

SINGLE AUDIT REPORT

STATE OF OKLAHOMA 2011

For the year ended June 30, 2011



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



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

OKLAHOMA

2011

Single Audit Report

For The Fiscal Year Ended June 30, 2011

Prepared by
Office of the State Auditor and Inspector

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



Oklahoma State Auditor & Inspector

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

March 29, 2012

**TO THE HONORABLE MARY FALLIN, GOVERNOR
OF THE STATE OF OKLAHOMA AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

This is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2011. 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.

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR

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**Independent Auditor's 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 Awards**

**Independent Auditor's 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
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Independent Auditor's Report

**To the Honorable Mary Fallin, 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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, Water Resources Board, 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*. All of the federal programs for the above referenced agencies represent 2.59% 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, 2011. 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.

As described in items 11-290-001, 11-305-002, 11-305-003, 11-305-005 (Subrecipient Monitoring Only), 11-345-006, 11-345-008, 11-345-009, 11-345-014, 11-345-016 (Subrecipient Monitoring only), 11-345-019, and 11-830-001, in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding:

- Reporting applicable to 20.509-Formula Grants for Other than Urbanized Areas
- Subrecipient Monitoring and Special Test-R3-Subrecipient Monitoring applicable to 20.509-Formula Grants for Other than Urbanized Areas
- Subrecipient Monitoring and Special Test-R3-Subrecipient Monitoring applicable to 84.394-State Fiscal Stabilization Fund(SFSF)-Education State Grants, Recovery Act, and 84.397-State Fiscal Stabilization Fund(SFSF)-Government Services, Recovery Act
- Special Test-N3-Match with IRS 940 FUTA Tax Form applicable to 17.225-Unemployment Insurance Program
- Special Test-N3-EBT Card Security applicable to 10.551-Supplemental Nutrition Assistance Program (SNAP)

Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Oklahoma, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other 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:

11-265-001	11-265-003	11-265-004	11-265-006	11-265-008
11-290-001	11-290-002	11-290-003	11-305-002	11-305-003
11-305-004	11-305-005	11-340-002	11-340-006	11-340-008
11-345-006	11-345-008	11-345-009	11-345-010	11-345-014
11-345-016	11-345-017	11-345-019	11-452-001	11-605-001
11-605-002	11-805-002	11-805-004	11-805-005	11-805-006
11-805-007	11-805-008	11-805-009	11-805-010	11-807-001
11-807-002	11-807-008	11-807-009	11-807-010	11-807-011
11-807-013	11-807-014	11-830-001	11-830-003	11-830-004
11-830-006	11-830-007	11-830-008	11-830-010	11-830-011
11-830-012	11-830-013			

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified

certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

11-265-004	11-290-001	11-305-002	11-305-003	11-305-004
11-305-005	11-345-006	11-345-008	11-345-009	11-345-016
11-807-014	11-830-001			

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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.

11-265-001	11-265-003	11-265-008	11-290-002	11-290-003
11-340-002	11-340-006	11-340-008	11-345-001	11-345-002
11-345-004	11-345-005	11-345-010	11-345-012	11-345-014
11-345-017	11-345-019	11-452-001	11-452-006IT	11-605-001
11-605-002	11-805-001	11-805-002	11-805-003	11-805-004
11-805-005	11-805-006	11-805-008	11-805-009	11-805-010
11-805-011	11-807-001	11-807-002	11-807-005	11-807-008
11-807-011	11-807-013	11-830-003	11-830-006	11-830-007
11-830-008	11-830-010	11-830-011	11-830-012	11-830-013

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, 2011, and have issued our report thereon dated December 30, 2011, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System, the net deficit of the Multiple Injury Trust Fund, the identification of financial statements audited by other auditors, and the effects of implementing GASB 54 resulting in certain changes to the presentation of fund balance. 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.

The State of Oklahoma's responses 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 responses and, accordingly, we express no opinion on the responses.

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

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

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

March 28, 2012 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 30, 2011

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

**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, 2011

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	10.025	Department of Agriculture	\$ 1,056,721	
	10.025	Department of Wildlife Conservation	61,347	\$ 1,118,068
Wildlife Services	10.028	Department of Wildlife Conservation		24,913
Conservation Reserve Program	10.069	Department of Agriculture		10,887
Market Protection and Promotion	10.163	Department of Agriculture		85,396
Specialty Crop Block Grant	10.169	Department of Agriculture		(635)
Specialty Crop Block Grant Program - Farm Bill	10.170	Department of Agriculture		268,244
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,491,070
Supplemental Nutrition Assistance Program (SNAP)	10.551	Department of Human Services	\$ 942,296,001	✱
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	Department of Human Services	50,256,213	✱
ARRA - State Administrative Matching Grants for SNAP	10.561	Department of Human Services	1,519,191	✱ 994,071,405 ✱
School Breakfast Program (SBP)	10.553	Department of Education	50,631,882	✱
National School Lunch Program (NSLP)	10.555	Department of Education	138,714,737	✱
	✱ 10.555	Department of Human Services	10,013,456	✱
Special Milk Program for Children (SMP)	10.556	Department of Education	22,908	✱
Summer Food Service Program for Children (SFSPC)	10.559	Department of Education	3,055,326	✱
	✱ 10.559	Department of Human Services	44,592	✱ 202,482,901 ✱
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		90,985,376 ✱
Child and Adult Care Food Program	10.558	Department of Education	55,838,133	
	✱ 10.558	Department of Human Services	218,656	✱ 56,056,789 ✱
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,527,624	
	10.560	Department of Human Services	525,641	3,053,265
Commodity Supplemental Food Program	10.565	Department of Human Services		1,130,829
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	605,822	✱
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	333,439	✱
Emergency Food Assistance Program (Food Commodities)	✱ 10.569	Department of Human Services	6,740,843	✱ 7,680,104
Senior Farmers Market Nutrition Program	10.576	Department of Human Services		73,775
WIC Grants to States	10.578	State Department of Health		51,775
Outreach/Participation Program (SNAP)	10.580	Department of Human Services		1,152,121
Fresh Fruit and Vegetable Program	10.582	Department of Education		1,693,985
Forestry Research	10.652	Department of Agriculture		244,967
Cooperative Forestry Assistance	10.664	Department of Agriculture		1,133,359
Forest Legacy Program	10.676	Department of Agriculture		5,526
Cooperative Forest Land Enhancement Program	10.677	Department of Agriculture		12,067
Soil and Water Conservation	10.902	Conservation Commission	3,145,696	
	10.902	Department of Wildlife Conservation	15,414	3,161,110
Environmental Quality Incentives Program	10.912	Department of Agriculture		89,826
Wildlife Habitat Incentive Program	10.914	Department of Wildlife Conservation		121,312
ARRA - Watershed Rehabilitation Program	10.916	Conservation Commission		3,084,437
Subtotal				1,369,282,872
U.S. Department of Commerce				
Direct Programs:				
Public Safety Interoperable Communications Grant Program	11.555	Department of Public Safety		2,154,126
Broadband Technology Opportunities Program (BTOP)	11.557	Department of Libraries		448,515
ARRA - SBDD State of Oklahoma	11.558	Office of State Finance		839,074
Subtotal				3,441,715
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		581,587
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		138,239
Military Construction, National Guard	12.400	Oklahoma Military Department		50,333,495

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, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department	26,163,443	
ARRA - Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department	463,113	26,626,556 *
National Guard Challenge Program	12.404	Oklahoma Military Department		3,646,191
Troops to Teachers	-	Department of Education		157,220
Subtotal				\$ 81,483,288
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		350,219
Subtotal				\$ 350,219
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii--	14.228	Department of Commerce	26,826,107 *	
ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii--	14.255	Department of Commerce	817,282 *	27,643,389
Emergency Shelter Grants Program	14.231	Department of Commerce		1,132,882
Shelter Plus Care	14.238	Department of Commerce	170,004	
	14.238	Mental Health and Substance Abuse Services	36,759	206,763
ARRA - Homeless Prevention	14.257	Department of Commerce		3,812,174 ♦
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		158,096
Subtotal				\$ 32,953,304
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		1,015,830
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		3,061,738
Water SMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	Water Resources Board		137,811
Sport Fish Restoration Program	15.605	Department of Wildlife Conservation	6,168,656 *	
Wildlife Restoration and Basic Hunter Education	15.611	Department of Wildlife Conservation	8,683,810 *	14,852,466 ♦
Fish and Wildlife Management Assistance	15.608	Department of Wildlife Conservation		59,593
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		859,695
Sporting and Boating Safety Act	15.622	Department of Tourism and Recreation		22,165
Enhanced Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		15,904
Partners for Fish and Wildlife	15.631	Conservation Commission	94,530	
	15.631	Department of Wildlife Conservation	110,878	205,408
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		86,517
State Wildlife Grants	15.634	Department of Wildlife Conservation		2,116,102
ARRA - Habitat Enhancement, Restoration and Improvement	15.656	Department of Wildlife Conservation		92,994
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		731,889
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		965,084
Cost Reimbursement Contracts:				
McGee Creek Project	-	Department of Wildlife Conservation		71,472
Cooperative Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		301,769
Subtotal				\$ 24,596,437

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency	Expenditures/Expenses	
	Number		Agency	State
U.S. Department of Justice				
Direct Programs:				
Sexual Assault Services Formula Program	16.017	District Attorneys Council		11,478
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	Department of Corrections		306,886
Juvenile Accountability Block Grants	16.523	Office of Juvenile Affairs		564,722
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		564,764
Missing Children's Assistance	16.543	State Bureau of Investigation		217,582
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		87,030
State Justice Statistics Program for Statistical Analysis Centers	16.550	State Bureau of Investigation		71,930
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		90,600
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	State Bureau of Investigation		516,079
Crime Victim Assistance	16.575	District Attorneys Council		5,895,862
Crime Victim Compensation	16.576	District Attorneys Council		1,931,388
Crime Victim Assistance/Discretionary Grants	16.582	Attorney General		169,994
Drug Court Discretionary Grant Program	16.585	Mental Health and Substance Abuse Services		51,875
ARRA - Violence Against Women Formula Grants	16.588	District Attorneys Council		1,472,058
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	District Attorneys Council		376,095
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	Attorney General	564,799	
	16.590	District Attorneys Council	434,661	999,460
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		28,142
State Criminal Alien Assistance Program	16.606	Department of Corrections		866,288
Bulletproof Vest Partnership Program	16.607	Department of Wildlife Conservation		3,575
Project Safe Neighborhoods	16.609	District Attorneys Council		197,696
Public Safety Partnership and Community Policing Grants	16.710	Bureau of Narcotics & Dangerous Drugs Contr	61,358	
	16.710	State Bureau of Investigation	297,023	
	16.710	Department of Public Safety	1,122,444	1,480,825
Enforcing Underage Drinking Laws Program	16.727	Mental Health and Substance Abuse Services		313,767
Edward Byrne Memorial Justice Assistance Grant Program	16.738	District Attorneys Council	53,057	⊛
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	District Attorneys Council	4,251,120	⊛ 4,304,177
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	Attorney General		138,760
Forensic DNA Backlog Reduction Program	16.741	State Bureau of Investigation		1,024,088
Paul Coverdell Forensic Sciences Improvement Grant	16.742	District Attorneys Council		28,619
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	Mental Health and Substance Abuse Services		107,412
Capital Case Litigation	16.746	Indigent Defense System		80,390
Edward Byrne Memorial Competitive Grant Program	16.751	Indigent Defense System		92,200
Congressionally Recommended Awards	16.753	State Bureau of Investigation		458,658
Support for Adam Walsh Act Implementation Grant Program	16.750	Department of Corrections		1,267
Harold Rogers Prescription Drug Monitoring Program	16.754	Bureau of Narcotics & Dangerous Drugs Control		244,896
ARRA - Internet Crimes Against Children Task Force	16.800	State Bureau of Investigation		205,066
ARRA - State Victim Assistance Formula Grant Program	16.801	District Attorneys Council		348,086
Second Chance Act Prisoner Reentry Initiative	16.812	Department of Corrections	446,764	
	16.812	Office of Juvenile Affairs	60,440	507,204
John R. Justice Prosecutors and Defenders Incentive Act	16.816	District Attorneys Council		6,662
Cost Reimbursement Contracts:				
High Intensity Drug Trafficking Area	-	Bureau of Narcotics & Dangerous Drugs Control		29,348
Bulletproof Vest Program	-	Bureau of Narcotics & Dangerous Drugs Control		58,669
Subtotal			\$	23,853,598
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,069,381
Compensation and Working Conditions	17.005	Department of Labor		132,068
Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	6,390,683	⊛
ARRA-Employment Services/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	6,714	⊛
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission	554,355	⊛
Local Veterans' Employment Representative Program	17.804	Employment Security Commission	1,309,923	⊛ 8,261,675

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, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Unemployment Insurance	17.225	Employment Security Commission	776,992,896	
ARRA-Unemployment Insurance	17.225	Employment Security Commission	<u>28,971,238</u>	805,964,134 ✱
Senior Community Service Employment Program	17.235	Employment Security Commission	1,896,519	
ARRA-Senior Community Service Employment Program	17.235	Employment Security Commission	<u>(5,965)</u>	1,890,554
Trade Adjustment Assistance	17.245	Employment Security Commission		1,838,460
WIA Adult Program	17.258	Department of Commerce	8,156,945	✱
ARRA- WIA Adult Program	17.258	Department of Commerce	543,552	✱
WIA Youth Activities	17.259	Department of Commerce	7,818,364	✱
ARRA- WIA Youth Activities	17.259	Department of Commerce	1,080,112	✱
WIA Dislocated Workers Formula Grant	17.278	Department of Commerce	3,442,119	✱
WIA Dislocated Workers	17.260	Department of Commerce	2,146,470	✱
ARRA- WIA Dislocated Workers	17.260	Department of Commerce	1,677,851	✱
WIA National Emergency Grant	17.277	Department of Commerce	1,068	✱
WIA Heroes at Home/Military Spouse Initiative	17.260	Department of Commerce	<u>1,500,757</u>	✱ 26,367,238 ♦
Work Opportunity Tax Credit Program (WOTC)	17.271	Employment Security Commission		195,416
Temporary Labor Certification for Foreign Workers	17.273	Employment Security Commission		21,358
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	Department of Commerce		1,010,651
Consultation Agreements	17.504	Department of Labor		1,210,786
Mine Health and Safety Grants	17.600	Department of Mines		107,800
Subtotal				<u>\$ 848,069,521</u>
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission	142,557	
	20.106	Oklahoma Space Industry Dev. Authority	<u>73,731</u>	216,288
Highway Research and Development Program	20.200	Department of Transportation		653,835
Highway Planning and Construction	20.205	Department of Transportation	684,547,893	✱
ARRA - Highway Planning and Construction	20.205	Department of Transportation	121,299,592	✱
Recreational Trails Program	20.219	Department of Tourism and Recreation	<u>1,224,546</u>	✱ 807,072,031 ✱
Highway Training and Education	20.215	Department of Transportation		88,335
National Motor Carrier Safety	20.218	Department of Public Safety		3,884,855
Commercial Drivers License Program Improvement Grant	20.232	Department of Public Safety		104,078
Safety Data Improvement Program	20.234	Department of Public Safety		259,522
Commercial Drivers License Information System Modernization Grant	20.238	Department of Public Safety		192,005
Metropolitan Transportation Planning	20.505	Department of Transportation		938,668
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation	15,025,225	
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation	<u>6,798,865</u>	✱ 21,824,090 ✱
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		1,523,324
State and Community Highway Safety	20.600	Department of Public Safety	3,440,730	✱
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Department of Public Safety	1,517,779	✱
Safety Belt Performance Grants	20.609	Department of Public Safety	458,145	✱
State Traffic Safety Information System Improvement Grants	20.610	Department of Public Safety	580,795	✱
Incentive Grant Program to Increase Motorcyclist Safety	20.612	Department of Public Safety	<u>38,010</u>	✱ 6,035,459
911 Grant Program	20.615	Department of Public Safety		548,065
Pipeline Safety Program Base Grants	20.700	Corporation Commission		592,897
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		261,217
Subtotal				<u>\$ 844,194,669</u>
Equal Employment Opportunity Commission				
Direct Programs:				
Employment Discrimination - State and Local Fair				
Employment Practices Agency Contracts	30.002	Human Rights Commission		142,911
Subtotal				<u>\$ 142,911</u>

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	39.003	Department of Central Services		3,007,963
Election Reform Payments	39.011	State Election Board		1,196,945
Subtotal			\$	4,204,908
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		845,400
Promotion of the Humanities - Federal/State Partnership	45.129	Department of Commerce		12,614
Promotion of the Humanities - Division of Preservation and Access	45.149	Historical Society		94,292
Grants to States	45.310	Department of Libraries		2,450,805
National Leadership Grants	45.312	Department of Commerce		132,804
Laura Bush 21st Century Librarian Program	45.313	Department of Libraries		206,893
Subtotal			\$	3,742,808
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		4,555,073
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		55,774,803
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		366,219
Subtotal			\$	60,696,095
U.S. Environmental Protection Agency				
Direct Programs:				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Act Purpose Activities Relating to the Clean Air Act	66.034	Department of Environmental Quality		422,620
ARRA - National Clean Diesel Emissions Reduction Program	66.039	Department of Environmental Quality		1,038,111
State Clean Diesel Grant Program	66.040	Department of Environmental Quality	141,378	
ARRA - State Clean Diesel Grant Program	66.040	Department of Environmental Quality	1,507,436	1,648,814
Congressionally Mandated Projects	66.202	Water Resources Board		5,124
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	Water Resources Board		2,825,934
State Underground Water Source Protection	66.433	Corporation Commission		320,769
Water Quality Management Planning	66.454	Water Resources Board	128,747	
ARRA - Water Quality Management Planning	66.454	Water Resources Board	208,374	337,121
Capitalization Grants for Clean Water State Revolving Fund	66.458	Water Resources Board	23,326,229	
ARRA - Capitalization Grants for Clean Water State Revolving Fund	66.458	Water Resources Board	6,337,720	29,663,949
Nonpoint Source Implementation Grants	66.460	Water Resources Board		4,426,151
Regional Wetland Program Development Grants	66.461	Water Resources Board		439,472
Water Quality Cooperative Agreements	66.463	Water Resources Board		46,554
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality	19,014,324	
ARRA - Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality	8,628,706	27,643,030
Performance Partnership Grants	66.605	Department of Environmental Quality		4,274,221
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	Department of Environmental Quality	195,804	
	66.608	Department of Agriculture	116,493	312,297
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		586,337
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	Department of Labor		324,880
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		22,418
Multi-Media Capacity Building Grants for States and Tribes	66.709	Department of Agriculture	28,370	
	66.709	Corporation Commission	155,450	183,820
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	883,476	
ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	2,124,401	3,007,877
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	Corporation Commission		594,175
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	Corporation Commission	1,411,907	
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	Corporation Commission	708,574	2,120,481

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
State and Tribal Response Program Grants	66.817	Department of Environmental Quality	402,325	
	66.817	Corporation Commission	<u>149,700</u>	552,025
ARRA - Brownsfields Assessments and Cleanup Cooperative Agreements	66.818	Department of Environmental Quality		31,451
Subtotal				<u>\$ 80,827,631</u>
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce	177,189	
ARRA - State Energy Program	81.041	Department of Commerce	<u>12,247,161</u>	12,424,350 ♦
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	1,707,169	
ARRA - Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	<u>26,132,769</u>	27,839,938 ♦
Renewable Energy Research and Development	81.087	Department of Commerce		35,962
ARRA - Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122	Corporation Commission	130,906	
	81.122	Department of Commerce	<u>119,652</u>	250,558
ARRA - Energy Efficient Appliance Rebate Program	81.127	Department of Commerce		2,376,208
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	Department of Commerce		<u>3,005,518</u> ♦
Subtotal				<u>\$ 45,932,534</u>
U.S. Department of Education				
Direct Programs:				
Adult Education - Basic State Grant to States	84.002	Department of Education		5,927,785
Title I Grants to Local Educational Agencies	84.010	Department of Education	134,067,491 ☼	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	Department of Education	<u>38,305,337</u> ☼	172,372,828 ☼
Migrant Education - Basic State Grant Program	84.011	Department of Education		1,087,853
Title I State Agency Program for Neglected and Delinquent Children	84.013	Department of Education		186,037
Special Education - Grants to States	84.027	Department of Education	144,953,087 ☼	
Special Education - Preschool Grants	84.173	Department of Education	3,424,972 ☼	
ARRA - Special Education - Grants to States, Recovery Act	84.391	Department of Education	43,158,971 ☼	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	Department of Education	<u>1,219,792</u> ☼	192,756,822 ☼
Career and Technical Education -- Basic Grants to States	84.048	Department of Career & Technology Education		14,054,398
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services	56,154,606 ☼	
ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	Department of Rehabilitation Services	<u>2,615,010</u> ☼	58,769,616 ☼
Rehabilitation Services - Client Assistance Program	84.161	Office of Disability Concerns		5,222
Independent Living - State Grants	84.169	Department of Rehabilitation Services	285,287 ☼	
ARRA - Independent Living States Grants	84.398	Department of Rehabilitation Services	<u>128,555</u> ☼	413,842
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services	375,067 ☼	
ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399	Department of Rehabilitation Services	<u>406,493</u> ☼	781,560
Special Education - Grants for Infants and Families	84.181	Department of Education	4,273,793 ☼	
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	Department of Education	<u>951,062</u> ☼	5,224,855

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Byrd Honors Scholarships	84.185	Department of Education		438,250
Safe and Drug-Free Schools and Communities - National Programs	84.184	Department of Education		107,031
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	1,672,516	
	84.186	Mental Health and Substance Abuse Services	<u>366,110</u>	2,038,626
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	Department of Rehabilitation Services		300,000
Education for Homeless Children and Youth	84.196	Department of Education	739,801	✖
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	Department of Education	<u>271,709</u>	✖ 1,011,510
Even Start - State Educational Agencies	84.213	Department of Education		633,856
Tech-Prep Education	84.243	Department of Career & Technology Education		1,557,399
Rehabilitation Training - State Vocational				
Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		83,835
Twenty-First Century Community Learning Centers	84.287	Department of Education		11,790,925
Education Technology State Grants	84.318	Department of Education	2,317,639	✖
ARRA - Education Technology State Grants, Recovery Act	84.386	Department of Education	<u>4,562,510</u>	✖ 6,880,149
Special Education - State Personnel Development	84.323	Department of Education		716,488
Grants to States for Workplace and Community Transition				
Training for Incarcerated Individuals	84.331	Department of Corrections		241,536
Title I Accountability Grants	84.348	Department of Education		464,166
Reading First	84.357	Department of Education		1,513,933
Rural Education	84.358	Department of Education		4,182,001
English Language Acquisition Grants	84.365	Department of Education		2,312,860
Mathematics and Science Partnerships	84.366	Department of Education		1,617,260
Improving Teacher Quality Grants	84.367	Department of Education		28,724,731
Grants for State Assessments and Related Activities	84.369	Department of Education		5,961,216
Striving Readers	84.371	Department of Education		35,651
School Improvement Grants	84.377	Department of Education	1,986,251	✖
ARRA - School Improvement Grants	84.388	Department of Education	4,935,061	✖ 6,921,312
ARRA - State Fiscal Stabilization Fund (SFSF) - Education				
State Grants, Recovery Act	84.394	Office of the Governor	201,436,426	✖
ARRA - State Fiscal Stabilization Fund (SFSF) - Government				
Services, Recovery Act	84.397	Office of the Governor	<u>11,912,618</u>	✖ 213,349,044 ✖
ARRA - Education Jobs Fund	84.410	Office of the Governor		76,268,772 ✖
Subtotal				<u>\$ 818,731,369</u>
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		44,092
Help America Vote Act Requirements Payments	90.401	State Election Board		<u>1,686,421</u>
Subtotal				<u>\$ 1,730,513</u>
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		63,315
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		199,418
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		191,348
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services	4,307,638	✖
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services	7,678,566	✖
Nutrition Services Incentive Program	93.053	Department of Human Services	2,610,386	✖

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
ARRA-Aging Home-Delivered Nutrition Services for States	93.705	Department of Human Services	192,467	⊕
ARRA-Aging Congregate Nutrition Services for States	93.707	Department of Human Services	<u>392,192</u>	⊕ 15,181,249
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Department of Human Services		262,465
Alzheimer's Disease Demonstration Grants to States	93.051	Department of Human Services		239,593
National Family Caregiver Support, Title III, Part E	93.052	Department of Human Services		1,732,428
Public Health Emergency Preparedness	93.069	State Department of Health		8,069,718
Environmental Public Health and Emergency Response	93.070	State Department of Health		411,857
Medicare Enrollment Assistance Program	93.071	Department of Human Services		86,392
Lifespan Respite Care Program	93.072	Department of Human Services		10,541
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Department of Human Services		671,775
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	Mental Health and Substance Abuse Services		511,328
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	State Department of Health		160,705
Food and Drug Administration Research	93.103	Department of Agriculture	74,356	
	93.103	State Department of Health	<u>81,357</u>	155,713
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mental Health and Substance Abuse Services		2,487,869
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		235,659
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		745,022
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	State Department of Health		118,832
ARRA - State Primary Care Offices	93.414	State Department of Health		37,910
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,143,461
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		300,334
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		104,844
Family Planning Services	93.217	State Department of Health		4,189,151
Traumatic Brain Injury State Demonstration Grant Program	93.234	State Department of Health		(275)
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Mental Health and Substance Abuse Services		5,881,508
Universal Newborn Hearing Screening	93.251	State Department of Health		205,291
Occupational Safety & Health Program	93.262	State Department of Health		16,287
Immunization Grants	⊕ 93.268	State Department of Health	57,375,385	⊕
ARRA - Immunization	93.712	State Department of Health	<u>850,726</u>	⊕ 58,226,111
Adult Viral Hepatitis Prevention and Control	93.270	State Department of Health		90,481
Substance Abuse and Mental Health Services-Access to Recovery Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.275	Mental Health and Substance Abuse Services		577,530
	93.283	State Department of Health		8,198,403
State Partnership Grant Program to Improve Minority Health	93.296	State Department of Health		150,789
ACA - Maternal, Infant and Early Childhood Home Visiting Program	93.505	State Department of Health		747,228
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	State Department of Health		22,526
ACA - Aging and Disability Resource Center	93.517	Department of Human Services		19,988
ACA - Medicare Improvements for Patients and Providers	93.518	Department of Human Services		7,131
Centers for Disease Control and Prevention - ACA - Communities Putting Prevention to Work	93.520	State Department of Health		3,737
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521	State Department of Health		106,561
State Planning and Establishment Grants for ACA Exchanges	93.525	Mental Health and Substance Abuse Services		94,532
Transitional Living for Homeless Youth	93.550	Department of Human Services		178,547
Promoting Safe and Stable Families	93.556	Department of Human Services		5,597,958

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Temporary Assistance for Needy Families (TANF)	93.558	Department of Human Services	98,921,267	☼
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	Department of Human Services	<u>10,427,027</u>	☼ 109,348,294
Child Support Enforcement	93.563	Department of Human Services	37,466,731	
ARRA -Child Support Enforcement	93.563	Department of Human Services	<u>3,638,582</u>	☼ 41,105,313
Child Support Enforcement Research	93.564	Department of Human Services		35,376
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		1,052,220
Low-Income Home Energy Assistance	93.568	Department of Human Services		42,416,294
Community Services Block Grant	93.569	Department of Commerce	8,293,469	☼
ARRA-Community Services Block Grant	93.710	Department of Commerce	<u>4,916,843</u>	☼ 13,210,312
Child Care and Development Block Grant	93.575	Department of Human Services	62,871,553	☼
ARRA - Child Care and Development Block Grant	93.713	Department of Human Services	30,158,651	☼
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services	<u>48,311,003</u>	☼ 141,341,207
State Court Improvement Program	93.586	Supreme Court		306,071
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		762,298
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		79,925
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		777,054
Child Support Enforcement Demonstrations and Special Projects	93.601	Department of Human Services		6,483
Adoption Incentive Payments	93.603	Department of Human Services		1,360,000
Family Connection Grants	93.605	Department of Human Services		931,294
Head Start	93.600	Department of Commerce		111,342
Voting Access for Individuals with Disabilities - Grants to States	93.617	State Election Board		394
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		1,106,371
Children's Justice Grants to States	93.643	Department of Human Services		207,259
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	Department of Human Services		1,509,788
Adoption Opportunities	93.652	Department of Human Services		576,334
Foster Care - Title IV-E	93.658	Department of Human Services	32,404,864	
ARRA - Foster Care - Title IV-E	93.658	Department of Human Services	<u>974,230</u>	☼ 33,379,094
Adoption Assistance	93.659	Department of Human Services	29,768,263	
ARRA - Adoption Assistance	93.659	Department of Human Services	<u>2,131,543</u>	☼ 31,899,806
Social Services Block Grant	93.667	Department of Human Services		34,810,152
Child Abuse and Neglect State Grants	93.669	Department of Human Services		365,097
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	Attorney General		1,419,633
Chafee Foster Care Independence Program	93.674	Department of Human Services		3,588,211
ARRA - Preventing Healthcare-Associated Infections	93.717	State Department of Health		304,721
ARRA - State Grants to Promote Health Information Technology	93.719	Health Care Authority		419,312
ARRA - Prevention and Wellness - State, Territories and Pacific Islands	93.723	State Department of Health		443,215
ARRA - Prevention and Wellness – Communities Putting Prevention to Work	93.724	State Department of Health		64,327
ARRA - Communities Putting Prevention to Work-Chronic Disease Self-Management Program	93.725	Department of Human Services	164,805	
	93.725	State Department of Health	<u>51,073</u>	215,878
Children's Health Insurance Program	93.767	Health Care Authority		91,579,684
Medicare - Hospital Insurance	93.773	State Department of Health		5,403,532
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare - Associated Infection (ASC-HAI) Prevention Initiative	93.720	State Department of Health	77,879	☼
State Medicaid Fraud Control Units	93.775	Attorney General	1,291,057	☼
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	Health Care Authority	4,365,677	☼
Medical Assistance Program	93.778	Health Care Authority	2,780,320,769	☼
ARRA-Medical Assistance Program	93.778	Health Care Authority	<u>373,974,077</u>	☼ 3,160,029,459

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
CMS Research, Demonstrations and Evaluations	93.779	Department of Human Services		23,902
Alternate Non-Emergency Service Providers or Networks	93.790	Health Care Authority		386,438
Money Follows the Person Rebalancing Demonstration	93.791	Health Care Authority	4,918,293	
	93.791	Department of Human Services	751	4,919,044
Medicaid Transformation Grant	93.793	Health Care Authority		773,333
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		5,357,808
HIV Care Formula Grants	93.917	State Department of Health		7,985,099
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	State Department of Health		48,691
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		189,519
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,503,276
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		510,548
Safe Motherhood and Infant Health Initiative Programs	93.946	State Department of Health		119,643
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		3,979,279
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		15,950,954
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,098,173
Preventive Health and Health Services Block Grant	93.991	State Department of Health		1,333,192
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health		4,494,153
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		59,058
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		323,285
Cost Reimbursement Contracts:				
Implementation Alcohol/Drug Data Collection	-	Mental Health and Substance Abuse Services		28,299
Client Level Projects	-	Mental Health and Substance Abuse Services		849
CSAP Prevention Fellowship	-	Mental Health and Substance Abuse Services		(10,326)
State Outcome Measurement & Management System	-	Mental Health and Substance Abuse Services		160,163
Subtotal				<u>\$ 3,887,835,390</u>
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		218,544
AmeriCorps	94.006	Bureau of Narcotics & Dangerous Drugs Control		16,636
Foster Grandparent Program	94.011	Department of Human Services		366,755
Volunteers in Service to America	94.013	Department of Education		32,881
Subtotal				<u>\$ 634,816</u>
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		39,130,961
Subtotal				<u>\$ 39,130,961</u>
U.S. Department of Homeland Security				
Direct Programs:				
Non-Profit Security Program	97.008	Department of Public Safety		3,315,020
Boating Safety Financial Assistance	97.012	Department of Public Safety		1,495,648
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	Department of Emergency Management		186,223
Emergency Management Institute (EMI) Independent Study Program	97.027	Department of Emergency Management		46,890
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	Department of Emergency Management		88,869,883
Hazard Mitigation Grant	97.039	Department of Emergency Management		4,172,947

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
National Dam Safety Program	97.041	Water Resources Board		374,470
Emergency Management Performance Grants	97.042	Department of Emergency Management	3,623,531	
	97.042	Department of Public Safety	<u>1,602,531</u>	5,226,062
Cooperating Technical Partners	97.045	Department of Emergency Management		36,357
Fire Management Assistance Grant	97.046	Department of Emergency Management		102,135
Pre-Disaster Mitigation	97.047	Department of Emergency Management		102,135
Citizens Corps	97.053	Department of Public Safety		161,457
Interoperable Emergency Communications Grant	97.055	Department of Public Safety		83,735
Metropolitan Medical Response System	97.071	Department of Public Safety		755,520
State Homeland Security Program (SHSP)	97.073	Department of Public Safety		7,164,124
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	Department of Public Safety		863,715
Buffer Zone Protection Program	97.078	Department of Public Safety		474,113
Earthquake Consortium	97.082	Department of Emergency Management		3,363
Repetitive Food Claims	97.092	Department of Emergency Management		<u>3,852,648</u>
Subtotal				<u>\$ 117,286,445</u>
Total Federal Assistance				<u><u>\$ 8,289,122,004</u></u>

- ⌘ 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
- ⊕ Programs defined as a cluster by OMB Circular A-133

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

**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, 2011

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, 2011. 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.

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 2011:

<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 \$344,541,163. The federal portion of UI funds amounted to \$434,217,376 and additional funds of \$29,215,486 were provided by the ARRA.

