

STATE OF OKLAHOMA 2007

FOR FISCAL YEAR JUNE 30, 2007

SINGLE AUDIT REPORT



Jeff A. McMahan

Oklahoma State Auditor
& Inspector

OKLAHOMA 2007

Single Audit Report For The Fiscal Year Ended June 30, 2007

Prepared by
Office of State Auditor and Inspector

Jeff A. McMahan
State Auditor and Inspector



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

March 26, 2008

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

Transmitted herewith is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2007. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

Sincerely,

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

Michelle R. Day, Esq.
Deputy State Auditor and Inspector

Table of Contents

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
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.....	3
Schedule of Expenditures of Federal Awards by Federal Grantor	7
Notes to the Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Question Costs	
Summary of Auditor's Results	21
Financial Statement Findings (Internal Control and Compliance)	24
Federal Award Findings and Questioned Costs.....	32
Summary Schedule of Prior Findings.....	71
Schedule of Federal Programs by State Agency.....	85
Selected Activities for Internal Service Type Funds	91
Other Findings	94

This Page Intentionally Left Blank

**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***



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

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

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, 2007, which collectively comprise the State's basic financial statements and have issued our report thereon dated January 29, 2008, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements noted below:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Native American Cultural and Educational Authority, the Oklahoma Insurance Department, or the Oklahoma Department of Wildlife Conservation, which in the aggregate represent ten percent and four percent, respectively, of the assets and revenues of the governmental activities, and two percent of both the assets and revenues of the general fund.
- the financial statements of the Water Resources Board or the Oklahoma Lottery Commission which in the aggregate represent fifty-six percent of the assets and fifty percent of the revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, or the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, the Oklahoma Department of Wildlife Conservation Retirement Plan, or the Oklahoma State and Education Employees Group Insurance Board which in the aggregate represent ninety-nine percent of the assets and one hundred percent of the revenues of the aggregate remaining fund information.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal

control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. [07-265-001, 07-340-003IT, 07-340-004IT, 07-807-001, 07-807-002, 07-807-003, 07-807-004, 07-830-001, 07-090-001, 07-090-002, 07-090-003, and 07-740-001].

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-090-001 and 07-740-001 to be material weaknesses.

Compliance and Other Matters

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

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

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



Michelle R. Day, Esq.
Deputy State Auditor and Inspector

January 29, 2008

**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**



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

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

Compliance

We have audited the compliance of the State of Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those programs represent 1.99% 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, 2007. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

In our opinion, the State of Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in

accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

07-025-001	07-025-002	07-025-003	07-340-007	07-345-001
07-452-001	07-452-002	07-805-001	07-805-002	07-805-003
07-805-004	07-807-001	07-807-002	07-807-007	07-807-008
07-830-001	07-830-003	07-830-004	07-830-005	07-830-007
07-830-008	07-830-009	07-830-010	07-830-011	07-830-012
07-830-013	07-830-014	07-830-015	07-830-016	07-830-017
07-830-018				

Internal Control Over Compliance

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

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

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

07-025-001	07-025-002	07-025-003	07-340-007	07-345-001
07-345-001IT	07-345-002IT	07-345-003IT	07-452-001	07-452-002
07-452-001IT	07-452-002IT	07-452-003IT	07-452-004IT	07-805-001
07-805-002	07-805-003	07-805-004	07-807-001	07-807-002
07-807-007	07-830-003	07-830-004	07-830-007	07-830-009
07-830-011	07-830-012	07-830-013	07-830-014	07-830-015
07-830-016	07-830-017	07-830-018		

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost, we consider item 07-340-007 to be a material weakness.

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

Other Findings

In addition to the items stated above, we also noted matters involving requirements of laws, regulations, contracts, and grants applicable to federal programs that are not considered to be reportable in accordance with *Government Auditing Standards* or OMB Circular A-133; however, we believe they are significant enough to be brought to management's attention. These matters have been included in the section titled "Other Findings" contained within this report.

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, 2007, and have issued our report thereon dated January 29, 2008, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and identification of financial statements audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Selected Activities for Internal Service Type Funds section listed in the table of contents has not been audited by us, and accordingly, we express no opinion on it.

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



Michelle R. Day, Esq.
Deputy State Auditor and Inspector

March 25, 2008 except as to the Schedule of Expenditures
Of Federal Awards, for which the date is January 29, 2008

This Page Intentionally Left Blank

**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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture		1,821,073
Coop Pest Agreement	10.163	Department of Agriculture		65,000
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,637,815
Food Distribution	10.550	Department of Human Services		10,212,335
Food Stamps	10.551	Department of Human Services		459,853,893
School Breakfast Program	10.553	Department of Education		38,947,906
National School Lunch Program	10.555	Department of Education	110,349,892	
	10.555	Department of Human Services	1,400,821	111,750,713
Special Milk Program for Children	10.556	Department of Education		25,446
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		76,742,735
Child and Adult Care Food Program	10.558	Department of Education		50,065,257
Summer Food Service Program for Children	10.559	Department of Education		2,603,212
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,683,284	
	10.560	Department of Human Services	332,734	3,016,018
State Administrative Matching Grants for Food Stamp Program	10.561	Department of Human Services		42,799,716
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services		492,252
Wellness Policy Grant	10.574	Department of Education		807
Cooperative Forestry Assistance	10.664	Department of Agriculture		2,185,984
Forest Land Enhancement Program	10.677	Department of Agriculture		285,958
Soil and Water Conservation	10.902	Conservation Commission	5,396,233	
Land Reclamation-Oklahoma Plan	10.902	Department of Environmental Quality	(1,037)	5,395,196
Cost Reimbursement Contract - Animal and Plant Health Inspection Service (Plant Protection and Quarantine)	10.025	Department of Wildlife Conservation		32,853
Cost Reimbursement Contract - Plant and Animal Disease, Pest Control, and Animal Care	10.025	Boll Weevil Eradication		504,000
Subtotal				808,438,169
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		463,634
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		403,377
Basic and Applied Scientific Research	12.300	Water Resources Board		7,913
Cost Reimbursement Contract - National Guard Military Construction	12.400	Oklahoma Military Department		1,671,349
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		16,325,614
Cost Reimbursements Contract - National Guard Civilian Youth Opportunities Program	12.404	Oklahoma Military Department		3,749,953
Other Federal Assistance - Troops to Teachers	12.404	Department of Education		155,469
Subtotal				22,777,309
U.S. Drug Enforcement Administration				
Direct Programs:				
Drug Death Reporting System	-	Medicolegal Investigation Board		5,000
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		294,272
Subtotal				299,272

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grant:	14.218	Department of Environmental Quality		152,451
Community Development Block Grants - State's Program	14.228	Department of Commerce		21,201,954 ♦
Emergency Shelter Grants Program	14.231	Department of Commerce		1,773,074
Supportive Housing Program	14.235	Department of Commerce		7,349
Shelter Plus Care	14.238	Department of Commerce	150,760	
	14.238	Mental Health and Substance Abuse Service	147,691	298,451
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		174,626
Subtotal				23,607,905
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		884,706
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		1,865,855
Reclamation and Water Reuse Programs	15.504	Department of Wildlife Conservation	102,167	
	15.504	Department of Tourism and Recreation	267,324	
	15.504	Water Resources Board	360,925	730,416
Sport Fish Restoration	15.605	Department of Wildlife Conservation		7,377,986 ♦
Wildlife Restoration	15.611	Department of Wildlife Conservation		5,572,063 ♦
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		65,935
Clean Vessel Act	15.616	Department of Environmental Quality		(6,835)
Boating & Infrastructure Grant	15.622	Department of Tourism and Recreation		110,458
Wildlife Conservation and Restoration	15.625	Department of Wildlife Conservation		-
Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		140,090 ♦
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		80,070
State Wildlife Grants	15.634	Department of Wildlife Conservation		871,245 ♦
U. S. Geological Survey-research & Data Collection	15.808	Conservation Commission		11,850
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		665,569
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		1,160,384
Cost Reimbursement Contract - Cooperative Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		284,012
Subtotal				19,813,804
U.S. Department of Justice				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	16.007	Department of Public Safety		12,778,149 *
Offender Reentry Program	16.202	Department of Corrections	186,228	
	16.202	Office of Juvenile Affairs	147,857	334,085
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		1,076,729
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		782,340
Part D-Research, Evaluation, Technical Assistance and Training	16.542	State Bureau of Investigation		74,064
Internet Crimes Against Children	16.543	State Bureau of Investigation		148,095
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		77,586
State Justice Statistics Program for Statistical Analysis Centers	16.550	Legislative Service Bureau		53,838
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		284,573
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	District Attorneys Council	65,896	
	16.560	State Bureau of Investigation	53,355	119,251
No Suspect Casework DNA Backlog Reduction	16.564	State Bureau of Investigation		285,835
Crime Victim Assistance	16.575	District Attorneys Council		4,896,254
Crime Victim Compensation	16.576	District Attorneys Council		1,662,630
Byrne Formula Grant Program	16.579	District Attorneys Council		436,993

