse
- Implementation Alcohol Drug Data Collection
- State Outcome Measurement & Management System
- State Epidemiological Outcomes Workgroup
- CSAP Prevention Fellowship
- Client Level Projects

Military Department

12.400 Military Construction, National Guard
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.404 National Guard Civilian Youth Opportunities Program

Mines, Department of

15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
17.600 Mine Health and Safety Grants

Narcotics/Dangerous Drugs Control

16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
16.710 Public Safety Partnership and Community Policing Grants
94.006 AmeriCorps
- High Intensity Drug Trafficking Area
- Marijuana Eradication Suppression Program

Office of Handicapped Concerns

84.161 Rehabilitation Services-Client Assistance Program

Office of Juvenile Affairs

16.523 Juvenile Accountability Block Grants
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States
16.548 Title V - Delinquency Prevention Program

Oklahoma Aeronautics Commission

20.106 Airport Improvement Program

Oklahoma Health Care Authority

93.767 State Children's Insurance Program
93.777 State Survey and Certification of Health Care Providers and Suppliers
93.778 Medical Assistance Program
93.791 Money Follows the Person Rebalancing Demonstration
97.793 Medicaid Transformation Grant

Oklahoma Space Industry Development Authority

20.106 Airport Improvement Program
43.001 Aerospace Education Services Program

Physician Manpower Training Commission

93.165 Grants to States for Loan Repayment Program

Schedule of Federal Programs by State Agency

Public Safety, Department of

16.007 State and Local Domestic Preparedness Equipment Support Program
16.710 Public Safety Partnership and Community Policing Grants
16.727 Enforcing Underage Drinking Laws Program
20.218 National Motor Carrier Safety
20.232 Commercial Drivers License State Programs
20.600 State and Community Highway Safety
20.601 Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants
20.609 Safety Belt Performance Grant
20.610 State Traffic Safety Information System Improvement Grants
20.612 Incentive Grant Program to Increase Motorcyclist Safety
97.004 State Domestic Preparedness Equipment Support Program
97.012 Boating Safety Financial Assistance
97.042 Emergency Management Performance Grants
97.067 Homeland Security Grant
97.078 Buffer Zone Protection Program

Rehabilitation Services, Department of

84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
84.169 Independent Living - State Grants
84.177 Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind
84.187 Supported Employment Services for Individuals with Significant Disabilities
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training
96.001 Social Security - Disability Insurance

State Arts Council

45.025 Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

15.427 Federal Oil and Gas Royalty Management

State Bureau of Investigation

16.543 Missing Children's Assistance
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.564 No Suspect Casework DNA Backlog Reduction
16.741 Forensic DNA Backlog Reduction Program
16.743 Forensic Casework DNA Backlog Reduction
16.748 Convicted Offender and/or Arrestee DNA Backlog Reduction Program

State of Oklahoma

21.999 Jobs and Growth Tax Relief

Supreme Court

93.586 State Court Improvement Program

Tourism & Recreation, Department of

15.622 Sportfishing and Boating Safety Act
15.916 Outdoor Recreation-Acquisition, Development and Planning
20.219 Recreational Trails Program
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Transportation, Department of

20.205 Highway Planning and Construction
20.509 Formula Grants for Other Than Urbanized Areas

Veterans Affairs, Department of

64.005 Grants to States for Construction of State Home Facilities
64.015 Veterans State Nursing Home Care
64.124 All-Volunteer Force Educational Assistance

Water Resources Board

15.504 Water Reclamation and Reuse Program
15.506 Water Desalination Research and Development Program
66.419 Water Pollution Control State, Interstate, and Tribal Program Support
66.436 Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act
66.454 Water Quality Management Planning
66.460 Nonpoint Source Implementation Grants
66.461 Regional Wetland Program - Development Grants
66.463 Water Quality Cooperative Agreements
66.512 Regional Environment Monitoring & Assessment Program (REMAP) Research Projects
66.606 Surveys, Studies, Investigations, and Special Purpose Grants
66.709 Multi-Media Capacity Building Grants for States and Tribes
97.041 National Dam Safety Program