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 \$328,333,447 at June 30, 2011. 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 \$407,635,368 at June 30, 2011. 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 2011, the ODEQ withdrew federal funds in the amount of \$18,874,334, none of which were used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2011, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$19,600,290 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.

Notes to the Schedule of Expenditures of Federal Awards

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 held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$9,469,000 were in suspense at June 30, 2011, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100 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 Water Resources Board

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 transferability payments between programs for the fiscal year 2011:

	Improving Teacher Quality State Grants (CFDA 84.367)	Education Technology State Grants (CFDA 84.318)	Safe & Drug Free Schools & Communities State Grants (CFDA 84.186)
<u>Transferred To:</u>			
Title I Grants to LEAs (CFDA 84.010)	\$ 1,838,469.75	\$ 233.74	\$ -
Education Technology State Grants (CFDA 84.318)	\$ 686,831.05	\$ -	\$ 611.35
Safe & Drug Free Schools & Communities State Grants (CFDA 84.186)	\$ 15,994.50	\$ -	\$ -
	\$ 2,541,295.30	\$ 233.74	\$ 611.35

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.

The Department utilized \$114,846,394 of the soft match provision for projects billed during fiscal year 2011. 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

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

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 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)?yes

Noncompliance material to financial statements noted?no

For fiscal year 2011, 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 findings, was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2011, dated December 30, 2011.

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 opinion for all major programs except for 20.509 – Formula Grants for Other than Urbanized Areas; 17.225 – Unemployment Insurance Program; 84.394 –State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act, 84.397 State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act and 10.551-Supplemental Nutrition Assistance Program (SNAP), for which we issued a qualified opinion.

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: \$24,695,445

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
SNAP Cluster	10.551 Supplemental Nutrition Assistance Program (SNAP) 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program 10.561ARRA- State Administrative Matching Grants for Supplemental Nutrition Assistance Program	Department of Human Services
	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Department of Health

Schedule of Findings
Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	10.553 School Breakfast Program	Department of Education
	10.555 National School Lunch Program	
	10.555 National School Lunch Program	Department of Human Services
Child Nutrition Cluster	10.556 Special Milk Program for Children	Department of Education
	10.559 Summer Food Service Program for Children	
	10.559 Summer Food Service Program for Children	Department of Human Services
	10.558 Child and Adult Care Food Program	Department of Education
	10.558 Child and Adult Care Food Program	Department of Human Services
	12.401 National Guard Military Operations and Maintenance	Military Department
	12.401 ARRA - National Guard Military Operations and Maintenance	
	14.257 ARRA – Homeless Prevention	Department of Commerce
Fish and Wildlife Cluster	15.605 – Sport Fish Restoration Program	Department of Wildlife
	15.611 – Wildlife Restoration and Basic Hunter Education	
	17.225 Unemployment Insurance	Employment Security Commission
	17.225 ARRA – Unemployment Insurance	
WIA Cluster	17.258 Workforce Investment Act – Adults	Department of Commerce
	17.258 ARRA – Workforce Investment Act - Adults	
	17.259 Workforce Investment Act - Youth Activities	
	17.259 ARRA - Workforce Investment Act – Youth Activities	
	17.260 Workforce Investment Act - Dislocated Workers	
	17.260 ARRA – Workforce Investment Act – Dislocated Workers	
	17.260 Workforce Investment Act – Heroes at Home/Military Spouse Initiative	
	17.277 Workforce Investment Act National Emergency Grant	
	17.278 Workforce Investment Act Dislocated Worker Formula Grants	
Highway Planning & Construction Cluster	20.205 Highway Planning and Construction	Department of Transportation
	20.205 ARRA – Highway Planning and Construction	
	20.219 Recreational Trails Program	Department of Tourism & Recreation
	20.509 Formula Grants for Other Than Urbanized Areas	Department of Transportation
	20.509 ARRA- Formula Grants for Other Than Urbanized Areas	
	64.015 Veterans State Nursing Home Care	Department of Veteran Affairs

Schedule of Findings
Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	66.458 Capitalization Grants for Clean Water State Revolving Fund 66.458 ARRA – Capitalization Grants for Clean Water State Revolving Fund	Water Resources Board
	66.468 Capitalization Grants for Drinking Water State Revolving Fund 66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	81.041 State Energy Program 81.041 ARRA – State Energy Program	Department of Commerce
	81.042 Weatherization Assistance for Low-Income Persons 81.042 ARRA – Weatherization Assistance for Low-Income Persons	Department of Commerce
Title I, Part A Cluster	81.128 ARRA Energy Efficiency and Conversation Block Grant Program	Department of Commerce
	84.010 Title I Grants to Local Educational Agencies 84.389 ARRA – Title I Grants to Local Educational Agencies, Recovery Act	Department of Education
Special Education Cluster (IDEA)	84.027 Special Education – Grants to States 84.173 Special Education - Preschool Grants 84.391 ARRA - Special Education – Grants to States, Recovery Act 84.392 ARRA – Special Education – Preschool Grants, Recovery Act	Department of Education
Vocational Rehabilitation Cluster	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States 84.390 ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	Department of Rehabilitation Services
State Fiscal Stabilization Fund Cluster	84.394 ARRA- State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act (Education Stabilization Fund) 84.397 ARRA- State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act 84.410 ARRA - Education Jobs Fund	Office of Governor Governor's Office
TANF Cluster	93.558 Temporary Assistance for Needy Families (TANF) 93.714 ARRA-Emergency Contingency Fund for TANF State Programs	Department of Human Services

**Schedule of Findings
Summary of Auditor's Results**

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	93.563 Child Support Enforcement 93.563 ARRA – Child Support Enforcement	Department of Human Services
	93.568 Low Income Home Energy Assistance	Department of Human Services
CSBG Cluster	93.569 Community Service Block Grant 93.710 ARRA – Community Services Block Grant	Department of Commerce
CCDF Cluster	93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory & Matching Funds of the Child Care and Development Fund 93.713 ARRA – Child Care and Development Block Grant	Department of Human Services
	93.658 Foster Care – Title IV-E 93.658 ARRA – Foster Care – Title IV-E	Department of Human Services
	93.659 Adoption Assistance 93.659 ARRA – Adoption Assistance	Department of Human Services
	93.767 Children's Health Insurance Program	Health Care Authority
Medicaid Cluster	93.720 ARRA – Survey and Certification Ambulatory Surgical Center Healthcare – Associated Infection (ASC-HAI) Prevention Initiative 93.775 State Medicaid Fraud Control Units 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVII) Medicare 93.778 Medical Assistance Program (Medicaid) 93.778 ARRA – Medical Assistance Program (Medicaid)	Department of Health Attorney General Health Care Authority Health Care Authority Health Care Authority
	96.001 Social Security – Disability Insurance	Department of Rehabilitation Services
	97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Department of Emergency Management

Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Education

FINDING NO: 11-265-001

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.389, 84.391, 84.392

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies, Recovery Act, Special Education Grants to States (IDEA, Part B) – Recovery Act and Special Education Preschool Grants (IDEA Preschool) – Recovery Act

FEDERAL AWARD NUMBER: S389A0900036A, H391A090051, H392A090084

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR 176.50 states “Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner...(c)Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.”

In Part 3 of the March 2011 OMB Circular A-133 Compliance Supplement, Part M. Subrecipient Monitoring states: “*Central Contractor Registration* - For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration (CCR), including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement.”

Condition: The Department was unable to provide documentation of sufficient action to ensure its ARRA subrecipients have a current registration in the CCR, including having a DUNS number, maintaining the currency of that information or assessing the subrecipient’s compliance with the CCR registration requirement. However, it should be noted that on October 15, 2010, email communication was sent by the Department to its subrecipients notifying them of their responsibility to establish and maintain a current registration in the CCR including having a DUNS number. In that email, subrecipients were provided contact information for the CCR registration process with directions to obtain a DUNS number.

Cause: The Department did not have adequate procedures in place to assess subrecipient compliance with the CCR registration requirements.

Effect: The Department was not in compliance with the above stated monitoring requirements for ARRA subawards. Also, there is an increased risk that subrecipients may not provide accurate and timely reports on their federal awards or comply with additional compliance requirements specific to these funds.

Recommendation: We recommend the Department develop a monitoring system to ensure its ARRA subawards have a current registration in the CCR, including having a DUNS number, maintaining the currency of that information and assessing the subrecipient’s compliance with the CCR registration requirement.

Schedule of Findings

Federal Award Findings

And Questioned Costs

Views of Responsible Official(s)

Contact Person: Mathangi Shankar, Director of Financial Services

Anticipated Completion Date: June 30, 2012

Corrective Action Planned:

We concur with the finding. The Department has taken the following steps to ensure that subrecipients are in compliance with the CCR registration requirement. In the Oct 2010 email referenced above, subrecipients were asked to send the DUNS number information to Financial Accounting. Information received was forwarded to data services for ARRA reporting. In June 2011, Special Education Services sent out a memorandum to all school district Superintendents requesting the districts to provide assurance that it has current registration in the CCR and will register every 12 months. It was also added to the financial monitoring checklist. In February 2011 and July 2011, Federal Programs office sent out a memorandum to Superintendents reminding them of the CCR registration requirement. In November 2011, Federal programs office began collecting the DUNS number and the CCR expiration date. The office is now maintaining a listing of DUNS number and CCR expiry date by district. Districts are notified that their registration has expired or is about to expire and that they need to renew and return the registration form with the new information. Notifications will be sent each month to those that are approaching their expiration date so that they can begin the process of renewing and submit the information to the Department. The new grants management application that is expected to go live for FY 13 will have an assurance statement built in the system.

FINDING NO: 11-265-003

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.027

FEDERAL PROGRAM NAME: Special Education Grants to States

FEDERAL AWARD NUMBER: H027A0100051A

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Cash Management and Improvement Act

QUESTIONED COSTS: \$0

Criteria: The Treasury State Agreement states that CFDA 84.027 Special Education – Grants to States is required to follow the Average Clearance method of 0 days.

According to 34 CFR § 80.21 (b), methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee.

Condition: When testing 450 fund (administration) draws for State Department of Education, we noted 33 claims totaling \$557,944.90 (of the total draw of \$2,005,513.24) that had a draw date of 2/17/11, but were not paid until 6 days later on 2/23/11.

Cause: The Department of Education held claims for review that had already been drawn-down for payment.

Effect: The Department of Education did not have adequate procedures in place to ensure all reviews were performed on the claims prior to the draw-request being performed. In addition, by delaying the payment of the claims, the Department of Education failed to meet the Average Clearance method per the Treasury State Agreement.

Recommendation: We recommend the Department follow the Treasury State Agreement for CFDA #84.027 by implementing procedures to minimize the time elapsing between the transfer of funds and disbursement.

Schedule of Findings Federal Award Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Mathangi Shankar, Director of Financial Services

Anticipated Completion Date: Completed

Corrective Action Planned: We concur with the finding noted above. As a result of a change in agency procedures, an additional layer of review was required before claims were approved. This sometimes caused delay in payment of claims. The Comptroller now has the authority to sign claims which will prevent such delays and will help the agency meet the Treasury State Agreement procedures to minimize the time elapsing between the transfer of funds and disbursement.

FINDING NO: 11-265-004

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.010, 84.027, 84.173, 84.389, 84.391, 84.392, 10.553, 10.555, 10.556, 10.559

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (Part A), Special Education Grants to States (IDEA, Part B), Special Education Preschool Grants (IDEA Preschool), Title I Grants to Local Educational Agencies, Recovery Act, Special Education Grants to States (IDEA, Part B) – Recovery Act, Special Education Preschool Grants (IDEA Preschool) – Recovery Act, and Child Nutrition Program Cluster

FEDERAL AWARD NUMBER: S010A0100036, H027A0100051A, H173A100084, 6OK300349, 6OK300329

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Subrecipient Monitoring - A-133 (Regular Federal funds and ARRA funds)

QUESTIONED COSTS: \$0

Criteria: The Oklahoma State Department of Education has internal policy that requires the department to send a copy of any exceptions to the appropriate program area and that a response is to received within 90 days.

Office of Management and Budget Circular No. A-133, Subpart D §____.400(d) Pass-through entity responsibilities states, in part:

A pass-through entity shall perform the following for the Federal awards it makes . . .

(4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

Office of Management and Budget Circular No. A-133, Compliance Supplement, Part 3, Requirement M – Subrecipient Monitoring states, in part:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a

Schedule of Findings

Federal Award Findings

And Questioned Costs

subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition: Based on review of OMB Circular A-133 audits we noted the following:

- Thirty-eight (38) reports were not received within 9 months of the end of the subrecipient's audit period (March 31, 2011);
- One-hundred-eleven (111) reports out of 363 were never reviewed;
- One-hundred sixty-two (162) of the 228 reports that were reviewed by the department were not reviewed within 6 months of receipt of audit report;
- Of the 24 audits that had citations/findings identified:
 - Management's response was not received from program area for four (4) of the subrecipient reports within 90 days of the date the letter;
 - Management's decision on audit findings was not issued within 6 months of receiving the audit report for 17 subrecipient reports due largely to the amount of time it took for the department to get the findings to the program area;
 - Management did not ensure the subrecipient took timely and appropriate corrective action for two (2) of the audits based on the audit citation listing showing no response from the program area.

Cause: The Department did not have adequate procedures in place to ensure compliance with Office of Management and Budget Circular No. A-133, Subpart D §____.400(d) and Office of Management and Budget Circular No. A-133, Compliance Supplement, Part 3, Subpart M – Subrecipient Monitoring.

Effect: The Department did not comply with OMB Circular A-133 for appropriate review of all federal audits expending over \$500,000 and ensuring the subrecipient takes appropriate corrective action on all audit findings.

Recommendation: We recommend the Department ensure all OMB Circular A-133 audits are reviewed in a timely manner and that appropriate corrective action is taken on all audit findings.

Views of Responsible Official(s)

Contact Person: Mathangi Shankar, Director for Financial Services

Anticipated Completion Date: FY 2012-2013 (for FY 11 audits)

Corrective Action Planned:

We concur with the finding noted above. The Audit Coordinator position, which is primarily responsible for the review of all federal audits, remained vacant for more than 6 months. When the position was filled, there was very little time to complete the review of all audits in a timely manner. In order to devote more time to audits that needed the most attention, it was decided to prioritize and review audits in the order of importance starting with audits that had federal findings, followed by audits that had exceptions and recommendations and lastly audits that were considered clean. In addition, if federal programs had concerns with an audit of a specific school district, they were reviewed immediately. However, due to the late start the Department was not able to meet the required timelines for issuance of management decisions and follow up on corrective actions on some of the audits.

For FY 12, the Department will take the following steps to improve the situation. It will ensure that adequate resources are available to timely review all audits and meet all OMB Circular No: A -133 audit requirements. It will maintain a system to properly communicate, document and track responses from the program areas and to promptly follow up on any corrective action by the subrecipients. The Executive Director of the Financial Accounting Unit will routinely monitor the process and address any outstanding issues.

FINDING NO: 11-265-006

Schedule of Findings

Federal Award Findings

And Questioned Costs

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.010, 84.027, 84.173, 84.389, 84.391, 84.392

FEDERAL PROGRAM NAME: Title I Grants to LEAs – Part A and Recovery Act, Special Education
State Grants – IDEA, Part B and Recovery Act, Special Education
State Grants – IDEA, Preschool and Recovery Act.

FEDERAL AWARD NUMBER: S010A100036A, H027A0100051, H173A100084, S389A090036A,
H391A090051A, H392A090084A

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Cash Management and Improvement Act

QUESTIONED COSTS: \$0

Criteria: The Treasury State Agreement states CFDA 84.010 – Title I Grants to Local Educational Agencies; 84.027 – Special Education – Grants to States; 84.389 – Title I Grants to Local Educational Agencies, Recovery Act; and 84.391 – Special Education Grants to States, Recovery Act are required to follow the Average Clearance method of 0 days.

According to Subpart B of 31 CFR § 205.33(a), “A state must minimize the time between the drawdown of federal funds from the Federal government and their disbursement for federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

The Department follows the Average Clearance of 0 days for CFDA 84.173 – Special Education, Preschool and 84.392 – Special Education, Preschool Recovery Act according to Subpart B.

Condition: When testing 340 (administrative) and 490 (ARRA) fund draws for State Department of Education, we noted:

- **CFDA 84.010** – The 340 fund draw on 4/8/11 for \$4,415,565.42 was handled as follows:
 - \$1,372,675.55 was paid on 4/14/11, six (6) days after receiving total draw; and
 - \$3,042,889.87 was on hand at 4/21/11, thirteen (13) days after receiving the total draw. The department then decreased net draws through an adjustment of \$1,169,355.72, resulting in a payment of \$1,873,534.15 on same day.
- **CFDA 84.027** – The 340 fund draw on 4/8/11 for \$3,212,634.32 was handled as follows:
 - \$3,196,565.31 was paid on 4/14/11, six (6) days after receiving total draw; and
 - \$16,069.01 was on hand and paid on 4/21/11, thirteen (13) days after receiving the total draw.
- **CFDA 84.173** – The 340 fund draw on 4/8/11 for \$145,947.25 was handled as follows:
 - \$127,555.79 was paid on 4/14/11, six (6) days after receiving total draw; and
 - \$18,391.46 was on hand and paid on 4/21/11, thirteen (13) days after receiving the total draw.
- **CFDA 84.389** – The 490 fund draw on 4/8/11 for \$1,143,670.52 was paid on 4/14/11, six (6) days after receiving total draw.
- **CFDA 84.391** - The 490 fund draw on 4/8/11 for \$2,102,037.31 was handled as follows:
 - \$758,330.90 was paid on 4/14/11, six (6) days after receiving total draw;

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- \$1,343,706.41 was on hand at 4/21/11, thirteen (13) days after receiving total draw. The department then decreased net draws through an adjustment of \$502,607.74, resulting in a payment of \$841,098.67 on same day.
- **CFDA 84.392** – The 490 fund draw on 4/8/11 for \$36,190.55 was handled as follows:
 - \$24,336.31 was paid on 4/14/11, six (6) days after receiving total draw; and
 - \$11,854.24 was on hand at 4/21/11, thirteen (13) days after receiving total draw. The department then increased net draws through an adjustment of \$13,110.62, resulting in a payment of \$24,964.86 on same day.

Cause: The Department of Education drew additional funds on 4/8/11 anticipating the Federal agency shut down and did not disburse those funds until 4/14/11 and 4/21/11.

Effect: The Department of Education did not follow the Treasury State Agreement for CFDA 84.010, 84.027, 84.173, 84.389, 84.391, and 84.392. In addition, by the Department of Education not meeting the Average Clearance method for CFDA 84.010 – Title I Grants to Local Educational Agencies; 84.027 – Special Education – Grants to States; 84.389 – Title I Grants to Local Educational Agencies, Recovery Act; and 84.391 – Special Education Grants to States, Recovery Act; the Department of Education could be subject to an interest event.

Recommendation: We recommend the Department follow the Treasury State Agreement for CFDA 84.010, 84.027, 84.173, 84.389, 84.391, and 84.392.

Views of Responsible Official(s)

Contact Person: Mathangi Shankar, Director of Financial Services

Anticipated Completion Date: Completed

Corrective Action Planned: The State Department of Education normally follows the Treasury State Agreement for the drawdown of funds. In this case, because of the anticipated federal shut down and conversations with the Office of State Finance, we drew funds based on an estimated two weeks of needs, and liquidated as soon as possible. We are now aware that if the federal government shuts down without giving agencies advance notice, we will have about four hours to draw down funds before the actual shut down occurs.

These draws were included in the list of potential interest events sent to the Office of State Finance.

FINDING NO: 11-265-008

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Agriculture

CFDA NO: 10.558

FEDERAL PROGRAM NAME: Child and Adult Care Food Program (CACFP)

FEDERAL AWARD NUMBER: 6OK300329

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Earmarking

QUESTIONED COSTS: \$0

Criteria: According to 7 CFR § 226.6(f)(vi), “State agency annual responsibility is to require each sponsoring organization to submit an administrative budget with sufficiently detailed information concerning projected CACFP administrative earnings and expenses, as well as other non-Program funds to be used in Program administration, for the State agency to determine the allowability, necessity, and reasonableness of all proposed expenditures, and to assess the sponsor organization’s capability to manage Program funds. The administrative budget submitted by a sponsor of centers must demonstrate that the administrative costs to be charged to the Program do not exceed 15 percent of the meal reimbursements

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estimated or actually earned during the budget year, unless the State agency grants a waiver in accordance with § 226.7(g).”

Condition: During our testwork of the CACFP 15 percent earmarking requirement, we noted twenty (20) of the thirty-one (31) or 65% of the center sponsor’s most current administrative ***budgets*** exceeded 15% of total federal fiscal year 2010 meal reimbursements.

However, it should be noted that CACFP is reviewing *actual* administrative reimbursements during their Administrative Reviews. The CACFP Administrative Review of Center Sponsors compares administrative reimbursements to the total amount of meal reimbursements paid to date to ensure administrative expenses do not exceed 15% of total reimbursements received. If the Center Sponsor exceeded the 15% requirement or the sponsor charged administrative expenses when the budget reflected no projected administrative expenses, the sponsor is cited for non-compliance and must submit corrective action before future reimbursements can be claimed.

Cause: The Department did not have adequate preventive controls in place to ensure projected administrative payments (budgeted costs) incurred by each center sponsor did not exceed 15 percent of the total amount of prior year meal reimbursements.

Effect: The Department is not in compliance with 7 CFR § 226.6(f)(vi) related to the earmarking of CACFP administrative payments.

Recommendation: We recommend the Department implement controls (manual or automated) to ensure projected administrative payments (budgeted costs) to be incurred by each center sponsor do not exceed 15 percent of the total amount of prior year meal reimbursements in any one federal fiscal year.

Views of Responsible Official(s): The Department concurs with this finding.

Contact Person: Joanie Hildenbrand

Anticipated Completion Date: April 13, 2012

Corrective Action Planned: We concur with the finding noted above. The following corrective action plan is being implemented to address the issue.

- Placing a STOP on all future claims for reimbursement until the sponsor corrects its administrative budget.
- Each sponsor will be contacted by phone and told that corrections need to be made immediately and that no future claims will be paid until the budget is corrected. (The phone calling will begin on Monday, 3/19/12.)
- Once the sponsor submits a corrected budget, claim payments will be released for processing.
- The Child and Adult Care Food Program computer software system will be updated for the 2013 fiscal year to include an edit check for this error. Sponsors will begin entering their budget information for the 2013 fiscal year in July 2012. By then, the computer system will automatically use the last 12 months of reimbursements received (or projected reimbursements if the sponsor is new) to figure if the administrative budget submitted exceeds 15% of the reimbursements. No sponsor will be approved if the administrative budget submitted exceeds the 15% requirement.
- Child Nutrition field staff will continue to verify ACTUAL reimbursements to ACTUAL administrative budget expenditures when on site conducting reviews.

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Employment Security Commission

FINDING NO: 11-290-001

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-10-55-A-40 and UI-16767-11-55-A-40

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: N3 – Match with IRS FUTA Tax Form

QUESTIONED COSTS: \$0

Criteria: 26 CFR section 31.3302(a)-3(a) states, “Credit against the tax for any calendar year for contributions paid into State unemployment funds shall not be allowed unless there is submitted to the district director: (a) A certificate of the proper officer of each State (the laws of which required the contributions to be paid) showing, for the taxpayer: (1) The total amount of contributions required to be paid under the State law with respect to such calendar year (exclusive of penalties and interest) which was actually paid on or before the date the Federal return is required to be filed; and (2) The amounts and dates of such required payments (exclusive of penalties and interest) actually paid after the date the Federal return is required to be filed.”

A component objective of good internal controls is the maintenance of documents supporting reports.

Condition: The Oklahoma Employment Security Commission could not provide the calendar year 2009 FUTA data; therefore, we were unable to perform testing procedures on this requirement.

Cause: The FUTA data for calendar year 2009 was not saved by the Commission.

Effect: The Commission could not provide detailed data to support the FUTA certification. Therefore, we were unable to verify that the tax credit claimants were eligible for the credit.

Recommendation: We recommend the Commission save all FUTA data received from the IRS, as well as, all corresponding FUTA data returned to the IRS.

Views of Responsible Official(s)

Contact Person: Michael J. Evans, OESC CIO

Anticipated Completion Date: April 2012

Corrective Action Planned: OESC will save two (2) copies of the FUTA data received from the IRS and the FUTA data returned to the IRS. One (1) copy will be maintained by the UI Tax Compliance Division and one (1) will be stored offsite.

FINDING NO: 11-290-002

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-10-55-A-40 and UI-16767-11-55-A-40

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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

Condition: During the SFY 2011 audit, we requested detailed support for the ETA 581 report and the Oklahoma Employment Security Commission (Commission) was unable to provide it.

Cause: The data does not support the ETA 581.

Effect: The Commission may be completing an inaccurate ETA 581 report.

Recommendation: We recommend the Commission perform procedures to validate the information reported on the ETA 581 Report. We also recommend that for future audits the Commission provide the State Auditor's Office with source data from the system used to prepare the ETA 581 report.

Views of Responsible Official(s)

Contact Person: Barbara Ramsey, Director UI

Anticipated Completion Date:

Corrective Action Planned: Oklahoma is in the process of re-writing the programs for the ETA-581 to ensure the supporting data is captured and retained for audit purposes.

FINDING NO: 11-290-003

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-10-55-A-40 and UI-16767-11-55-A-40

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: A component objective of good internal controls is the maintenance of documents supporting federal reports.

Condition: The Oklahoma Employment Security Commission could not explain a material difference of supporting documentation for the ETA 227, FAC Overpayment Detection and Recovery Activities Reports, for State Fiscal Year 2011. The supporting documentation noted a total of \$330,428 while the reports showed collections totaling \$159,138. This amounts to a difference of \$171,290 or 108% of the reported amount collected (\$171,290/\$159,138). Therefore we could not establish completeness of the report.

Cause: It appears management does not have adequate controls in place to ensure the support matches the reported FAC overpayment recoupment total.

Effect: The FAC overpayment recoupment total was understated by \$171,290. In addition, the Commission may not be able to provide adequate detailed documentation for the FAC overpayment collections as stated on the regular UI ETA 227 reports, submitted to the Department of Labor.

Recommendation: We recommend the Commission develop and implement policies and procedures to ensure that all supporting data is used in the preparation of the ETA 227 report.

Views of Responsible Official(s)

Contact Person: Michael J. Evans, OESC CIO

Anticipated Completion Date: March 2013

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Corrective Action Planned: OESC is in the process of a redesign of its entire BPC system. Part of that redesign includes a new ETA 227 report and all detailed audit data required for supporting the report.

Office of the Governor

FINDING NO: 11-305-002 (Repeat)

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394 and 84.397

FEDERAL PROGRAM NAME: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act; State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

FEDERAL AWARD NUMBER: S394A090037 and S397A090037

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 2 CFR 176.50 states “Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner...(c)Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.”

31USC7502 (f) (2) states, “ Each pass-through entity shall -- (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter; (B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.”

The March 2011 OMB Circular A-133 Compliance Supplement Part M, Subrecipient Monitoring, states, “A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.”

Condition: During our evaluation of controls over compliance and testwork performed as part of the subrecipient monitoring process instituted by the Oklahoma State Department of Education (OSDE) over school districts, multiple deficiencies were noted. The deficiencies are as follows:

OSDE was unable to provide documentation of sufficient action to ensure its ARRA subrecipients have a current registration in the CCR, including having a DUNS number, maintaining the currency of that information or assessing the subrecipient’s compliance with the CCR registration requirement. However, it should be noted that on October 15, 2010, email communication was sent by the Department to its subrecipients notifying them of their responsibility to establish and maintain a current registration in the CCR including having a DUNS number. In that email, subrecipients were provided contact information for the CCR registration process with directions to obtain a DUNS number.

Based on review of OSDE documentation provided to the subrecipient school districts, it does not appear that subrecipients were made aware of the required items at the beginning of the award. Although OSDE did have some written communication with the subrecipients at the beginning of the award, we do not

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believe these communications included all necessary items (CFDA title and number, award name and number, award year, name of federal agency, applicable compliance requirements, activities allowed, requirement for ARRA identification in subrecipient SEFA). OSDE did offer guidance on their website for subrecipients, but we do not believe this is adequate to suffice for this requirement. By placing the information on the website, the burden of determining required grant information and required compliance requirements was placed on the subrecipient rather than communicated by the pass-through entity as required.

Based on reviews of expenditure reports and supporting documentation submitted to OSDE by the school districts for during-the-award monitoring, thirty-three (33) of the sixty (60) school districts reviewed did not submit supporting documentation with their expenditure report. Without the supporting documentation, OSDE would be unable to determine if the charges were 1) actually for payroll and 2) that the correct teachers were paid based on the data form submitted by each school listing what teachers will be paid with the funding.

Based on the review of the OMB Circular A-133 audits, the following was noted:

- Thirty-eight (38) of three-hundred sixty-three (363) audits were not received within nine months of the end of the subrecipient' audit period;
- One-hundred eleven (111) audits were never reviewed;
- Of the two-hundred fifty-two (252) audits that were reviewed, one-hundred sixty-two (162) were not reviewed within six months of the receipt of the audit;
- Of the twenty-four (24) audits that had citations and/or findings:
 - Four of the audits did not receive a management response within ninety (90) days of the date the letter and audit findings were sent subrecipient;
 - Seventeen (17) of the audits did not receive OSDE decision on audit findings within 6 months of receiving the audit report;
 - Management did not ensure that timely and corrective action was taken relating to findings for two subrecipients.

Because the subrecipient monitoring requirements were not met for CCR registration, award identification, during-the-year monitoring, and A-133 audits, we do not feel that OSDE has adequately evaluated the impact of subrecipient activities on its ability to comply with applicable federal regulations.

Additionally, because OSF is the administrator of the ESF and GSF grants, we feel it is necessary that OSF review some of the monitoring processes and results from OSDE. It appears that OSF did not review the monitoring process and results from OSDE and has not adequately evaluated the impact of subrecipient activities on its ability to comply with applicable federal regulations.

Cause: It appears that OSDE has not instituted sufficient policies, procedures, or controls to ensure that the requirements of subrecipient monitoring are met.

Effect: OSDE and OSF are not in compliance with the above noted subrecipient monitoring requirements. In addition, it appears that OSF has not adequately reviewed the subrecipient monitoring procedures instituted by OSDE to assess their ability to comply with the requirements.

Recommendation: We recommend that OSDE implement policies, procedures and controls to ensure that all requirements for subrecipient monitoring are met. Additionally, we recommend that OSF adequately review the subrecipient monitoring procedures enacted by OSDE to ensure that all the requirements for subrecipient monitoring are met.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date: 6/30/2012

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Corrective Action Planned: OSF will further review the subrecipient monitoring procedures enacted by Oklahoma State Department of Education.

Views of Responsible Official(s) - OSDE

Contact Person: Mathangi Shankar, Director of Financial Services

Anticipated Completion Date: FY 2013

Corrective Action Planned: We concur with the finding noted above. The Department has implemented the following corrective action to address the issues with respect to subrecipient monitoring.

CCR Registration: The federal programs office is now maintaining a listing of DUNS number and CCR expiry date by district. Districts are notified that their registration has expired or is about to expire and that they need to renew and return the registration form with the new information. Notifications will be sent each month to those that are approaching their expiration date so that they can begin the process of renewing and submit the information to the Department. The new grants management application that is expected to go live for FY 13 will have an assurance statement built in the system.

Award Identification: As noted in the finding, the Department had some written communication at the beginning of the award. Additional information was provided during the grant year in the form of written correspondence to the school districts but the communication did not include all the required items and therefore did not meet the federal requirements. The Department is now aware of the requirement and will ensure compliance with the regulation. The SFSF –ESF funds were closed out in December 31, 2011.

Documentation: The Department's procedures require submission of supporting documentation with expenditure reports. However, as noted in the finding, supporting documentation was not received from the 33 school districts and the Department did not follow up with the districts. The Department will ensure full compliance with this requirement for all future payments.

Audit: The Audit Coordinator position, which is primarily responsible for the review of all federal audits, remained vacant for more than 6 months. When the position was filled, there was very little time to complete the review of all audits in a timely manner. In order to devote more time to audits that needed the most attention, it was decided to prioritize and review audits in the order of importance starting with audits that had federal findings, followed by audits that had exceptions and recommendations and lastly audits that were considered clean. In addition, if federal programs had concerns with an audit of a specific school district, they were reviewed immediately. However, due to the late start the Department was not able to meet the required timelines for issuance of management decisions and follow up on corrective actions on some of the audits. For FY 12, the Department will take the following steps to improve the situation. It will ensure that adequate resources are available to timely review all audits and meet all OMB Circular No: A -133 audit requirements. It will maintain a system to properly communicate, document and track responses from the program areas and to promptly follow up on any corrective action by the subrecipients. The Executive Director of the Financial Accounting Unit will routinely monitor the process and address any outstanding issues.

FINDING NO: 11-305-003 (Repeat)

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.397

FEDERAL PROGRAM NAME: State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Subrecipient Monitoring and Special Tests (R3) – Subrecipient Monitoring

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QUESTIONED COSTS: \$0

Criteria: 2 CFR 176.50 states “Agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner . . . (c)Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration.”

31USC7502 (f) (2) states, “ Each pass-through entity shall -- (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter; (B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.”

The March 2011 OMB Circular A-133 Compliance Supplement Part N, Special Tests, section R3 – Subrecipient Monitoring states, “Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification in their SEFA and SF-SAC.”

The March 2011 OMB Circular A-133 Compliance Supplement Part M, Subrecipient Monitoring, states, “A pass-through entity is responsible for evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.”