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Enforcement Assistance Discretionary Grants Program	16.580	Mental Health and Substance Abuse Service	5,094	
	16.580	Bureau of Narcotics & Dangerous Drugs Co	290,932	296,026
Drug Court Outcomes	16.585	Mental Health and Substance Abuse Services		70,462
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	Department of Corrections		4,281,296
Violence Against Women Formula Grants	16.588	District Attorneys Council		635,612
Local Law Enforcement Block Grants Program	16.592	District Attorneys Council		12,705
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		222,061
State Criminal Alien Assistance Program	16.606	Department of Corrections		644,754
Community Prosecution and Project Safe Neighborhoods	16.609	District Attorneys Council		300,427
Public Safety Partnership and Community Policing Grants	16.710	Department of Public Safety	1,987,372	
	16.710	Bureau of Narcotics & Dangerous Drugs Co	552,783	2,540,155
Enforcing Underage Drinking Laws Program	16.727	Department of Public Safety		202,161
JAG	16.738	District Attorneys Council		2,564,544
Victims ID Notice (VINE)	16.740	Attorney General		1,042,574
Forensic DNA Capacity Enhancement Program	16.741	State Bureau of Investigation		19,944
Antigang	16.744	District Attorneys Council		282,104
Subtotal				36,125,247
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,139,981
Compensation and Working Conditions	17.005	Department of Labor		91,754
Employment Service	17.207	Employment Security Commission		15,326,504
Unemployment Insurance	17.225	Employment Security Commission		182,034,105
Senior Community Service Employment Program	17.235	Employment Security Commission		1,319,166
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		9,261,053
Workforce Investment Act - Adults	17.258	Employment Security Commission	249,310	✳
	17.258	Department of Commerce	7,310,125	7,559,435 ♦
Workforce Investment Act - Youth	17.259	Employment Security Commission	103,037	✳
	17.259	Department of Commerce	7,933,631	8,036,668 ♦
Workforce Investment Act - Dislocated Workers	17.260	Employment Security Commission	3,336,213	✳
	17.260	Department of Commerce	5,273,402	8,609,615 ♦
Employment and Training Administration Pilots, Demonstration and Research Programs	17.261	Department of Career & Technology Education		2,110,065
Work Incentive	17.266	Employment Security Commission		1,415,685
State Utilization of WIA Section 503 Incentive Grants to States	17.267	Department of Commerce		121,462
Work Opportunity Tax Credit Program (WOTC)	17.271	Employment Security Commission		189,700
Temporary Labor Certification for Foreign Workers	17.273	Employment Security Commission		59,569
Consultation Agreements	17.504	Department of Labor		1,307,277
Mine Health and Safety Grants	17.600	Department of Mines		39,228
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission		369,692
Local Veterans' Employment Representative Program	17.804	Employment Security Commission		1,756,854
Subtotal				240,747,813
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission		208,716
Highway Planning and Construction	20.205	Department of Transportation		467,073,115 ✳
National Motor Carrier Safety	20.218	Department of Public Safety		5,700,733
Recreational Trails Program	20.219	Department of Tourism and Recreation		723,346
Commercial Drivers License State Programs	20.232	Department of Public Safety		56,389
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		13,519,860
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		2,121,917
Transit Planning and Research	20.514	Department of Rehabilitation Services		41,096
State and Community Highway Safety	20.600	Department of Public Safety		3,254,321
Alcohol Traffic Safety & Drunk Driving	20.601	Department of Public Safety		81,297

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Safety Belt Performance Grant	20.609	Department of Public Safety		371,137
State Traffic Safety Data Improvement	20.610	Department of Public Safety		48,736
Motorcyclist Safety Grant	20.612	Department of Public Safety		425
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		190,781
Cost Reimbursement Contract - Cvision	20.237	Corporation Commission		81,164
Cost Reimbursement Contract - Pipeline Safety	20.700	Corporation Commission		351,339
Subtotal				<u>493,824,372</u>
Direct Programs:				
Jobs and Growth Tax Relief	21.999	State of Oklahoma		30,954
Subtotal				<u>30,954</u>
Equal Employment Opportunity Commission				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	Human Rights Commission		185,393
Subtotal				<u>185,393</u>
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Property	39.003	Department of Central Services		3,164,305
Election Reform Payments	39.011	State Election Board		484,682
Subtotal				<u>3,648,987</u>
National Aeronautics and Space Administration				
Direct Programs:				
Oklahoma Space Technology Education Program	-	Oklahoma Space Industry Development Authority		444,047
Subtotal				<u>444,047</u>
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		620,600
Promotion of the Humanities	45.164	Historical Society		2,000
State Library Program	45.310	Department of Libraries		1,972,549
National Leadership Grants	45.312	Department of Commerce	2,083,200	
	45.312	Department of Libraries	27,554	2,110,754
Subtotal				<u>4,705,903</u>
U.S. Department of Veterans Affairs				
Direct Programs:				
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		32,989,793
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		340,405
Cost Reimbursement Contract - Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		24,339
Subtotal				<u>33,354,537</u>
U.S. Environmental Protection Agency				
Direct Programs:				
Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	Department of Environmental Quality		426,669
Water Pollution Control - State and Interstate Program Support	66.419	Water Resources Board		2,804,304
State Underground Water Source Protection	66.433	Corporation Commission		147,974
Surveys Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements of the Clean Water Act	66.436	Water Resources Board		252,688

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Water Quality Management Planning	66.454	Water Resources Board		161,780
Capitalization Grants for Clean Water				
State Revolving Fund	66.458	Water Resources Board		17,580,099
Nonpoint Source Implementation Grants	66.460	Water Resources Board		4,635,270
Regional Wetland Program - Development Grants	66.461	Water Resources Board		309,830
National Pollutant Discharge Elimination System				
Related State Program Grants	66.463	Water Resources Board		103,067
Capitalization Grants for Drinking Water				
State Revolving Fund	66.468	Department of Environmental Quality		2,550,665 ♦
State Grants to Reimburse Operators of Small Water				
Systems for Training and Certification Costs	66.471	Department of Environmental Quality		313,382
Water Protection Grants to the States	66.474	Department of Environmental Quality		62,514
REMAP Research Projects	66.512	Water Resources Board		240,495
Performance Partnership Grants	66.605	Department of Environmental Quality		4,212,553
Surveys, Studies, Investigations and Special Purpose Grants	66.606	Department of Environmental Quality	6,119,540	
	66.606	Water Resources Board	137,230	6,256,770
Environmental Info. Exch. Network	66.608	Department of Environmental Quality	63,203	
	66.608	Department of Agriculture	62,565	125,768
Children's Health Protection	66.609	State Department of Health		-
Video conference Equipment	66.610	Department of Environmental Quality		9,959
Consolidated Pesticide Enforcement				
Cooperative Agreements	66.700	Department of Agriculture		545,685
Toxic Substances Compliance Monitoring	66.701	Department of Labor		326,881
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		16,365
Superfund State Site - Specific Cooperative Agreements	66.802	Department of Environmental Quality		2,328,325
State and Tribal Underground Storage Tanks Program	66.804	Corporation Commission		192,379
Leaking Underground Storage Tank Trust Fund Program	66.805	Corporation Commission		1,381,701
Brownsfields Revolving Loan fund	66.811	Department of Environmental Quality		3,500
Brownsfields-State and Tribal Response Program	66.817	Department of Environmental Quality	409,339	
	66.817	Corporation Commission	55,347	464,686
Subtotal				45,453,309
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce		490,669 ♦
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce		2,444,561 ♦
Energy Efficiency and Renewable Energy Information				
Dissemination, Outreach, Training and Tech Analysis	81.117	Department of Commerce		15,626
State Energy Program/Special Projects	81.119	Department of Commerce		666,533
Subtotal				3,617,389
U.S. Department of Education				
Direct Programs:				
Adult Education - State Grant Program	84.002	Department of Education		7,089,641
Title I Grants to Local Educational Agencies	84.010	Department of Education		139,653,461 *
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,094,665
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		406,067
Special Education - Grants to States	84.027	Department of Education		144,090,493 *
Vocational Education - Basic Grants to States	84.048	Department of Career & Technology Education		16,005,747
Rehabilitation Services - Vocational				
Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		46,160,012 *
Rehabilitation Services - Client Assistance Program	84.161	Office of Handicapped Concerns		122,697
Emergency Immigrant Education	84.162	Department of Education		354,169
Independent Living - State Grants	84.169	Department of Rehabilitation Services		273,714
Special Education - Preschool Grants	84.173	Department of Education		3,540,300 *
Rehabilitation Services - Independent Living Services				
for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		373,054
Special Education - Grants for Infants and				
Families with Disabilities	84.181	Department of Education		7,405,486