Schedule of Federal Programs by State Agency

Wildlife, Department of

| | |
|--------|---|
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care |
| 10.028 | Wildlife Services |
| 10.902 | Soil and Water Conservation |
| 15.605 | Sport Fish Restoration |
| 15.611 | Wildlife Restoration |
| 15.615 | Cooperative Endangered Species Conservation Fund |
| 15.626 | Hunter Education and Safety Program |
| 15.633 | Landowner Incentive Program |
| 15.634 | State Wildlife Grants |
| - | McGee Creek Project |

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Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2008

| | Office of State Finance Centrex | Capitol Improvement Authority | Department of Corrections - Oklahoma Correctional Industries | Department of Central Services | Total |
|---|--|-------------------------------------|--|--------------------------------------|----------------|
| Total Revenues | \$ 7,541,485 | \$ 143,248,377 | \$ 24,886,304 | \$ 51,693,664 | \$ 227,369,830 |
| Total Expenditures | 7,473,315 | 226,944,763 | 25,059,214 | 48,623,628 | 308,100,920 |
| Revenues Over (Under) Expenditures | 68,170 | (83,696,386) | (172,910) | 3,070,036 | (80,731,090) |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers In | - | - | - | 2,515,420 | 2,515,420 |
| Operating Transfers Out | - | (354,190) | - | - | (354,190) |
| Bond Proceeds | - | - | - | - | - |
| Premium from Bond Issue | - | - | - | - | - |
| Discount on Bond Issue | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | (354,190) | - | 2,515,420 | 2,161,230 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | 68,170 | (84,050,576) | (172,910) | 5,585,456 | (78,569,860) |
| Fund Balances - Beginning of Year | 7,833,356 | 736,725,592 | 9,837,390 | 59,618,161 | 814,014,499 |
| Fund Balances - End of Year | \$ 7,901,526 | \$ 652,675,016 | \$ 9,664,480 | \$ 65,203,617 | \$ 735,444,639 |

Selected Activities for Internal Service Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2008