Condition: During our evaluation of controls over compliance and testwork performed as part of the subrecipient monitoring process instituted by the Office of State Finance (OSF), multiple deficiencies were noted. The deficiencies were as follows:

OSF was unable to provide documentation of sufficient action to ensure its ARRA subrecipients have a current registration in the CCR, including having a DUNS number, maintaining the currency of that information or assessing the subrecipient’s compliance with the CCR registration requirement. It should be noted, however, that it appear that the three subrecipients for which OSF was directly responsible appear to have current CCR registration and DUNS numbers, based on the fact that the subrecipients appear in OSF’s 1512 report.

Based on discussions with applicable OSF management and review of documentation provided, it does not appear that during-the-year monitoring occurred. OSF staff visited one subrecipient during the fiscal year, but only information from federal fiscal year 2010 (October 1, 2009 to September 30, 2010) was reviewed. There were no claims from state fiscal year 2011 that were examined as part of the visit. Additionally, it appears that the other two subrecipients were not visited at any time during state fiscal year 2011. No other during-the-year monitoring was performed.

Based on discussions with OSF management, it appears that, for the one subrecipient required to submit an A-133 audit, OSF did not require that the audit be submitted within nine months of the end of the subrecipient’s audit period. At the time of the SFSF audit, OSF had not received a copy of the A-133 audit or informed the subrecipient of the need to submit the audit within the required nine months of the end of the subrecipient’s audit period and therefore could not have issued a management decision on any possible findings and ensured corrective action was taken. We were however able to obtain a copy of the most recent A-133 audit for the subrecipient in question, and no findings pertaining to CFDA #84.397 were noted.

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Based on discussions with applicable OSF management and review of documentation provided, it appears that OSF did not communicate the requirement that subrecipients identify ARRA information on their SEFA and SF-SAC. OSF management noted that it believes that the Department of Commerce and the Oklahoma Department of Mental Health and Substance Abuse Services communicated this requirement to the applicable subrecipients; however, because OSF is ultimately responsible for subrecipient monitoring, OSF should have communicated this information directly to the applicable subrecipients.

Because the subrecipient monitoring requirements were not met for CCR registration, during-the-year monitoring, A-133 audits, and SEFA and SF-SAC presentation, we do not feel that OSDE has adequately evaluated the impact of subrecipient activities on its ability to comply with applicable federal regulations.

Cause: The OSF had not instituted policies, procedures, and controls to ensure that the requirements of subrecipient monitoring were met.

Effect: OSF is not in compliance with the above noted monitoring requirements.

Recommendation: We recommend that OSF implement policies, procedures and controls to ensure that all requirements for subrecipient monitoring are met.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date: 6/30/2012

Corrective Action Planned: OSF did perform a review of the MHAT's audit at the time of our monitoring visit. The audit that was reviewed by OSF during the monitoring visit was the most recent audit available at the time of our monitoring visit.

OSF will review documentation for the state fiscal year on federal grants. OSF will also ensure that subrecipients have a current registration in the CCR, including having a DUNS number. OSF will require subrecipients to submit their A-133 audits, when applicable, within 9 months of the end of the subrecipients' audit period. OSF will communicate the requirement that subrecipients identify ARRA information on their SEFA and SF-SAC.

FINDING NO: 11-305-004 (Repeat)

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394/84.397

FEDERAL PROGRAM NAME: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act; State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

FEDERAL AWARD NUMBER: S394A090037 and S397A090037

FEDERAL AWARD YEAR: 2010/2011

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$0

Criteria: According to Subpart B of 31 CFR § 205.33(a), "A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs."

Condition/Cause: Based on review of draws/payments totaling \$139,147,262 for CFDA #84.394 and \$221,438 for CFDA #84.397 made to the Oklahoma State Department of Education, we noted no

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procedures in place at either the Office of State Finance or Department of Education to ensure disbursements for payroll to the subrecipients were based on actual, immediate cash needs of the program. As a result, we were unable to determine if funds were drawn as close as administratively feasible to the agency's actual cash outlay for direct program costs because the Department of Education did not monitor the subrecipients *prior to awarding* the funds to ensure the payments were on a reimbursement basis. However, based on communication with OSDE and review of documentation they did perform some during the award monitoring to see if cash management issues were occurring by comparing the subrecipients expenditure reports to the actual allocations. This during the award monitoring was done mostly in April through June 2011, based on expenditure date submitted by the subrecipient from September 2010 through February 28, 2011. The monitoring revealed that a large number of the schools had not expended all of the funds they were allocated through February 2011.

In addition, we noted a draw made on 4/8/11 to the Oklahoma State Department of Education for CFDA #84.394 totaling \$10,000,000 that was not paid out to subrecipients until 4/15/11. The draw of additional funds to be paid later was a result of the department anticipating a federal government shut down.

Effect: The OSF and OSDE are not in compliance with Subpart B of 31 CFR § 205.33(a). In addition, OSDE is unable to determine how timely the subrecipient (school) payments were or if they were for immediate cash needs since no procedures were in place to monitor cash drawdowns prior to payment.

Recommendation: We recommend OSDE develop and implement procedures to ensure subrecipients (schools) expend ARRA funds timely and for immediate cash needs as intended by the Act. Further, we recommend OSF develop and implement cash management procedures to ensure that subrecipient (school) payments are made based on immediate cash needs.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date: 6/30/12

Corrective Action Planned: OSF will work with the Oklahoma State Department of Education to make sure that school payments are made based on immediate cash needs.

Views of Responsible Official(s) - OSDE

Contact Person: Ms. Renee McWaters

Anticipated Completion Date: Completed

Corrective Action Planned: We concur with the finding noted above. At the time of award, the Oklahoma State Department of Education (OSDE) established and put into process a federal program for the State Fiscal Stabilization Fund (SFSF) Education Stabilization Fund (ESF) [CFDA 84.394] that was calculated through the FY2011 Financial Support of Schools (funding formula). This system documents the budget as well as each payment. The formula funding is the basis of each sub-grantee's (schools) monthly payroll and most follow OSDE formula payment schedule. The federal program required all sub-grantees (schools) to complete and provide a Documentation of Expenditure report from the first of their budget to February 28, 2011, as a comparison of total FY2011 SFSF ESF funds distributed at that point. For districts that seem to have excessive cash on hand, the future payments were stopped until the cash need was present. All sub-grantees must encumber their funds to complete all yearly contracts by June 30, 2011, so all budgeted allocations were paid in full by end of fiscal year (6/30/2011).

In April of 2011, an early draw (4/8/2011) was requested by OSDE of the Office of State Finance (OSF) due to the possible shut down of the federal government. OSDE was requesting to have sufficient funds available for the scheduled April 15, 2011, distribution.

All SFSF-ESF and SFSF-GSF funds were closed out as of December 31, 2011. It should be noted that OSDE has established a reimbursement process for the Education Jobs Fund (Award Number S410A100037) [CFDA 84.410] and all sub-grantees have provided full and complete detail expenditure reports with each claim.

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FINDING NO: 11-305-005 (Repeat)

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.397

FEDERAL PROGRAM NAME: State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2010/2011

CONTROL CATEGORY: Cash Management and Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: According to Subpart B of 31 CFR § 205.33(a), “A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State’s actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs.”

31USC7502 (f) (2) (A-D) states, “ Each pass-through entity shall -- (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter; (B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity; and (D) require each of its subrecipients of Federal awards to permit, as a condition of receiving Federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter.”

Condition/Cause: Based on our review of controls and testwork performed over the draws/payments made to the Commerce Department and Department of Mental Health, we noted there was no monitoring performed by the Office of State Finance of the agencies subrecipients during our time period to ensure disbursements were based on actual, immediate cash needs of the program. As a result, we were unable to determine if funds were drawn as close as administratively feasible to the agency’s actual cash outlay for direct program costs because the Office of State Finance did not monitor the subrecipient payments/draws to ensure the payments were on a reimbursement basis.

The Department of Mental Health received draws totaling \$2,500,000 and the Commerce Department received draws totaling \$152,235.75 for state fiscal year 2011.

The Office of State Finance did perform a review of Mental Health for federal fiscal year 2010; however, the documentation reviewed did not cover the draws/payments during our audit period. The Commerce department is scheduled to be reviewed but had yet to be performed.

Effect: The OSF is not in compliance with the above noted subrecipient monitoring and cash management requirements. Also, OSF did not adequately perform monitoring of subrecipients. Lastly, OSF is unable to determine how timely the subrecipient payments were or if they were for immediate cash needs since no procedures were in place to monitor cash drawdowns.

Recommendation: We recommend procedures be implemented to ensure proper communications are made with subrecipients and monitoring is performed to ensure Federal awards are used for authorized purposes in compliance with laws, regulations and grant agreements. In addition, we recommend OSF

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develop and implement procedures to ensure subrecipients expend ARRA funds timely and for immediate cash needs as intended by the Act. Lastly, we recommend OSF develop and implement cash management procedures to ensure that subrecipient payments are made based on immediate cash needs.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date: 6/30/2012

Corrective Action Planned: Actions implemented in Findings 1 – 4 will fulfill the requirements of this recommendation.

Department of Health

FINDING NO: 11-340-002

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.557

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

FEDERAL AWARD NUMBER: 2010IW100646

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$5,456

Criteria: 7 CFR 246.16a (k) – *Requirements for infant formula rebate invoices* states, “A State agency must have a system in place that ensures infant formula rebate invoices, under competitive bidding, provide a reasonable estimate or an actual count of the number of units purchased by participants in the program.”

OSDH Internal Procedure – According to the *Rebate Invoicing Procedure* the preparer is to “[1] Enter the WIC Infant Formula Rebate Report amounts into the worksheet. [2] Adjust the totals by the Nestle Rebate Adjustments provided by the WIC office.”

A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall 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.”

Condition: During our testing of 3 monthly infant formula rebate calculations from SFY11, we noted 1 monthly rebate calculation was incorrect. The final invoiced amount was calculated incorrectly and the vendor was not billed for the full rebate amount due.

Cause: The rebate billing calculation did not include adjustments to the amount of formula cans issued to WIC participants provided by the WIC office and the rebate calculation review process in place did not detect this error.

Effect: Inadequate review of the rebate invoice calculations could lead to inappropriate rebate amounts being collected from the manufacturer.

Recommendation: We recommend that the Department establish policies and procedures to ensure that monthly rebate calculations are properly reviewed to ensure the invoice amounts are correctly calculated.

Views of Responsible Official(s)

Contact Person: Grace E. Brown, Chief of Accounting Services

Anticipated Completion Date: 02/03/2012

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Corrective Action Planned: We concur with the Auditor's finding. The final 2010 WIC Rebate invoiced amount was calculated incorrectly and the review process did not detect the error. In the future, the preparer of the rebate invoice will prepare the invoice on a timeline which provides sufficient time for both the preparer and reviewer to prevent/detect such errors and omissions. Staff involved in the process will be provided additional training.

FINDING NO: 11-340-006

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: U. S. Department of Agriculture

CFDA NO: 10.557

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

FEDERAL AWARD NUMBER: 2010IW100346

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: A-133 Subpart C § .300 (b) – *Auditee responsibilities* states, “The auditee shall 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.”

A-133 Subpart D § .400 (d) – *Pass-through entity responsibilities* states, “A pass-through entity shall perform the following for the Federal awards it makes: (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year. (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.”

2 CFR § 215.51 (a) – *Monitoring and reporting program performance* states, “(a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in § 215.26.”

31 USC 7502 (h) – *Audit Requirements; exemptions* states, “The non-Federal entity shall transmit the reporting package, which shall include the non-Federal entity's financial statements, schedule of expenditures of Federal awards, corrective action plan defined under subsection (i), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection within the earlier of— (1) 30 days after receipt of the auditor's report; or (2)(B) 9 months after the end of the period audited, or within a longer timeframe authorized by the Federal agency.”

Condition: As part of our subrecipient monitoring testing, we selected 8 subrecipients and performed procedures on the internal control mechanisms in place to ensure subrecipient audits were tracked as necessary and noted the following:

- 7 of 8 instances of the closeout checklist not being completed correctly by the Contract Administrator. This closeout checklist includes questions to ensure the subrecipient audit has been received as required prior to contract closeout.
- 1 of 8 instances where the closeout was not included in the contract file.

In addition, we selected a sample of 9 subrecipients and performed procedures in order to ensure the subrecipient audits were obtained and reviewed as required and noted the following:

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- 5 of 9 instances where the required A-133 audit was not received from the subrecipient within the required time frame.
- 2 of 9 instances where the required A-133 audit was not received from the subrecipient.
- 1 of 9 instances of conflicting Department records. The subrecipient indicated that an A-133 audit was required; however, subrecipient listings made no indication that an A-133 audit was required and there was no indication that the subrecipient's initial response was an error.

Cause: Per discussion with Department personnel we have noted the following possible causes

- Subrecipients do not fully understand the above state criteria.
- There are no adopted procedures to acknowledge that an A-133 audit is needed on an annual basis.
- Current procedures are inadequate and do not provide a sufficient means for ensuring that A-133 audits are received and reviewed properly.

Effect: If subrecipients are not receiving A-133 audits or the Department is not obtaining and reviewing the A-133 audits in a timely fashion, instances of insufficient internal controls and noncompliance may not be detected and addressed by the Department.

Recommendation: We recommend that the Department take appropriate action to ensure the existing policies and procedures over subrecipient A-133 audits are followed in order to ensure the timely collection and review of these audits. In addition, we recommend that the Department receive and review any subrecipient audits that remain outstanding.

Views of Responsible Official(s)

Contact Person: Ray Hankins, Chief Financial Officer

Anticipated Completion Date: May 31, 2012

Corrective Action Planned: Outlined Below

We concur with the finding above. Corrective action will be implemented through the following action steps:

- Contract files will be reviewed to assure the required documentation exists within files.
- No later than May 31, 2012, staff will have identified and corrected deficient contract files.
- OSDH Procurement and Internal Audit staff will immediately begin ongoing participation in training and information exchange to assure all staff are aware of proper procedures and required information for files.
- Contractors that have not provided OSDH required audits will be contacted in follow-up to request compliance with the contractual obligations outlined above.

FINDING NO: 11-340-008 (Repeat)

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: U. S. Department of Agriculture

CFDA NO: 10.557

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

FEDERAL AWARD NUMBER: 2010IW100346

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Condition: During our testing of the FFY2010 FNS 798-A Report, we noted the following errors:

- State Nutrition Education was understated by \$116,541

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- State Breastfeeding was overstated by \$489
- Local Breastfeeding was understated by \$280,250
- Total Federal Outlays were understated by \$27
- Local Nutrition Education was overstated by \$1,688
- Local Client Services was overstated by \$394,614

Cause: Report preparation and reviewing procedures for the WIC FNS-798A report were not followed.

Effect: Incorrect program decisions could be made based on inaccurate reporting information.

Recommendation: We recommend that the Department submit an amended FFY 2010 FNS 798-A report. We also recommend the Department implement policy and procedures to prevent inaccurate information from being recorded on Federal reports.

Views of Responsible Official(s)

Contact Person: Ray Hankins, Chief Financial Officer

Anticipated Completion Date: April 30, 2012

Corrective Action Planned: We concur. We will revisit the current procedures for completing and reviewing the WIC FNS-798A report both as a refresher and for improvement in accuracy. We will also submit an amended report.

Health Care Authority

FINDING NO: 11-807-001 (**Partial Repeat Finding**)

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778 and 93.767

FEDERAL PROGRAM NAME: Medical Assistance Program and Childrens' Health Insurance Program

FEDERAL AWARD NUMBER: 1005OK5MAP, 1005OKARRA, 11005OK5MAP, 11005OKARRA, 11005OKEXTN, 11005OKINCT, 1005OK5021, 1105OK5021

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Reporting, Special Tests and Provisions for Awards with ARRA Funding - R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

According to 2 CFR section 176.210 (b), "For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA)"

Condition: Based on the procedures performed, we determined the following:

- The ARRA (American Recovery and Reinvestment Act) HIT (Health Information Technology) Incentive Payments were included under the Medical Assistance Program's (MAP) non-ARRA expenditures on the SEFA instead of being separately reported on the line for ARRA MAP expenditures. This resulted in the non-ARRA MAP expenditures being over-reported by \$35,356,710 and the ARRA MAP expenditures being under-reported by \$35,356,710.00.

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- Expenditures reported on the CMS-64.21 of \$307,827.88 were omitted from the SEFA submitted to Office of State Finance.
- Adjustments and corrections related to state fiscal year 2011 claims were not reflected in the amounts reported on the SEFA and there is no documentation to support that these amounts were considered when preparing and reviewing the SEFA. These adjustments resulted from OHCA implementing a new on-line enrollment system in September, 2010. When the new system was implemented, it was not assigning expenditures to the correct program. Some expenditures which belonged to CFDA # 93.767 – Children’s Health Insurance Program (CHIP) were being assigned to CFDA # 93.778 – Medical Assistance Program (MAP) and some expenditures which belonged to MAP were being incorrectly assigned to CHIP. Some of the adjustments to correct this occurred after June 30, 2011, but should have been known before the SEFA was prepared and submitted. These adjustments included the following:
 1. Physician claims for the period of October, 2010 to June, 2011 with reimbursements totaling \$10,846,688.42 which were moved from the MAP program to the CHIP program.
 2. Physician claims for the period of October, 2010 to June, 2011 with reimbursements totaling \$1,731,988.93 which were moved from the CHIP program to the MAP program.
 3. Pharmacy and dental claims for the period of April, 2011 to June, 2011 which resulted in moving \$9,558,322.82 from the CHIP program to the MAP program.

Cause: Adequate training has not been provided for personnel preparing the SEFA regarding the regulations and requirements for reporting Federal expenditures on the SEFA, and an adequate review system is not in place to ensure the amounts reported on the SEFA are accurately reported.

Effect: The OHCA overstated expenditures for MAP non-ARRA and understated expenditures for MAP ARRA on the SEFA. In addition, the OHCA incorrectly stated the Federal Cash Basis Expenditures on the SEFA for both MAP and CHIP.

Recommendation: We recommend the OHCA provide training to all personnel involved in the preparation/review of the SEFA regarding the regulations and requirements for reporting on the SEFA and review the current procedures in place to determine where the breakdown in the internal control system occurred and implement the necessary procedures to ensure accurate reporting of expenditures on the SEFA in the future.

Views of Responsible Official(s)

Contact Person: Gloria Hudson

Anticipated Completion Date: March 31, 2012

Corrective Action Planned: OHCA concurs with the finding. The status is partially corrected. Training to personnel involved in the preparation will be conducted and a review of the current procedures will be performed and corrective action implemented.

FINDING NO: 11-807-002 (Repeat Finding)

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: 1005OKARRA and 11005OKARRA

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: American Recovery and Reinvestment Act – Maintenance of Effort (Indian Care)

QUESTIONED COSTS: \$-0-

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Criteria: A component objective of effective internal controls is to develop policies and procedures which will ensure compliance with applicable laws and regulations.

Section 5006(a) of American Recovery and Reinvestment Act (ARRA):

- Exempts Indians from paying enrollment fees, premiums, or similar charges if they are served by an Indian health care provider;
- Exempts Indians from paying a deductible, coinsurance, copayment or similar charges for Medicaid-covered services if they are served by an Indian health care provider; and
- Prohibits any reduction in payment due under Medicaid to the Indian health care provider serving an Indian (i.e., a State must pay these providers the full Medicaid payment rate for furnishing the service).

Condition: During our testwork, we extracted all claim reimbursements for Indian participants who were served by an Indian health care provider during SFY 2011 and noted 106,300 claim reimbursements with \$197,522.62 in copayments charged.

Cause: It appears OHCA charged Indian participants copayments when they received care from an Indian health care provider.

Effect: OHCA is not in compliance with the requirements of Section 5006(a) of ARRA.

Recommendation: We recommend that OHCA evaluate their current policies and procedures to ensure they are adequate to properly identify changes in program requirements and to design and implement appropriate internal controls to ensure compliance with any changes in program requirements.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: April 30, 2012

Corrective Action Planned: OHCA will refund the federal share to CMS on the March 31st quarter ending CMS 64 expenditure report. This issue existed due to OHCA's claims payment system not having a field which identified members as Native Americans; OHCA had been aware of this but could not resolve until system change orders were completed. As of January 2012, OHCA has included in our systems "Recipient" file a "Verified Native American" field. The processing of claims from that date has included verifying if members are NA. OHCA identified and activated the NA field by identifying Native Americans through verification of paid claims for the period of 2005-2011.

FINDING NO: 11-807-005

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: 1005OK5MAP, 1005OKARRA, 11005OK5MAP, 11005OKARRA, 11005OKEXTN, and 11005OKINCT

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Reporting

Criteria: A component objective of an effective internal control system is to ensure that accurate and reliable information is available for reporting purposes.

According to the instructions for the CMS-64 report, the amounts reported on Form CMS-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed.

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Condition: In September 2010, the Authority implemented a new Online Enrollment system. During October 2010, it was noted that the CHIP (Children's Health Insurance Program) program's enrollment numbers had decreased from over 70,000 in August 2010 to less than 20,000 in September 2010. The Authority established a task force in May 2011 to analyze system data, identify the problems, and find solutions. Further investigation revealed that the dramatic decrease in CHIP enrollment numbers was caused by data conversion errors, system logic errors, and edit failures which caused recipients who should have been classified as CHIP eligible to be classified as MAP eligible in the Authority's Medicaid Management Information System (MMIS). There were also a few recipients erroneously classified as CHIP eligible which should have been classified as MAP eligible, but the majority of the errors involved CHIP recipients being classified incorrectly as MAP recipients.

The Authority has not provided sufficient evidence that they have properly designed and implemented internal controls which would ensure all system errors and misclassified recipients have been identified and updated in the MMIS system.

Once the Authority had identified an Online Enrollment system error and corrected it, they would reprocess the claims paid on all recipients whose records were updated. The reprocessing of previously paid claims was necessary to correct the reporting of expenditures for misclassified recipients on the CMS-64.9 and CMS-64.21 reports. The final adjustment amounts from reprocessed claims were compiled on manually prepared Excel spreadsheets (adjustment spreadsheets) which identified the amounts to be moved from CHIP to MAP and vice versa on the CMS-64.9 and CMS-64.21 reports. The Authority did not implement any internal controls to ensure that the amounts compiled on the adjustment spreadsheets which were used to adjust the CMS-64.9 and CMS-64.21 reports were complete and accurate. This resulted in a \$9,399,092.35 error in the adjustments reported on the quarter ending June 30, 2011 CMS-64.9 and CMS-64.21 reports. The Authority did catch this error when walking us through the process for compiling adjustment amounts, and they have stated that they corrected this error on the CMS-64.9 and CMS-64.21 reports for the quarter ending September 30, 2011, which is outside our audit period.

Cause: The Authority did not properly test and review the new Online Enrollment System before going 'live' with the system, they did not have a system in place to identify and correct the system errors in a timely manner, and they did not perform sufficient testing to ensure that all system errors have been identified and all misclassified recipients have been corrected and updated. In addition, management failed to design and implement internal controls to ensure that the amounts adjusted on the CMS-64.9 and CMS-64.21 reports due to Online Enrollment system errors were compiled correctly.

Effect: Expenditures on the CMS-64.9 were misstated during State Fiscal Year (SFY) 2011. In addition, since the same source data is used to prepare the Schedule of Expenditures of Federal Awards (SEFA), the expenditures on the SFY 2011 SEFA could be misstated as well.

Recommendation: We recommend the Authority perform further data analysis to determine if all misclassified recipients have been identified and properly adjusted. In addition, we recommend the Authority monitor enrollment count and program expenditure trends and determine the exact cause for trends which appear out of the ordinary.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: Corrected – system issues, Partially corrected – report adjustments October 30, 2012

Corrective Action Planned: OHCA concurs that expenditures were reported incorrectly due to member's program eligibility being misclassified. As stated above, this was primarily due to the conversion of data related to our implementation of a new "On-line Enrollment System".

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OHCA feels that “materially” all system errors and misclassified members are now correct. Upon identification of this issue, a comprehensive assessment was performed, a plan adopted, and a series of actions were carried out until this issue was resolved.

OHCA monitors enrollment and expenditure counts on a routine basis. This is how this issue was initially identified. OHCA will continue to perform these duties.

Any remaining necessary report adjustments will be made.

FINDING NO: 11-807-008

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: 1005OK5MAP, 1005OKARRA, 11005OK5MAP, 11005OKARRA,
and 1105OKEXTN

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$63,965

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.”

Also, 42 CFR 435.916(a) states, “The agency must re-determine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months”

Condition: During testwork of 72 recipient medical claims, we noted for 9 medical claims paid, the recipient’s case file did not contain sufficient evidence to determine eligibility during the time period for which the claim was paid. The questioned costs noted above are an estimate of the Federal portion of all claims paid for these recipients for State fiscal year 2011.

Cause: It appears the case files did not contain sufficient support to verify the client’s eligibility. Sufficient support includes a current completed application/re-determination, proof of citizenship, and/or proof of income.

Effect: Medical assistance may have been provided to ineligible recipients.

Recommendation: We recommend the Department review established procedures to ensure they are adequate and facilitate compliance with regulations requiring written applications to document that individuals meet eligibility requirements.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire OHCA / Karen Hylton DHS

Anticipated Completion Date: October 30, 2012

Corrective Action Planned: OHCA / DHS will research this further. Any inappropriate federal funds expended will be returned to CMS.

FINDING NO: 11-807-009

STATE AGENCY: Oklahoma Health Care Authority

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FEDERAL AGENCY: Department of Health and Human Services
CFDA NO: 93.767
FEDERAL PROGRAM NAME: Childrens' Health Insurance Program
FEDERAL AWARD NUMBER: 1105OK5021
FEDERAL AWARD YEAR: 2011
CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
QUESTIONED COSTS: \$243

Criteria: According to 2 CFR section 225.55 (c.1.a), "Costs must be . . . necessary and reasonable for proper and efficient performance and administration of Federal awards."

Condition: Based on a medical professional's review of 78 claims for CHIP recipients, we noted six claims with payment errors totaling \$322.39 (the estimated Federal portion totals \$242.99). The payment errors consisted of claims paid when they were not supported by medical records, claims which were improperly coded by the medical provider, and claims which were paid when the service provided was not consistent with the medical diagnosis.

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 and, 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: Kristin Edwards

Anticipated Completion Date: Completed

Corrective Action Planned: None, it is not cost effective to recoup this amount.

FINDING NO: 11-807-010
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: 1005OK5MAP, 1005OKARRA, 11005OK5MAP, 11005OKARRA, and 1105OKEXTN
FEDERAL AWARD YEAR: 2010 and 2011
CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
QUESTIONED COSTS: \$183

Criteria: According to 2 CFR section 225.55 (c.1.a), "Costs must be . . . necessary and reasonable for proper and efficient performance and administration of Federal awards".

Condition: Based on a medical professional's review of 76 claims for MAP recipients, we noted six claims with payment errors totaling \$245.03 (the estimated Federal portion totals \$186.36). The payment errors consisted of claims paid when they are not supported by medical records and claims which were improperly coded by the medical provider.

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 and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

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Contact Person: Kristin Edwards

Anticipated Completion Date: Completed

Corrective Action Planned: None, it is not cost effective to recoup this amount.

FINDING NO: 11-807- 011 (**Repeat Finding**)

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: 1005OKARRA, 1005OK5MAP, 1105OKARRA, 1105OK5MAP, and 1105OKEXTN

FEDERAL AWARD YEAR: 2010, and 2011

CONTROL CATEGORY: Maintenance of Effort - Prompt Pay

QUESTIONED COSTS: \$-0-

Criteria: In accordance with 42 CFR 447.45(d) and Section 5001(f)(2) of the American Recovery and Reinvestment Act, the State is required to pay 90% of all clean claims within 30 days of the date of receipt and 99% of all clean claims within 90 days of the date of receipt. In addition, the increased FMAP rate is not available for any practitioner, hospital, or nursing facility provider claims received by the State on a day in which the State failed to pay claims in accordance with the timely processing of claims requirements. According to the Prompt Pay Implementation Guidance issued by Centers for Medicare & Medicaid, the State must monitor its compliance with prompt pay requirements on a daily basis.

Condition: While performing our walkthrough of internal controls, we noted that OHCA did not have a system in place to monitor the agency's compliance with prompt pay requirements on a daily basis until January 13, 2011.

Cause: It appears OHCA was not aware of the requirement to monitor compliance on a daily basis until notified by the State Auditor and Inspector's Office after the SFY 2011 audit period had started.

Effect: Failure to monitor and ensure medical claims are paid in accordance with the required timeframes may result in unallowable costs being charged to the program

Recommendation: OHCA implemented a system on January 13, 2011 which calculated the prompt pay percentages and allowed for daily monitoring as required by the American Recovery and Reinvestment Act (ARRA) and 42 CFR 447.45(d). Therefore, since corrective action has already been implemented, we have determined that no additional recommendations are needed.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: Corrected

Corrective Action Planned: OHCA concurs with the finding. Corrective action was completed on January 13, 2011.

FINDING NO: 11-807-013

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Childrens' Health Insurance Program

FEDERAL AWARD NUMBER: 11005OKINCT, 1005OK5021, and 1105OK5021

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$5,317

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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.”

Also, 42 CFR 435.916(a) states, “The agency must re-determine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months”

Condition: During testwork of 78 recipient medical claims, we noted for 2 medical claims paid, the recipient’s case file did not contain sufficient evidence to determine eligibility during the time period for which the claim was paid. The questioned costs noted above are an estimate of the Federal portion of all claims paid for these recipients for State fiscal year 2011.

Cause: It appears the case files did not contain sufficient support to verify the client’s eligibility. Sufficient support includes a current completed application/re-determination, proof of citizenship, and/or proof of income.

Effect: Medical assistance may have been provided to ineligible recipients.

Recommendation: We recommend the Department review established procedures to ensure they are adequate and facilitate compliance with regulations requiring written applications to document that individuals meet eligibility requirements.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire OHCA / Karen Hylton DHS

Anticipated Completion Date: October 30, 2012

Corrective Action Planned: OHCA / DHS will conduct further research of this finding. Any inappropriate federal dollars will be refunded to CMS.

FINDING NO: 11-807-014

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Childrens’ Health Insurance Program

FEDERAL AWARD NUMBER: 1005OK5021 and 1105OK5021

FEDERAL AWARD YEAR: 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure that accurate and reliable information is available for reporting purposes.

According to the instructions for the CMS-64 report, the amounts reported on Form CMS-64 and its attachments must be actual expenditures for which all supporting documentation, in readily reviewable form, has been compiled and is available immediately at the time the claim is filed.

Condition: In September 2010, the Authority implemented a new Online Enrollment system. During October 2010, it was noted that the CHIP program’s enrollment numbers had decreased from over 70,000 in August 2010 to less than 20,000 in September 2010. The Authority established a task force in May 2011 to analyze system data, identify the problems, and find solutions. Further investigation revealed that the dramatic decrease in CHIP enrollment numbers was caused by data conversion errors, system logic errors, and edit failures which caused recipients who should have been classified as CHIP eligible to be

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classified as MAP (Medical Assistance Program) eligible in the Authority's Medicaid Management Information System (MMIS). There were also a few recipients erroneously classified as CHIP eligible which should have been classified as MAP eligible, but the majority of the errors involved CHIP recipients being classified incorrectly as MAP recipients.

The Authority has not provided sufficient evidence that they have properly designed and implemented internal controls which would ensure all system errors and misclassified recipients have been identified and updated in the MMIS system. Once the Authority had identified an Online Enrollment system error and corrected it, they would reprocess the claims paid on all recipients whose records were updated. The reprocessing of previously paid claims was necessary to correct the reporting of expenditures for misclassified recipients on the CMS-64.9 and CMS-64.21 reports. The final adjustment amounts from reprocessed claims were compiled on manually prepared Excel spreadsheets (adjustment spreadsheets) which identified the amounts to be moved from CHIP to MAP and vice versa on the CMS-64.9 and CMS-64.21 reports. The Authority did not implement any internal controls to ensure that the amounts compiled on the adjustment spreadsheets which were used to adjust the CMS-64.9 and CMS-64.21 reports were complete and accurate. This resulted in a \$9,399,092.35 error in the adjustments reported on the quarter ending June 30, 2011 CMS-64.9 and CMS-64.21 reports. The Authority did catch this error when walking us through the process for compiling adjustment amounts, and they have stated that they corrected this error on the CMS-64.9 and CMS-64.21 reports for the quarter ending September 30, 2011, which is outside our audit period.

Cause: The Authority did not properly test and review the new Online Enrollment System before going 'live' with the system, they did not have a system in place to identify and correct the system errors in a timely manner, and they did not perform sufficient testing to ensure that all system errors have been identified and all misclassified recipients have been corrected and updated. In addition, management failed to design and implement internal controls to ensure that the amounts adjusted on the CMS-64.9 and CMS-64.21 reports due to Online Enrollment system errors were compiled correctly.

Effect: Expenditures on the CMS-64.21 reports were misstated during State Fiscal Year (SFY) 2011. In addition, since the same source data is used to prepare the Schedule of Expenditures of Federal Awards (SEFA), the expenditures on the SFY 2011 SEFA could be misstated as well.

Recommendation: We recommend the Authority perform further data analysis to determine if all misclassified recipients have been identified and properly adjusted. In addition, we recommend the Authority monitor enrollment count and program expenditure trends and determine the exact cause for trends which appear out of the ordinary.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: Corrected – system issues, Partially corrected – report adjustments October 30, 2012

Corrective Action Planned: OHCA concurs that expenditures were reported incorrectly due to member's program eligibility being misclassified. As stated above, this was primarily due to the conversion of data related to our implementation of a new "On-line Enrollment System".

OHCA feels that "materially" all system errors and misclassified members are now correct. Upon identification of this issue, a comprehensive assessment was performed, a plan adopted, and a series of actions were carried out until this issue was resolved.

OHCA monitors enrollment and expenditure counts on a routine basis. This is how this issue was initially identified. OHCA will continue to perform these duties.