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Safe and Drug-Free Schools and Communities - Byrd Honors Scholarships	84.185	Department of Education		433,750
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	3,496,668	
	84.186	Mental Health and Substance Abuse Service	602,691	4,099,359
Supported Employment Services for Individuals with Severe Disabilities	84.187	Department of Rehabilitation Services		301,664
Education for Homeless Children and Youth	84.196	Department of Education		556,768
Even Start - State Educational Agencies	84.213	Department of Education		1,295,729
Fund for the Improvement of Education	84.215	Department of Education		(57,539)
Tech-Prep Education	84.243	Department of Career & Technology Education		1,661,467
Literacy Programs for Prisoners	84.255	Department of Corrections		303,627
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		139,343
Eisenhower Professional Development State Grants	84.281	Department of Education		(176,608)
Charter Schools	84.282	Department of Education		363,940
Twenty-First Century Community Learning Centers	84.287	Department of Education		9,972,526
State Grants Innovative Programs	84.298	Department of Education		2,764,945
Education Technology State Grants	84.318	Department of Education		3,588,044
Special Education - State Personnel Development	84.323	Department of Education		618,128
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Department of Education		65,262
Advanced Placement Incentive Program	84.330	Department of Education		85,542
Grants to States for Incarcerated Youth Offenders	84.331	Department of Corrections		319,003
Comprehensive School Reform Demonstration	84.332	Department of Education		2,759,690
Occupational and Employment Information State Grants	84.346	Department of Career & Technology Education		20,202
Reading First	84.357	Department of Education		15,291,900
Rural Education	84.358	Department of Education		4,520,781
English Language Acquisition Grants	84.365	Department of Education		3,395,463
Math and Science Partnerships	84.366	Department of Education		2,256,969
Improving Teacher Quality Grants	84.367	Department of Education		32,737,750
State Assessments and Related Activities	84.369	Department of Education		7,263,355
Subtotal				462,150,566
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		14,605
Subtotal				14,605
Direct Programs:				
Help America Vote Act	90.401	State Election Board		2,023,221
Subtotal				2,023,221
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		78,013
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		189,945
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		251,984
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services		4,846,976
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services		7,407,273
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Insurance Department	213,174	
	93.048	Department of Human Services	108,260	321,434

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
National Family Caregiver Support Program	93.052	Department of Human Services		974,381
Nutrition Services Incentive Program	93.053	Department of Human Services		2,553,792 *
Healthy Marriages Demo Grant- Marriage Retreat Grant	93.086	Department of Human Services		3,037
Food and Drug Administration Research	93.103	Department of Agriculture		15
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	Mental Health and Substance Abuse Services		2,471,845
Maternal and Child Health Federal Consolidated Program:	93.110	State Department of Health		344,811
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		766,581
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	State Department of Health		156,464
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,169,961
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		327,947
Heath Programs for Toxic Substances and Disease Registr	93.161	State Department of Health		179,301
Grants to States for Loan Repayment Program	93.165	Physician Manpower Training Commission		42,500
Childhood Lead Poisoning Prevention Projects - State and Community Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	State Department of Health		153,341
Family Planning Services	93.217	State Department of Health		3,652,752
Consolidated Knowledge Development and Application Program	93.230	Mental Health and Substance Abuse Services		1,212
Traumatic Brain Injury	93.234	State Department of Health		94,484
Abstinence Education	93.235	State Department of Health		524,509
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health	223,615	
	93.238	Mental Health and Substance Abuse Service	55,441	279,056
Clinical Trial Planning	93.242	Mental Health and Substance Abuse Services		275,653
Substance Abuse and Mental Health Services Projects	93.243	Mental Health and Substance Abuse Services		2,721,248
Universal Newborn Hearing Screening	93.251	State Department of Health		127,230
State Planning Grant-Health Care Access for Uninsured	93.256	Health Care Authority		-
Rural Access to Emergency Devices Grant	93.259	State Department of Health		18,748
Occupational Safety & Health	93.262	State Department of Health		136,635
Immunization Grants	93.268	State Department of Health		31,674,922
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	State Department of Health		18,633,916 *
Promoting Safe and Stable Families	93.556	Department of Human Services		6,315,333
Temporary Assistance for Needy Families	93.558	Department of Human Services		90,956,968 *
Child Support Enforcement	93.563	Department of Human Services		42,971,906
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		373,061
Low-Income Home Energy Assistance	93.568	Department of Human Services		24,267,805 *
Community Services Block Grant	93.569	Department of Commerce		6,919,259 ♦
Community Services Block Grant Discretionary Awards - Community Food and Nutrition	93.571	Department of Commerce		16,153
Child Care and Development Block Grant	93.575	Department of Human Services		60,574,096
Refugee and Entrant Assistance - Discretionary Grants	93.576	Department of Education	9,498	
	93.576	Department of Human Services	61,653	71,151
State Court Improvement Program	93.586	Supreme Court		230,840
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		1,127,514
Development of Services to Immigrant Victims of Domestic Violence and their Children	93.592	Mental Health and Substance Abuse Services		34,314
Family Violence Prevention and Services - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services		46,366,797
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		82,338
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		1,050,986
Head Start	93.600	Department of Commerce		270,389
Voter Access for Individuals with Disabilities	93.617	State Election board		261,811

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		719,684
Children's Justice Grants to States	93.643	Department of Human Services		213,604
Child Welfare Services - State Grants	93.645	Department of Human Services		1,889,639
Public Assistance Reporting Information (PARIS)	93.647	Department of Human Services		37,048
Foster Care - Title IV-E	93.658	Department of Human Services		38,898,545
Adoption Assistance	93.659	Department of Human Services		23,043,091
Social Services Block Grant	93.667	Department of Human Services		35,172,397
Child Abuse and Neglect State Grants	93.669	Department of Human Services		176,204
Family Violence Prevention and Services - Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	Attorney General		1,363,294
Chafee Foster Care Independence Program	93.674	Department of Human Services		2,822,489
State Children's Insurance Program	93.767	Health Care Authority		107,450,711
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	Health Care Authority		-
Medicare - Hospital Insurance	93.773	State Department of Health		6,359,454
State Medicaid Fraud Control Units	93.775	Attorney General		495,213
State Survey and Certification of Health Care Providers and Suppliers	93.777	Health Care Authority		3,716,675
Medical Assistance Program	93.778	Health Care Authority		2,381,645,980
CMS Research, Demonstrations and Evaluations	93.779	Insurance Department	339,142	
	93.779	Mental Health and Substance Abuse Service	94,975	
	93.779	Department of Human Services	275,303	709,420
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		9,542,038
HIV Care Formula Grants	93.917	State Department of Health		6,328,943
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		250,698
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,326,790
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		485,656
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		1,058,745
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,587,245
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		20,733,888
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,292,699
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		247,116
Preventive Health and Health Services Block Grant	93.991	State Department of Health		593,526
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health		4,716,595
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		57,124
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		282,887
Cost Reimbursement Contracts:				
Implementation Alcohol Drug Data Collection	-	Mental Health and Substance Abuse Services		52,689
State Outcome Measurement & Management System	-	Mental Health and Substance Abuse Services		8,403
State Epidemiological Outcomes Workgroup	-	Mental Health and Substance Abuse Services		109,208
Subtotal				3,019,658,385
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		207,898
Foster Grandparent Program	94.011	Department of Human Services		434,731
Subtotal				642,629

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, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency	Expenditures/Expenses	
	Number		Agency	State
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services	22,868,232	
Subtotal			22,868,232	
U.S. Department of Homeland Security				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	97.004	Department of Public Safety	14,879,605	*
Recreational Boating Safety Financial Assistance	97.012	Department of Public Safety	1,075,282	
Community Assistance Program - SSSE	97.023	Department of Emergency Management	253,295	
Flood Mitigation Assistance	97.029	Department of Emergency Management	6,004	
ISP/SC Crisis Counseling	97.032	Department of Emergency Management	28,448	
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	Department of Emergency Management	26,438,439	*
Hazard Mitigation Grant	97.039	Department of Emergency Management	5,084,232	*
National Dam Safety Program	97.041	Water Resources Board	119,076	
Emergency Management Performance Grants	97.042	Department of Emergency Management	1,960,683	
Fire Management Assistance Grant	97.046	Department of Emergency Management	377,583	
Pre-Disaster Mitigation	97.047	Department of Emergency Management	429,434	
Supplemental-Operations Center	97.052	Department of Emergency Management	8,419	
Homeland Security Grant	97.067	Department of Public Safety	12,812,176	*
Map Modernization Management Support	97.070	Department of Emergency Management	82,308	
Buffer Zone Protection Program	97.078	Department of Public Safety	403,470	
Repetitive Food Claims	97.092	Department of Emergency Management	902,031	
			64,860,485	
Total Federal Assistance			\$ 5,309,292,533	

⌘ Noncash Assistance

❖ Partially Noncash Assistance

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

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

This page intentionally left blank

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, 2007

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, 2007. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

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

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

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

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

Notes to the Schedule of Expenditures of Federal Awards

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when incurred. 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 2007:

<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 \$154,262,785. The federal portion of UI funds amounted to \$27,771,320.

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 \$184,131,192 at June 30, 2007. Federal grants from the U.S. Environmental Protection Agency under CFDA 66.458 provided approximately 83% of the program's loan funding, with State funds matching the remaining 17%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$169,218,169 at June 30, 2007. 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 2007, the ODEQ withdrew federal funds in the amount of \$25,058,899. Of these funds, no funds were used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2007, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$20,147,799 on sales of formula to participants in the Special Supplemental Food Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

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

Notes to the Schedule of Expenditures of Federal Awards

until approved by the federal grantor and subsequently reimbursed. Based on prior years' experience, 85% of the amount held in suspense will be reimbursed. At June 30, 2007, the Department of Transportation had project expenditures totaling \$2,230,000.00 of which an estimated \$1,896,000.00 will be reimbursed pending approval by the Federal Government.