| | Office of State Finance Centrex | Capitol Improvement Authority | Department of Corrections - Oklahoma Correctional Industries | Department of Central Services | Total |
|------------------------|--|-------------------------------------|--|--------------------------------------|----------------|
| June 30, 2007 | | | | | |
| Ending Fund Balance | \$ 7,862,784 | 736,725,592 | 9,331,754 | 57,238,062 | 811,158,192 |
| July 1, 2007 | | | | | |
| Beginning Fund Balance | 7,833,356 | 736,725,592 | 9,837,390 | 59,618,161 | 814,014,499 |
| Cash Basis Data - | | | | | |
| FY 2008 Revenues | \$ 7,541,485 | \$ 143,248,377 | \$ 24,886,304 | \$ 51,693,664 | \$ 227,369,830 |
| FY 2008 Expenditures | 7,473,315 | 226,944,763 | 25,059,214 | 48,623,628 | 308,100,920 |
| FY 2007 Revenues | \$ 7,110,338 | \$ 169,458,810 | \$ 26,719,523 | \$ 40,221,164 | \$ 243,509,835 |
| FY 2007 Expenditures | 7,623,130 | 223,020,868 | 26,436,002 | 18,162,879 | 275,242,879 |
| FY 2006 Revenues | \$ 6,914,726 | \$ 149,239,048 | \$ 19,178,018 | \$ 40,108,467 | \$ 215,440,259 |
| FY 2006 Expenditures | 6,200,696 | 149,008,027 | 22,251,178 | 34,872,080 | 212,331,981 |
| FY 2005 Revenues | \$ 6,221,675 | \$ 48,687,359 | \$ 22,381,255 | \$ 39,420,518 | \$ 116,710,807 |
| FY 2005 Expenditures | 6,058,374 | 61,086,111 | 20,778,987 | 58,099,105 | 146,022,577 |
| FY 2004 Revenues | \$ 6,681,226 | \$ 34,588,139 | \$ 16,696,278 | \$ 43,158,953 | \$ 101,124,596 |
| FY 2004 Expenditures | 5,376,259 | 93,923,582 | 19,092,697 | 16,974,235 | 135,366,773 |
| FY 2003 Revenues | \$ 7,958,873 | \$ 105,418,792 | \$ 18,799,319 | \$ 33,638,353 | \$ 165,815,337 |
| FY 2003 Expenditures | 6,484,542 | 133,962,684 | 18,641,469 | 28,438,516 | 187,527,211 |
| FY 2002 Revenues | \$ 6,655,452 | \$ 100,839,257 | \$ 21,109,749 | \$ 31,227,073 | \$ 227,369,830 |
| FY 2002 Expenditures | 7,142,155 | 206,866,678 | 15,710,229 | 22,895,889 | 308,100,920 |
| FY 2001 Revenues | \$ 6,953,009 | \$ 385,493,871 | \$ 18,786,750 | \$ 26,727,356 | \$ 437,960,986 |
| FY 2001 Expenditures | 6,512,837 | 375,044,970 | 16,401,905 | 22,925,119 | 420,884,831 |
| FY 2000 Revenues | \$ 7,088,960 | \$ 413,990,357 | \$ 21,242,630 | \$ 24,635,015 | \$ 466,956,962 |
| FY 2000 Expenditures | 5,227,259 | 450,125,696 | 15,902,079 | 21,724,429 | 492,979,463 |
| FY 1999 Revenues | \$ 6,986,000 | \$ 645,717,311 | \$ 20,880,942 | \$ 22,996,273 | \$ 696,580,526 |
| FY 1999 Expenditures | 6,210,227 | 438,167,389 | 15,394,894 | 19,255,616 | 479,028,126 |

Selected Activities for Internal Service Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2008

Trend Analysis

| | Office of State Finance Centrex | Capitol Improvement Authority | Department of Corrections - Oklahoma Correctional Industries | Department of Central Services |
|--|--|-------------------------------------|--|--------------------------------------|
| Comparison of FY 2008 Revenue to Prior Years' | | | | |
| FY07 | 106.06% | 84.53% | 93.14% | 128.52% |
| FY06 | 109.06% | 95.99% | 129.76% | 128.88% |
| FY05 | 121.21% | 294.22% | 111.19% | 131.13% |
| FY04 | 112.88% | 414.15% | 149.05% | 119.78% |
| FY03 | 94.76% | 135.89% | 132.38% | 153.67% |
| Comparison of FY 2008 Expenditures to Prior Years' | | | | |
| FY07 | 98.03% | 101.76% | 94.79% | 267.71% |
| FY06 | 120.52% | 152.30% | 112.62% | 139.43% |
| FY05 | 123.36% | 371.52% | 120.60% | 83.69% |
| FY04 | 139.01% | 241.63% | 131.25% | 286.46% |
| FY03 | 115.25% | 169.41% | 134.43% | 170.98% |
| Revenues expressed as a percent of expenditures | | | | |
| FY08 | 100.91% | 63.12% | 99.31% | 106.31% |
| FY07 | 93.27% | 75.98% | 101.07% | 221.45% |
| FY06 | 111.52% | 100.16% | 86.19% | 115.02% |
| FY05 | 102.70% | 79.70% | 107.71% | 67.85% |
| FY04 | 124.27% | 36.83% | 87.45% | 254.26% |
| FY03 | 122.74% | 78.69% | 100.85% | 118.28% |
| FY02 | 93.19% | 48.75% | 134.37% | 136.39% |
| FY01 | 106.76% | 102.79% | 114.54% | 116.59% |
| FY00 | 135.62% | 91.97% | 133.58% | 113.40% |
| FY99 | 112.49% | 147.37% | 135.64% | 119.43% |



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