Any remaining necessary report adjustments will be made.

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Department Of Human Services

FINDING NO: 11-830-001

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 008015409S6008

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Special Tests and Provisions – EBT Card Security

QUESTIONED COSTS: \$0

Criteria: 7 CFR 274.7(b) states, “State Agencies shall establish control and security procedures to safeguard coupons that are similar to those used to protect currency. The state agencies, as well as all persons or organizations acting on their behalf shall safeguard coupons from theft, embezzlement, loss, damage, or destruction; and avoid unauthorized transfer, negotiation, or use of coupons.”

7 CFR 274.4 (a)(1)(i) states, “State Agencies shall reconcile their issuances daily using daily tally sheets, cashiers’ daily reports, tapes or printouts. In reconciliation systems where a record-for-issuance is used, all issuances authorized for the month shall be compared with the master issuance file.”

Condition: During testing of EBT Card Security we noted 6 out of 9 offices were not in compliance.

- Two offices do not properly secure the card stock inventory, do not properly secure the keys to the EBT inventory and do not properly reconcile the EBT inventory. (Alfalfa and Coal)
- One office does not properly verify the delivery of card stock inventory, does not properly secure the keys to the EBT Card Inventory, and does not properly reconcile the EBT inventory. (McCurtain)
- Three offices do not properly reconcile the EBT inventory. (Oklahoma, Texas, and Tulsa)

Cause: Six (6) county offices lack sufficient EBT Card Security processes.

Effect: The county offices tested may not be in compliance with the above stated regulations, which could result in theft, embezzlement, or unauthorized negation or use of benefits.

Recommendation: We recommend each county office receive face-to-face EBT Card Security training. Each condition listed above should be addressed to ensure proper retention of documents, segregation of duties, and security over EBT inventory keys, and completion of the EBT card stock reconciliation.

Views of Responsible Official(s)

Contact Person: Larry Johnson, Field Operations; Jerry Davidson, Finance EPS

Anticipated Completion Date:

Corrective Action Planned: Concur. Current written procedures address proper internal controls over EBT cards, including card issuance, card and key security, documentation, segregation of duties, signature authorization, and card storage. To ensure these procedures are followed, Finance EPS and Field Operations have developed a more robust training and monitoring process.

Training

Finance EPS will meet with all Field Liaisons November 30, 2011 to review proper internal controls and security procedures for EBT Cards. The importance of following written procedures will be

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emphasized. Field Liaisons will then conduct one-on-one training sessions at the county offices cited in this audit finding. Anticipated completion date is December 31, 2011.

Finance EPS will also be speaking at the Area Meetings for County Directors to emphasize the importance of proper internal controls and security procedures over EBT cards. The initial meetings are scheduled November 18, 2011 and will continue until all Area Meetings have been covered. Anticipated completion date is July 1, 2012.

Finance EPS will also conduct group training sessions in each Area for the EBT Specialists. Anticipated completion date is July 1, 2011.

Monitoring Process

Field Liaisons will randomly audit counties as part of their scheduled visits. Any discrepancies will be reported to Field Operations and EPS. EPS will then conduct a follow up visit to monitor progress and provide training. If the issues have not been resolved Field Operations and the County Director will be notified. Field Liaisons will then conduct a 60 day follow-up visit. Unresolved issues will be reported to Field Operations and the Area Director.

Beginning in January 2012, Finance EPS will also conduct random visits to monitor compliance and provide training. Any discrepancies will be reported to Field Operations and the County Director. Field Liaisons will conduct a 60 day follow-up visit. Unresolved issues will be reported to Field Operations and the Area Director.

FINDING NO: 11-830-003

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.563

FEDERAL PROGRAM NAME: Child Support Enforcement Division

FEDERAL AWARD NUMBER: G11040K4004

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0.00

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

The Instructions for the Completion of Form OSCE 34A state in part, on page 9, “**Signatures:** . . . Any individual(s) signing this report are certifying to the correctness and accuracy of the information here and on accompanying documents.”

Condition: Based on discussion with management and review of the cash balancing worksheet, the 34A report cannot be reconciled to deposits at the State Treasurer. Although, the Child Support Enforcement Division is working with OKDHS programmers on a project that will identify the differences between the State Treasurer report and the 34A report. However, a timeline on the implementation of the project could not be provided.

Cause: The OSIS report (audit summary report) used to generate the amounts reported on the 34A report cannot be reconciled to the 1830f account statement from the State Treasurer.

Effect: The Department may be submitting inaccurate reports.

Recommendation: We recommend the 34A report be reconciled to the 1830f account statement provided by the State Treasurer.

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Views of Responsible Official(s)

Contact Person: Heidi Randell

Anticipated Completion Date: 6/30/2012

Corrective Action Planned: Concur. On August 25, 2011 Child Support initiated a Business Improvement project to ensure the OSIS OCSE-34A can be reconciled to OSIS activity and Inventory reports. And to ensure the OSIS activity and inventory reports can be reconciled to the 1830F account statement.

FINDING NO: 11-830-004

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1101OKTANF

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 1,103

Criteria: DHS Policy 340:10-20-1(c) states, "The applicant(s) completes Form FSS-1, Comprehensive Application and Review, which states the applicant(s) agrees to not apply for TANF for one year from the date of application for DA."

DHS Policy Instructions to Staff 340:10-20-1-10 states, "The county director can approve Temporary Assistance for Needy Families (TANF) if there is an unforeseen circumstance that requires the family to apply. This approval is only used after the three-month time period covered by DA benefit. The approval by the county director must be documented in Family Assistance/Client Services (FACS) case notes. Receipt of TANF during this three-month period is a duplication of benefits."

Condition: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2011, we noted the following:

- One case received TANF benefits within eight months of receiving diversion assistance benefits and did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits. (Questioned Costs \$428)
- One case received TANF benefits within eleven months of receiving diversion assistance benefits and did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits. (Questioned Costs \$675)

Cause: The Department does not have mechanisms in place to ensure county director approval is obtained and documented for clients receiving TANF within one year of receiving Diversion Assistance.

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

Recommendation: We recommend the Department implement procedures in place to ensure county director approvals are obtained and documented for clients receiving TANF within one year of receiving Diversion Assistance.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: N/A

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Corrective Action Planned: Concur as to lack of supporting documentation. The county directors reviewed their cases and verified approval for TANF benefits was justified based on each client's circumstances. Therefore no overpayment occurred. Further corrective action is unnecessary since the Diversion Assistance Program closed July 1, 2011.

FINDING NO: 11-830-006

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: 2011G992201

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$2,550

Criteria: The Code of Federal Regulations Title 45, Volume 1, Section 96.30 states, "Fiscal control and accounting procedures must be sufficient to . . . (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant."

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 Instructions to Staff states "(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 184 cooling cases where the cooling benefit payment detail indicated no vendor and an "S" fuel type. According to the LIHEAP FSSD - 2010 Summer Cooling Instructions, benefits with the fuel type "S" are direct payments to the client for the purchase of or repairs to cooling equipment. We selected 18 of these cases for further review and noted the following:

- For 17 of the 18 case files selected, 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.

Cause: There is no requirement for purchase documentation for the benefit payments that are paid directly to the client for cooling equipment or equipment repairs. There is no control in place to ensure the proper LIHEAP application is in the client's file.

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.

Recommendation: We recommend the Department begin requiring purchase documentation to support these benefit payments to ensure funds are being used for the intended purpose. One possible alternative would be to require recipients to provide a receipt documenting showing the purchase of equipment.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

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Anticipated Completion Date: October 1, 2012

Corrective Action Planned: Concur. Family Support plans to seek approval from the Commission of Human Services to cease direct payments to clients for purchase or repair of cooling equipment. Payment will instead be made to the client's utility company.

FINDING NO: 11-830-007

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

FEDERAL AWARD NUMBER: 2011G992201

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$1190

Criteria: OAC 340:20-1-10. Paragraph (c) states: "There is one authorization for heating or cooling assistance per household."

Condition: While performing analytical procedures, we noted 6 of the 45 duplicate addresses sampled appear to have received more than one heating benefit payment for the household. (Questioned Costs \$1190)

Cause: It appears there are no edit checks in place to ensure that the same address cannot receive multiple benefits.

Effect: Households may be receiving more benefits than allowed.

Recommendation: We recommend the Department implement system edits to ensure the same address cannot receive duplicate LIHEAP benefits.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: March 1, 2013

Corrective Action Planned: Concur. By September 30, 2012 additional program edits will be requested to ensure the same address does not receive multiple benefits. In the interim Family Support and Field Operations divisions will continue emphasizing the importance of cross referencing cases to existing reports listing possible duplicate addresses. Reimbursement will be requested from the vendors/households cited in this audit by June 30, 2012.

FINDING NO: 11-830-008

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1101OKTANF

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 2,052

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. "

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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."

Condition: From our population of 17,812 cases, we selected 40 cases for testing and noted one case where no TANF eligibility review or re-determination was found in the case file provided by the county office for benefits paid for the months of July 2010 through June 2011. (Questioned Costs \$2,052)

Cause: TANF eligibility review/re-determination was not performed or was not documented to ensure eligibility.

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/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: March 14, 2012

Corrective Action Planned: Concur. The County Director, Field Liaison, Supervisor, and Caseworker will be informed of this finding and asked to review policies 340:65-1-3 and 340:65-3-8 to ensure compliance with our procedures on TANF applications and reviews. Eligibility was confirmed on the case noted; therefore, no overpayment occurred.

FINDING NO: 11-830-010

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1101OKTANF

FEDERAL AWARD YEAR: 2011

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

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record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy 340:65-3-4 (4) (A) states in part, "The worker is responsible for reviewing data exchange information at the time of application and review of eligibility."

Condition: From our population of 17,812 cases, we selected 40 TANF cases to determine that income verification occurred and noted two cases in which no application or income verification documentation was found for the time period tested.

Cause: The initial verification of income is a manual process performed by the social worker. Therefore, this process could be omitted when determining eligibility.

Effect: The income used to determine a TANF applicant's eligibility may not be accurate.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining documentation to support income verification through data exchange to ensure the TANF applicant's eligibility is adequately documented.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: 3/14/12

Corrective Action Planned: Concur. The County Director, Field Liaison, Supervisor, and Caseworker will be informed of this finding and asked to review policy 340:65-3-4(4)(A) to ensure compliance with our procedures on TANF applications and reviews.

FINDING NO: 11-830-011

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1101OKTANF

FEDERAL AWARD YEAR: 2011

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

QUESTIONED COSTS: \$0

Criteria: 45CFR§205.55(a)(4) states in part: "A State plan under title I, IV-A, X, XIV, or XVI (AABD) of the Social Security Act must provide that the State agency will request through the IEVS unearned income information from the Internal Revenue Service available under section 6103 (1)(7)(B) of the Internal Revenue Code of 1954, for all applicants at the first opportunity following receipt of the application for all recipients on a yearly basis . . ."

Condition: The income information from the Internal Revenue Service was not obtained during SFY 2011 to verify a TANF applicant's income.

Cause: Internal Revenue Service income information was not available through the IEVS due to a system problem.

Effect: The income used to determine a TANF applicant's eligibility may not be accurate.

Recommendation: We recommend the Department ensure all information required to determine a TANF applicants income be made available to the Income Eligibility and Verification System so the income information can be used when making eligibility determinations.

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Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: March 8, 2012

Corrective Action Planned: Concur. When the IRS changed their data exchange file layout our system alerts stopped working. Modifications have been made and were put into production March 8, 2012. The alerts are now operating successfully and procedures are in place to monitor the process going forward. Although the alerts were not working properly in FY2011 they were being stored on the normal data exchange screens used for case reviews and certifications. As a result changes to income went unnoticed until a case was reviewed or recertified. This was corrected with the March 8, 2011 deployment.

FINDING NO: 11-830-012

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1101OKTANF

FEDERAL AWARD YEAR: 2011

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 2011 G1DX Exception and Clearance Reports. We noted the following:

	G1DX OPEN AND RESOLVED EXCEPTIONS OVER 30 DAYS	TOTAL G1DX RESOLVED EXCEPTIONS	% OF EXCEPTIONS OVER 30 DAYS
Error Type			
BEN	2,441	18,535	13.17%
OWG	3,547	26,010	13.64%
SDX	10,678	96,137	11.11%
SNH	5,855	49,326	11.87%
UIB	1,739	15,962	10.89%
TOTAL	24,260	205,970	11.78%

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.

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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: July 1, 2013

Corrective Action Planned: Concur. Consistent with Federal guidelines, in November, 2011 OKDHS revised policy to state “all discrepancy messages must be cleared using the DXD transaction within **45** days of the error posting”. Effective date of the policy change is June 1, 2012. Since federal guidelines provide special allowances for secondary verifications, our goal will be to clear 95% of discrepancies within 45 days. Based on these revised guidelines, the SFY2011 performance would have been as follows:

Error Type	TOTAL G1DX EXCEPTIONS	TIMELY CLEARANCE (30 DAYS)	TIMELY CLEARANCE (45 DAYS)	% TIMELY (30 DAYS)	% TIMELY (45 DAYS)
BEN	19,921	17,316	18,164	86.92%	91.18%
IEV	0	0	0	na	na
OWG	26,069	23,465	24,100	90.01%	92.45%
SDX	100,114	89,221	93,670	89.12%	93.56%
SNH	52,928	46,035	49,057	86.98%	92.69%
UIB	16,490	14,620	15,285	88.66%	92.69%
TOTAL	215,522	190,657	200,276	88.46%	92.93%

OKDHS will continue utilizing our current monitoring reports to clear G1DX discrepancies as promptly as workload allows. Jointly, Family Support Services and Field Operations Divisions are working toward consolidating and automating some case management functions. One goal is to increase efficiency in data processing functions, such as discrepancy clearance, to allow us to reach our 95% goal.

FINDING NO: 11-830-013

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: 2011G992201

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Eligibility; Activities Allowed or Unallowed

QUESTIONED COSTS: \$950

Criteria: The Code of Federal Regulations Title 45, Volume 1, Section 96.30 states, “Fiscal control and accounting procedures must be sufficient to . . . (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.”

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

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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.”

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

OAC 340:65-1-3 Instructions to Staff states “(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.”

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 testwork of case files selected, we noted the following:

- 4 of the 60 case files did not include the LIHEAP application to support the eligibility determination for the benefit selected for testing and to support the benefit was for an allowable activity. (Questioned Costs \$950)
- 2 of the 60 cases did not contain a completed LIHEAP Checklist for Walk-In Applications to ensure the benefit was for an eligible recipient and for an allowable activity, (Questioned costs \$0).
- 23 of the 60 cases did not contain data exchange screen prints to ensure the benefit was for an eligible recipient and for an allowable activity (Questioned costs \$0).

Cause: Case records were not adequately documented and maintained to ensure recipients were eligible, and the benefit payment was for an allowable activity.

Effect: The State may be paying ineligible recipients and issuing benefit payments for unallowable activities; therefore, not meeting program objectives.

Recommendation: We recommend the Department implement control procedures to ensure all recipients are eligible to receive assistance payments, and benefit payments are issued for allowable activities. 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: July 7, 2012

Corrective Action Planned: During their monthly meetings, FSSD LIHEAP staff will emphasize the importance of following written procedures and maintaining appropriate documentation in the case record. In addition, “LIHEAP Best Practices” emails will be sent periodically to reinforce proper

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procedures. Field Liaisons will conduct one-on-one training sessions at the county offices cited in this audit finding and will randomly audit counties as part of their scheduled visits.

Department of Mental Health and Substance Abuse Services

FINDING NO: 11-452-001 (Repeat)

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: SAPT Block Grant

FEDERAL AWARD NUMBER: 11B1OKSAPT

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: OMB Circular A-133 Compliance Supplement, Part 3, Section M, states, “A pass-through entity is responsible at the time of the award, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.”

31 USC Sec. 7502 (f) (1) states “Each Federal agency which provides Federal awards to a recipient shall - (A) provide such recipient the program names (and any identifying numbers) from which such awards are derived.”

Condition: During our testwork of ODMHSAS SAPT Block Grant subrecipient contracts, we noted that 4 of the 22 contracts selected for testing failed to communicate the fiscal year 2011 federal award information to the provider. Both the standard contracts and contracts based on Request for Proposals failed to identify award information on a year-to-year basis as required.

Cause: In the case of the standard contract, the award information page failed to document which awards were provided to the subrecipient as part of the contract. In the case of the contracts based on Request for Proposals, the renewal letter (which effectively takes the place of a new contract each year) did not communicate the required federal award information.

Effect: ODMHSAS is not in compliance with federal regulations.

Recommendation: We recommend ODMHSAS develop procedures/controls to ensure all providers are made aware of federal award information on a yearly basis.

Views of Responsible Official(s)

Contact Person: Richard Bowden, Director of Financial Services

Anticipated Completion Date: Already in place

Corrective Action Planned: A Contract Quality Review Checklist was created to record each document and the completion date of the contract document packets. The Federal Funding Identification Form is an item on the Contract Quality Review Checklist. The Contract Quality Review Checklist will be kept in each contract file.

REF NO: 11-452-006IT (Repeat)

STATE AGENCY: Department of Mental Health and Substance Abuse Services (ODMHSAS)

FEDERAL AGENCY: Various

CFDA NO: Various

FEDERAL PROGRAM NAME: Various

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CONTROL CATEGORY: Internal Control Information Security

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, PO10 Manage Projects) management should create a program and project management framework for the management of all IT projects established. The framework ensures the correct prioritization and coordination of all projects. The framework includes a master plan, assignment of resources, definition of deliverables, approval by users, a phased approach to delivery, QA, a formal test plan, and testing and post-implementation review after installation to ensure project risk management and value delivery to the business. This approach reduces the risk of unexpected costs and project cancellations, improves communications to and involvement of business and end users, ensures the value and quality of project deliverables, and maximizes their contribution to IT-enabled investment programs.

Condition: We noted several issues in control areas related to managing the development of programs and/or systems.

Effect: Lack of a project management function could result in projects not:

- Meeting the user needs
- Being completed within the required time
- Staying within the budget amount
- Aligning with the State Department's overall goals

Recommendation: ODMHSAS management should establish a project management framework for all projects.

Views of Responsible Official(s)

Contact Person: Kevin Marble

Anticipated Completion Date: 7/1/2012

Corrective Action Planned: We are still working on the general management oversight application to assist with the project requirements. As stated previously this application will assist in defining the project including approvals, deliverables, and signoff at each phase by the customer including acceptance and sign off of final delivery acceptance.

Department of Rehabilitation Services

FINDING NO: 11-805-001

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: Social Security Administration

CFDA NO: 96.001 and 96.006

FEDERAL PROGRAM NAME: Social Security Disability Insurance and Supplemental Security Income

FEDERAL AWARD NUMBER: 04-1104OKD100

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Reporting

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

Condition: The form SSA-4514, *Time Report of Personnel Services for Disability Determination Service (DDS)*, OMS No. 0960-0421, is a quarterly report used to identify the number of hours worked by staffing category and employment status (i.e., fulltime, part-time, temporary). During the process of documenting the agency's internal controls over reporting, we noted that the agency does not have a review and approval process, by someone other than the preparer, to ensure the validity of the information reported on the SSA-4514.

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Cause: Management has not designed and implemented a review process which will ensure the SSA-4514, *Time Report of Personnel Services*, is complete and accurate.

Effect: Without an established review, misstatements on the SSA-4514 Reports may not be prevented or detected in a timely manner.

Recommendation: We recommend the agency establish a review process, by someone other than the preparer, to ensure the accuracy and completeness of the SSA-4514, *Time Report of Personnel*. This review process should be documented in the form of written policies and procedures for the agency.

Views of Responsible Official(s)

Contact Person: Bruce Black

Anticipated Completion Date: March 12, 2012

Corrective Action Planned: Procedures for preparation and review of the time report have been completed and a copy has been provided to the Auditor.

Auditor Response: We consulted management and determined the procedures were written and implemented during State Fiscal Year 2012, which is after our audit period. Therefore, the condition for this finding existed during our audit period.

FINDING NO: 11-805-002 (Repeat Finding)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-090053, H126A-10053, H126A-110053

FEDERAL AWARD YEAR: 2009, 2010, and 2011

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an adequate internal control system is to ensure appropriate procedures are in place to provide reasonable assurance that costs charged to the Federal award are allowable and in accordance with the applicable cost principles.

2CFR § 225 – Cost Principles for State, Local, and Tribal Governments (OMB Circular A-87) establishes principles and standards to provide a uniform approach for determining allowable costs. 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 firsthand knowledge of the work performed by the employee.”

Condition: During the testing of payroll certifications, it was noted that for 17 of the 68 employees tested (25%), one or both of the semi-annual payroll certifications required by OMB Circular A-87 had not been completed. DRS did complete the certifications subsequent to our audit inquiry.

Cause: The DRS central office has started tracking the completion of payroll certifications, and they are sending out reminders to program managers that have not completed their payroll certifications when required. However, no corrective action is being taken when program managers do not respond to the central office reminders to complete the payroll certifications.

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Effect: Unallowable costs could be charged to the federal award. In addition, the agency is not in compliance with the provisions of OMB Circular A-87.

Recommendation: To ensure payroll certifications are completed and approved by the program managers in a timely manner, we recommend that DRS implement policies and procedures outlining corrective action the agency will follow if the required payroll certifications are not submitted timely. For example, corrective action could include a disciplinary note in the program manager's personnel file for failure to comply with agency policy, which results in the agency being non-compliant with the provisions of OMB Circular A-87.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The certification task will be added to Supervisors PMP's in an effort to elevate the importance of this function and thereby providing a process to review for compliance.

FINDING NO: 11-805-003 (**Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States and Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H390A-090053, H126A-090053, H126A-10053, and H126A-11053

FEDERAL AWARD YEAR: 2009, 2010 and 2011

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an adequate internal control system is to ensure appropriate procedures are in place to provide reasonable assurance that costs charged to the Federal award are allowable and in accordance with the applicable cost principles.

2CFR § 225 – Cost Principles for State, Local, and Tribal Governments (OMB Circular A-87) establishes principles and standards to provide a uniform approach for determining allowable costs. Appendix A, section A(2)(a) states, "The application of these principles is based on the fundamental premises that . . . (3) Each governmental unit will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards."

Condition: During the process of documenting the agency's internal controls over allowable costs/cost principles, we noted that the agency does not review charges made to the Vocational Rehabilitation program to determine if they are allowable under OMB Circular A-87. The CPO (Certified Procurement Officer) we spoke with did not appear to think allowable costs/cost principles applied to the review of the requisition. In addition, we spoke to the accountant who assigns funding to requisitions and they appeared to be familiar with the term allowable costs, but did not know where to find information regarding allowable costs.

Cause: There appears to be a lack of written procedures for proper review and approval of costs charged to the Vocational Rehabilitation program. In addition, it appears that some confusion exists about who is responsible for reviewing charges for allowability and at what stage of the procurement process this should be performed.

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

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Recommendation: We recommend that the Department of Rehabilitation Services develop written procedures for reviewing and approving costs charged to the Vocational Rehabilitation program to determine allowability in accordance with OMB Circular A-87. These procedures should specifically state who is responsible for this review and when the review should be performed.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: August 2011

Corrective Action Planned: DRS concurs with the finding. While this is a repeat finding, the Agency has taken steps to train individuals involved in the procurement process. All staff involved in the awarding of a purchase order, funding or payment, received an email and a link to the OMB Circulars on April 13, 2010. Subsequently all FSD staff were given a presentation at a staff meeting on August 11, 2011. It is in the best interest of the Agency and compliance to have CPO's from purchasing, accounting staff involved in funding and accounts payable staff all versed in the Circulars. The Agency has taken steps to resolve this matter, but will continue to provide ongoing reminders and discussions to continue compliance.

FINDING NO: 11-805-004 (Partial Repeat Finding)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Services – Vocational Rehabilitation Grants to States, and Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H390A-090053, H126A-090053, H126A-100053, and H126A-110053

FEDERAL AWARD YEAR: 2009, 2010, and 2011

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Criteria: According to 34 CFR Section 85.300, “When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the *EPLS*; or (b) Collecting a certification from that person if allowed by this rule; or (c) Adding a clause or condition to the covered transaction with that person.”

A component objective of effective internal controls is to develop policies and procedures which will ensure compliance with applicable laws and regulations.

Condition: During our testwork of contracts, we noted:

- One of two lease contracts tested did not have documentation to support DRS performed a verification that the provider is not suspended or debarred.
- Three of four non-lease contracts/purchase orders tested did not have documentation to support that DRS performed verification that the provider is not suspended or debarred.
- Five of 19 client service contracts tested did not have documentation to support DRS performed verification that the provider is not suspended or debarred. All of these contracts were for medical providers.

Cause: The Department appears to lack proper procedures for ensuring that vendors in “covered transactions” have not been suspended or debarred by the Federal government. In response to a prior year finding, amendments to the medical provider contracts were mailed out to providers which included the suspension and debarment clause. However, proper documentation to support the mailing and receipt of the amendments by the providers was not maintained. In addition, since the amendments did not require the provider’s signature, this action does not fulfill the requirements of 34 CFR Section 85.300.

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Effect: Contracts could be awarded to a vendor who has been suspended or debarred, resulting in unallowable costs to the program.

Recommendation: We recommend the Department of Rehabilitation Services implement procedures to ensure vendors in “covered transactions” have not been suspended or debarred by the Federal government, and train staff in the Procurement Division regarding the procurement related requirements in 34 CFR Section 85.

Views of Responsible Official(s)

Contact Person: Eddie Lee

Anticipated Completion Date: April 4, 2012

Corrective Action Planned: Training will be held at the April staff meeting on how to look up EPLS, how to document the findings and when in the process to obtain the EPLS document.

FINDING NO: 11-805-005 (Partial Repeat Finding)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States and Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-090053, H126A-100053, H126A-110053 and H390A-090053

FEDERAL AWARD YEAR: 2009, 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

The instructions for completion of the Annual Vocational Rehabilitation Program/Cost Report (RSA-2) state the RSA-2 Report must reflect all expenditures made during the Federal fiscal year from Federal, State and other rehabilitation funds and must include expenditures charged to program income.

Condition: While performing testwork on the Federal fiscal year (FFY) 2010 RSA-2 report, we noted the following:

- 1) Expenditures on the FFY 2010 RSA-2, Schedule II, are \$308,780.90 less than the amount recorded in the AWARE system.
- 2) Program income totaling \$1,589,490.37 was not included on the report.

Cause:

- 1) Client service expenditures are paid through the AWARE system. A journal entry is made into Oklahoma’s statewide accounting system (PeopleSoft) periodically to represent the claims paid through the AWARE system. We have noted timing issues where DRS is not making the journal entry to represent the cash basis expenditures in the AWARE system until after the report cutoff dates. DRS adjusted the amount reported on the RSA-2, Schedule II, to reflect the client service expenditure balance recorded in the PeopleSoft system. The PeopleSoft system does not have an accurate record of cash basis expenditures due to timing issues between when expenditures are paid through the AWARE system and when the journal entry representing the expenditures is made in the PeopleSoft system.
- 2) It appears the preparer and the reviewer were unaware that program income expenditures should be reported on the RSA-2 Report.

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Effect:

- 1) The cash basis client service expenditures were understated by \$308,780.90 on the FFY 2010 RSA-2 report.
- 2) The cash basis program income expenditures were understated by \$1,589,490.37 on the FFY 2010 RSA-2.

Recommendation: We recommend the Department develop and implement procedures to ensure the timely recording of journal entries representing claims paid in the AWARE system into the PeopleSoft system, especially at reporting cutoff periods. We also recommend the preparer and the reviewer review the report instructions to gain familiarity with the required elements on the reports.

Views of Responsible Official(s)

Contact Person: Elaine Shetley & Jennifer Treadwell

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The agency will begin using an end of the year cutoff period for payment releases to ensure journal entries can be completed for all FY payments issued. An additional staff member is planned to prepare the RSA-2, adding a level of review to the process. All staff member will review the report instructions to become more familiar with the report elements.

FINDING NO: 11-805-006

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A090053, H126A100053 and H126A110053

FEDERAL AWARD YEAR: 2009, 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

According to the instructions for the SF-269, program income will be shown on lines 10r or 10s.

According to the instructions for the SF-425, the amount of Federal program income earned and the amount of program income expended should be included on the appropriate line.

Condition:

- 1) During testwork we noted the Quarter Ended 9-30-10 SF-269 report for the Federal Fiscal Year (FFY) 09 Grant did not include the program income received or the correct amount of program income expended. Our calculation shows that \$1,170,372 in program income received and \$728,224 in program income expended was omitted from the SF-269.
- 2) During testwork we also noted it appears the Quarter Ended 6-30-11 SF-425 for the FFY 2010 Grant did not include program income expenditures in the amount of \$29,085.93.

Cause:

- 1) It appears the omission was a result of an input error that was not detected during review.
- 2) Program income that was expended for Vocational Rehabilitation special projects was paid directly from fund 410. It does not appear these expenditures were included in reported expenditures for Vocational Rehabilitation.

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Effect:

- 1) 2009 program income received appears to be understated by \$1,170,372 in the Quarter Ended 9-30-10 SF-269 report for CFDA#84.126. In addition, program income expended appears to be understated by \$728,224 in the Quarter Ended 9-30-10 SF-425.
- 2) 2010 program income expended appears to be understated by \$29,085.93 in the Quarter Ended 6-30-11 SF-425 report for CFDA#84.126.

Recommendation: We recommend DRS review the current procedures in place to determine where the breakdown in the internal control system occurred and implement the necessary procedures to ensure accurate reporting of expenditures on the SF-425/SF-269 in the future. We further recommend personnel be trained on proper completion and supervisory review of the SF-425/SF-269.

Views of Responsible Official(s)

Contact Person: Elaine Shetley & Jennifer Treadwell

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The agency concurs with the finding and reports have been amended as necessary. An additional staff member is being added to prepare the SF-425/SF-269 reports. This will add a layer of review to the current process.

FINDING NO: 11-805-007

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services – Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-09053, H126A-100053, and H126A-110053

FEDERAL AWARD YEAR: 2009, 2010, and 2011

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Criteria: According to 34 CFR 80.21(f)(2), “grantees . . . shall disburse program income . . . and interest earned on such funds before requesting additional cash payments.”

Condition: During testwork, we noted that DRS was not expending program income before requesting additional Federal funds. The beginning cash balance for fund 410 (this is the fund that program income is deposited into) at July 1, 2010 was \$2,734,093.99, which was carried over from the prior year. During State Fiscal Year (SFY) 2011, the agency received an additional \$2,149,927.98 in program income, and expended only \$3,614,049.67, leaving a cash balance at June 30, 2011 of \$1,269,972.30. The agency’s cash balance for fund 410 exceeded \$1,000,000 for each month during SFY 2011.

Cause: It appears the agency did not have a policy and procedure in place to ensure program income was expended prior to requesting additional Federal funds.

Effect: Failure to expend program income before requesting additional Federal funds could result in the agency over-drawing Federal funds.

Recommendation: We recommend the Department develop a policy and procedure to ensure that program income is expended before requesting additional Federal funds.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: December 2011

Corrective Action Planned: The agency concurs with the finding. RSA issued an email transmittal to all VR agencies on August 16, 2011 restating 34 CFR 80.21(f)(2). DRS was able to change the business practice and come into compliance with the CFR beginning in October 2011.

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FINDING NO: 11-805-008 (**Partial Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States and
Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-090053, H126A-10053, H126A-110053, and H390A-090053

FEDERAL AWARD YEAR: 2009, 2010, and 2011

CONTROL CATEGORY: Allowable Costs/Cost Principles, & Eligibility

QUESTIONED COSTS: \$1,112

Criteria: According to OAC (Oklahoma Administrative Code) 612:10-7-130(a) *General guidelines*, “Maintenance is a supportive service provided to assist with the out-of-ordinary or extra expenses to the individual resulting from and needed to support the individual's participation in diagnostic, evaluative, or other substantial services in the IPE. Maintenance, including payments, may not exceed the cost of documented expenses to the individual resulting from service provision”.

2 CFR 225 – Appendix A, *General Principles for Determining Allowable Costs*, C, Paragraph 1 specifies that “To be allowable under Federal awards, costs must meet the following general criteria: j. Be adequately documented.”

34 CFR 361.54 states, if the State indicates in its State Plan that it will use financial need tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances.

OAC 612:10-3-4(b) states, “Recipients of Social Security benefits under Titles II (federal old age, survivors, and disability insurance benefits) or XVI (SSI) of the Social Security Act do not have to participate financially in the cost of their rehabilitation program.”

Oklahoma Administrative Code 612:10-3-3(b) states, “. Before an individual can be provided services other than those listed in DRS policy, the counselor must evaluate the client's financial situation to determine if the client must participate in the cost of services, and if so, the amount of such participation. Any client whose available family resources exceed the applicable basic living requirements is required to apply the monthly surplus to the cost of services during each 30 day period services are provided. DVR (Department of Vocational Rehabilitation) and DVS (Department of Visual Services) funds will not be used to purchase services based on client's financial status when there is any refusal on client's behalf to participate in the cost of services. However, the client can be provided services not based on financial status. Any client who does not have a surplus is not required to participate in the cost of services. Financial status does not exempt the client from required use of comparable benefits. If a payment is required of the client, it will be made to the vendor.”

Oklahoma Administrative Code 612:10-3-3(c) states, “The counselor will re-evaluate the client's financial situation at least annually and any time there is a change in the financial situation of the client or family. The amount of client participation in cost is based upon the most recent determination of client's financial status at the time the IPE or amendment is written, and is stated in the IPE or amendment.”

Condition: During our testwork of claims, we noted 5 out of 45 client service payments tested contained the following errors:

- Claim authorization numbers 631114 and 587412 totaling \$400.00 were not properly supported by a receipt.
- Claim authorization number 611694 totaling \$1,750.68 only contained supporting receipts totaling \$1,208.68.