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 (CFDA 66.468)

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

Note 7. Department of Education Grant Transfers

The Department of Education made the following transfers between programs for the fiscal year 2007:

Transferred From:				
Improving Teacher Quality State Grants (CFDA #84.367)		Safe and Drug-Free Schools and Communities State Grants (CFDA# 84.186)	State Grants For Innovative Programs (CFDA #84.298)	Total
Transferred To:				
Title I Grants to LEAs (CFDA #84.010)	\$1,121,363.54	\$7,306.24	\$1,650.00	\$1,130,319.78
Education Technology State Grants (CFDA #84.318)	\$182,854.07			\$182,854.07
Safe and Drug-Free Schools and Communities State Grants (CFDA #84.186)	\$132,069.82		\$2,832.50	\$134,902.32
State Grants for Innovative Programs (CFDA #84.298)	\$870,867.01	\$11,758.27		\$882,625.28
Totals:	\$2,307,154.44	\$19,064.51	\$4,482.50	\$2,330,701.45

Note 8. Department of Transportation Federal Soft Match Provision

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

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

The Department utilized approximately \$62,923,506.47 of the soft match provision for projects billed during fiscal year 2007. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Note 9. Subsequent Events

The State of Oklahoma was notified in January 2008 that approximately \$10.6 million in funding for the Workforce Investment Act (WIA) Adult, Dislocated Workers, and Youth programs (CFDA #17.258, 17.259, and 17.260) is being rescinded. This rescission spans several program years. The overall effect of this action is not known at this time.

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified?yes

Significant deficiencies identified that are not
considered to be material weakness(es)?yes

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

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133?yes

Dollar threshold used to distinguish between
type A and type B programs: \$15,867,485

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	10.551 Food Stamps	Department of Human Services
	10.557 Special Supplemental Program for Women, Infants, and Children	Department of Health
	10.561 State Administrative Matching Grants for Food Stamp Program	Department of Human Services
	12.401 National Guard Military Operations and Maintenance (O&M) Projects	Military Department
	14.228 Community Development Block Grants – State's Program	Department of Commerce
Fish and Wildlife Cluster	15.605 Sport Fish Restoration	Wildlife Conservation Commission
	15.611 Wildlife Restoration	Wildlife Conservation Commission
	15.626 Hunter Education and Safety	Wildlife Conservation Commission

Schedule of Findings

Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	15.634 State Wildlife Grants	Wildlife Conservation Commission
WIA Cluster	17.258 WIA Adult Program	Department of Commerce & Employment Security Commission
	17.259 WIA Youth Activities	Department of Commerce & Employment Security Commission
	17.260 WIA Dislocated Workers	Department of Commerce & Employment Security Commission
	20.205 Highway Planning and Construction	Department of Transportation
	45.312 National Leadership Grants	Department of Commerce
	64.015 Veterans State Nursing Home Care	Veterans Affairs
	66.468 Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	81.041 State Energy Program	Department of Commerce
	81.042 Weatherization Assistance for Low-Income Persons	Department of Commerce
	84.010 Title 1 Grants to Local Educational Agencies	Department of Education
Special Education Cluster	84.027 Special Education – Grants to States	Department of Education
	84.173 Special Education – Preschool Grants	
	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
Aging Cluster	93.044 Special Program for the Aging Title III, Part B	Department of Human Services
	93.045 Special Program for the Aging Title III, Part C	
	93.053 Nutrition Services Incentive Program	
	93.283 CDC Prevention Investigations and Technical Assistance	Department of Health
	93.558 Temporary Assistance for Needy Families	Department of Human Services
	93.568 Low Income Home Energy Assistance	Department of Human Services
	93.569 Community Services Block Grant	Department of Commerce
	93.767 State Children's Insurance Program	Health Care Authority
Medicaid Cluster	93.775 State Medicaid Fraud Control Units	Attorney General
	93.777 State Survey and Certification of Health Care Providers and Suppliers	Health Care Authority
	93.778 Medical Assistance Program	Health Care Authority
	93.959 Block Grants for Prevention and Treatment of Substance Abuse	Department of Mental Health and Substance Abuse Services

Schedule of Findings Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Department of Emergency Management
	97.039 Hazard Mitigation Grant	Department of Emergency Management
Homeland Security Cluster	16.007 State Domestic Preparedness Equipment Support Program	Department of Homeland Security
	97.004 State Domestic Preparedness Equipment Support Program	
	97.067 Homeland Security Grant Program	

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

Department of Education

REF NO: 07-265-001

STATE AGENCY: Oklahoma State Department of Education

Criteria/Condition: During our review of internal controls over the 340 fund expenditure process, we noted two (2) terminated employees that still have access to the ACES Main Menu – Agency Check Entering System (AACF0010). The AACF0010 allows the following functions to be performed if you have access: 1) enter checks, 2) receive a check list of all checks entered by the user, and 3) schedule checks that were entered to be processed.

Effect: Payments could be entered and scheduled from the 340 fund by employees that are terminated.

Recommendation: We recommend the Oklahoma State Department of Education contact the Office of State Treasurer Banking Services division to remove the employee's access. In addition, we recommend the agency contact OST immediately upon the termination of any future employee that has access to the AACF0010 screen.

Views of responsible official(s)

Contact Person: Vonna Anderson

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: The Office of State Treasurer (OST) requests that state agencies post checks if written from agency clearing accounts in the ACES Check Entering System. This allows OST to verify that the checks (refund checks in the State Department of Education's case) are valid and should be paid. Payments cannot be scheduled from the 340 fund using this process.

The agency will terminate access for the one retired employee. The other employee is still with the agency, and could be called upon for help in entering information into this system if necessary. A list will be requested from the Office of State Treasurer to verify that only current employees have access to the system.

Auditor Response: We were unaware that one of the employees left the department but is still with the agency; therefore, access should not be terminated. As a result, only one (1) terminated employee still has access to the ACES Main Menu – Agency Check Entering System (AACF0010).

Department of Health

REF NO: 07-340-003IT

STATE AGENCY: Department of Health

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS4), management should ensure continuous services with minimum business impact in the event of an IT service interruption.

Condition: The agency has developed and implemented a disaster recovery plan; however, some of the elements of the plan have not been developed at this time. Some of the elements to be developed include the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation.

In addition, according to HIPAA Subpart C-Security Standards for the Protection of Electronic Protected Health Information.

§ 164.308(a)(7)(ii)(B) *Disaster Recovery Plan* is required. Establish (and implement as needed) procedures to restore any loss of data.

Cause: Disaster Recovery Plan did not include all essential elements for establishing an adequate plan.

Effect: The lack of an effective and adequate Disaster Recovery Plan could result in potential loss of:

- Financial Data.
- Client Information.
- Network Services.
- Organizational Structure Documentation.
- Federal Reporting Data.

Recommendation: OSDH is a “covered entity” within the HIPAA standards. We recommend the OSDH review and update their Disaster Recovery Plan to ensure safekeeping and integrity of agency data. In addition, this update and review should ensure that OSDH for the security guidelines and procedure requirements of HIPAA effective April 21, 2005. We suggest that once the plan is completed, OSDH should test their disaster recovery capabilities.

Views of Responsible Official(s)

Contact Person: Joe Camp, MIS Director

Anticipated Completion Date: 1/1/08

Corrective Action Planned: We are in the process of establishing a mirror site in Tulsa. Once this is in place the disaster recovery plan will be reviewed, revised and completed. Some additional improvements are needed. Will continue to work on.

REF NO: 07-340-004IT

STATE AGENCY: Department of Health

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), management define IT security policies, procedures and standards to ensure that system security maintains the integrity of information and processing infrastructure to minimize the impact of security vulnerabilities and incidents.

Condition: The agency has drafted basic policies at this time; however, procedures based on the policies have not been implemented.

Effect: The lack of formal management policies/procedures on information security increases the potential for loss of:

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

- Financial Data.
- Client Information.
- Organizational Structure Documentation.
- Federal Reporting Data.

Recommendation: We recommend the Division continue their efforts in developing security policies and procedures to ensure that the ITS Division has a clear understanding of managements' emphasis on information security.

Views of Responsible Official(s)

Contact Person: Joe Camp, MIS Director

Anticipated Completion Date: 1/1/08

Corrective Action Planned: Representatives from several areas are currently working to draft policies which will be presented to the Policy Committee and subsequently to the Executive Committee. These policies are being drafted so as to be in compliance with both HIPAA security requirements. The OSF security standards will be addressed later. Will continue to work on.

Auditor Response: OSDH has basic security policies in place. Procedures based on these policies are still being developed.

Oklahoma Health Care Authority

REF NO: 07-807-001

STATE AGENCY: Oklahoma Health Care Authority

Criteria/Condition: During our review of internal controls over the 340 fund expenditure process, we noted two (2) terminated employees that still have access to the ACES Main Menu – Agency Check Entering System (AACF0010). The AACF0010 allows the following functions to be performed if you have access: 1) enter checks, 2) receive a check list of all checks entered by the user, and 3) schedule checks that were entered to be processed.

Effect: Payments could be entered and scheduled from the 340 fund by employees that are terminated.

Recommendation: We recommend the Oklahoma Health Care Authority contact the Office of State Treasurer Banking Services division to remove the employee's access. In addition, we recommend the agency contact OST immediately upon the termination of any future employee that has access to the AACF0010 screen.

View of responsible official(s)

Contact Person: Carrie Evans

Anticipated Completion Date: 03/01/2008

Corrective Action Planned: The Oklahoma Health Care Authority (OHCA) concurs with this audit finding and will remove the employee's access and remove the access for any future employees after termination.

REF NO: 07-807-002

STATE AGENCY: Oklahoma Health Care Authority

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

The State of Oklahoma Administrative Plan states: A component objective of an adequate internal control system is to provide accurate and reliable information.

Schedule of Findings and Responses

Financial Statement Findings (Internal Control and Compliance)

The OSF GAAP Conversion Manual states that each agency's executive director and finance director are responsible for submitting OSF conversion package forms that are accurate, complete and timely.

During our testing of Accounts Payable, we noted errors in the calculation and reporting of the Medicaid Payable and Medicaid Federal Receivable amounts on OSF Form Q-1GAAP Conversion – Medicaid Summary-Medicaid Payable and Receivable, which caused Medicaid Payable to be understated by \$260,267 and Medicaid Receivable to be overstated by \$5,739,583. In addition, the amounts reported on the Q-1 GAAP Conversion were not properly split between the two respective CFDA's #93778 and #93767.

Cause/Effect: Adequate internal controls, including an appropriate level of supervision and review of the preparation of financial information should help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP.

Recommendation: We recommend that an appropriate level of supervision and review of the preparation of financial information be performed to help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP.

Views of Responsible Official(s)

Contact Person: Carrie Evans

Anticipated Completion Date: 03/01/2008

Corrective Action Planned: OHCA concurs with finding and spreadsheet calculations have been adjusted accordingly. OHCA has implemented a review process to ensure accuracy.

REF NO: 07-807-003

STATE AGENCY: Oklahoma Health Care Authority

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

The State of Oklahoma Administrative Plan states: A component objective of an adequate internal control system is to provide accurate and reliable information.

The OSF GAAP Conversion Manual states that each agency's executive director and finance director are responsible for submitting OSF conversion package forms that are accurate, complete and timely.

During our testing of Accounts Payable, we noted errors in the calculation and reporting of the Accounts Payable amounts on the OSF Form I-1 GAAP Conversion – Accounts Payable and Encumbrance Summary and the OSF Form Z-1 GAAP Conversion – Schedule of Expenditures of Federal Awards which caused Accounts Payable to be overstated by \$9,693,603. In addition, the amounts reported on the I-1 GAAP Conversion and the Z-1 GAAP Conversion were not properly split between the two respective CFDA's #93778 and #93767.

Cause/Effect: Adequate internal controls, including an appropriate level of supervision and review of the preparation of financial information should help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP.

Recommendation: We recommend that an appropriate level of supervision and review of the preparation of financial information be performed to help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP.

Views of Responsible Official(s)

Contact Person: Carrie Evans

Anticipated Completion Date: 03/01/2008

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

Corrective Action Planned: OHCA concurs with finding and spreadsheet calculations have been adjusted accordingly. OHCA has implemented a review process to ensure accuracy.

REF NO: 07-807-004

STATE AGENCY: Oklahoma Health Care Authority

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

The State of Oklahoma Administrative Plan states: A component objective of an adequate internal control system is to provide accurate and reliable information.

The OSF GAAP Conversion Manual states that each agency's executive director and finance director are responsible for submitting OSF conversion package forms that are accurate, complete and timely.

During our testing of Federal Receivables, we noted errors in the reporting of the Federal Receivable amounts on the OSF Form D-1 GAAP Conversion – Federal Grant/Entitlement Receivables and Deferred Revenue Summary and the OSF Form Z-1 GAAP Conversion – Schedule of Expenditures of Federal Awards which caused Federal Receivables to be understated by \$5,623,734.

Cause/Effect: Adequate internal controls, including an appropriate level of supervision and review of the preparation of financial information should help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP.

Recommendation: We recommend that an appropriate level of supervision and review of the preparation of financial information be performed to help ensure that financial information reported by the agency is accurate and reliable in accordance with GAAP. We also recommend that OSF make the following adjusting entry:

Views of Responsible Official(s)

Contact Person: Carrie Evans

Anticipated Completion Date: 03/01/2008

Corrective Action Planned: OHCA concurs with finding and spreadsheet calculations have been adjusted accordingly. OHCA has implemented a review process to ensure accuracy.

Department of Human Services

REF NO: 07-830-001

STATE AGENCY: Department of Human Services

Criteria/Condition: During our review of internal controls over the 340 fund expenditure process, we noted two (2) terminated employees that still have access to the ACES Main Menu – Agency Check Entering System (AACF0010). Access to the AACF0010 screen allows the following functions to be performed: 1) enter checks, 2) receive a check list of all checks entered by the user, and 3) schedule checks that were entered to be processed.

Effect: Payments could be entered and scheduled from the 340 fund by employees that are terminated.

Recommendation: We recommend the Department of Human Services contact the Office of State Treasurer Banking Services division to remove the employee's access. In addition, we recommend the agency contact OST immediately upon the termination of any future employee that has access to the AACF0010 screen.

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

Views of Responsible Official(s)

Contact Person: Jerry Carter

Anticipated Completion Date: January 18, 2008

Corrective Action Planned: We concur and have notified the Office of the State Treasurer Banking Services division to remove the employee's access. They have confirmed that access has been removed for the two terminated employees in question. We will ensure that access will be removed on any future employees who 1) terminate employment or 2) change job positions not requiring such access.

Office of State Finance

REF NO: 07-090-001

STATE AGENCY: Office of State Finance

Criteria/Condition: An essential part of the internal controls established by the Office of State Finance (OSF) is the performance of a cash reconciliation of treasury funds between the CORE general ledger and the State Treasurer's Office (OST). The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that errors are detected and corrected in a timely manner. As of December 2007, a formal reconciliation had yet to be completed for state fiscal year 2007.

Cause/Effect: Without a timely reconciliation, financial information may be incomplete. In addition, accurate and reliable information is critical to users of the CORE system. The delay in completing the reconciliation appears due to staffing issues and the ongoing implementation of the CORE system during the fiscal year.

Recommendation: We recommend the cash reconciliation of treasury funds between OSF and OST be performed monthly and that each reconciliation be completed in a timely manner.

Views of Responsible Official(s)

Contact Person: Jennie Pratt, Deric Berousek

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: OSF has established several new Peoplesoft based processes that allow the monthly file typically transmitted to OST to be reviewed and corrected before the actual transfer. This new process has significantly reduced the number of data transfer errors. OSF is currently processing the month of February, the most current month available. OSF has been working closely with OST to ensure a more timely reconciliation of each month as it becomes available. OSF plans to be on a regular monthly reconciliation schedule for the March 2008 monthly reconciliation.

REF NO: 07-090-002

STATE AGENCY: Office of State Finance

Criteria/Condition: There is a discrepancy between how the Oklahoma Department of Transportation (ODOT) defines capital outlay expenditures compared to how the Office of State Finance (OSF) defines them. ODOT defines capital outlay expenditures as all expenditures which are charged against a department identification code that starts with a "9" or an object code of 54xxxx (excluding 548xxx-bond payments), however Office of State Finance defines capital outlay expenditures as all expenditures which are charged only against a 54xxxx object code (excluding 548xxx).

Effect: Capital outlay expenditures are understated.

Recommendation: In the future we recommend that OSF also include all expenditures charged against a department identification code that starts with a "9".

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

Views of Responsible Official(s)

Contact Person: Deric Berousek

Anticipated Completion Date: March 15, 2008

Corrective Action Planned: The Financial Reporting Unit within the Office of State Finance has developed a query that will extract all ODOT expenditures with a department identification code that starts with a "9". This query will include expenditures for all object codes except 54xxxx (capital outlay). A new procedure for preparing the GAAP journal entries for business unit 345 will reclassify these expenditures from CAFR account code "500005" (general expenditures – transportation) to "504000" (capital outlay – transportation).

REF NO: 07-090-003

STATE AGENCY: Office of State Finance

Criteria/Condition: A primary objective of a sound system of internal controls is to provide timely, accurate, and complete financial information. During our review of CORE general ledger transactions, we noted a condition affecting the information in the general ledger relating to the timeliness of the preparation of the Combining Trial Balance. The Combining Trial Balance is an important element in both the preparation and audit of the State's CAFR so its timely preparation is critical.

Untimely recording of Agency Special Account expenditure transactions.

We noted 508 entries posted from September 7, 2007 through October 1, 2007 affecting 33 agency special accounts (ASA) maintained by 13 agencies. These transactions recorded over \$2.6 billion of the total 3.2 billion in ASA expenditures for the fiscal year.

The large number of entries posted during this time period is because a number of ASA expenditures were recorded to the CORE general ledger only once, at the end of the fiscal year, rather than regularly throughout the year. The entries were not made timely after the end of the fiscal year because some agencies were late in providing OSF the necessary information (OSF Form 11A) for the entries to be made.