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- Claim authorization number 593127 totaling \$170.49 were paid when the client case file did not contain documentation to support the client's income or Social Security Disability benefits were verified, whichever is applicable.

Cause: Claims were paid without receipts which verified the services reimbursed were actually provided. In addition, DRS either did not perform or did not maintain documentation of performing verification of the client's financial status.

Effect: Failure to obtain appropriate documentation could result in the Department paying costs which are unallowable to the program. The Department is not in compliance with the financial need test requirements.

Recommendation: We recommend the Department investigate these claims to determine if the claims were improperly reimbursed and take appropriate action. We further recommend the Department train staff on its policies and procedures regarding independent verification of the client's income, and the importance of documenting this verification in the client case file. The Department's training should also include notifying staff of the importance in documenting independent verification of income when they perform the re-evaluations of income.

Views of Responsible Official(s)

Contact Person: Mark Kinnison

Anticipated Completion Date: June 1, 2012

Corrective Action Planned: An investigation of these mentioned claims will be completed to determine if the claims were improperly reimbursed and take appropriate action, according to the reason and if the claims were improperly reimbursed. Appropriate training will also be conducted with the staff associated with these claims. The training will focus on policies and procedures regarding verification of income, the documentation of the verification, and the importance of documenting independent verification of income upon re-evaluation.

FINDING NO: 11-805-009

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 96.001 and 96.006

FEDERAL PROGRAM NAME: Social Security - Disability Insurance and Supplemental Security I
Income

FEDERAL AWARD NUMBER: 04-1104OKD100

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Criteria: According to 34 CFR Section 85.300, "When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the *EPLS*; or (b) Collecting a certification from that person if allowed by this rule; or (c) Adding a clause or condition to the covered transaction with that person."

The Oklahoma Department of Rehabilitation Services Acquisition Procedures states, "CPOs [Certified Procurement Officers] shall not select a supplier that is located on the Federal debarment list."

A component objective of effective internal controls is to develop policies and procedures which will ensure compliance with applicable laws and regulations.

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Condition: During our testwork of contracts, we noted two of four lease contracts tested did not appear to have documentation to support that DRS performed verification that the provider is not suspended or debarred.

Cause: The Department appears to lack proper procedures for ensuring that vendors in “covered transactions” have not been suspended or debarred by the Federal government.

Effect: Contracts could be awarded to a vendor who has been suspended or debarred, resulting in unallowable costs to the program.

Recommendation: We recommend the Department of Rehabilitation Services implement procedures to ensure vendors in “covered transactions” have not been suspended or debarred by the Federal government, and train staff in the Procurement Division regarding the procurement related requirements in 34 CFR Section 85.

Views of Responsible Official(s)

Contact Person: Eddie Lee

Anticipated Completion Date: April 4, 2012

Corrective Action Planned: Training will be held at the April staff meeting on how to look up EPLS, how to document the findings and when in the process to obtain the EPLS document.

FINDING NO: 11-805-010 (Partial Repeat Finding)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Services - Vocational Rehabilitation Grants to States and
Rehabilitation Services - Vocational Rehabilitation Grants to States,
Recovery Act

FEDERAL AWARD NUMBER: H126A-090053, H126A-100053, H126A-110053, and H390A-090053

FEDERAL AWARD YEAR: 2009, 2010 and 2011

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

According to the Office of State Finance (OSF) instructions for the preparation of the Schedule of Expenditures of Federal Awards (SEFA), Section IV, part B, paragraph 5, expenditures of program income should be included the detail of federal revenues that are summarized on line 5 – Total Federal Expenditures.

The Office of State Finance Form Z-1 instructions, Part IV, B.5.c., states that the total cash basis expenditures for the program should be entered on line 5 – Total Federal Expenditures and the expenditures reported on the OSF monthly SEFA Expenditure Report should be adjusted for corrections, payroll, allocated costs, in-direct costs, agency special account expenditures, program income expended and other adjustments.

Condition: During testwork we noted:

- 1) DRS management performs a cursory review of the SEFA (Schedule of Expenditures of Federal Awards); however, this review does not reduce the risk of material misstatement to an acceptable level.
- 2) Expenditures for the Supported Employment Program (SEP) grant were included on the VR SEFA.

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- 3) Expenditures for the program income, department code (1141000), in the amount of \$709,056.36 were omitted from the worksheet used to calculate total VR expenditures for SFY11.
- 4) We also noted that the SEFA cash basis expenditure amount did not include client service payments from June 28, 2011 to June 30, 2011. Our calculations show the SEFA for CFDA #84.126 was understated by \$587,471.33 due to this error.

Cause: There does not appear to be a proper review and approval process in place for SEFA reporting. Client service expenditures are paid through the AWARE system. A journal entry is made into Oklahoma's statewide accounting system, PeopleSoft, periodically to represent the claims paid through the AWARE system. The journal entry representing the omitted SEFA expenditures was not made until after the reporting cutoff date. Since the SEFA is prepared using PeopleSoft reports, the SEFA did not include the expenditures from June 28, 2011 to June 30, 2011.

Effect: The cash basis expenditures reported on the SFY 2011 SEFA were understated.

Recommendation: We recommend the Department develop and implement procedures for a detailed review and approval of the SEFA, which is performed by someone other than the preparer. We also recommend the preparer and the reviewer of the report review instructions to gain familiarity with the required elements on the reports.

Views of Responsible Official(s)

Contact Person: Elaine Shetley & Jennifer Treadwell

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The Agency concurs with the finding and has amended the reports as necessary. An end of fiscal year cutoff period for payment releases will be established to allow adequate time for client service payment journal entries to be completed. This will allow DRS to be able to reconcile the SEFA, PeopleSoft reports and internal reports. An additional staff member will be added to this area for an added level of preparation and review.

FINDING NO: 11-805-011

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: United States Department of Education

CFDA NO: 96.001 and 96.006

FEDERAL PROGRAM NAME: Social Security Disability Insurance and Supplemental Security Income

FEDERAL AWARD NUMBER: 04-1104OKD100

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Reporting

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

Condition: During our internal control testwork, we noted that DRS management performs a cursory review of the SEFA (Schedule of Expenditures of Federal Awards); however, this review does not reduce the risk of material misstatement to an acceptable level. We noted the SFY 2011 SEFA was subsequently amended to include \$884,924 (2.27% of program expenditures) that was not detected by this review. The error was discovered by the preparer, not through the review process, after the SEFA had been submitted.

Cause: There does not appear to be a proper review and approval process in place for SEFA reporting.

Effect: Management's review and approval has not been adequately designed to detect errors in reporting. Therefore, the SEFA was initially underreported by \$884,924, and subsequently revised.

Recommendation: We recommend the Department develop and implement procedures for a detailed review and approval of the SEFA, which is performed by someone other than the preparer.

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Views of Responsible Official(s)

Contact Person: Elaine Shetley & Jennifer Treadwell

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The Agency concurs with the finding and reports have been amended as necessary. The Department is in the process of adding a staff member to this area and developing a procedure for detailed review.

Department of Transportation

FINDING NO: 11-345-001

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

FEDERAL PROGRAM NAME: Highway Planning and Construction; Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: CFDA #20.205 - N/A; CFDA #20.509 – OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00, OK-18-X057-00, and OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010 and 2011

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

Davis-Bacon Act; Eligibility; Matching and Earmarking; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; Special Tests & Provisions (Regular and ARRA Federal Funds)

Criteria: The five components of internal controls consist of control environment, risk assessment, control activities, information and communication, and monitoring. The Department should be control conscious; identify, analyze and manage risks; and implement policies and procedures to help ensure necessary actions are taken to address the potential risks involved in accomplishing the entity's objectives. The Department should also periodically assess the quality and effectiveness of the organization's internal control processes and implement appropriate actions when necessary.

Condition: Current formal risk assessments of the Department's State and Federal program objectives and related internal controls have not been performed by the Transportation Commission, the Department's management, or the Department's Operations Review and Evaluation (OR&E) Division. Instead, changes to internal controls appear to be based on control deficiencies noted in audit findings by the State Auditor and Inspector's office.

During discussions with Department personnel, communication barriers appeared to exist between the Department's management and operation personnel.

Cause: The Department reactively addresses internal control issues based on audit findings issued rather than proactively assessing internal controls through risk assessment procedures to ensure risks are mitigated.

The Department's management does not ensure information is properly communicated to operation personnel.

Effect: Unidentified internal control deficiencies and communication barriers may place the Department at a higher risk for errors, fraud, waste and abuse.

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Recommendation: We recommend the Transportation Commission, the Department's management, and/or the Department's OR&E Division periodically perform risk assessments to evaluate and assess the adequacy and effectiveness of internal controls over the Federal programs and State funds administered by the Department.

We recommend the Department implement procedures to ensure pertinent and important information is properly communicated from the Department's management to operations personnel.

Views of Responsible Official(s)

Contact Person: John K. Parker, Audit Director

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: The Department concurs in part. Operations Review and Evaluation Division does consider both State and Federal programs along with all other areas of ODOT's operations during their annual risk assessment. This assessment is the basis for development of our annual audit work plan. However, our evaluation also incorporates the fact that the Federal programs are required to be audited by the State Auditor and Inspectors Office along with constant monitoring by the local FHWA office and periodic audit by FHWA National Review Teams. Based on these reviews, these areas have not been assessed sufficiently high risk rating to rank them within the range of audit areas for the year with the exceptions noted below. Naturally if we find or are notified that significant risk have not been addressed and mitigated then our assessment is adjusted and changes in the audit work plan are considered. Prior to this Finding, we have never received any indication that issues existed which would impact our assessments.

Our audit coverage within the last two years has included compliance with the Davis-Bacon Act both from ODOT's monitoring processes through required data provided by contractors and subcontractors along with verification of this data with contractor's records. These audits have also confirmed posting of required Federal and State notices at job sites. Additionally, we have also audited DBE subcontractor payment compliance by contractors and an audit of the Regulatory Services branch, which oversees the DBE program, has been previously conducted.

Although the findings of the State Auditor and Inspectors Office are generally not available until late in the second quarter or early third quarter there is very a very short time frame for ODOT to implement corrective action and for OR&E to verify resolution of the issue. However, OR&E will make this a higher priority and be more proactive in these areas.

We would consider any information or data from the State Auditor and Inspectors Office which would aid in the development of future audit work plans.

Auditor Response: Determining significant risks and existing issues which would impact OR&E's assessments and/or aid in the development of work plans is the responsibility of the Department and its management.

FINDING NO: 11-345-002 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00,
and OK-18-X057-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010, and 2011

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
(Regular Federal Funds)

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Criteria: 2 CFR § 215.21 (b)(3) states, “Recipients’ financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

A basic component of adequate internal controls is the segregation of duties so that one individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. Strong internal controls require the segregation of responsibilities for authorizing transactions and the related record keeping.

Condition: Proper segregation of duties did not exist between the approval of invoices and the preparation and approval of claims prior to November 1, 2010. Subrecipients submit claims for reimbursement through the Transit Programs Division’s MYLEO.NET system. Four individuals in the Transit Programs Division that had access to print, review, and manually approve the subrecipient invoices from MYLEO.NET also had signing authority on claims. One of those four individuals was also responsible for preparing and transmitting claims for reimbursement.

For 4 (6 percent) of 66 claims tested, the same individual approved the invoice for payment and approved the claim for reimbursement. All exceptions noted were for claims prior to November 1, 2010.

Cause: Prior to November 1, 2010, the Department did not have internal controls in place to ensure proper segregation of duties exist for invoice and claim approvals.

Effect: The possibility of inappropriate payments or misappropriation of assets exists when the same individual can both review and approve an invoice for payment and approve a claim for reimbursement without a second individual verifying the claim. Allowing an individual to review and approve an invoice for payment, approve a claim for reimbursement, and prepare and transmit the claim to the Comptroller Division increases the possibility of inappropriate payments or misappropriation of assets.

Recommendation: We recommend the Department continue to assign signing authority on the claims to someone without signing authority on the invoices.

Views of Responsible Official(s): The Department previously concurred with this finding and corrective action was taken effective 11/1/2010.

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: N/A (11/1/2010)

Corrective Action Planned: None/no additional since the previous finding.

FINDING NO: 11-345-004 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00,
OK-18-X057-00, and OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010 and 2011

CONTROL CATEGORY: Eligibility (regular and ARRA Federal funds)

Criteria: Basic components of effective internal controls include ensuring written policies and procedures for performing essential duties are adequately documented to ensure compliance with laws, regulations, and grant requirements, to facilitate an efficient transition of duties when personnel changes occur, and to obtain supporting documentation for transactions and items affecting management decisions. Obtaining supporting documentation reduces the Department’s risk of noncompliance.

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The Office of Management and Budget (OMB) Circular A-133, Subpart C—Auditees § .300 Auditee responsibilities states, in part, “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.”

Federal Transit Administration (FTA) Circular 9040.1F, Chapter II Program Overview, part 3. STATE ROLE IN PROGRAM ADMINISTRATION states, in part, “where possible, FTA defers to a State’s development of program standards, criteria, procedures and policies to provide the State with the flexibility it needs to standardize its management of FTA assistance and related State programs.”

FTA Circular 9040.1F, Chapter II Program Overview, part 3.a. Role of the State Agency states, in part, “the Governor designates a State agency which will have the principal authority and responsibility for administering the Section 5311 program. Specifically, the role of the State agency is to: (1) document the State’s procedures in a State Management Plan (SMP); . . . (8) certify eligibility of applicants and project activities.”

Condition: The Department defines eligible recipients in its State Management Plan for the Administration of the Section 5311 – Nonurbanized Area Formula Grant Program and Rural Transportation Assistance Program. Prior to June 17, 2011 the Department did not, however, have written policies and procedures in place to help ensure eligibility determinations are documented and made in accordance with the Department’s State Management Plan. The Department’s unwritten procedure is to obtain, review, and maintain documentation of eligibility for all subrecipients. Documentation of eligibility includes articles of incorporation for nonprofit organizations, or resolution and/or minutes from meetings approving their participation in the program for State agencies and units of local government. Eligibility documents are maintained in the Department’s subrecipient project files.

The Department also did not have written policies and procedures for re-determination of subrecipients’ eligibility. The Department’s unwritten procedure was to obtain, review, and maintain an application. However, annually the subrecipient was not required to resubmit the eligibility documentation, listed above, nor did the Department perform procedures to ensure the subrecipient was still eligible.

In the prior year audit we noted that for 3 (16 percent) of the 19 subrecipients, the Department was unable to provide evidence that eligibility documentation was obtained prior to the eligibility determination. During the current year audit, we noted the Department was still unable to provide evidence that eligibility documentation was obtained prior to the eligibility determination for the 3 subrecipients noted in the prior year audit.

On June 17, 2011 the Department published written policies and procedures (with an effective date of July 1, 2011). The eligibility portion states, “Division staff will verify the legitimacy of all documents submitted by the applicant. This process of verification will be performed with each application submitted, or annually at a minimum. Each Division employee who reviews any application for financial assistance will annually execute a “Transit Programs Division Annual Eligibility-Conflict-of-Interest Statement”.

Cause: Prior to July 1, 2011 the Department had not implemented proper written policies and procedures for determining or re-determining eligibility, nor did it follow its stated procedures.

Effect: Ineligible subrecipients could have been approved to participate in the program and payments could have been made on claims from those ineligible subrecipients.

Recommendation: The Department has implemented written policies and procedures to help ensure eligibility determinations are documented and made in accordance with the Department’s State Management Plan as well as program requirements. However, these policies and procedures were not effective until July 1, 2011, which means there were not written policies and procedures in place during

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state fiscal year 2011. We recommend the Department establish and implement effective written policies and procedures to ensure eligibility re-determinations are documented and made in accordance with the Department's State Management Plan as well as program requirements. In addition, we recommend the Department stress to appropriate personnel the importance of compliance with applicable policies and procedures to ensure the eligibility determination process is properly performed and documentation is properly maintained prior to payment of subrecipient claims and re-determinations of eligibility are performed annually. We also recommend the Department obtain and maintain conflict-of-interest statements for staff who determine eligibility.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 07/01/2011

Corrective Action Planned: The Department concurs with the finding. The Department developed a written policy (Section 10) concerning eligibility requirements and conflict-of interest statements. All Division personnel were advised of the policy and its importance to comply. All Division personnel were required to sign conflict-of-interest statements and are maintained in Division personnel files.

FINDING NO: 11-345-005 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

FEDERAL PROGRAM NAME: Highway Planning and Construction; Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: CFDA #20.205 – N/A; CFDA #20.509 - OK-86-X002-00

FEDERAL AWARD YEAR: 2009; 2010; 2011

CONTROL CATEGORY: Reporting: Section 1512 ARRA Report and SF-425 – Federal Financial Report (ARRA Federal funds)

Criteria: 2 CFR § 215.21 (b)(3) states, "Recipients' financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes." A component objective of an effective internal control system is to ensure policies and procedures for performing essential duties are adequately documented to ensure compliance requirements are met and ensure accurate and reliable information through proper review and approval."

Condition: We noted the Department does not have adequate internal controls in place to ensure the following reports presents accurate and reliable information: the Section 1512 ARRA Report for CFDA #20.205 – Highway Planning and Construction, the Section 1512 ARRA Report for CFDA #20.509 – Formula Grants for Other than Urbanized Areas, and the SF-425 – Federal Financial Report for CFDA #20.509 – Formula Grants for Other than Urbanized Areas.

Cause: The Department does not have internal controls in place to ensure the accuracy of the reports listed in the condition. The Department relies on other State and Federal entities for reconciliation of the Section 1512 ARRA Report.

Effect: The reports listed in the condition may contain improper expenditures. The Department may not be in compliance with the applicable reporting requirements.

Recommendation: We recommend the Department develop and document internal controls for the reports listed in the condition to ensure compliance with the applicable reporting requirements. These internal controls should provide for a detailed review and approval of the reported information prior to submission to the Oklahoma Office of State Finance (Section 1512 ARRA Report) or the Federal Transit Administration (SF-425 – Federal Financial Report). The internal controls related to the Section 1512

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ARRA Report should also provide for a reconciliation of the reported information to the information posted on the Recovery.gov website.

Views of Responsible Official(s)

Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: We agree with the recommendation. The Comptroller Division will provide a reconciliation of information reported to the information posted on the Recovery.gov website.

FINDING NO: 11-345-006 **Repeat Finding**

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00, and OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009 and 2010

CONTROL CATEGORY: Reporting: Special Report (regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: 2 CFR § 215.21 (b) states, in part, “Recipients’ financial management systems shall provide for the following (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 215.52.”

2 CFR § 215.21 (b) (3) states, “Recipients’ financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

FTA Circular 9040.1F, Chapter VI Program Management and Administrative Requirements, part 12.e. NTD Reports states, “the National Transit Database (NTD) is FTA’s primary national database for statistics on the transit industry. Recipients and beneficiaries of FTA’s Nonurbanized Area Formula Program (49 U.S.C. 5311) grants are required by 49 U.S.C. 5335(a) and (b) to submit data to the NTD as a condition of the award. Specific reporting requirements are included in the NTD reporting instructions manual issued each year. Visit the NTD website at www.ntdprogram.gov for the most recent rural reporting manual. Section 5311(b)(4) specifies that each Section 5311 recipient shall submit an annual report containing information on capital investment, operations, and service provided under Section 5311. Items to be reported include total annual revenue; sources of revenue; total annual operating costs; total annual capital costs; fleet size and type, and related facilities; revenue vehicle miles; and ridership. The State agency administering FTA’s Formula Program for Non-Urbanized Areas (Section 5311) is responsible for ensuring that data is collected and compiled for the data collection and compilation from each Section 5311 subrecipient and transportation provider in the State that benefits from the grant.”

Page five of the 2010 Rural Reporting Manual states, in part, “submit the NTD Rural Report within 120 days of the close of the State’s or directly-reporting Indian Tribe’s fiscal year according to the schedule in the following exhibit.” The exhibit states a November 30 Report Due Date for State or Indian Tribe’s Fiscal Year End of Jan. 1 – June 30.

Condition: During our review of the NTD Report, we noted the Department prepared the NTD Report based on the Federal fiscal year (October 1, 2009 through September 30, 2010) financial information rather than the State fiscal year (July 1, 2009 through June 30, 2010) financial information. During our review, the Department also stated the NTD Report was due and submitted on January 31, 2011. However, based on guidance outlined in the 2010 Rural Reporting Manual, we noted the NTD Report should have been submitted prior to November 30, 2010.

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For the FFY (Federal Fiscal Year) 2010 NTD Report submitted, the Department was unable to provide adequate supporting documentation for the cumulative key line items (line 5 – Total Annual Expenses, line 8 – Local Funds, and line 20 – Total Trips).

Cause: It appears the Department does not understand the required criteria and methodology of the NTD Report. It also appears the Department did not ensure adequate supporting documentation was obtained and maintained to support the key line items for the amounts reported on the FFY 2010 NTD Report. Therefore, it appears the Department does not have adequate internal controls in place to ensure the amounts reported on the NTD Report are accurate and complete.

Effect: The Department did not prepare the NTD Report on the required time period nor were they able to support the cumulative amounts reported on the NTD Report. As a result, the Department may have reported incorrect amounts on the NTD Report. The Department also did not submit the NTD Report prior to the deadline.

Recommendation: We recommend the Department review the effective Rural Reporting Manual and develop and document internal controls to ensure the NTD Report is accurate, complete, and properly supported. These internal controls should provide for a detailed review and approval of the NTD Report prior to submission to the National Transit Database.

Views of Responsible Official(s): The Department partially concurs with this finding.

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: Beginning with NTD report due 1/31/2013

Corrective Action Planned: The Department has spoken with the Federal Transit Administration in regards to the appropriate due date. Based on varying fiscal year periods utilized by the subrecipients, verbal concurrence from FTA was given to the Department to report all information based on Federal Fiscal Year with a due date of January 31. The Department is waiting on written concurrence from FTA. When received, it will be forwarded.

The Department does concur with the finding relating to the need for an effective Rural Reporting Manual and development and documentation of internal controls. In addition, Division personnel will complete a secondary review of the report and documentation before submission to NTD.

Auditor Response: The State Auditor and Inspector's Office reviewed the correspondence from FTA indicating the report due date of January 31; however, the Department was unable to provide adequate supporting documentation for the cumulative key line items in the NTD Report.

FINDING NO: 11-345-008 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00,
OK-18-X057-00, OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010, and 2011

CONTROL CATEGORY: Subrecipient Monitoring (regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: The Office of Management and Budget (OMB) Circular No. A-133, Subpart D § .400(d) states, in part, "A pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not

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available, the pass-through entity shall provide the best information available to describe the Federal award.”

2 CFR § 176.210(c) states, “Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.”

2 CFR § 176.210(d) states, “Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office.”

Section d(4)(c) and Section d(4)(d) of grant agreement OK-86-X002-00 with the Federal Transit Administration (FTA) also conveys the guidance from 2 CFR § 176.210 to the Department.

Condition: For 19 (100 percent) of the 19 subrecipients, the Department did not include the Catalog of Federal Domestic Assistance (CFDA) title, CFDA number, award number, or award year in the contract for non-ARRA Federal funds. The Department did include the award name, award amount, and name of Federal agency in the contract for non-ARRA Federal funds.

For 19 (100 percent) of the 19 subrecipients, the Department did not include the CFDA title, CFDA number, or award year in the contract for ARRA Federal funds. The Department did include the award name, award number, name of Federal agency, and amount of Recovery Act funds in the contract for ARRA Federal funds.

The Department did include the CFDA title and number in the State Management Plan.

The Department was unable to provide evidence that the Federal award year was otherwise communicated to subrecipients at the time of the award.

The Department did not communicate to the subrecipients the requirement for each subrecipient to include on its Schedule of Expenditures of Federal Awards (SEFA) information to specifically and separately identify Recovery Act funding.

Cause: The Department does not have adequate procedures in place to ensure required Federal award information is communicated to subrecipients at the time of the award.

Effect: The Department is not in compliance with the above stated requirements. There is an increased risk that subrecipients may not separately account for and report on their Federal awards or comply with additional compliance requirements specific to these funds.

Recommendation: We recommend the Department identify all requirements set forth for identifying Federal award information and implement written policies and procedures to ensure all required Federal award information is properly communicated to subrecipients at the time of the award. Since awards are annual, we recommend the Department identify all Federal award information in the contract executed with each subrecipient on an annual basis rather than including part of the required information in the contract and part of the required information in the State Management Plan.

Views of Responsible Official(s): The Department previously concurred with this finding. Contracts with an effective date beginning FFY 10/01/2011 contain the grant title, grant type, CFDA #, and federal fiscal year.

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Contact Person: Kenneth R. LaRue

Anticipated Completion Date: N/A (10/01/2011)

Corrective Action Planned: None/no additional since previous finding.

FINDING NO: 11-345-009 **Repeat Finding**

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, and
OK-18-X044-00

FEDERAL AWARD YEAR: 2007, 2008, 2009 and 2010

CONTROL CATEGORY: Reporting: SF-425 – Federal Financial Report (regular Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: 2 CFR § 215.21 (b) states, in part, “recipients’ financial management systems shall provide for the following (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 215.52.”

2 CFR § 215.21 (b)(3) states, “recipients’ financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

FTA Circular 9040.1F, Chapter VI Program Management and Administrative Requirements, part 12.c. Financial Status Report states, in part, “The State must submit electronically an annual Financial Status Report for each active grant, for the period ended September 30. For the purpose of this report, funds are considered encumbered when agreements are signed with subrecipients. States should prepare the reports using the accrual method of accounting.”

Condition: Four (80 percent) of the five SF-425 – Federal Financial Reports submitted during State fiscal year (SFY) 2011 were not complete and accurate. These four SF-425- Federal Financial Reports submitted during SFY 2011 contained data elements that did not trace to supporting worksheets or other documentation. The Department reported the current period recipient share of expenditures, cumulative recipient share of expenditures, and cumulative recipient share of unliquidated obligations using calculated amounts by applying the required matching percentages to amounts previously reimbursed by the Federal Transit Administration rather than the actual amounts expended by the subrecipients.

The FFY 2010 SF-425 for grant number OK-18-X024-00:

- overstated cumulative recipient share of expenditures by \$968,749.75.

The discrepancy was not appropriately resolved on subsequent SF-425 Federal Financial Reports.

The FFY 2010 SF-425 for grant number OK-18-X027-00:

- understated cumulative Federal share of expenditures by \$126,091.00;
- overstated current period recipient expenditures by \$261,717.25;
- overstated cumulative recipient share of expenditures by \$261,717.08.

The discrepancies were not appropriately resolved on subsequent SF-425 Federal Financial Reports.

The FFY 2010 SF-425 for grant number OK-18-X035-00:

- overstated Federal cash receipts by \$16,241.26;
- overstated Federal cash disbursements by \$16,241.26;
- overstated current period Federal share of expenditures by \$578,770.26;
- understated cumulative Federal share of expenditures by \$2,540,277.74;

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- overstated current period recipient expenditures by \$2,902,868.73;
- overstated cumulative recipient share of expenditures by \$101,113.23;
- understated Federal share of unliquidated obligations by \$16,241.26;
- overstated recipient share of unliquidated obligations by \$1,298,783.22.

The discrepancies were appropriately resolved on subsequent SF-425 Federal Financial Reports, except the recipient share.

The FFY 2010 SF-425 for grant number OK-18-X044-00:

- overstated Federal cash receipts by \$75,584.00;
- overstated Federal cash disbursements by \$75,584.00;
- understated current period Federal share of expenditures by \$72,202.00;
- understated cumulative Federal share of expenditures by \$72,202.00;
- overstated current period recipient expenditures by \$9,106,051.27;
- overstated cumulative recipient share of expenditures by \$9,105,966.06;
- overstated Federal share of unliquidated obligations by \$72,202.00;
- overstated recipient share of unliquidated obligations by \$1,557,272.44.

The discrepancies were appropriately resolved on subsequent SF-425 Federal Financial Reports, except the recipient share.

Cause: The Department did not have adequate internal controls in place to ensure amounts were properly captured and reported on the SF-425 – Federal Financial Reports.

Effect: The Department reported inaccurate FFY 2010 Federal cash receipts, Federal cash disbursements, Federal and recipient share of expenditures (current and cumulative) and Federal and recipient unliquidated obligations to the Federal Transit Administration.

Recommendation: We recommend the Department develop and document internal controls to ensure amounts are properly captured and reported on the SF-425 – Federal Financial Reports. These internal controls should provide for a detailed review and approval of the reported information prior to submission to the Federal Transit Administration. We also recommend the Department report current period recipient share of expenditures based on actual amounts expended by the subrecipients rather than calculated amounts.

Views of Responsible Official(s): The Department concurs with this finding.

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 08/26/2011

Corrective Action Planned: Beginning with the federal billing for week ending 8/26/2011, the Transit Programs Division began a weekly billing reconciliation with the Comptroller Division. This ensures the accuracy of the annual FFR process. In addition, we requested a true cost expenditure report be created by our software team which reflects the subrecipients' local share of true cost expenditures.

FINDING NO: 11-345-010 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Special Tests and Provisions – Project Approvals (regular Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: 49 Code of Federal Regulations (CFR) § 18.36 (a) states, “When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-

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Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.”

23 Code of Federal Regulations (CFR) § 630.205(e) states, “No project or part thereof for actual construction shall be advertised for contract nor work commenced by force account until the PS&E has been approved by the FHWA and the SHA has been so notified.”

Oklahoma Administrative Code (OAC) 730:25-5-4 states, in part, “no contract shall be advertised for bids or awarded by the State Transportation Commission until the Director has determined that the plans have been completed, required approvals from the United States Department of Transportation have been obtained in the case of federal aid projects.”

Condition: For three (five percent) of 60 procurements tested, we noted the Department advertised the projects prior to USDOT approval. It appears the Department lacks sufficient internal controls to ensure USDOT approval prior to advertisement.

Cause: The Department did not ensure proper approval of the projects prior to advertisement.

Effect: The Department was not in compliance with OAC 730:25-5-4 and may not have had Federal funding available for the projects prior to advertisement.

Recommendation: We recommend the Department management emphasize the importance of internal controls, policies, and procedures in place to ensure compliance with the OAC and Federal regulations.

Views of Responsible Official(s)

Contact Person: Brian E. Schmitt, PE, Division Engineer – Office Engineer Division

Anticipated Completion Date: February 28, 2012

Corrective Action Planned: Delays with federal authorization often occur due to FHWA not having possession of necessary documentation, such as R/W certifications or environmental documents. Usually these documents are complete, but for whatever reason have not made it into the hands of FHWA personnel. In order to combat this problem, a digital document vault has been created where these documents can be deposited by ODOT and retrieved by FHWA personnel. The hope is that with self access to these documents, unexpected authorization delays may be avoided.

FINDING NO: 11-345-012 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009, 2010, and 2011

CONTROL CATEGORY: Reporting – Schedule of Expenditures of Federal Awards (SEFA); Special Tests and Provisions for Awards with ARRA Funding - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form (regular and American Recovery and Reinvestment Act (ARRA) Federal funds)

Criteria: 2 CFR § 215.21 (b) (3) states, “Recipients’ financial management systems shall provide for the following: Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 215.52.”

A basic component of adequate internal controls is the reconciliation of documentation used to prepare financial statements. The reconciliation should be performed prior to the issuance of financial statements to provide reasonable assurance of the accuracy of the financial statements.

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Condition: ARRA revenue and expenditure amounts for CFDA #20.205 reported on the state fiscal year (SFY) 2011 SEFA were \$2,937,317 more than the Federal Highway Administration (FHWA) confirmation for Federal revenue. The same variance was noted for regular program (non-ARRA) revenue and expenditure amounts. Based on our inquiry of the variance, the Department discovered an input error in the amount of \$2,937,317 on the weekly billing spreadsheet used to prepare the SFY 2011 SEFA.

The Department utilizes a final voucher spreadsheet to track final vouchers reimbursed by FHWA. The total amount of final voucher reimbursements on this spreadsheet supports the final voucher revenue and expenditure amounts reported on the SEFA for CFDA #20.205. Based on review of the documentation supporting the SFY 2011 SEFA, \$137,141 of final vouchers billed but not received at June 30 were not included in the SFY 2011 SEFA. We also noted one final voucher receivable in the amount of \$556.99 should have been categorized as an ARRA receivable on the SEFA.

Cause: The Department does not have adequate internal controls in place to ensure the amount reported on the SEFA is accurate.

Effect: ARRA revenue and expenditures for CFDA #20.205 were overstated by \$2,937,317 on the SFY 2011 SEFA. Accounts receivable reported on the SEFA was understated by a total of \$137,141, of which \$556.99 of the total should have been reported as an ARRA receivable.

Recommendation: We recommend the Department perform an adequate review of the SEFA and supporting documentation prior to the issuance to ensure the accuracy of the SEFA.

Views of Responsible Official(s)

Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: March 31, 2012

Corrective Action Planned: We agree with the recommendation. The Comptroller Division will review our process and supporting documentation to improve reporting accuracy.

FINDING NO: 11-345-014 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

FEDERAL PROGRAM NAME: Highway Planning and Construction; Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: CFDA #20.205 – N/A; CFDA #20.509 – OK-18-X024-00,
OK-18-X027-00, OK-18-X035-00, OK-18-X044-00,
OK-18-X057-00, and OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010, and 2011

CONTROL CATEGORY: Reporting – Schedule of Expenditures of Federal Awards (SEFA) (regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 Subpart C--Auditees§____.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. . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §____.310.”

Circular A-133 Subpart C--Auditees§____.310 Financial Statements (b) Schedule of expenditures of Federal awards states, “The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements . . . At a minimum, the schedule shall (1) List

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individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. . . (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.”

A basic component of adequate internal controls is the reconciliation of documentation used to prepare financial statements. The reconciliation should be performed prior to the issuance of financial statements to provide reasonable assurance of the accuracy of the financial statements.