Recommendation: We recommend OSF develop procedures to ensure all ASA activity is timely recorded in the CORE system.

Views of Responsible Official(s)

Contact Person: Jennie Pratt, Deric Berousek

Anticipated Completion Date: July 30, 2008

Corrective Action Planned: Individual agencies are required to provide a reconciliation form monthly and to enter any necessary entries into the PeopleSoft System when reconciling. OSF has issued multiple announcements to agencies requiring the balancing and entry of ASA data on a monthly basis. OSF maintains a checklist of required submissions, and notifies agencies when they are late submitting the reconciliation. We are working with the agencies that have not complied with the reconciliation requirements and plan to have all agencies current before the end of the fiscal year.

Schedule of Findings and Responses

Financial Statement Findings

(Internal Control and Compliance)

Office of the State Treasurer

REF NO: 07-740-001

STATE AGENCY: Office of State Treasurer

Criteria/Condition: An essential part of the internal controls over treasury fund cash is the performance of a cash reconciliation between the Office of State Treasurer (OST) and the Office of State Finance CORE general ledger. The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that errors are detected and corrected in a timely manner. As of December 2007, a formal reconciliation had yet to be completed for state fiscal year 2007.

Cause/Effect: Without a timely reconciliation, financial information may be incomplete. In addition, accurate and reliable information is critical to users of the CORE system. The delay in completing the reconciliation appears due to staffing issues and the ongoing implementation of the CORE system during the fiscal year.

Recommendation: We recommend the cash reconciliation of treasury funds between OST and OSF be performed monthly and that each reconciliation be completed in a timely manner.

Views of Responsible Official(s)

Contact Person: Susan Reed, Sam Moore

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: The FY 2007 reconciliation was completed in January 2008. OST has been working closely with OSF to ensure a more timely reconciliation of each month as it becomes available. OST has automated certain processes to more quickly integrate the monthly file received from OSF and plans to be on a regular monthly reconciliation schedule for the March 2008 monthly reconciliation.

Schedule of Findings

Federal Award Findings

And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Health

REF NO: 07-340-007

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.283

FEDERAL PROGRAM NAME: Centers for Disease Control - Investigations and Technical Assistance

FEDERAL AWARD NUMBER: U90/CCU616982-05 and U90/CCU616982-06 and U90/CCU616982-07

FEDERAL AWARD YEAR: 2005, 2006 and 2007

CONTROL CATEGORY: Equipment and Real Property Management

QUESTIONED COSTS: \$0-

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

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

74 O.S., § 110.1, states, in part:

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

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

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

Condition: During our documentation of internal controls over equipment, we noted the following:

- A physical inventory of assets for SFY 2007 had been performed; however, we noted a significant number of unlocated items on the reconciliation.
- Purchase order amounts are used to record equipment in the Department's records rather than the actual costs of the items. Purchase order amounts may not include ancillary charges that are directly attributable to the acquisition-such as freight and site preparation costs.
- There appears to be no formal policy in place regarding the valuation of equipment at the time of disposition. The current software used for inventory defaults salvage value of all assets to 10% of the original purchase price.
- Policies to communicate applicable requirements and guidelines for equipment to program managers and to discourage misuse of Federal assets have not been finalized.

Schedule of Findings Federal Award Findings And Questioned Costs

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

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

Views of Responsible Official(s)

Contact Person: William Meissner and Tamela J. Gibson-Agahnia

Anticipated Completion Date: On-going

Corrective Action Planned: OSDH program staff continue to conduct ongoing physical inventory reviews that have identified assets previously reported as unlocated in the FY-07 physical inventory documents. Programs are currently being notified of the need to begin physical inventory reviews for assets located in 2006 to insure we remain on target with the two-year cycle. OSDH Internal Services will complete the inventory policy revisions during FY-08 to insure guidelines are in place. OSDH Inventory will continue to work with OSDH Internal Audit, Accounting Service and Procurement Service staff to enhance existing operations. Until Peoplesoft Projects module has been fully implemented and OSDH is completely operating in a single software environment (financial and procurement), the ability to enter assets at cost and effectively identify ancillary charges related to equipment ownership and installation will continue to be a manual process with challenges. A change in the valuation of assets at time of disposition will require a conversion to an asset management system with depreciation functions more advanced than the tracking software currently utilized by OSDH. The Peoplesoft module may address this on a statewide basis, but has not yet been implemented. We are attempting to contact an OSF CORE representative to share agency needs based on these directives and would welcome support with OSF to insure accountability efforts required by all state agencies are addressed by the upcoming Phase II CORE modules.

Health Care Authority

FINDING NO: 07-807-001

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778, 93.767

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

FEDERAL AWARD NUMBER: 50605OK5028 and 50705OK5028, 0605OK5021 and 0705OK5021

FEDERAL AWARD YEAR: 2006 & 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: Medical Assistance Program \$310,844, State Children's Insurance Program \$11,074

Criteria: The Oklahoma Health Care Authority Cost Allocation Plan provides for the allocation of department wide costs from cost pool 702 based on the proportionate share of salary and benefit previously distributed from pools 552 and 529 to each cost objective.

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

Condition: We obtained the Fund 200 Cost Allocation for all quarters of SFY 2007. For the quarters ending 09/30/2006 and 12/31/2006, we noted salary and benefit amounts were distributed to cost objective A44 from cost pools 552 and 529, but department wide costs were not allocated to cost objective A44 from cost pool 702.

Cause: It appears the formula necessary to include the payroll amounts for cost objective A44 originating in cost pools 552 and 529 were missing from the percentage calculation table "Pool 702 Allocation Percentages from

Schedule of Findings

Federal Award Findings

And Question Costs

payroll 552/529” from the Fund 200 Cost Allocation worksheet. This results in the allocation percentages to be incorrect for all cost objectives.

Effect: The amounts allocated to cost objectives from cost pool 702 are incorrect, which results in an excess of \$310,844 allocated to Title XIX and an excess of \$11,074 allocated to Title XXI in SFY 2007.

Recommendation: We recommend the Authority review the Fund 200 Cost Allocation worksheet to ensure it contains the formulas necessary to properly calculate the allocation percentages and subsequent allocations.

Views of Responsible Official(s)

Contact Person: Bob Williams, Financial Manager

Anticipated Completion Date: 3/31/07

Corrective Action Planned: This formula was corrected for the quarter ending 03-31-07 and prior period adjustments were made for quarters ending 12-31-05, 03-31-06, 06-30-06, and 09-30-06 on CMS 64 for 03-31-07.

FINDING NO: 07-807-002

STATE AGENCY: Oklahoma Health Care Authority

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

CFDA NO: 93.778, 93.767

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

FEDERAL AWARD NUMBER: 50605OK5028, 50705OK5028, 0605OK5021, 0705OK5021

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

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

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

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

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

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

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

Views of Responsible Official(s)

Contact Person: Tom Simonson, Manager, Drug Rebate Program

Anticipated Completion Date: August 29, 2008

Corrective Action Planned: OHCA concurs with the finding that drug rebate invoices were not mailed timely during FYE 6-30-07. For the four quarterly invoice cycles of FYE 6-30-07, the number of days late in mailing were 47, 8, 20 and 2, respectively. OHCA will meet with its fiscal agent, EDS, to decide the best approach to implement new procedures deemed necessary to ensure invoices are mailed in a timely manner.

Schedule of Findings Federal Award Findings And Questioned Costs

FINDING NO: 07-807-007

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: 50605OK5028 and 50705OK5028

FEDERAL AWARD YEAR: 2006, 2007

CONTROL CATEGORY: Activities Allowed or Unallowed

Criteria: OAC 317:30-5-123 (a) states in part: "...Nursing facilities which inappropriately admit a person without a PASRR Screen are subject to recoupment of funds."

OAC 317:30-5-123 (a) (2) (C) states in part: "...The original Form LTC-300R must be submitted by mail to the LOCEU within 30 days of the resident admission. SoonerCare payment may not be made for a resident whose LTC-300R requirements have not been satisfied in a timely manner."

Condition: We selected a sample of fifty-five nursing facility recipients for a review of their Pre-Admission Screening and Resident Review (PASRR). Thirteen of the fifty-five Long Term Care Assessment forms (LTC-300R) were not submitted to LOCEU within 30 days after services began of which three appear to not have been submitted at all.

Cause: The provider either did not submit Pre-Admission Screening and Resident Review or submitted after the 30-days.

Effect: If reviews are not submitted or not submitted in a timely manner recipients may not receive the correct level of care.

Recommendation: We recommend the Authority design and implement procedures to ensure all LTC-300R are submitted as required. We also recommend the Authority follow up and, if necessary, recoup funds for services not supported by adequate and/or timely documentation.

Views of Responsible Official(s)

Contact Person: Portia Hughes, OHCA Opportunities for Living Life

Anticipated Completion Date: 6/30/2008

Corrective Action Planned: We concur with this finding. The following is the corrective action plans that have been implemented and will be implemented in the future to improve NF compliance with the Level I PASRR screening process in consideration of the recommendations of the SFY audit:

- 1) Continued with the requirement that a Level I Screening form be submitted on intra-facility transfers (08-04) as well as in 2007 requiring the nursing facility to submit the Level I PASRR screening form each time a client applies to reside in their facility; even if the individual has been admitted to the same facility before.
- 2) The collaboration with DHS Aging Services has been implemented which required the revision of the Level I PASRR screening form to be combined with the DHS Nursing Facility Assessment. A rule change was effected by OHCA which require that the Level I PASRR screening form be submitted within 10 days of admission rather than 30 days as previously allowed.(Effective 1-2007) This results in the NF's reimbursement being directly dependent upon PASRR compliance.
- 3) In collaboration with DHS Aging Services, LOCEU is notified regarding clients who have admitted to the NF but the NF has not timely submitted the Level I PASSR screening form within 10 days of admission. The non-compliant NF facility is notified by LOCEU regarding the clients that are identified as not have a timely Level I PASRR screening form submission and to take corrective action.
- 4) DHS Aging Services has also been given access to the PASRR records database so that they are able to see what facilities have submitted the Level I Screening forms and it allows them to help LOCEU identify those clients that are not in the PASRR database.

Schedule of Findings

Federal Award Findings

And Question Costs

- 5) Review of the Level I PASRR screening forms by LOCEU Analysts is done to identify potential recoupment of Soonercare (Medicaid) funds for inappropriate admissions to NFs. DHS Aging Services reviews the forms as well for documentation of admission and received dates for the Level I PASRR screening forms and will only pay Soonercare funds up to 10 days back from the time the form is received by LOCEU.
- 6) The MDS data on NF clients is reviewed by the LOCEU as another method to monitor for potential recoupments as well as review additional information that may trigger a Level II PASRR evaluation for individuals not previously identified based on the Level I PASRR screening form information submitted.
- 7) We have developed a plan to allow for the electronic submission of the Level I PASRR screening form by NFs statewide as an option to mailing the forms in and to assist with compliance on the timely submission rule. The NF will be able to fill out the form and submit it electronically immediately to LOCEU, thus cutting down on errors and uncertainty in the state mail system. (Target date: 06/08)

FINDING NO: 07-807-008

STATE AGENCY: Oklahoma Health Care Authority

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

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50605OK5028 and 50705OK5028

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$100

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

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

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

317:30-5-3. Documentation of services

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

Condition: Based on a medical professionals review of medical records to support (25) twenty-five case management services, the following exceptions were noted:

- Three services provided are not supported by medical records or other evidence indicating the service was actually provided and the services did not meet Medicaid policy requirements. (Questioned Costs \$81.90)

Schedule of Findings Federal Award Findings And Questioned Costs

- One service provided is not consistent with the medical diagnosis. (Questioned Costs \$12.52)
- One service provided is not consistent with the medical diagnosis and is not supported by medical records or other evidence indicating the service was actually provided. (Questioned Costs \$6.26)

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

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

Views of Responsible Official(s)

Contact Person: Carrie Wilson

Anticipated Completion Date: 4/30/08

Corrective Action Planned: We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA Program and Integrity division will continue to review for these types of errors during their annual audits of Medicaid expenditures.

Department of Human Services

FINDING NO: 07-830-001

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0501OKTANF, G0601OKTANF

FEDERAL AWARD YEAR: 2005, 2006

CONTROL CATEGORY: Cash Management

Criteria: The FY 2007 Treasury-State Agreement with the State of Oklahoma details the manner in which federal funds are to be drawn:

Exhibit II lists the funding techniques to be used for the Department of Human Services (DHS) for particular component expenditures of the grant. Draws for TANF program expenditures must be made using Cost Allocation-Daily-Variation #2.

The FY 2007 Treasury-State Agreement 6.2.4 states:

“Cost Allocation – Daily – Variation #2

The State shall request funds daily to fund costs incurred. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be the historical estimate based on the agency's prior months' percentage of the federal share less the required Maintenance of Effort (MOE). The funds drawn will be disbursed using Actual Clearance, (ZBA) ZBA-ACH, Wire.”

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

Cause: It appears that the Cost Allocation-Daily-Variation #2 funding technique is incorrectly stated in the FY 2007 Treasury-State Agreement. The amount of the draw request cannot be based on an estimate as noted in the Cost Allocation-Daily-Variation #2 technique and also be disbursed using Actual Clearance, (ZBA) ZBA-ACH, which requires the request to be for the actual amount of funds that clear the State account on the settlement date.

Schedule of Findings

Federal Award Findings

And Question Costs

Effect: The Department of Human Services is unable to comply with the State of Oklahoma's FY 2007 Treasury-State Agreement with the U.S. Treasurer as currently written.

Recommendation: We recommend the Department revise the funding technique in the Treasury-State Agreement being used for the TANF EBT draws in order to ensure compliance with both the Actual Clearance, (ZBA) ZBA-ACH requirements as well as the TANF program requirements that relate to Maintenance of Effort (MOE).

Views of Responsible Official(s)

Contact Person: Treba Dennis, Finance Operations Manager

Anticipated Completion Date: March 31, 2008

Corrective Action Planned: Concur. The sentence, "The amount of the request shall be the historical estimate Maintenance of Effort (MOE)" should be deleted. The last sentence "The funds drawn will be disbursed using Actual Clearance, (ZBA) ZBA-ACH, Wire" is correct and will remain in the agreement. We have notified OSF of the change that needs to be made to the agreement. They will contact us when it is completed.

FINDING NO: 07-830-003

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: G07B1OKLIEA

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$2,409

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

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

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

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

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

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

- 1 of the 85,368 heating cases tested during analytical procedures appears to have an income greater than the income and resource standards shown on OKDHS Appendix C-7, Low Income Home Energy Assistance Program Income and Resource Level by Household Size. (Questioned Costs \$85)
- For 8 of the 40 case files selected for testing from Area 3, we were unable to obtain the case file supporting the eligibility determination. (Questioned Costs \$1,122)

Schedule of Findings Federal Award Findings And Questioned Costs

- For 7 of the 40 case files selected for testing from Area 3, we received the case file however there was no LIHEAP application included to support the eligibility determination for the benefit selected for testing. (Questioned Costs \$1,202)
- For 2 of the 40 case files selected for testing, we did not find a copy of the bill filed in the case record. (Questioned Costs \$0)
- For 5 of the 7 “N” type cases for which we received case files, we did not find a completed LIHEAP Checklist for Walk-In Applications. (Questioned costs \$0)

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

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

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

Views of Responsible Official(s)

Contact Person: Mel Phillips

Anticipated Completion Date: August 31, 2008 for Condition 1. For revising instructions for energy assistance programs: March 5, 2008 for ECAP, June 27, 2008 for Summer Cooling, November 15, 2008 for Winter Heating and LIHEAP

Corrective Action Planned: Concur. For condition 1, edits are in place to prevent families from receiving energy assistance who have income over the standards. However, the edits in place cover households up to 8 individuals. This item has been referred to programming for review and correction.

As with all family support programs, it is a statewide expectation that applications for energy assistance programs be filed in the working case file or via electronic imaging, as applicable. Instructions for energy assistance programs are distributed via broadcast mail 2-3 weeks prior to the start of each application period. The processing instructions are being revised to include a line item stating all applications, checklists and documentation are to be filed in the working case file or via electronic imaging, as applicable. The instructions will also remind personnel to complete a LIHEAP checklist for walk-ins, where applicable. We will encourage the County Advisors and Supervisors to retrain affected employees. We will also continue to search our files for the missing documentation noted above.

FINDING NO: 07-830-004

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$1,166

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.

Schedule of Findings

Federal Award Findings

And Question Costs

Condition: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2007 we noted the following:

1. One case received both TANF and Diversion Assistance during the same month. (Questioned Costs \$65)
2. One case received both TANF and Diversion Assistance during the same year without documentation of approval from the county director. (Questioned Costs \$1,101)

Cause: The Department does not have mechanisms in place in the system to ensure the client does not receive TANF within three months of receiving Diversion Assistance or within twelve months of receiving Diversion Assistance without the prior approval of the county director.

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 mechanisms into the system to ensure the client does not receive TANF within three months of receiving Diversion Assistance or within twelve months of receiving Diversion Assistance without the prior approval of the county director.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: March 31, 2008

Corrective Action Planned: Concur. The issuance of TANF benefits was due to coding errors at time of application/authorization. A "TANF TALK" training document will be written regarding 1) correct computer coding of DA certification and 2) proper coding used to issue remaining eligible benefits within the 90 day timeframe of DA application. This document will be issued to staff as a broadcast message and placed on the FSSD/TANF infonet website. In both cases the county has been notified to complete a TANF overpayment for the amounts in question.

FINDING NO: 07-830-005

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$77

Criteria: DHS Policy 340:10-20-1(d) states, "Benefits can equal up to three months of the payment standard as shown on OKDHS Appendix C-1, Schedule XVI for the appropriate family size. Benefits can be approved in more than one authorization as long as the request for additional funds is made before the end of the 90 day period which begins with the initial date of application, and does not exceed three times the monthly payment standard for the family size. Payment is issued through an authorization to purchase. "

Condition: During our testing of Diversion Assistance benefits allowed during SFY 2007, we noted one case received \$2,027 in Diversion Assistance benefits during SFY 2007, which is greater than the \$1,950 maximum allowable benefit. (Questioned Costs \$77)

Cause: The Department does not have mechanisms in place in the system to ensure the client does not receive more than the maximum Diversion Assistance benefit allowed.