Condition: The Department reported Federal revenue and expenditures for multiple Catalog of Federal Domestic Assistance (CFDA) numbers under CFDA #20.205 and CFDA #20.509 on the Department’s state fiscal year (SFY) 2011 SEFA.

Federal Transit Administration (FTA)’s confirmation of Federal revenue for CFDA #20.509 indicated that revenue should have been reported separately on the Department’s SFY 2011 SEFA for the CFDA listed below:

CFDA #20.521	New Freedom Program	\$1,617,102
CFDA #20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)	\$959,334

SA&I requested confirmation of the Department’s Federal revenue by CFDA number from Federal Highway Administration (FHWA). Based on FHWA’s fund code interpretation, it appears the following approximation of expenditures was reported ARRA under CFDA #20.205 that should have been reported separately as ARRA on the Department’s SFY 2011 SEFA for the CFDA listed below:

CFDA #20.933	Surface Transportation Infrastructure- Discretionary Grants For Capital Infrastructure II (National Infrastructure Investments TIGER II) (Highways)	\$3,135,925
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Both, the CFDA #20.205 and CFDA # 20.933 are part of the Highway Planning and Construction Cluster.

Since the Department is funded on a reimbursement basis for Federal programs, we would expect to see both the confirmed revenue and corresponding expenditures for these programs shown separately on the SEFA.

Cause: The Federal Agencies failed to provide the Department with applicable CFDA numbers when providing funding information and the Department did not request that information from the Federal Agencies. The Department did not have adequate controls in place to ensure each individual Federal program was properly included and reported on their SFY 2011 SEFA.

Effect: The Department’s SFY 2011 SEFA did not list each individual Federal program separately. Federal revenues and expenditures were overstated for CFDA #20.509, and no revenues or expenditures were reported for CFDA #20.521, CFDA #20.507. ARRA Federal revenues and expenditures were overstated for CFDA #20.205, and no ARRA revenues or expenditures were reported for CFDA #20.933.

Recommendation: We recommend the Department consult the appropriate Federal Agency to identify revenue and expenditures related to specific CFDA numbers not listed on the SFY 2011 SEFA. We also recommend the Department ensure CFDA numbers are provided by the appropriate Federal Agency when funding information is provided to the Department. This should ensure revenue and expenditures are properly tracked and reported on future SEFA’s.

Views of Responsible Official(s)

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Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: March 31, 2012

Corrective Action Planned: The Comptroller Division will take steps necessary to ensure revenue and expenses are properly tracked and reported. The Comptroller Division contacted FHWA and FTA directly regarding CFDA numbers to be reported. The Comptroller Division will report the information provided by FHWA and FTA.

Auditor Response: The State Auditor and Inspector's Office reviewed the Department's correspondence with FHWA indicating the National Infrastructure Investments TIGER II funds should be reported under CFDA #20.205 – Highway Planning and Construction. Based on our review of the CFDA.gov website, it appears FHWA did not provide the proper CFDA # to report the funds and funds should be reported under CFDA #20.933.

FINDING NO: 11-345-016 **Repeat Finding**

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X027-00, OK-18-X035-00, OK-18-X044-00 and OK-18-X057-00 (regular Federal funds)

FEDERAL AWARD YEAR: 2008, 2009, 2010, and 2011

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles; Matching; Subrecipient Monitoring (regular Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: 2 CFR § 215.51 (a) states, "Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in § 215.26."

2 CFR § 215.21 (b)(3) states, "Recipients' financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes."

The audit requirements delineated in 2 CFR § 215.26 include, but are not limited to:

- activities allowed or unallowed; allowable costs/cost principles (2 CFR § 215.27);
- cash management (2 CFR § 215.22);
- Davis Bacon (40 USC 3141-3144, 3146, and 3147; 29 CFR 29);
- eligibility;
- equipment and real property management (2 CFR § 215.34 and 215.32);
- matching, level of effort, earmarking (2 CFR § 215.23);
- period of availability of Federal funds (2 CFR § 215.28 and 215.71);
- procurement and suspension and debarment (2 CFR § 215.40 through 215.48 and Section 1605 of ARRA, 2 CFR § 176);
- program income (2 CFR § 215.2, 215.22, and 215.24);
- real property acquisition/relocation assistance (49 CFR § 24);
- reporting (2 CFR § 215.52 and 215.51, and Section 1512 of ARRA);
- subrecipient monitoring (2 CFR § 215.51(a), Section 1512(h) of ARRA, 2 CFR § 176.50(c)); and
- special tests and provisions.

2 CFR § 215.23 (a) states, in part, "All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria (1) Are verifiable from the recipient's records."

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FTA Circular 9040.1F, Chapter II Program Overview, part 3.a. Role of the State Agency states in part:

The Governor designates a State agency which will have the principal authority and responsibility for administering the Section 5311 program. Specifically, the role of the State agency is to: . . . (9) ensure compliance with Federal requirements by all subrecipients.

The Department outlines its policy for subrecipient monitoring in Section 3.1.10 of its State Management Plan (SMP) – *Monitoring and Evaluations*. Section 3.1.10 states, “ODOT conducts on-site project evaluations and compliance reviews of each subrecipient’s management, and operations. A written report of the monitor’s findings is prepared and presented to the subrecipient. This report denotes any administrative or operating services that are excellent and/or program weaknesses. ODOT conducts two types of on-site project evaluations:

- Project Assessment – A review as to how the subrecipient is addressing key points of FTA’s administrative and operational rules and regulation. The assessment can be conducted by one person during a one day visit, two days for multi-county projects.
- Project Management Review – An in-depth review of the subrecipient’s administration and operations. A broad field of FTA program requirements and rules are reviewed. The Project Management Review is conducted by two to three persons over two to three days, four days for large multi-county projects.

A Project Assessment or Project Management Review is conducted as deemed appropriate. However, each subrecipient will be evaluated quinquennially, at a minimum.”

Condition: For 5 (27 percent) of 19 subrecipients, the Department had not conducted Project Assessment/Project Management Reviews at least once in the five years preceding the conclusion of state fiscal year (SFY) 2011 (June 30, 2011).

For 2 of the 14 Project Assessment or Project Management Reviews conducted (14 percent), the Department did not follow up to ensure corrective action on deficiencies noted during the Project Assessment/Management Review.

For all of the 14 Project Assessment or Project Management Reviews conducted, the Department did not review adequate documentation to ensure subrecipients have met the audit requirements delineated in 2 CFR § 215.26.

The Department does not review supporting documentation when approving transit project administration/operating costs for reimbursement to subrecipients. Total subrecipient expenditures are submitted to the Department based on summary-level data. The Department uses the summary-level data to calculate the Federal reimbursement, the difference of which is the subrecipient’s required matching contribution. For the first two years of participation with the Department, subrecipients are required to submit all supporting documentation with the invoice to receive reimbursement. After two years without any problems, subrecipients are no longer required to submit supporting documentation with invoices. The Department relies on the Project Assessment/Project Management Reviews of each subrecipient’s management and operations quinquennially, at a minimum, as a mitigating factor. However, it does not appear that documentation of expenditures is examined during these reviews.

Cause: The Department does not have adequate internal controls in place to ensure compliance with the Federal program monitoring requirement. The Department has not designed the Project Assessment/Project Management Reviews to adequately ensure subrecipients are properly monitored. The Department does not review detailed records to ensure claims are paid only for allowable activities or to verify the subrecipient’s required matching contributions.

Effect: Subrecipients may not meet the audit requirements as delineated in 2 CFR § 215.26.

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Recommendation: We recommend the Department evaluate the design of the Project Assessments/Project Management Reviews to ensure adequate documentation is reviewed related to the audit requirements delineated in 2 CFR § 215.26. We also recommend management emphasize the importance of internal controls, policies, and procedures in place to ensure compliance with Federal regulations.

Views of Responsible Official(s): The Department concurs with this finding.

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 6/30/2012

Corrective Action Planned: At the suggestion of FTA's Triennial Review auditors, the Department's Project Assessment/Management Review document has been significantly modified. All assessments/reviews will be in compliance with the State Management Plan by 6/30/2012.

FINDING NO: 11-345-017 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Special Tests and Provisions - Quality Assurance Program (regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: 23 CFR section 637.207 (ii) states: "Quality control sampling and testing results may be used as part of the acceptance decision provided that:

- (A) The sampling and testing has been performed by qualified laboratories and qualified sampling and testing personnel.
- (B) The quality of the material has been validated by the verification sampling and testing. The verification testing shall be performed on samples that are taken independently of the quality control samples.
- (C) The quality control sampling and testing is evaluated by an IA program."

The Department's Quality Assurance Program, Appendix B, Section 1d, states "Independent Assurance (IA) personnel are required to obtain at least 90% of required samples on an annual basis to meet the intent and purpose of the IA program."

Condition: We noted the Department did not have adequate internal controls in place until March of 2011 to ensure the 90% requirement was met. During our testwork of 19 projects, we noted two projects for which all required quality assurance tests were not completed in accordance with the Department's Quality Assurance program approved by the Federal Highway Administration (FHWA).

Cause: The Department's management did not have written policies and procedures in effect to ensure adequate internal controls over quality assurance testing and the documentation of the results of those tests until March of 2011.

Effect: The Department may not be in compliance with the requirements of its Quality Assurance program approved by the FHWA.

Recommendation: We recommend the Department continue to follow the designed and implemented procedures to ensure compliance with the requirements of its Quality Assurance program approved by the FHWA.

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Views of Responsible Official(s): As last year, we do not concur with the findings. With the lack of any data indicating the Department has failed to obtain at least 90% of required samples on an annual basis, the prompt implementation of corrective actions in response to last year's findings, and the FHWA's decision that they consider last year's findings resolved and closed; we are disappointed the auditor would choose to consider this a repeat finding that required many man-hours gathering data and preparing a response.

In regard to the stated Condition, we do not concur with the finding. For the 19 projects requested for review, 289 samples were obtained of the 297 samples required in accordance with the ODOT Quality Assurance Program, a compliance rate of 97.31% far exceeding the 90% minimum requirement. In the 2011 Annual Report of IA Program to the FHWA, we reported 1151 samples obtained of the 1162 samples required in accordance with the ODOT Quality Assurance Program, a compliance rate of 99.05% far exceeding the 90% minimum requirement. Historical data presented in last year's response showed a four year average of 96.95% compliance with IA sampling far exceeding the 90% minimum requirement. As the IA activity is completed for each project, a completed file of the IA sampling/testing activity is reviewed by the IA supervisor. A report is sent to the Residency office by the IA supervisor informing the field office of any problems with non-comparing or missing samples. We consider this on-going evaluation of the projects an acceptable method to identify any problems with missing samples and allows corrections to be made far in advance of dropping to the 90% minimum requirement. Additionally, the Materials Division records IA project sampling data in a spreadsheet as a response to last year's findings.

In regard to the stated Effect, we do not concur with the finding. The Department consistently exceeds the 90% requirement for IA sampling, based on historical data and in the audit findings numbers as stated above.

In regard to the stated Recommendation; the Materials Division will continue to follow the designed and implemented procedures to ensure compliance with the requirements of its Quality Assurance program approved by the FHWA.

Contact Person: Reynolds Toney, Materials Division

Anticipated Completion Date: None

Corrective Action Planned: No corrective actions required. Corrective actions taken in response to last year's audit were designed and implemented within two months of receiving last year's findings. The FHWA issued this decision regarding last year's finding:

FHWA Decision: Waseem Fazal, FHWA Pavement and Materials Engineer, is satisfied with ODOT's response and recent modification/improvements in their IA program., ODOT's tracking procedure has been improved to satisfy the audit team's recommendation. FHWA considers this finding resolved and closed.

Auditor Response: The Department did not have a tracking system in place until March of 2011; therefore, the State Auditor and Inspector's office was unable to determine if the 90% requirement was met for SFY 2011.

FINDING NO: 11-345-019 Repeat Finding

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X024-00, OK-18-X027-00, OK-18-X035-00, OK-18-X044-00,
OK 18-X057-00, and OK-86-X002-00

FEDERAL AWARD YEAR: 2007, 2008, 2009, 2010 and 2011

CONTROL CATEGORY: Subrecipient Monitoring - A-133 (regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

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Criteria: 2 CFR § 215.21 (b)(3) states, “Recipients’ financial management systems shall provide for the following: Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.”

The Office of Management and Budget (OMB) Circular No. A-133 Subpart D § .400(d) states, in part, “A pass-through entity shall perform the following for the Federal awards it makes: (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of this part for that fiscal year.”

OMB Circular No. A-133 Subpart C § .320(a) states, in part, “The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.”

OMB Circular No. A-133 Subpart C § .320(d) states, “All auditees shall submit to the Federal clearinghouse designated by OMB a single copy of the data collection form described in paragraph (b) of this section and the reporting package described in paragraph (c) of this section.”

OMB Circular No. A-133 Subpart C § .320(e) states, “(1) In addition to the requirements discussed in paragraph (d) of this section, auditees that are also subrecipients shall submit to each pass-through entity one copy of the reporting package described in paragraph (c) of this section for each pass-through entity when the schedule of findings and questioned costs disclosed audit findings relating to Federal awards that the pass-through entity provided or the summary schedule of prior audit findings reported the status of any audit findings relating to Federal awards that the pass-through entity provided.”

FTA Circular 9040.1F, Chapter VI Program Management and Administrative Requirements, part 9. Audit states, in part, “State agencies are responsible for ensuring that audits are performed consistent with the requirements of OMB Circular A-133, “Audits of State, Local Governments, and Non-Profit Organizations”; resolving audit findings, and bringing problems to FTA’s attention. OMB has issued an audit compliance supplement for Section 5311 grants. FTA has not required an annual financial audit of a subrecipient when assistance is provided solely in the form of capital equipment procured directly by the State. Even if the amount of FTA funds the State passes to a particular subrecipient does not trigger the requirement for an A-133 audit, the State may wish to review A-133 audit reports prepared for subrecipients that are required to be audited because the total Federal funds from all sources exceed the threshold (currently \$500,000). At a minimum States should require subrecipients to bring to the attention of the State any audit findings relevant to their use of FTA funds.”

Condition: Six (31.5 percent) of the 19 subrecipients did not submit the data collection form and the reporting package to the Federal clearinghouse designated by OMB as required by OMB Circular No. A-133 Subpart C § .320(d) within the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period.

Internal controls were put in place by the Department during April 2011. Based on our review, all subrecipients had submitted to the Federal clearinghouse the data collection form and the reporting package after the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period had lapsed.

Cause: The Department did not have adequate internal controls in place throughout SFY 2011 to monitor the subrecipients’ compliance with OMB Circular No. A-133.

Effect: The Department did not timely ensure subrecipients were in compliance with the OMB Circular A-133 audit requirements.

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Recommendation: We recommend the Department continue to follow internal controls put in place during SFY 2011 to monitor the subrecipients' compliance with the OMB Circular A-133 audit requirements.

Views of Responsible Official(s): The Department previously concurred with this finding and corrective action was taken effective 4/1/2011.

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: N/A (4/1/2011)

Corrective Action Planned: None/no additional since the previous finding.

Department of Veteran Affairs

FINDING NO: 11-605-001 (Partial Repeat)

STATE AGENCY: Oklahoma Department of Veterans Affairs

FEDERAL AGENCY: United States Department of Veterans Affairs

CFDA NO: 64.015

FEDERAL PROGRAM NAME: Veterans State Nursing Home Care

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR: 2010 & 2011

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$0.00

Criteria: A component objective of an effective internal control system is to ensure that eligibility determinations are based on proper review and approval.

Good internal controls dictate that management properly document internal controls in the form of written policies and procedures to ensure compliance with applicable laws and regulations.

38 CFR §51.43 Per diem and drugs and medicines—principles states:

(a) As a condition for receiving payment of per diem under this part, the State home must submit to the VA medical center of jurisdiction for each veteran a completed VA [Veteran Affairs] Form 10-10EZ, Application for Medical Benefits (or VA Form 10-10EZ, Health Benefits Renewal Form, if a completed Form 10-10EZ is already on file at VA), and a completed VA Form 10-10SH, State Home Program Application for Care—Medical Certification. These VA Forms must be submitted at the time of admission and with any request for a change in the level of care (domiciliary, hospital care or adult day health care). In case the level of care has changed or contact information is outdated, VA Forms 10-10EZ and 10-10EZR are set forth in full at §58.12 and VA Form 10-10SH is set forth in full at §58.13. If the facility is eligible to receive per diem payments for a veteran, VA will pay per diem under this part from the date of receipt of the completed forms required by this paragraph, except that VA will pay per diem from the day on which the veteran was admitted to the facility if the completed forms are received within 10 days after admission.

Condition:

- During our eligibility testwork, we noted that seven of the eighteen veterans in our sample who were admitted during SFY 2011 did not have a Pre-Admission form signed and approved by all of the following:
 - a. the Administrator or Assistant Administrator,
 - b. Medical Director (Physician), and
 - c. the Patient Services Coordinator or designee.

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- In response to our prior year finding, the ODVA Central Office has designed a standardized, written policy and procedure for documenting and determining eligibility which will be used by all nursing centers. However, these procedures were not implemented during SFY 2011.
- During our eligibility testwork, we noted three out of fifty-five items sampled where the Form 10-10 was not submitted to the Veterans Administration Medical Center (VAMC) within the required ten days and eight out of fifty-five items sampled where documentation of when the Form 10-10SH was submitted to the VAMC Office was not available.

Cause: The Nursing Facilities have not effectively implemented internal controls which require proper review and approval of eligibility.

The ODVA Central Office does not have a standardized, written policy and procedure for documenting and tracking the submission of the Form 10-10 within the required time frame, and they did not implement standardized policies and procedures for documenting and determining eligibility during SFY 2011.

Effect: Without proper controls over eligibility determinations, ineligible residents could be admitted to the veteran nursing facilities. ODVA is not in compliance with Federal requirements regarding submission of the Form 10-10 within 10 days.

Recommendation: We recommend that ODVA Central Office ensure that written policies and procedures for Pre-Admission reviews are effectively implemented by the Nursing Facilities. We further recommend that management develop and implement standardized, written policies and procedures for determining eligibility and for ensuring compliance with Federal requirements for submission of the Form 10-10.

Views of Responsible Official(s)

Contact Person: Martha Spear, Executive Director

Anticipated Completion Date: Noted in response below.

Corrective Action Planned:

- Bullet 1 Response: ODVA partially agrees to this finding. According to revised SOP 604," The Veterans Center Administrator and the Medical Director shall document the determination of eligibility for each veteran on the Pre-Admission form.
- Bullet 2 Response: Management disagrees with the statement that, "However, these procedures were not implemented during SFY 2011". ODVA received the prior year finding in March 2011 and we have revised the Standing Operating Procedure # 604 (Determination of Eligibility for Admissions) in September 2011 and was adopted immediately.
- Bullet 3 Response: ODVA partially agrees with this statement.

The management disagrees with the statement that "During our eligibility testwork, we noted one out of forty-five items sampled where the Form 10-10 was not submitted to the Veterans Administration Medical Center (VAMC) within the required ten day". ODVA has not foregone any per-diem payments which serves as a proof that ODVA has submitted the Form 10-10 to the Veterans Administration Medical Center (VAMC) within the required ten day.

We partially agree with the statement that, "forty five items sampled where documentation of when the Form 10-10SH was submitted to the VAMC Office was not available".

The centers were mailing all the original Form 10-10SH's to the VA and kept a copy for their files and hence there were no documentation showing the date they were mailed. Corrective action is already in place. We have incorporated the following language in SOP #604 which will go into effect immediately.

Submission of Application

Schedule of Findings

Federal Award Findings

And Questioned Costs

Applications for admission of veterans that meet eligibility requirements will be processed in accordance with federal regulations (38 CFR 51) and VA guidance (VHA Handbook 1601.SH.01).

The veterans center must submit a completed VA Form 10-10EZ, or VA Form 10-10EZR, Health Benefits Renewal Form, if a completed VA Form 10-10EZ is already on file at VA.

The veterans center must submit a completed VA Form 10-10SH as soon as possible after admission of the veteran. In all cases, the completed form MUST be received by VA within 10 days following admission.

All required forms will be submitted via e-mail to the VA. The submitter should request delivery receipt and read receipt. These receipts should be printed and kept with the veterans records to document that the forms were submitted in a timely manner.

The patient services coordinator should track the application process and contact the VA if they have not received a VA decision notification in a reasonable amount of time.

Auditor Response: Standardized, written policy and procedure for documenting and determining eligibility were not implemented during the SFY 2011 audit cycle (July 1, 2010 to June 30, 2011). The only policy and procedure implemented during SFY 2011 with regard to the determination of eligibility we are aware of is the requirement that a Pre-Admission form be completed prior to admission. To our knowledge, the Pre-Admission forms were not standardized nor documented in revised SOP's during SFY 2011 and any subsequent revisions are not within the scope of this audit cycle. Our office does not have a copy of the revised Standing Operating Procedure (SOP) # 604 referenced in your response and SOP # 604 is not on the list of SOP's updated during SFY 2011 provided to us. The latest version we have is dated March 2010 entitled *Admission Priorities Procedures* and does not reference the Pre-Admission form. We received a copy of the Pre-Admission forms used by all seven Centers during SFY 2011 from the Central Office. We reviewed the forms and it appears that all the forms include a space for the Administrator or Assistant Administrator, Medical Director (Physician), and the Patient Services Coordinator (Admissions Officer) or designee to sign the form; indicate whether the resident meets the requirements for admission; and to make additional comments.

With regard to the Federal Regulations under **38 CFR §51.43 *Per diem and drugs and medicines—principles***, exceptions to the 10 day submission requirement are not provided. ODVA must ensure that all 10-10 forms are submitted timely as required under the Federal Regulations. We agree with ODVA's plan to amend SOP # 604 to include the language stated in your response.

FINDING NO: 11-605-002 (**Partial Repeat**)

STATE AGENCY: Oklahoma Department of Veterans Affairs

FEDERAL AGENCY: United States Department of Veterans Affairs

CFDA NO: 64.015

FEDERAL PROGRAM NAME: Veterans State Nursing Home Care

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR: 2010 & 2011

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

QUESTIONED COSTS: \$0.00

Criteria: A component objective of an effective internal control system is to ensure that accurate and reliable information is available for reporting purposes.

Good internal controls dictate that management ensure written policies and procedures are implemented.

Schedule of Findings

Federal Award Findings

And Questioned Costs

Condition: While documenting internal controls and performing testing procedures, we noted the following:

- In our prior year audit, we noted ODVA did not have standardized, written policies and procedures for documentation of the daily census and the calculation of the 'Days of Care' reported on the State Home Report (Form 10-5588). During SFY 2011, ODVA developed policies and procedures to audit the nursing centers to ensure proper documentation and calculation of the 'Days of Care'. However, these audits were not implemented during SFY 2011.
- It appears that 100% of Indirect costs for Data Processing and Central Office payroll expenditures were being allocated to the Veterans State Nursing Home Care Grant. The ODVA Data Processing Unit and the Central Office perform work related to other grants besides the State Nursing Home Care grant.
- The *ODVA State Home Report Compilation Procedures Memo* does not reflect the procedures currently followed for preparation of the VA Form 10-5588 *State Home Report and Statement of Financial Aid Claimed* and the memo does not include adequate procedures for the calculation of Direct Costs, and the calculation of the Data Processing and Central Office Payroll and Administrative expenditures. Specifically, the procedures for calculating Indirect Costs for Data Processing and Central Office Payroll do not include the specific department codes to use for the Central Office (1100001) or the Data Processing Department (1100007); and, the total cost allocation percentage for Central Office and Data Processing Indirect Costs is not stated.

Cause: The ODVA Central Office has not effectively implemented internal controls related to standardized, written policies and procedures for documentation of the daily census and the calculation of the 'Days of Care' reported on the State Home Report (Form 10-5588). Management did not effectively review the ODVA State Home Report Compilation Procedures Memo to ensure the procedures documented appropriately reflect the procedures in practice; and that the indirect cost percentages for Data Processing and Central Office payroll and Administrative costs were appropriately allocated.

Effect: Without proper and consistent monitoring/auditing of the Nursing Facilities, management cannot ensure accurate and reliable information is available for reporting purposes. Without proper review of the *ODVA State Home Report Compilation Procedures Memo*, management cannot ensure that the written policies and procedures accurately reflect the actual procedures performed.

Recommendation: We recommend that the Quality Assurance Unit perform the quarterly audits as stipulated in Standing Operating Procedure (SOP) # 370 and that the *ODVA State Home Report Compilation Procedures Memo* be updated to reflect any changes in account codes used and to include the department and fund codes for indirect costs as well as procedures and methodology for the total percentage of Data Processing and Central Office payroll and Administrative costs to be allocated amongst the Centers.

Views of Responsible Official(s)

Contact Person: Martha Spear, Executive Director

Anticipated Completion Date: Noted in response below.

Corrective Action Planned:

- Bullet 1 Response: Management disagrees with this statement. The prior year audit finding was provided in the last quarter of SFY 2011 and the agency has taken corrective action. During the last quarter of SFY 2011, we hired the Quality Assurance Manager and the quarterly audits are being performed on a regular basis. The agency believes that a reasonable time period should be given for implementation.

Schedule of Findings

Federal Award Findings

And Questioned Costs

- Bullet 2 Response: ODVA believes that we have used only 96.5% and that is our intention. The script below shows the calculation for Home Reports:
 - The indirect costs for CO and IT are an accumulation of expenditures and payroll charged to 110001 and 110007.
 - The following shows how the percentages are broken down by center.
 - 'Allocates 96.5% of all IT exp and pft across all seven centers based on percentages (relative size)
 - $\text{TotalDataProDiv7} = (\text{DataProDif} * 0.965) / 7$
 - $\text{TotalDataProCLA} = (\text{DataProDif} * 0.965) * 0.19$
 - $\text{TotalDataProARD} = (\text{DataProDif} * 0.965) * 0.126$
 - $\text{TotalDataProCLI} = (\text{DataProDif} * 0.965) * 0.107$
 - $\text{TotalDataProNOR} = (\text{DataProDif} * 0.965) * 0.189$
 - $\text{TotalDataProSUL} = (\text{DataProDif} * 0.965) * 0.104$
 - $\text{TotalDataProTAL} = (\text{DataProDif} * 0.965) * 0.127$
 - $\text{TotalDataProLAW} = (\text{DataProDif} * 0.965) * 0.157$
 - 'Allocates 96.5% of all central office exp and pft across all seven centers based on percentages (relative size)
 - $\text{TotalCentOff} = (\text{DataCentOffPayDif} * 0.965) / 7$
 - $\text{TotalCentOffCLA} = (\text{DataCentOffPayDif} * 0.965) * 0.19$
 - $\text{TotalCentOffARD} = (\text{DataCentOffPayDif} * 0.965) * 0.126$
 - $\text{TotalCentOffCLI} = (\text{DataCentOffPayDif} * 0.965) * 0.107$
 - $\text{TotalCentOffNOR} = (\text{DataCentOffPayDif} * 0.965) * 0.189$
 - $\text{TotalCentOffSUL} = (\text{DataCentOffPayDif} * 0.965) * 0.104$
 - $\text{TotalCentOffTAL} = (\text{DataCentOffPayDif} * 0.965) * 0.127$
 - $\text{TotalCentOffLAW} = (\text{DataCentOffPayDif} * 0.965) * 0.157$
- The script is written in Visual Basic and it automatically calculates and populates the State Home Reports for the indirect costs. We will check into the program for any glitches.
- Bullet 3 Response: Management disagrees with this statement. The *ODVA State Home Report Compilation Procedures Memo* reflects the procedures currently followed for preparation of the VA Form 10-5588 *State Home Report and Statement of Financial Aid Claimed* and the memo includes adequate procedures for the calculation of Direct Costs, and the calculation of the Data Processing and Central Office Payroll and Administrative expenditures.

Account code #537150 was added after May 2011. This is the P- Card expenditure that was overlooked. There was a system error in the P-Card coding that prompted corrections. Those corrections were made in the miscellaneous line since it affected several lines in all the departments.

The procedures for calculating Indirect Costs for Data Processing and Central Office Payroll includes the specific department codes to use for the Central Office (1100001) or the Data Processing Department (1100007); and, the total cost allocation percentage for Central Office and Data Processing Indirect Costs is not stated. Please refer response to the previous bullet that clearly shows the procedures for the calculation of Indirect cost allocation with the Department codes and the allocation percentages.

Schedule of Findings

Federal Award Findings

And Questioned Costs

Auditor Response: We are aware that the prior year audit finding was received in the last quarter of SFY 2011; however, the condition that caused the original finding was still present for the entire SFY 2011 and resulted in a repeat finding.

We were unable to produce the same calculations using SOP # 370 as were reported on the *Statement of Federal Aid Claimed Reports*. The script included in your response is not documented in SOP # 370 (May 2011 revision date) nor are the department codes of 1100001, & 1100007 referenced. SOP # 370 does state the allocation percentage per Center but fails to state that 96.5% of the total Central Office and IT costs are to be used. In addition, we calculated the Indirect Costs for Central Office and IT using the percentages stated in the script included in your response and were unable to produce the same calculations as were reported on the *Statement of Federal Aid Claimed Reports*.

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Note: Schedule is presented alphabetically by state agency.

Department of Education

Finding No: 09-265-001, 10-265-001

CFDA No: 83.489, 83.391, 84.392

Federal Agency: U.S. Department of Education

Control Category: Cash Management

Questioned Costs:

#84.389 – Title I Grants to Local Educational Agencies – Recovery Act \$50,334,317 for '09 and \$0 for '10

#84.391 – Special Education Grants to States – Recovery Act \$56,434,003 for '09 and \$0 for '10

#84.392 – Special Education Preschool Grants – Recovery Act \$1,734,931 for '09 and \$0 for '10

Finding Summary: Oklahoma State Department of Education (OSDE) advanced \$130,561,507.34 in the first round of ARRA funds to Title IA, Special Education Grants to States, and Special Education – Preschool grants in May 2009. We determined from review of the November 16, 2009 expenditure logs that only \$22,058,256.92 had been reported as expended to date. Therefore, the agency did not make drawdowns as close as possible to the time of making disbursements. In addition, as of March 2010, approximately \$26,898,022 in Special Education and Title I funds were still unexpended. The USDE required these funds to be returned to the federal government.

Status: Corrected.

Finding No: 10-265-003

CFDA NO: 84.027, 84.173

Federal Agency: United States Department of Education

Control Category: Procurement and Suspension and Debarment

Finding Summary: The Department was unable to provide evidence that they verified the parties to whom they awarded contracts under the Special Education Grants to States and Special Education Preschool Grants were not debarred or suspended by, (a) checking the Excluded Parties List System (EPLS); or (b) Collecting a certification from the person if allowed by the Federal agency responsible for the transactions; or (c) Adding a clause or condition to the covered transaction with that person.

Status: Corrected.

Finding No: 10-265-004

CFDA NO: 84.010

Federal Agency: United States Department of Education

Control Category: Period of Availability of Federal Funds

Finding Summary: During our testing of second year carryover (program codes 3028003 and 3028323) transactions charged to the Title I, Part A Federal award after the end of the period of availability, we noted that 27 claims totaling \$805,970.63 were paid after the liquidation period ending December 31, 2009.

Status: Corrected.

Department of Emergency Management

Finding No: 10-309-001

CFDA: 97.036

Federal Agency: United States Department of Homeland Security

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not have adequate documentation of sufficiently monitoring subrecipients meeting the audit requirements of OMB Circular A-133. The Department has no policy or procedure in place to ensure subrecipients expending \$500,000 or more in total federal funds receive an independent audit timely, or a system in place to track program related reported deficiencies noted.

Status: Corrected.

Summary Schedule of Prior Findings

Employment Security Commission

Finding No: 08-290-001, 09-290-004, 10-290-002

CFDA: 17.225

Federal Agency: Department of Labor

Control Category: Special Tests & Provisions – Employer Experience Rating

Questioned Costs: Undeterminable

Finding Summary: OESC 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.

Status: Corrected

Finding No: 09-290-001, 10-290-003

CFDA: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Reporting

Finding Summary: During our audit of the ETA 581 Reports for the quarters ending December 31, 2008 and March 31, 2009 we noted that the total for item 34 - Amount Determined Receivable during a Report Period from the data provided by OESC did not agree to the amount reported on the ETA 581 Reports. A variance of \$78,916 was noted for the quarter ending December 31, 2008 and a variance of \$41,729 was noted for the quarter ending March 31, 2009. In addition, for fiscal year 2010, OESC was unable to provide the support for the ETA 581 reports.

Status: Not corrected, current year finding #11-290-002. Oklahoma is in the process of re-writing the programs for the ETA-581 to ensure the supporting data is captured and retained for audit purposes.

Finding NO: 09-290-005, 10-290-004

CFDA NO: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Reporting

Finding Summary: Based on testwork performed, it appears the Oklahoma Employment Security Commission could not provide supporting documentation for all of the ETA 227, Overpayment Detection and Recovery Activities Reports, for State Fiscal Year (SFY) 2009 and 2010. The following reports were not provided as supporting documentation: the BN1261L1 for the week ending 12/31/08 and the UIB540L1 reports for the weeks ending 10/11/08 and 4/5/09 and the TEUC and FAC08 for fiscal year 2010.

Status: Partially corrected, current year finding #11-290-003. OESC is in the process of a redesign of its entire BPC system. Part of that redesign includes a new ETA 227 report and all detailed audit data required for supporting the report.

Finding No: 10-290-001

CFDA NO: 17.225

Federal Agency: Department of Labor

Control Category: Reporting (Regular Federal funds)

Finding Summary: The federal expenditures on the SEFA did not agree to supporting documentation.

Status: Corrected

Office of Governor

Finding No: 10-305-001

CFDA NO: 84.394/84.397

Federal Agency: US Department of Education

Control Category: Subrecipient Monitoring / Special Tests (R3) Subrecipient Monitoring

Summary Schedule of Prior Findings

Finding Summary: Based on discussion with staff and review of records, we do not believe that subrecipients for the Oklahoma State Department of Education (OSDE) were adequately reviewed by OSDE or the Office of State Finance in accordance with 31USC7502 (f) (2) (A-D) and 2CFR176.210 (c and d).

Status: Not corrected, current year finding 11-305-002.

Finding No: 10-305-002

CFDA NO: 84.397

Federal Agency: US Department of Education

Control Category: Reporting

Finding Summary: Based on review of the 3/31/10 1512 Report for award S397A090037, a draw was made for \$16,000,000 that was intended to be used for textbooks at school districts in Oklahoma. However, based on discussions with the Office of State Finance (OSF) and the Oklahoma State Department of Education (OSDE), this amount had been drawn down initially for this purpose, but due to lack of supporting documentation noted during the course of the USDE OIG Audit (ED-OIG/A06K002) this amount was returned to OSF.

Status: Partially corrected, current year finding 11-305-001.

Finding No: 10-305-003

CFDA NO: 84.394 and 84.397

Federal Agency: US Department of Education

Control Category: Special Tests (R2) – Presentation on SEFA

Finding Summary: Based on review and testing of the Schedule of Expenditures of Federal Awards (SEFA), we noted Federal revenues for CFDA #84.394 were understated by \$170,317 when compared to supporting draw documentation. Additionally, \$170,326 in Federal expenditures at one of the Higher Education Institutions were not reported for CFDA #84.394. Lastly, Federal expenditures for CFDA #84.397 were overstated by \$18,042,563.

Status: Corrected

Finding No: 10-305-004

CFDA NO: 84.394/84.397

Federal Agency: US Department of Education

Control Category: Activities Allowed or Unallowed / Cash Management

Finding Summary: The Oklahoma Health Care Authority (OHCA) received Federal funds totaling \$10,000,000 under CFDA #84.397 – State Fiscal Stabilization Fund (SFSF). These funds were used to retroactively pay payroll expenditures for the Medical Assistance Program (CFDA #93.778) that had previously been paid with State appropriations and claimed as state match on the CMS-64 report. The agency returned the funds to the Office of State Finance (OSF) once they determined the funds could not be used to meet state match.

Status: Corrected

Finding No: 10-305-005

CFDA NO: 84.394/84.397

Federal Agency: US Department of Education

Control Category: Cash Management

Finding Summary: The Oklahoma State Department of Education (OSDE) advanced funds received under the State Fiscal Stabilization Fund (SFSF) grant totaling \$217,276,547 (\$202,542,885 for #84.394 and \$14,733,662 for #84.397) to subgrantees (schools) largely for payroll related expenses. In addition, OSDE also advanced \$16,000,000 for the purchase of textbooks. OSDE had an understanding that the subgrantee (schools) would expect the funds in a timely manner; however, OSDE was unable to determine if the school had recorded the payment timely since there were no cash management procedures in place.

Status: Not corrected, current year finding 11-305-004.

Finding No: 10-305-006

CFDA NO: 84.397

Federal Agency: US Department of Education

Summary Schedule of Prior Findings

Control Category: Cash Management

Finding Summary: The Oklahoma Indigent Defense System (OIDS) received a draw from the State Fiscal Stabilization Fund (SFSF) totaling \$610,000 on April 29, 2010. According to the original Agency Award Agreement, OIDS was to use \$300,000 for operational needs of the agency and the remaining \$310,000 was to be used for purchasing and installing Information Services (I/S) equipment. The \$310,000 was awarded to Legal Aid Services who already had purchased I/S equipment in the prior year with state funds. Therefore, Legal Aid Services held the \$310,000 in funds until a new Agency Award agreement was signed in November of 2010 allowing them to retroactively use the funds for payroll.

Status: Corrected

Finding No: 10-305-007

CFDA NO: 84.397

Federal Agency: US Department of Education

Control Category: Cash Management

Finding Summary: The Oklahoma Water Resources Board (OWRB) received a draw from the State Fiscal Stabilization Fund (SFSF) totaling \$2,700,000 on July 30, 2009, which was intended to pay down debt. After the funds were received OWRB was informed that the State Fiscal Stabilization Fund (SFSF) monies could not be expended for debt. OWRB then held the SFSF funds from July 30, 2009 until January 14, 2010, when the Office of State Finance (OSF) made correcting entries to recode state payroll expenses totaling \$2,700,000 to SFSF payroll charges. In addition, OSF did not provide OWRB with an *Agency Award Agreement* during state fiscal year 2010 documenting the allowable activities for grant expenditures.

Status: Corrected

Finding No: 10-305-008

CFDA NO: 84.394/84.397

Federal Agency: US Department of Education

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Subrecipient Monitoring and Special Tests (R3)

Finding Summary: Based on the language in the Grant Award Notifications and other documentation obtained during the audit, the Office of State Finance (OSF) was the administering agency and was responsible for implementation of a control structure sufficient to ensure that SFSF grant funds were used for allowable activities, draws were made for immediate and allowable cash needs, and that adequate subrecipient monitoring was occurring. No policies and/or procedures were designed and implemented.

Status: Corrected

Finding No: 10-305-009

CFDA NO: 84.397

Federal Agency: US Department of Education

Control Category: Control Environment

Finding Summary: On December 17, 2010, the Oklahoma State Department of Education (OSDE) took corrective action to a finding issued by the U.S. Department of Education Office of Inspector General related to cash advances of State Fiscal Stabilization Funds (SFSF) for textbook purchases totaling \$16,000,000. OSDE had expenditures totaling \$7,957,437 that were recoded, changing data previously submitted, after the November 15, 2010 deadline per Oklahoma Administrative Code (OAC) 210:25-5-4. Accounting (c).

Status: Corrected

Finding No: 10-305-010

CFDA NO: 84.394

Federal Agency: US Department of Education

Control Category: Activities Allowed or Unallowed

Finding Summary: The Oklahoma State Department of Education (OSDE) nor the Office of State Finance (OSF) designed and implemented a control structure sufficient to ensure that SFSF grant funds were used for allowable activities. Based on discussion with OSDE management as well as observation of supporting documentation, we noted \$83,729 in funding from CFDA #84.394 was used by four school districts to

Summary Schedule of Prior Findings

purchase school buses. These expenditures were eventually recoded to payroll expenditures in late SFY10 and early SFY11.

Status: Corrected

Department of Health

Finding No: 10-340-001

CFDA NO: 10.557

Federal Agency: U.S. Department of Agriculture

Control Category: Special Tests and Provisions - Food Instrument and Cash-Value Voucher Disposition, and Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors

Finding Summary: A Statements on Auditing Standards (SAS) 70 report on the controls in operation and tests of operating effectiveness for the third party service organization that processes and pays the agency's food instruments, was issued during our audit period. We were unable to determine that OSDH personnel obtained and reviewed the report to identify any deficiencies that would affect the agency's compliance with the requirements of 7 CFR § 246.12(q) and 7 CFR § 246.12 (k)(1).

Status: Corrected.

Finding No: 10-340-004

CFDA NO: 10.557

Federal Agency: U.S. Department of Agriculture

Control Category: Reporting

Finding Summary: The agency incorrectly reported federal outlays on the FNS 798-A report under the wrong function/activity. Total Federal Outlays for Program Management was overstated by \$4,455,102.00, Client Services was understated by \$4,386,743.00, Nutrition Education was understated by \$12,855.00, and Breastfeeding was understated by \$55,504.00.

Status: Not corrected, see current year finding #11-340-008. We concur. We will revisit the current procedures for completing and reviewing the WIC FNS-798A report both as a refresher and for improvement in accuracy. We will also submit an amended report.

Oklahoma Health Care Authority

REF No: 07-807-002, 08-807-010, 09-807-001, 10-807-009

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: Corrected

Finding No: 08-807-003, 09-807-002, 10-807-010

CFDA: 93.778, 93.767

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

Control Category: Cash Management

Questioned Costs: Medical Assistance Program of \$128,948 for FY 2008 and \$0 for FY 2009

Finding Summary: We noted the following when reviewing draws: 1) program and administrative amounts were calculated incorrectly; 2) Program, ARRA and Administrative Draw Worksheets were not initiated as reviewed; and 3) one ARRA Draw Worksheet for 2010 was not available for review.

Status: Corrected

Finding NO: 09-807-004, 10-807-001

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Summary Schedule of Prior Findings

Control Category: Reporting, Special Tests and Provisions for Awards with ARRA Funding - R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form (Regular and ARRA Federal funds)

Finding Summary: Based on procedures performed, it appears the non-ARRA Schedule of Expenditures of Federal Awards (SEFA) line item for CFDA# 93.778 included ARRA funds. Therefore ARRA funds were correctly reported once in the ARRA line item and incorrectly reported in the non-ARRA line item. It also appears there was no evidence of review by someone other than the preparer.

Status: Partially corrected, see current year finding # 11-807-001. OHCA concurs with the finding. The status is partially corrected. Training to personnel involved in the preparation will be conducted and a review of the current procedures will be performed and corrective action implemented.

Finding NO: 09-807-010, 10-807-008

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Inpatient Hospital and Long Term Care Facility Audits

Finding Summary: Based on review of the spreadsheet maintained by OHCA and review of the audit reports, it appears the contracted auditor only performed 37 Nursing Facility (40 were required) and 2 ICFs/MR audits (5 were required) for SFY 2009 on cost reports submitted for SFY 2008; and only performed 3 audits of Intermediate Care Facilities for the Mentally Retarded (ICF's/MR) for 2010 (when 5 were required) on cost reports submitted for SFY 2009..

Status: Corrected

Finding No: 10-807-004

CFDA NO: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Maintenance of Effort - Prompt Pay (Regular and ARRA Federal funds)

Finding Summary: While performing our walkthrough of internal controls, we noted that OHCA did not have a system in place to monitor the agency's compliance with prompt pay requirements on a daily basis during SFY 2010.

Status: Partially corrected, see current year finding #11-807-011. OHCA concurs with the finding. Corrective action was completed on January 13, 2011.

Finding No: 10-807-005

CFDA NO: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Matching (Regular and ARRA Federal funds)

Finding Summary: OHCA received Federal funds totaling \$10,000,000 under CFDA #84.397 – State Fiscal Stabilization Fund (SFSF). These funds were used to retroactively pay payroll expenditures for the Medical Assistance Program that had previously been paid with State appropriations and claimed as state match on the CMS-64 report.

Status: Corrected

Finding No: 10-807-006

CFDA NO: 93.778

Federal Agency: Department of Health and Human Services

Control Category: American Recovery and Reinvestment Act Maintenance of Effort – Indian Care (ARRA Federal funds)

Finding Summary: During our testwork, we extracted all claim reimbursements for Indian participants who were served by an Indian health care provider during SFY 2010 and noted 119,666 claim reimbursements with \$187,960.84 in copayments charged.

Status: Partially corrected, see current year finding #11-807-002. Concur. OHCA will refund the federal share to CMS on the March 31st quarter ending CMS 64 expenditure report. This issue existed due to OHCA's claims payment system not having a field which identified members as Native Americans; OHCA had been aware of this but could not resolve until system change orders were completed. As of January 2012, OHCA has included in our systems "Recipient" file a "Verified Native American" field. The processing of claims from that date has included verifying if members are NA. OHCA identified and

Summary Schedule of Prior Findings

activated the NA field by identifying Native Americans through verification of paid claims for the period of 2005-2011.

FINDING NO: 10-807-011

CFDA NO: 93.778

FEDERAL AGENCY: Department of Health and Human Services

CONTROL CATEGORY: Special Tests and Provisions – Managed Care (Regular and ARRA Federal funds)

Finding Summary: We were unable to determine if the appropriate action was taken for 3 of the 45 (6.66%) complaint calls we selected for review. Based on review of the CTI notes and discussion with agency staff the 3 complaint calls should have been referred for further follow up. However, the 3 were not included in the call complaint book with referral forms and no documentation supporting a referral for follow up had been made.

Status: Corrected

Finding No: 10-807-012

CFDA NO: 93.767

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Costs: \$431

Finding Summary: Based on a medical professional's review of 60 claims for CHIP recipients we noted seven claims with payment errors which are listed below:

- Two claims were paid when the medical records support a procedure code different than the code billed by the provider. (\$103.26)
- Three claims were paid when the services provided were not supported by the medical records and/or consistent with the medical diagnosis. (\$350.99)
- One claim was paid when the medical records supported a procedure code different than the code billed by the provider for one service line and other service lines were not supported by the medical records and/or consistent with the medical diagnosis. (\$117.99)

Status: Corrected

Finding No: 10-807-013

CFDA NO: 93.778

Federal AGENCY: Department of Health and Human Services

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$498

Finding Summary: Based on a medical professional's review of 60 claims for Medicaid recipients we noted three claims paid when there were services provided which were not supported by the medical records and/or the service provided was not properly coded.

Status: Corrected

Finding No: 10-807-014

Federal Agency: Department of Health and Human Services

CFDA NO: 93.778

Control Category: Eligibility (Regular and ARRA Federal funds)

Questioned Costs: \$50,057

Finding Summary: During testwork of 60 recipient medical claims, we noted one medical claim was paid when the recipient's case file did not contain evidence of an application/eligibility determination covering the time period for which the claim was paid.

Status: Corrected

Department of Human Services

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020, 10-830-024

Summary Schedule of Prior Findings

CFDA No: 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, \$2,409 for FY '07, \$1,164 for FY '08, \$480 for FY '09, and \$760 for FY '10

Finding Summary: From review of 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 completed checklist for walk-in applications; case files that could not be located.

Status: Not corrected, current year finding #11-830-013. During their monthly meetings, FSSD LIHEAP staff will emphasize the importance of following written procedures and maintaining appropriate documentation in the case record. In addition, "LIHEAP Best Practices" emails will be sent periodically to reinforce proper procedures. Field Liaisons will conduct one-on-one training sessions at the county offices cited in this audit finding and will randomly audit counties as part of their scheduled visits.

Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031, 10-830-018

CFDA No: 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, \$400 for FY '06, \$1,164 for FY '08, and \$2,383 (\$480 for 09-830-020 and \$1,903 for 09-830-031) for FY '09, and \$1,556 for FY '10

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.

Status: Not corrected, current year finding #11-830-007. By September 30, 2012 additional program edits will be requested to ensure the same address does not receive multiple benefits. In the interim Family Support and Field Operations divisions will continue emphasizing the importance of cross referencing cases to existing reports listing possible duplicate addresses. Reimbursement will be requested from the vendors/households cited in this audit by June 30, 2012.

Finding No: 07-830-009, 08-830-003, 09-830-033, 10-830-014

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,408 for FY '07, \$1,298 for FY '08, \$7,731 for FY '09, and \$1,259 for FY '10

Finding Summary: We sampled cases for testing and noted cases where the client received benefits for more than 60 months without applying for a hardship extension or an additional hardship extension. Also, we noted cases that did not contain documentation of an application for a hardship extension (Form TW-24) and cases that did not contain documentation of a review for an additional hardship extension (Form TW-25).

Status: Corrected

Finding No: 07-830-013, 08-830-007, 09-830-023, 10-830-021

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$9,155 for FY '07, \$348 for FY '08, \$8,994 for FY '09, and \$1,645 for FY '10

Finding Summary: From areas selected for testing, we noted the following during eligibility testwork:

1. Cases in which no case file was provided by the county office.
2. Cases 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.

Status: Not corrected, current year finding #11-830-008. The County Director, Field Liaison, Supervisor, and Caseworker will be informed of this finding and asked to review policies 340:65-1-3 and 340:65-3-8 to ensure compliance with our procedures on TANF applications and reviews. Eligibility was confirmed on the case noted; therefore, no overpayment occurred.

Finding No: 07-830-015, 08-830-015, 09-830-027, 10-830-031

CFDA No: 93.558

Summary Schedule of Prior Findings

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 G1DX Exception Report. We noted the following exceptions that were not cleared within the allowable 30 days per OKDHS policy:

2010			
Error Type	G1DX EXCEPTIONS OVER 30 DAYS	TOTAL G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 30 DAYS
BEN	2,683	21,126	12.70%
IEV	192	1,609	11.93%
OWG	3,794	30,700	12.36%
SDX	10,647	92,038	11.57%
SNH	8,630	64,694	13.34%
UIB	2,519	25,379	9.93%
TOTAL	25,782	214,420	12.02%

Status: Not corrected, current year finding #11-830-012. Consistent with Federal guidelines, in November, 2011 OKDHS revised policy to state “all discrepancy messages must be cleared using the DXD transaction within 45 days of the error posting”. Effective date of the policy change is June 1, 2012. Since federal guidelines provide special allowances for secondary verifications, our goal will be to clear 95% of discrepancies within 45 days. OKDHS will continue utilizing our current monitoring reports to clear G1DX discrepancies as promptly as workload allows. Jointly, Family Support Services and Field Operations Divisions are working toward consolidating and automating some case management functions. One goal is to increase efficiency in data processing functions, such as discrepancy clearance, to allow us to reach our 95% goal.

Finding No: 08-830-011, 09-830-035, 10-830-020

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

Finding Summary: When testing the Penalty for Failure to Comply with Work Verification Plan requirements we 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 and two cases where the work participation hours recorded on the ACF-199 report were not documented in the case file.

Status: Corrected

Finding No: 08-830-013, 09-830-021, 10-830-022

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$300 for FY '08, \$0 for FY '09, and \$1,200 for FY '10

Finding Summary: We noted cooling cases where the cooling benefit payment detail indicated no vendor or fuel type and cooling cases indicating no vendor and an “S” fuel type. After follow-up with agency personnel, we determined that these cooling benefit payments were sent directly to clients to purchase fans, air conditioning, or make repairs to cooling equipment. We selected cases for further review and noted the following:

- Case files selected had 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.

Summary Schedule of Prior Findings

- Case files were there was no LIHEAP cooling application included to support the eligibility determination.
- 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.

Status: Not corrected, current year finding #11-830-006. Family Support plans to seek approval from the Commission of Human Services to cease direct payments to clients for purchase or repair of cooling equipment. Payment will instead be made to the client's utility company.

Finding No: 09-830-001, 10-830-010

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$2,239 for FY '09, and \$532 for FY '10

Finding Summary: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits, we noted the following:

- Cases received TANF benefits in the same month or within three months of receiving Diversion assistance benefits.
- Cases tested did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits.

Status: Not corrected, current year finding #11-830-004. Concur as to lack of supporting documentation. The county directors reviewed their cases and verified approval for TANF benefits was justified based on each client's circumstances. Therefore no overpayment occurred. Further corrective action is unnecessary since the Diversion Assistance Program closed July 1, 2011.

Finding No: 09-830-005, 10-830-017

CFDA No: 93.659

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$44,386 for FY '09, and \$28,577 for FY '10

Finding Summary: During our testing of IV-E Adoption Assistance cases, we noted that in sixteen of the twenty-one cases tested, the parents received assistance after the child attained the age of 18 and documentation was not provided which indicated the child had a mental or physical handicap that warranted the continuation of assistance to the age of 21. The documentation provided to support the continuation of benefits after the child had attained the age of 18 was not adequate.

Status: Corrected

Finding No: 09-830-007, 10-830-016

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Special Tests and Provisions - Issuance Document Security

Finding Summary: During interviews with management regarding the procedures for issuance document security we noted a lack of segregation of duties for all offices that receive lost activated EBT cards. This segregation of duties deficiency is due to only one person receiving the active cards for destruction. At the OKDHS EBT Office, as well as the county offices, the same employee receives the mail, logs the cards, and destroys the cards. This control deficiency provides an opportunity for the employee receiving, logging, and destroying the cards to take the returned activated cards and use them for personal gain.

Status: Corrected

Finding No: 09-830-009, 10-830-019

Summary Schedule of Prior Findings

CFDA No: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$3,822 for FY '09 and \$6,507 for FY '10

Finding Summary: We analyzed the Department's records and determined there were IV-E Foster Care recipients over the age of 18 receiving benefits. We tested cases and noted the following:

- Case files did not contain the Voluntary Placement Request signed by the youth or other documentation verifying the youth was attending school and expected to graduate before reaching the age of 19.
- In addition to the case files tested, 1 IV-E recipient was 19 years of age and older when they received benefits.

Status: Corrected

Finding No: 09-830-015, 10-830-001

CFDA No: 10.561

Federal Agency: Department of Health and Human Services; Department of Agriculture

Control Category: Cash Management

Finding Summary: During our testing of Cash Management, we selected non-EBT draws from the SNAP program. We noted there is not a process in place to review the draw calculations and methodology before the non-EBT draws are made. It appears that each of the program accountants for the above noted programs have the ability to both prepare the draw calculations and make the draws without a review of the calculations being performed to ensure draw accuracy.

Status: Corrected

Finding No: 09-830-017, 10-830-029

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Special Tests and Provisions – EBT Card Security

Finding Summary: During interviews with the EBT specialist in County offices, we noted that the daily reconciliation of EBT cards was not being performed properly. The reconciliation for EBT cards is not performed on a daily basis. The tally of cards is maintained on a box lid and transferred into a monthly total spreadsheet created for the county director. There is no formal daily reconciliation of the cards to that of the master issuance file reconciliation to ensure that all cards assigned to the EBT specialist in charge of printing the EBT cards are accounted for.

Status: Not corrected, current year finding #11-830-001. Current written procedures address proper internal controls over EBT cards, including card issuance, card and key security, documentation, segregation of duties, signature authorization, and card storage. To ensure these procedures are followed, Finance EPS and Field Operations have developed a more robust training and monitoring process.

Finding No: 09-830-024, 10-830-021

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

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

Questioned Costs: \$1,645 for FY '10

Finding Summary: From our population of 15,965 cases, we selected 60 cases for Child Support Non-Cooperation testing and noted four cases in which no TANF review or re-determination was found for the time period tested in the case file provided by the county office; therefore, a determination could not be made regarding the recipients cooperation with the State concerning child support.

Status: Corrected

Finding No: 09-830-026, 10-830-021

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Refusal to Work

Questioned Costs: \$1,645 for FY '10

Finding Summary: From our population of 15,965 cases, we selected 60 TANF cases for testing of

Summary Schedule of Prior Findings

Penalty for Refusal to Work and noted the following:

- One case where no TANF application was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.
- Five cases where no TANF re-determination was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.

Status: Corrected

Finding No: 09-830-032, 10-830-030

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Procurement and Suspension and Debarment

Finding Summary: During our testing of the SNAP related procurement files, we noted that the IAPD for competitive contracts exceeding \$5 million dollars could not be produced. The particular file was for ACS which is a 10 year contract award. The Contracts and Purchasing Unit was unable to provide the file containing the IAPD. Department personnel explained that this file has been subject to many purchase order number changes, and the record of PO numbers related to the ACS file did not include the initial file PO number. This resulted in the initial file, which contained the IAPD documentation, to be unavailable. Therefore, it appears the proper documents, papers, and records were not maintained for an active contract award.

Status: Corrected

Finding No: 10-830-004

CFDA No: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Reporting (Regular and ARRA Federal Funds)

Questioned Costs: \$391,341

Finding Summary: For the quarters ending 3/31/10 and 6/30/10, the supporting documentation for the IV-E-1 Stipends were entered as positive amounts rather than negative amounts (\$94,428.87) and (\$101,241.57). This increased the total expenditures reported on the IV-E report causing a variance between the financial report and the FCSVM Summary report of \$188,857.74 (\$94,428.87 * 2) and \$202,483.14 (\$101,241.57 * 2) respectively. The amount reported was overstated by a total of \$391,340.88 (\$188,857.74 + \$202,483.14)

Status: Corrected

Finding No: 10-830-005

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Cash Management

Questioned Costs: \$288,214

Finding Summary: We noted draw #21 from the 2010 Grant was overdrawn by \$288,214. It appears that the total draw amount should have been \$3,383,542.19, with \$3,095,328.19 coming from the FFY 2010 grant award and \$288,214 from the FFY 2009 grant award. The actual amount drawn for the FFY 2009 award was \$288,214, which appears to be accurate. However, it appears the \$288,214 was also drawn from the FFY 2010 award as well.

Status: Corrected

Finding No: 10-830-006

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Reporting (Regular Federal Funds)

Finding Summary: The SFY 2010 Schedule of Expenditures of Federal Awards did not include matching contributions and the expenditures were overstated.

Status: Corrected

Summary Schedule of Prior Findings

Finding No: 10-830-007

CFDA No: 93.563

Federal Agency: Department of Health and Human Services

Control Category: Reporting

FINDING SUMMARY: During testing of the SFY 10 SEFA, we noted a variance between the amount reported and supporting documentation for the Expenditures Charged to Incentive Grant (Stimulus Match) and the Net Federal (IV-D Regular and Incentive) Grant. It appears the Expenditures Charged to Incentive Grant was not included in the dollar amount reported and the Net Federal Grant amount was overstated.

Status: Corrected

Finding No: 10-830-011

CFDA No: 93.558 & 93.714

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$158

Finding Summary: During our testing of cases that received Diversion Assistance benefits during SFY 2010, we noted one case that received \$2,108.75 in Diversion Assistance benefits during SFY 2010, which is greater than the \$1,950 maximum allowable benefit. This case had been certified for Diversion assistance 11/12/09 and therefore not ever eligible for Diversion again beyond the first 90 days of benefit eligibility.

Status: Corrected

Finding No: 10-830-015

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: We noted the amount reported on the 10/01/2008-9/30/2009 SF-269A Report for the 2009 Grant did not match the supporting Grant Transaction Summary Report dated 12/31/2008-12/07/2009. Also, the supporting Grant Transaction Summary Report is for a different period than the period stated on the SF-269A. We noted the period for the SF-269A Report for the 2008 Grant is 10/01/2008-9/30/2009, while the supporting Grant Transaction Summary Report states cash expenditures for the period 10/01/2008-12/30/2009.

Status: Corrected

Finding No: 10-830-025

CFDA No: 93.558 & 93.714

Federal Agency: Department of Health and Human Services

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

Questioned Costs: \$1,014

Finding Summary: We selected 45 cases for testing the Child Support Non-Cooperation requirement and noted the following:

- One case where the benefits were not reduced and full benefits were paid for the months of October 2009 through June 2010. (Questioned Costs \$ 150.00)
- One case where the benefits were not reduced and full benefits were paid for the months of July 2009 through June 2010. (Questioned Costs \$ 751.00)
- One case where the benefits were not reduced and full benefits were paid for the months of July 2009 and August 2010. (Questioned Costs \$ 112.50)

Status: Corrected

Finding No: 10-830-026

CFDA No: 93.563

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: Based on discussion with management and review of the cash balancing worksheet, the 34A report cannot be reconciled to deposits at the State Treasurer.

Summary Schedule of Prior Findings

Status: Not corrected, current year finding #11-830-003. On August 25, 2011 Child Support initiated a Business Improvement project to ensure the OSIS OCSE-34A can be reconciled to OSIS activity and Inventory reports. And to ensure the OSIS activity and inventory reports can be reconciled to the 1830F account statement.

Finding No: 10-830-027

CFDA No: 93.558 & 93.714

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: Total expenditures reported on the FFY 2009 ACF-196 report do not agree with accounting records and are overstated.

Status: Corrected

Finding No: 10-830-028

CFDA No: 93.558 & 93.714

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – TANF Emergency Fund Grants

Finding Summary: The average monthly caseload numbers and expenditure amounts reported on Form OFA-100 dated 08/30/2010 do not agree with supporting documentation. The categories and quarters that do not agree are as follows:

- Caseload base quarter numbers for the 2nd, 3rd, and 4th quarters of SFY 2010;
- Non-Recurrent Short Term Benefit request quarter amounts for the 1st quarter of SFY 2010.

Status: Corrected

Department of Mental Health and Substance Abuse Services

Finding No: 07-452-004IT, 08-452-003IT, 09-452-002IT, 10-452-014IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

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 #11-452-006IT. We are still working on the general management oversight application to assist with the project requirements. As stated previously this application will assist in defining the project including approvals, deliverables, and signoff at each phase by the customer including acceptance and sign off of final delivery acceptance.

Finding No: 09-452-004, 10-452-004

CFDA NO: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: During our testing of treatment and prevention contracts, we noted contracts that failed to communicate the federal award information to the provider.

Status: Not corrected, see current year finding #11-452-001. A Contract Quality Review Checklist was created to record each document and the completion date of the contract document packets. The Federal Funding Identification Form is an item on the Contract Quality Review Checklist. The Contract Quality Review Checklist will be kept in each contract file.

Department Of Rehabilitation Services

Finding No: 09-805-002, 10-805-001

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Summary Schedule of Prior Findings

Control Category: Allowable Costs/Cost Principles

Finding Summary: During our documenting of the agency's internal controls over allowable costs/cost principles, we noted that the agency does not review charges made to the Vocational Rehabilitation program to determine if they are allowable under OMB Circular A-87.

Status: Partially corrected, current year finding 11-805-003. DRS concurs with the finding. While this is a repeat finding, the Agency has taken steps to train individuals involved in the procurement process. All staff involved in the awarding of a purchase order, funding or payment, received an email and a link to the OMB Circulars on April 13, 2010. Subsequently all FSD staff were given a presentation at a staff meeting on August 11, 2011. It is in the best interest of the Agency and compliance to have CPO's from purchasing, accounting staff involved in funding and accounts payable staff all versed in the Circulars. The Agency has taken steps to resolve this matter, but will continue to provide ongoing reminders and discussions to continue compliance.

Finding No: 07-805-003, 08-805-004, 09-805-004, 10-805-002

CFDA No: 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.
- The payroll certifications for 1/1/08 to 6/30/08 were not completed in a timely manner for 13 of the 60 direct employees selected for testing.
- Eighteen (18) of 60 employees selected only had one of the two required certifications completed during SFY 2009. Also, nineteen (19) out of 60 employees selected did not have any certifications completed during SFY 2009 and one (1) out of 60 employees selected did not have a certification completed in a timely manner.
- Twenty-nine (29) out of 50 employees tested (58%) were missing one or both semi-annual payroll certifications for SFY 2010.

Status: Partially corrected, current year finding 11-805-002. Concur. The certification task will be added to Supervisors PMP's in an effort to elevate the importance of this function and thereby providing a process to review for compliance.

Finding No: 10-805-003

CFDA NO: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Reporting, R-1 Separate Accountability for ARRA Funding, and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

Finding Summary: Management compares the numbers reported on the SEFA to the DRS financial statements; however, the DRS financial statements do not break down the client service expenditures by American Recovery and Reinvestment Act (ARRA) and non-ARRA. Therefore, this review would not detect errors in reporting expenditures which may be inaccurately reported between CFDA # 84.126 and CFDA # 84.390. We also noted an error in the state match amount reported on the SEFA. In addition, DRS did not maintain adequate documentation to support the spreadsheet which tracks and reconciles ARRA draws and expenditures.

Status: Partially Corrected, current year finding 11-805-010. The agency concurs with the finding and has amended the reports as necessary. An end of fiscal year cutoff period for payment releases will be established to allow adequate time for client service payment journal entries to be completed. This will allow DRS to be able to reconcile the SEFA, PeopleSoft reports and internal reports. An additional staff member will be added to this area for an added level of preparation and review.

Finding No: 10-805-004

CFDA NO: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Cash Management, Matching, Level of Effort, and Period of Availability

Summary Schedule of Prior Findings

Finding Summary: During our documentation of internal controls, we noted there are no formal written policies and procedures for preparation of the cash draws; monitoring of cash management activities; matching; level of effort; or period of availability activities.

Status: Corrected

Finding No: 10-805-005

CFDA NO: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Eligibility

Finding Summary: During our testwork of controls, we noted that 5 out of 37 or 13.51% of IPE's assigned to counselors that were Level I or Carl Albert Executive Fellows Interns did not have the required supervisor signatures, which indicates approval of the IPE and eligibility determination.

Status: Corrected

Finding No: 10-805-006

CFDA NO: 84.126

Federal Agency: U.S. Department of Education

Control Category: Matching and Level of Effort

Finding Summary: During our testwork we noted that the match amount reported on the Federal Financial Report (FFR) 425 for the quarter ended 12-31-09 was incorrectly reported as \$33,000 less than the match applied to the draws during that quarter.

Status: Corrected

Finding No: 10-805-007

CFDA NO: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Cash Management

Finding Summary: During our testing of cash draws, we noted the following:

- One of 5 (20%) American Reinvestment and Recovery Act (ARRA) draws tested did not trace from the draw worksheet directly to the draw support.
- One of four (25%) non-payroll administrative draws tested did not trace from the draw worksheet to the draw support.

Status: Corrected

Finding No: 10-805-008

CFDA NO: 84.126

Federal Agency: U.S. Department of Education

Questioned Costs: \$599

Control Category: Allowable Costs/Cost Principles

Finding Summary: During our testwork of claims, we noted that two out of 46 claims (4.3%) did not have proper documentation to support the payments. The claims were Authorization Numbers 543328 and 575593.

Status: Not Corrected, current year finding 11-805-008. Concur. An investigation of these mentioned claims will be completed to determine if the claims were improperly reimbursed and take appropriate action, according to the reason and if the claims were improperly reimbursed. Appropriate training will also be conducted with the staff associated with these claims. The training will focus on policies and procedures regarding verification of income, the documentation of the verification, and the importance of documenting independent verification of income upon re-evaluation.

Finding No: 10-805-010

CFDA NO: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Reporting and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

Finding Summary: While performing testwork on the Schedule of Expenditures of Federal Awards (SEFA), we noted that the Federal Accounts Payable listed on OSF Conversion Package I-1 in the amount

Summary Schedule of Prior Findings

of \$630,259 was omitted from the SEFA (OSF Form Z-1). We also noted that the SEFA cash basis expenditure amount did not include client service payments from June 19, 2010 to June 30, 2010; which caused CFDA #84.126 to be understated by \$776,670.16 and CFDA #84.390 to be understated by \$86,233.89 due to this error. In addition, expenditures recorded on the FFY 2009 RSA-2 were overstated by \$292,004.03 because of these timing differences.

Status: Partially corrected, current year finding 11-805-005. Concur. The agency will begin using an end of the year cutoff period for payment releases to ensure journal entries can be completed for all FY payments issued. An additional staff member is planned to prepare the RSA-2, adding a level of review to the process. All staff member will review the report instructions to become more familiar with the report elements

Finding No: 09-805-003, 10-805-011

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Procurement and Suspension and Debarment

Finding Summary: During our testwork of claims, it appeared 28 contracts (42.42% of 66 contracts tested) did not have documentation to support verification that the provider is not suspended or debarred.

Status: Not corrected, current year finding 11-805-004. Concur. Training will be held at the April staff meeting on how to look up EPLS, how to document the findings and when in the process to obtain the EPLS document.

Department Of Transportation

Finding No: 09-345-007, 10-345-018

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment

Questioned Costs: \$0

Finding Summary: During our testing of procurements, we noted (SFY 2009: 4 of 45 cases; SFY 2010: 4 of 60 cases) instances where the first publication date was not at least twenty (20) days prior to the date set for opening bids.

Status: Corrected

Finding No: 09-345-009, 10-345-006

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment – Contract Engineers

Questioned Costs: \$0

Finding Summary: When testing the consultant engineering firms, the Department was unable to provide documentation (SFY 2009: 27 of 42 cases; SFY 2010: 1 of 10 cases) that the indirect cost rate audit had been received for review and acceptance by the Department's OR&E Division.

Status: Corrected

Finding No: 10-345-001

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Regular Federal funds)

Finding Summary: Proper segregation of duties do not exist between the approval of invoices and the preparation and approval of claims. Four individuals in the Transit Programs Division that have access to print, review, and manually approve the subrecipient invoices from MYLEO.NET also have signing authority on claims. For 7 (10 percent) of 67 claims tested, the same individual approved the invoice for payment and approved the claim for reimbursement.

Status: Partially corrected, current year finding #11-345-002. The Department previously concurred with this finding and corrective action was taken effective 11/1/2010.

Summary Schedule of Prior Findings

Finding No: 10-345-004

CFDA NO: 20.205; 20.509

Federal Agency: United States Department of Transportation

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching and Earmarking, Reporting, Separate Accountability for American Recovery and Reinvestment Act Funds (Regular Federal funds and ARRA Federal funds)

Finding Summary: Numerous duty changes occurred in ODOT's Comptroller Division that were attributed to reassignment of staff to work on the implementation of CORE-PeopleSoft conversion, as well as personnel turnover. However, written policy and procedures do not reflect current operations and personnel assignments. During auditor interviews with Comptroller Division personnel, numerous personnel, including management, were unclear in their understanding of duty assignments within the Comptroller Division.

Status: Corrected.

Finding No: 10-345-005

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Subrecipient Monitoring (Regular Federal funds and ARRA funds)

Finding Summary: For 19 (100 percent) of the 19 subrecipients tested, the Department did not include the CFDA title, CFDA number, award number, or award year in the contract for non-ARRA Federal funds.

Also, For 19 (100 percent) of the 19 subrecipients tested, the Department did not include the CFDA title, CFDA number, or award year in the contract for ARRA Federal funds. Lastly, the Department did not communicate to each subrecipient the requirement to include on its Schedule of Expenditures of Federal Awards (SEFA) information to specifically and separately identify Recovery Act funding.

Status: Not corrected, current year finding #11-345-008. The Department previously concurred with this finding. Contracts with an effective date beginning FFY 10/01/2011 contain the grant title, grant type, CFDA #, and federal fiscal year.

Finding No: 10-345-008

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Eligibility (Regular Federal funds and ARRA funds)

Finding Summary: The Department does not have written policies and procedures in place to help ensure eligibility determinations are documented and made in accordance with the Department's State Management Plan. For 3 (16 percent) of the 19 subrecipients, the Department was unable to provide evidence eligibility documentation was obtained prior to the eligibility determination.

Status: Not corrected, current year finding #11-345-004. Concur. The Department developed a written policy (Section 10) concerning eligibility requirements and conflict-of interest statements. All Division personnel were advised of the policy and its importance to comply. All Division personnel were required to sign conflict-of-interest statements and are maintained in Division personnel files.

Finding No: 10-345-010

CFDA NO: 20.205; 20.509

Federal Agency: United States Department of Transportation

Control Category: Reporting (Regular Federal Funds)

Finding Summary: ODOT reported Federal revenues and expenditures for multiple Catalog of Federal Domestic Assistance (CFDA) numbers under CFDA #20.205 and #20.509 on the Department's Schedule of Expenditures of Federal Awards (SEFA). A portion of Federal revenues and expenditures for CFDA #20.509 should have been separately reported for CFDA #20.521 and #20.507, and a portion of Federal revenues and expenditures for CFDA #20.205 should have been show separately reported for CFDA #20.200 and #20.215.

Status: Partially corrected, current year finding #11-345-014. Concur. The Comptroller Division will take steps necessary to ensure revenue and expenses are properly tracked and reported. The Comptroller Division contacted FHWA and FTA directly regarding CFDA numbers to be reported. The Comptroller Division will report the information provided by FHWA and FTA.

Summary Schedule of Prior Findings

Finding No: 10-345-013

CFDA NO: 20.205

Federal Agency: United States Department of Transportation

Control Category: Reporting (Regular and ARRA Federal funds)

Finding Summary: ARRA revenue and expenditure amounts for CFDA #20.205 reported on the Schedule of Expenditures of Federal Awards (SEFA) were \$167,328 less than the Federal Highway Administration (FHWA) confirmation for Federal revenue. Regular program (non-ARRA) revenue and expenditure amounts for CFDA #20.205 reported on the SEFA were \$167,639.36 more than the FHWA confirmation. The variance was a result of an input error on the weekly billing spreadsheet. Total final vouchers were \$2,222,966 less than the FHWA Federal revenue confirmation for final vouchers. Federal revenue for CFDA #20.205 was understated by \$2,222,966 on the SFY 2010 SEFA.

Status: Not corrected, current year finding #11-345-012. Concur. The Comptroller Division will review our process and supporting documentation to improve reporting accuracy.

Finding No: 10-345-014

CFDA NO: 20.205

Federal Agency: United States Department of Transportation

Control Category: Quality Assurance (Regular Federal funds)

Finding Summary: The Department does not have adequate internal controls in place to ensure that at least 90% of the required samples are obtained in accordance with the Quality Assurance Program. During our testwork of 59 projects, we noted one project for which all required quality assurance tests were not completed in accordance with the ODOT Quality Assurance program approved by the Federal Highway Administration.

Status: Partially corrected, current year finding #11-345-017. Do not concur. Corrective actions taken in response to last year's audit were designed and implemented within two months of receiving last year's findings. The FHWA issued this decision regarding last year's finding: FHWA Decision: Waseem Fazal, FHWA Pavement and Materials Engineer, is satisfied with ODOT's response and recent modification/improvements in their IA program., ODOT's tracking procedure has been improved to satisfy the audit team's recommendation. FHWA considers this finding resolved and closed.

Finding No: 10-345-016

CFDA NO: 20.205; 20.509

Federal Agency: United States Department of Transportation

Control Category: Section 1512 American Recovery and Reinvestment Act Reporting (ARRA Federal funds)

Finding Summary: The Department does not have adequate policies and procedures in place to ensure 1512 ARRA reporting presents accurate and reliable information.

Status: Not corrected, current year finding #11-345-005. Concur. The Comptroller Division will provide a reconciliation of information reported to the information posted on the Recovery.gov website.

Finding No: 10-345-017

CFDA NO: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment – Construction Projects (Regular Federal funds)

Finding Summary: For one of 60 procurements tested, we noted that the workers compensation insurance was not secured from an insurance carrier licensed to do business in the State of Oklahoma.

Status: Corrected

Finding No: 10-345-019

CFDA NO: 20.205

Federal Agency: United States Department of Transportation

Control Category: Section 1512 American Recovery and Reinvestment Act Reporting (ARRA Federal funds)

Summary Schedule of Prior Findings

Finding Summary: Thirty-three projects with expenditures totaling \$50,123,584.63 were included in the Department's source data but were not included in the March 2010 1512 Report Data. In addition, final accounting for three of the 33 projects was not complete.

Status: Corrected

Finding No: 10-345-020

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Activities allowed or Unallowed and Allowable Costs/Cost Principles (Regular Federal funds), Matching (Regular Federal funds), Subrecipient Monitoring (Regular Federal funds)

Finding Summary: For 10 of 19 subrecipients tested, the Department had not conducted Project Assessment/Project Management Reviews at least once in the five years preceding the conclusion of state fiscal year (SFY) 2010 (June 30, 2010). Also, when reviewing the Project Assessment or Project Management Reviews conducted, we noted that for 5 of the 13 reviews the Department did not follow up to ensure corrective action on deficiencies noted; and for all 13 reviews the Department failed to review adequate documentation to ensure subrecipients have met the audit requirements in 2 CFR § 215.26.

Status: Not corrected, current year finding #11-345-016. Concur. At the suggestion of FTA's Triennial Review auditors, the Department's Project Assessment/Management Review document has been significantly modified. All assessments/reviews will be in compliance with the State Management Plan by 6/30/2012.

Finding No: 10-345-022

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Reporting (Regular Federal funds)

Finding Summary: For all 3 Federal Financial SF-425 Reports (grant numbers OK-18-X-024, OK-18-X027, and OK-18-X035), the Department did not ensure reported amounts were properly calculated and supported. The Department reported the current period recipient share of expenditures, cumulative recipient share of expenditures, and cumulative recipient share of unliquidated obligations using calculated amounts by applying the required matching percentages to amounts previously reimbursed by the Federal Transit Administration rather than the actual amounts expended by the subrecipients.

Status: Partially corrected, current year finding #11-345-009. Concur. Beginning with the federal billing for week ending 8/26/2011, the Transit Programs Division began a weekly billing reconciliation with the Comptroller Division. This ensures the accuracy of the annual FFR process. In addition, we requested a true cost expenditure report be created by our software team which reflects the subrecipients' local share of true cost expenditures.

Finding No: 10-345-023

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Reporting (Regular Federal funds)

Finding Summary: The Department was unable to provide documentation to support the amounts reported for the Federal fiscal year (FFY) 2009 National Transit Database (NTD) Report; therefore, we were unable to test the accuracy of the NTD Report.

Status: Not corrected, current year finding #11-345-006. The Department does concur with the finding relating to the need for an effective Rural Reporting Manual and development and documentation of internal controls. In addition, Division personnel will complete a secondary review of the report and documentation before submission to NTD.

Finding No: 10-345-024

CFDA NO: 20.509

Federal Agency: United States Department of Transportation

Control Category: Subrecipient Monitoring - A-133 (Regular Federal funds and ARRA funds)

Finding Summary: Thirteen (13) of the nineteen (19) subrecipients tested were required to submit the data collection form and the reporting package to the Federal clearinghouse as required by OMB Circular No. A-133 Subpart C § .320(d) within the earlier of 30 days after receipt of the auditor's report(s) or nine months

Summary Schedule of Prior Findings

after the end of the audit period. Of the 13 subrecipients required, 6 (46 percent) did not meet the time requirements for submission.

Status: Partially corrected, current year finding #11-345-019. The Department previously concurred with this finding and corrective action was taken effective 4/1/2011. ODOT continues to encourage subrecipients to submit the required reporting within the parameters.

Finding No: 10-345-026

CFDA NO: 20.205

Federal Agency: United States Department of Transportation

Control Category: Special Tests and Provisions – Project Approvals (Regular Federal funds and ARRA Federal funds)

Finding Summary: For seven (12 percent) of 60 procurements tested, we noted that the Department advertised the projects prior to United States Department of Transportation (USDOT) approval.

Status: Not corrected, current year finding #11-345-010. Concur. Delays with federal authorization often occur due to FHWA not having possession of necessary documentation, such as R/W certifications or environmental documents. Usually these documents are complete, but for whatever reason have not made it into the hands of FHWA personnel. In order to combat this problem, a digital document vault has been created where these documents can be deposited by ODOT and retrieved by FHWA personnel. The hope is that with self access to these documents, unexpected authorization delays may be avoided.

Department of Veteran Affairs

Finding No: 10-605-001

CFDA No: 64.015

Federal Agency: United States Department of Veteran Affairs

Control Category: Eligibility and Reporting

Finding Summary: The ODVA Central Office does not have a standardized, written policy and procedure for documentation of the daily census, the calculation of the 'Days of Care' reported on the State Home Report, and/or documenting and determining eligibility. Each nursing facility has developed their own written operating procedures which are not reviewed, approved, or monitored by the ODVA Central Office.

Status: Partially corrected, current year finding 11-605-001 and 11-605-002. ODVA partially concurs.

Finding No: 10-605-003

CFDA No: 64.015

Federal Agency: United States Department of Veteran Affairs

Control Category: Allowable Costs/Cost Principles and Reporting

Finding Summary: While documenting internal controls and performing testing procedures, we noted the following:

- The *ODVA State Home Report Compilation Procedures* Memo does not reflect the procedures currently followed for preparation of the VA Form 10-5588 *State Home Report and Statement of Financial Aid Claimed* and the memo does not include procedures for the calculation of depreciation.
- The ODVA Fiscal Department does not have adequate written policies and procedures for ensuring only appropriate program costs allowable under OMB Circular A-87 are reported on the *Statement of Federal Aid Claimed* and used as the basis for determining the amount of Federal per diem reimbursed to ODVA.
- ODVA does not have an Indirect Cost Rate Plan or written policies and procedures for calculating Indirect Costs.
- The ODVA Central Office does not provide a formal, documented training process for the Central Office Finance staff and the Business Managers/Patient Service Coordinators at the nursing facilities who are responsible for preparing the VA Form 10-5588 *State Home Report and Statement of Federal Aid Claimed*.
- The ODVA Central Office does not have adequate written policies and procedures for verifying that the 'Days of Care' information entered by the nursing facilities is correct on the VA Form 10-5588 *State Home Report*.

Status: Partially corrected, current year finding 11-605-002. ODVA partially concurs.

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Schedule of Federal Programs by State Agency

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Attorney General

- 16.582 Crime Victim Assistance/Discretionary Grants
- 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program
- 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
- 10.169 Specialty Crop Block Grant
- 10.170 Specialty Crop Block Grant - Farm Bill
- 10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
- 10.652 Forestry Research
- 10.664 Cooperative Forestry Assistance
- 10.676 Forest Legacy Program
- 10.677 Cooperative Forest Land Enhancement Program
- 10.912 Environmental Quality Incentives Program
- 66.608 Environmental Information Exchange Network Grant Program and Related Assistance
- 66.700 Consolidated Pesticide Enforcement Cooperative Agreements
- 66.709 Multi-Media Capacity Building Grants for States and Tribes
- 93.103 Food and Drug Administration Research

Career and Technology Education, Department of

- 12.002 Procurement for Technical Assistance for Business Firms
- 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 Grants Program
- 14.238 Shelter Plus Care
- 14.255 ARRA-Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
- 14.257 ARRA - Homeless Prevention
- 17.258 WIA Adult Program
- 17.258 ARRA - WIA Adult Program
- 17.259 WIA Youth Activities
- 17.259 ARRA - WIA Youth Activities
- 17.260 WIA Dislocated Workers
- 17.260 ARRA - WIA Dislocated Workers
- 17.260 WIA Heroes at Home/Military Spouse Initiative
- 17.275 ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
- 17.277 WIA National Emergency Grant
- 17.278 WIA Dislocated Workers Formula Grant
- 45.129 Promotion of the Humanities - Federal/State Partnership
- 45.312 National Leadership Grants
- 81.041 State Energy Program
- 81.041 ARRA - State Energy Program
- 81.042 Weatherization Assistance for Low-Income Persons
- 81.042 ARRA - Weatherization Assistance for Low-Income Persons
- 81.087 Renewable Energy Research and Development
- 81.122 ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis
- 81.127 ARRA-Energy Efficient Appliance Rebate Program
- 81.128 ARRA-Energy Efficiency and Conservation Block Grant Program
- 93.569 Community Services Block Grant
- 93.600 Head Start
- 93.710 ARRA-Community Services Block Grant

Schedule of Federal Programs by State Agency

Conservation Commission

10.902 Soil and Water Conservation
10.916 ARRA - Watershed Rehabilitation Program
15.252 Abandoned Mine Land Reclamation (AMLR) Program
15.631 Partners for Fish and Wildlife

Corporation Commission

20.700 Pipeline Safety Program Base Grants
66.433 State Underground Water Source Protection
66.709 Multi-Media Capacity Building Grants for States and Tribes
66.804 Underground Storage Tank Prevention, Detection, and Compliance Program
66.805 Leaking Underground Storage Tank Trust Fund Corrective Action Program
66.805 ARRA-Leaking Underground Storage Tank Trust Fund Corrective Action Program
66.817 State and Tribal Response Program Grants
81.122 ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis

Corrections, Department of

16.606 State Criminal Alien Assistance Program
16.750 Support for Adam Walsh Act Implementation Grant Program
16.812 Second Chance Act Prisoner Reentry Initiative
84.331 Grants to States for Workplace and Community Transition Training for Incarcerated Individuals

District Attorneys Council

16.017 Sexual Assault Services Formula Program
16.554 National Criminal History Improvement Program (NCHIP)
16.575 Crime Victim Assistance
16.576 Crime Victim Compensation
16.588 ARRA - Violence Against Women Formula Grants
16.589 Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program
16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.593 Residential Substance Abuse Treatment for State Prisoners
16.609 Project Safe Neighborhoods
16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.742 Paul Coverdell Forensic Sciences Improvement Grant Program
16.801 ARRA - State Victim Assistance Formula Grant Program
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
16.816 John R. Justice Prosecutors and Defenders Incentive Act

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
10.582 Fresh Fruit and Vegetable 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 State Agency Program for Neglected and Delinquent Children
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
84.027 Special Education-Grants to States
84.391 ARRA - Special Education Grants to States, Recovery Act
84.173 Special Education - Preschool Grants
84.392 ARRA - Special Education Preschool Grants, Recovery Act
84.181 Special Education-Grants for Infants and Families
84.393 ARRA - Special Education Grants for Infants and Families, Recovery Act
84.184 Safe and Drug-Free Schools and Communities - National Programs
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
84.287 Twenty-First Century Community Learning Centers
84.318 Education Technology State Grants
84.323 Special Education - State Personnel Development

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Education, Department of (continued)

84.348	Title I Accountability Grants
84.357	Reading First
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
84.371	Striving Readers
84.377	School Improvement Grants
84.386	ARRA-Education Technology State Grants, Recovery Act
84.387	ARRA-Education for Homeless Children and Youth, Recovery Act
84.388	ARRA - School Improvement Grants
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
94.005	Learn and Serve America - Higher Education
94.013	Volunteers in Service to America
-	Troops for Teachers

Election Board, State

39.011	Election Reform Payments
90.401	Help America Vote Act Requirement Payments
93.617	Voting Access for Individuals with Disabilities - Grants to States

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)
97.027	Emergency Management Institute (EMI) Independent Study Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant
97.042	Emergency Management Performance Grant
97.045	Cooperating Technical Partners
97.046	Fire Management Assistance Grant
97.047	Pre-Disaster Mitigation
97.082	Earthquake Consortium
97.092	Repetitive Floods Claims

Employment Security Commission

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

Environmental Quality, Department of

12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
66.039	ARRA - National Clean Diesel Emissions Reduction Program
66.040	State Clean Diesel Grant Program
66.040	ARRA-Clean Diesel Grant Program
66.468	Capitalization Grants for Drinking Water State Revolving Fund
66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Fund
66.605	Performance Partnership 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
66.802	ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.817	State and Tribal Response Program Grants
66.818	ARRA-Brownfields Assessment and Cleanup Cooperative Agreement

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Governor, Office of

84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 84.397 State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
 84.410 Education Jobs Fund

Health, Department of,

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
 10.578 WIC Grants to State (WGS)
 93.069 Public Health Emergency Preparedness
 93.070 Environmental Public Health and Emergency Response
 93.089 Emergency System for Advance Registration of Volunteer Health Professionals
 93.103 Food & Drug Administration Research
 93.110 Maternal and Child Health Federal Consolidated Programs
 93.116 Project Grants and Cooperative Agreements for Tuberculosis Programs
 93.130 Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices
 93.414 ARRA - State Primary Care Offices
 93.136 Injury Prevention and Control Research and State and Community Based Programs
 93.197 Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children
 93.217 Family Planning Services
 93.234 Traumatic Brain Injury State Demonstration Grant Program
 93.251 Universal Newborn Hearing Screening
 93.262 Occupational Safety & Health Program
 93.268 Immunization Grants
 93.712 ARRA - Immunization
 93.270 Adult Viral Hepatitis Prevention and Control
 93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance
 93.296 State Partnership Grant Program to Improve Minority Health
 93.505 ACA - Maternal, Infant, and Early Childhood Home Visiting Program
 93.507 Strengthening Public Health Infrastructure for Improved Health Outcomes
 93.520 Centers for Disease Control and Prevention - ACA - Communities Putting Prevention to Work
 93.521 The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements
 93.590 Community-Based Child Abuse Prevention Grants
 93.717 ARRA - Preventing Healthcare-Associated Infections
 93.720 ARRA - Survey and Certification Ambulatory Surgical Center Healthcare - Associated Infection (ASC-HAI) Prevention Unit
 93.724 ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities
 93.725 ARRA - Communities Putting Prevention to Work - Chronic Disease Self-Management Program
 93.723 ARRA - Prevention and Wellness-State, Territories and Pacific Islands
 93.773 Medicare - Hospital Insurance
 93.889 National Bioterrorism Hospital Preparedness Program
 93.917 HIV Care Formula Grants
 93.918 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease
 93.940 HIV Prevention Activities - Health Department Based
 93.944 Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
 93.946 Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs
 93.977 Preventive Health Services - Sexually Transmitted Diseases Control Grants
 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

15.904 Historic Preservation Fund Grants-In-Aid
 45.149 Promotion of the Humanities-Division of Preservation and Access

Human Rights Commission

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

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Human Services, Department of

10.551 Supplemental Nutrition Assistance Program
 10.551 ARRA - Supplemental Nutrition Assistance Program
 10.555 National School Lunch Program
 10.560 State Administrative Expenses for Child Nutrition
 10.558 Child and Adult Care Food Program
 10.559 Summer Food Service Program for Children
 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
 10.561 ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
 10.565 Commodity Supplemental Food Program
 10.568 Emergency Food Assistance Program (Administrative Costs)
 10.568 ARRA - Emergency Food Assistance Program (Administrative Costs)
 10.569 Emergency Food Assistance Program (Food Commodities)
 10.576 Senior Farmers Market Nutrition Program
 10.580 Supplemental Nutrition Assistance Program/Outreach Participation Program
 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
 93.051 Alzheimer's Disease Demonstration Grants to States
 93.052 National Family Caregiver Support, Title III, Part E
 93.053 Nutrition Services Incentive Program
 93.071 Medicare Enrollment Assistance Program
 93.072 Lifespan Respite Care Program
 93.086 Healthy Marriage Promotion and Responsible Fatherhood Grants
 93.517 ACA - Aging and Disability Resource Center
 93.518 ACA - Medicare Improvements for Patients and Providers
 93.550 Transitional Living for Homeless Youth
 93.556 Promoting Safe and Stable Families
 93.558 Temporary Assistance for Needy Families
 93.563 Child Support Enforcement
 93.563 ARRA - Child Support Enforcement
 93.564 Child Support Enforcement Research
 93.566 Refugee and Entrant Assistance - State Administered Programs
 93.568 Low-Income Home Energy Assistance
 93.575 Child Care and Development Block Grant
 93.713 ARRA - Child Care and Development Block Grant
 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
 93.601 Child Support Enforcement Demonstrations and Special Projects
 93.603 Adoption Incentive Payments
 93.605 Family Connection Grants
 93.630 Developmental Disabilities Basic Support and Advocacy Grants
 93.643 Children's Justice Grants to States
 93.645 Stephanie Tubbs Jones Child Welfare Services Programs
 93.652 Adoption Opportunities
 93.658 Foster Care - Title IV - E
 93.658 ARRA - Foster Care - Title IV-E
 93.659 Adoption Assistance
 93.659 ARRA - Adoption Assistance
 93.667 Social Services Block Grant
 93.669 Child Abuse and Neglect State Grants
 93.674 Chafee Foster Care Independence Program
 93.705 ARRA - Aging Home-Delivered Nutrition Services for States
 93.707 ARRA - Aging Congregate Nutrition Service for States
 93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
 93.725 ARRA - Communities Putting Prevention to Work Chronic Disease Self - Management Program
 93.779 CMS Research, Demonstrations and Evaluations
 93.791 Money Follows the Person Rebalancing Demonstration
 94.011 Foster Grandparent Program

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Indigent Defense System

- 16.746 Capital Case Litigation
- 16.751 Edward Byrne Memorial Competitive Grant Program

Labor, Department of

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

Libraries, Department of

- 11.557 Broadband Technology Opportunities Program
- 45.310 Grants to States
- 45.313 Laura Bush 21st Century Librarian Program
- 89.003 National Historical Publications and Records Grants

Mental Health and Substance Abuse, Department of

- 14.238 Shelter Plus Care
- 16.585 Drug Court Discretionary Grant Program
- 16.727 Enforcing Underage Drinking Laws Program
- 16.745 Criminal and Juvenile Justice and Mental Health Collaboration 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)
- 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
- 93.275 Substance Abuse and Mental Health Services - Access to Recovery
- 93.525 State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges
- 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
 - 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
- 12.401 ARRA - National Guard Military Operations and Maintenance (O&M) Projects
- 12.404 National Guard Challenge 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

- 16.710 Public Safety Partnership and Community Policing Grants
- 16.754 Harold Rogers Prescription Drug Monitoring Program
- 94.006 AmeriCorps
 - High Intensity Drug Trafficking Area
 - Marijuana Eradication Suppression Program
 - Bulletproof Vest Program

Office of State Finance

- 11.558 ARRA - State Broadband Data and Development Grant Program

Office of Disability 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
- 16.812 Second Chance Act Prisoner Reentry Initiative

Oklahoma Aeronautics Commission

- 20.106 Airport Improvement Program

Schedule of Federal Programs by State Agency

Oklahoma Health Care Authority

93.719 ARRA - State Grants to Promote Health Information Technology
93.767 Children's Health Insurance Program
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778 Medical Assistance Program
93.778 ARRA - Medical Assistance Program
93.790 Alternate Non-Emergency Service Providers or Networks
93.791 Money Follows the Person Rebalancing Demonstration
97.793 Medicaid Transformation Grants

Oklahoma Space Industry Development Authority

20.106 Airport Improvement Program

Public Safety, Department of

11.555 Public Safety Interoperable Communications Grant Program
16.710 Public Safety Partnership and Community Policing Grants
20.218 National Motor Carrier Safety
20.232 Commercial Driver's License Program Improvement Grant
20.234 Safety Data Improvement Program
20.238 Commercial Driver's License Information System Modernization Grant
20.600 State and Community Highway Safety
20.601 Alcohol Impaired Driving Countermeasures Incentive Grants I
20.609 Safety Belt Performance Grant
20.610 State Traffic Safety Information System Improvement Grants
20.612 Incentive Grant Program to Increase Motorcyclist Safety
20.615 E911 Grant Program
97.008 Non-Profit Security Program
97.012 Boating Safety Financial Assistance
97.042 Emergency Management Performance Grants
97.053 Citizen Corps
97.055 Interoperable Emergency Communications Grants
97.071 Metropolitan Medical Response System
97.073 State Homeland Security Program (SHSP)
97.074 Law Enforcement Terrorism Prevention Program (LETPP)
97.078 Buffer Zone Protection Program

Rehabilitation Services, Department of

84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
84.399 ARRA - Independent Living Services for Older Individuals Who are Blind
84.390 ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act
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 the Most Significant Disabilities
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training
84.398 ARRA - Independent Living States Grants
96.001 Social Security - Disability Insurance

State Arts Council

45.025 Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

15.222 Cooperative Inspection Agreements with States and Tribes

State Bureau of Investigation

16.543 Missing Children's Assistance
16.550 State Justice Statistics Program for Statistical Analysis Centers
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.710 Public Safety Partnership and Community Policing Grants
16.741 Forensic DNA Backlog Reduction Program
16.753 Congressionally Recommended Awards
16.800 ARRA - Internet Crimes against Children Task Force Program

Supreme Court

93.586 State Court Improvement Program

Schedule of Federal Programs by State Agency

Tourism & Recreation, Department of

- 15.622 Sporting and Boating Safety Act
- 15.916 Outdoor Recreation-Acquisition, Development and Planning
- 20.219 Recreational Trails Program

Transportation, Department of

- 20.200 Highway Research Development Program
- 20.205 Highway Planning and Construction
- 20.205 ARRA - Highway Planning and Construction
- 20.215 Highway Training and Education
- 20.505 Metropolitan Transportation Planning
- 20.509 Formula Grants for Other Than Urbanized Areas
- 20.509 ARRA - 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

- 15.507 Water SMART (Sustaining and Manage America's Resources for Tomorrow)
- 66.202 Congressionally Mandated Projects
- 66.419 Water Pollution Control State, Interstate, and Tribal Program Support
- 66.454 Water Quality Management Planning
- 66.454 ARRA - Water Quality Management Planning
- 66.458 Capitalization Grants for Clean Water State Revolving Funds
- 66.458 ARRA - Capitalization grants for Clean Water State Revolving Funds
- 66.460 Nonpoint Source Implementation Grants
- 66.461 Regional Wetland Program - Development Grants
- 66.463 Water Quality Cooperative Agreements
- 97.041 National Dam Safety Program

Wildlife, Department of

- 10.025 Plant and Animal Disease, Pest Control, and Animal Care
- 10.028 Wildlife Services
- 10.902 Soil and Water Conservation
- 10.914 Wildlife Habitat Incentive Program
- 15.605 Sport Fish Restoration
- 15.608 Fish and Wildlife Management Assistance
- 15.611 Wildlife Restoration and Basic Hunter Education
- 15.615 Cooperative Endangered Species Conservation Fund
- 15.626 Enhanced Hunter Education and Safety Program
- 15.631 Partners for Fish and Wildlife
- 15.633 Landowner Incentive Program
- 15.634 State Wildlife Grants
- 15.656 ARRA - Habitat Enhancement, Restoration and Improvement
- 16.607 Bulletproof Vest Partnership Program
- McGee Creek Project

Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2011

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 10,599,134	\$ 91,008,414	\$ 21,927,122	\$ 52,584,771	\$ 176,119,441
Total Expenditures	9,626,513	299,665,293	23,119,503	48,718,423	381,129,732
Revenues Over (Under) Expenditures	972,621	(208,656,879)	(1,192,381)	3,866,348	(205,010,291)
Other Financing Sources (Uses)					
Operating Transfers In	-	2,852,691	-	4,602,762	7,455,453
Operating Transfers Out	-	(1,501,553)	-	(4,332,170)	(5,833,723)
Bond Proceeds	-	452,080,000	-	-	452,080,000
Premium from Bond Issue	-	25,716,784	-	-	25,716,784
Bond Refunding	-	(131,056,900)	-	-	(131,056,900)
Total Other Financing Sources (Uses)	-	348,091,022	-	270,592	348,361,614
Revenues and Other Sources Over (Under) Expenditures and Other Uses	972,621	139,434,143	(1,192,381)	4,136,940	143,351,323
Fund Balances - Beginning of Year	3,056,692	658,937,822	19,800,715	71,970,657	753,765,886
Fund Balances - End of Year	\$ 4,029,313	\$ 798,371,965	\$ 18,608,334	\$ 76,107,597	\$ 897,117,209

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2011

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2011 Ending Fund Balance	3,056,692	658,937,822	19,800,715	71,970,657	753,765,886
July 1, 2011 Beginning Fund Balance	3,056,692	658,937,822	19,800,715	71,970,657	753,765,886
Cash Basis Data -					
FY 2011 Revenues	\$ 10,599,134	\$ 91,008,414	\$ 21,927,122	\$ 52,584,771	\$ 176,119,441
FY 2011 Expenditures	9,626,513	299,665,293	23,119,503	48,718,423	381,129,732
FY 2010 Revenues	\$ 8,944,675	\$ 120,486,454	\$ 26,936,319	\$ 48,321,028	\$ 204,688,476
FY 2010 Expenditures	11,057,255	224,360,747	15,834,002	51,864,887	303,116,891
FY 2009 Revenues	\$ 8,894,799	\$ 108,061,528	\$ 29,480,394	\$ 55,255,882	\$ 201,692,603
FY 2009 Expenditures	11,627,053	212,531,116	30,446,485	48,649,719	303,254,373
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

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2011

TREND ANALYSIS

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2011 Revenue to Prior Years'				
FY10	118.50%	75.53%	81.40%	108.82%
FY09	100.56%	111.50%	91.37%	87.45%
FY08	118.61%	84.11%	108.24%	93.48%
FY07	125.80%	71.10%	100.81%	120.14%
FY06	129.36%	80.73%	140.45%	120.48%
Comparison of FY 2011 Expenditures to Prior Years'				
FY10	87.06%	133.56%	146.01%	93.93%
FY09	95.10%	105.57%	52.01%	106.61%
FY08	147.96%	98.86%	63.19%	106.67%
FY07	145.05%	100.60%	59.90%	285.55%
FY06	178.32%	150.57%	71.16%	148.73%
Revenues expressed as a percent of expenditures				
FY11	110.10%	30.37%	94.84%	107.94%
FY10	80.89%	53.70%	170.12%	93.17%
FY09	76.50%	50.85%	96.83%	113.58%
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%



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