Schedule of Findings Federal Award Findings And Questioned Costs

Effect: The Department may not be in compliance with the above stated policies, which may result in overpayments to individuals receiving Diversion Assistance benefits.

Recommendation: We recommend the Department implement mechanisms into the system to ensure the client does not receive more than the maximum Diversion Assistance benefit allowed.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: April 1, 2008

Corrective Action Planned: Concur. The voucher program used at the county offices does have edits in place to prevent over-issuance of funds at time of application. The case in question resulted in an overpayment due to the cancellation and subsequent reinstatement of a vendor payment because of an incorrect payee. Between the date this voucher was cancelled, which freed up the funds on the voucher program used by the county and the time it was reinstated, another voucher had been paid. There were no edit checks in place when the voucher was reinstated to verify the available balance. This resulted in an overpayment. To correct this oversight, a program is being written that will verify available funding on all reinstatements. Additionally, OIG has been requested to recoup the overpayment.

FINDING NO: 07-830-007

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0601OKTANF, G0701OKTANF

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Reporting

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

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

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

Schedule of Findings

Federal Award Findings

And Question Costs

Condition: During our testwork we noted \$41,243,903 in daycare expenditures paid with TANF funds for the period of 10/01/2005 to 9/30/2006. Upon further inquiry, it was determined that the TANF Daycare expenditures are the daycare expenditures remaining after the CCDF funds are exhausted. Therefore, TANF funds are used to cover the difference between the total daycare expenditures and the CCDF funding. We reviewed the ACF-196 for Grant Years 2006 and 2007 (QE-09/30/07) and noted the Department is not differentiating between the TANF Daycare Expenditures paid as assistance or non-assistance.

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

Effect: The Department may not be in compliance with the above instructions, which may result in incorrect reporting. Due to the requirement that State expenditures claimed under the MOE requirement must be made with respect to eligible families, it is possible that in the future there could be MOE problems arise if the “assistance” payments do not meet the Matching Fund MOE for Daycare (currently \$10,630,233). Additionally, since non-assistance expenditures must be obligated within the first year of the grant and be liquidated by the end of the year following the grant award year, it is possible that funds could be spent on non-assistance expenditures after the period of availability since the distinction between assistance and non-assistance is not being made.

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

Views of Responsible Official(s)

Contact Person: Treba Dennis, Finance Administrator

Anticipated Completion Date: September 1, 2008

Corrective Action Planned: Concur. We will establish and implement procedures to differentiate between TANF Daycare assistance and non-assistance benefits in order to correctly report these expenditures.

FINDING NO: 07-830-008

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0601OKTANF

FEDERAL AWARD YEAR: 2006

CONTROL CATEGORY: Reporting

Criteria: Form ACF-204 Instructions for Line 8 state: “Total number of families served under the program with MOE funds. Enter the number of eligible families that are receiving the benefit(s) or service(s) named in line 1 that are funded in whole or in part with State MOE funds. States may use reasonable estimates that have a sound basis where actual numbers are not available. This may include estimates based on samples. Also, put an “X” on the appropriate line to indicate whether the number being provided is a report on the average monthly number of families being served or on the total number served over the course of the fiscal year. States would report in this manner even if the State used MOE funds that were commingled with Federal TANF funds to pay for the service. Hence, the State would not allocate the total number of families according to the percentage of MOE funds that have been commingled with TANF funds. For example, suppose the State used commingled funds to pay for non-compulsory pre-k services. Two hundred (200) eligible families received this benefit over the course of the fiscal year. The commingled funds are comprised of 80% Federal TANF funds and 20% MOE funds. The State would report 200 eligible families in this item, not 40. The State must report all eligible families that were provided the benefit or service, even if just one or two members of the eligible family actually received the benefit.”

Condition: During our testing of the ACF-204 Report we noted 5 exceptions. The exceptions noted are as follows:

Schedule of Findings Federal Award Findings And Questioned Costs

- On 4 of the 6 benefit types tested, the report indicates that the “Total Number of Families Serviced under the Program with MOE Funds” is a report on the total number served over the course of the year. However, the number reflected on the report agrees with the average monthly number of families being served over the course of the year as recorded on the DHS Statistical Bulletins report. Therefore it appears the incorrect methodology was checked on the report.
- On 1 of the 6 benefit types tested (Child Care Assistance); the report indicates that the “Total Number of Families Serviced under the Program with MOE Funds” is a report on the total number served over the course of the year. However, we could not obtain supporting documentation for the number provided on the report in order to verify accuracy.

Cause: The Department did not indicate the correct methodology used to provide the total number served over the course of the year and could not provide documentation for the total number of families serviced under the program with MOE funds for Child Care Assistance.

Effect: The Department may not be in compliance with the above instructions, which may result in incorrect reporting.

Recommendation: We recommend the Department establish and implement procedures to ensure the ACF-204 report is prepared in accordance with reporting instructions and amounts used to prepare the report are adequately supported.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date:

Corrective Action Planned: Concur. For condition 1, an incorrect indicator block was checked on Form ACF-204. The numbers reported were actually the average monthly total of persons served, not the total number served over the course of the year. For condition 2 documentation on the number served in the child care assistance area could not be located. The person completing the report has retired and the agency could not recreate the documentation. Neither condition caused a change in the amount of total state expenditure dollars for any program. The error was reported to the ACF Regional Office. The ACF-204 for FY 07 has been completed correctly and the documentation is available with the file copy of the ACF-204.

FINDING NO: 07-830-009

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$1,408

Criteria: The A-133 Compliance Supplement states, “Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty.”

DHS Policy Instructions to Staff 340:10-3-56-6 states, “(a) The worker is required to have a face-to-face contact with each participant to complete Form TW-24, Part I. (1) When Form TW-24, Part I, is completed and an extension is requested by the participant, it is the responsibility of the worker to assure all assessments, diagnostic tests, and verifications are documented in the case record prior to the request for an extension. (A) The worker sends the request, with all appropriate information, to FSSD with the case record. (B) Based on the documentation and information provided, FSSD notifies the worker of the decision and, if approved, the period of time for the

Schedule of Findings

Federal Award Findings

And Question Costs

extension. (2) When Form TW-24, Part I, is completed and no extension is requested, it is the responsibility of the worker to submit Form TW-24 to FSSD for review and close the benefit the appropriate month. (b) If the extension is not approved, FSSD notifies the worker to close the benefit. The worker, 30 days after the effective date of closure, makes a home visit to determine the family's circumstances and offers the appropriate services...

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

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

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

Recommendation: We recommend the Department follow the policy established to ensure that either recipients complete a request for an extension of benefits or that cases are closed in a timely manner to make certain that only 60 months of benefits are paid.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: March 31, 2008

Corrective Action Planned: Concur. A training tool "TANF TALK" covering the TANF 60 month process will be issued to appropriate staff by a broadcast message.

FINDING NO: 07-830-010

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Special Tests and Provisions – Child Under Six

Criteria: 45 CFR 261.15 states in part, "the State may not reduce or terminate assistance based on an individual's refusal to engage in required work if the individual is a single custodial parent caring for a child under age six who has a demonstrated inability to obtain needed child care, as specified at § 261.56."

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

Cause: The Department inadvertently entered an incorrect case closure code.

Effect: Department case records may be inaccurate which could lead to incorrect reporting.

Recommendation: We recommend the Department implement policies and procedures to ensure case records are accurate and valid closure codes are used when closing cases.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Schedule of Findings Federal Award Findings And Questioned Costs

Anticipated Completion Date: March 5, 2008

Corrective Action Planned: Concur. The case was incorrectly coded with a closure code relating to not meeting work requirements when it should have been coded with a 25% reduction in cash assistance for failure to cooperate. The case was reported to the County Office and attempts were made to contact the client, without success. The County staff involved with this case has been instructed to review policy 340:10-10-5 and also review proper case coding for failure to cooperate with child support.

FINDING NO: 07-830-011

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: G07B1OKLIEA

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Reporting

Criteria: The instructions for the FY 2007 LIHEAP Carryover and Reallotment Report state that this report must be submitted by August 1, 2007.

Condition: During testing of the FY 2007 LIHEAP Carryover and Reallotment Report we noted that this report was not completed and submitted by the Department until August 18, 2007.

Cause: The report was not completed in a timely manner and a deadline extension was not requested.

Effect: Untimely filing of required reports could result in a delay in the issuance of grant awards.

Recommendation: We recommend the Department implement procedures to ensure all required reports are filed in a timely manner.

Views of Responsible Official(s)

Contact Person: Mel Phillips

Anticipated Completion Date: 03/05/2008

Corrective Action Planned: Procedures have been put in place to monitor due dates of all required reports and to schedule time for completion of such reports.

FINDING NO: 07-830-012

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

Criteria: The Cost Allocation Plan in effect for the quarter ending 12/31/06 states the Cost Pool 674 – Children’s Shelters basis for allocation is the proportion of TANF to non-TANF days of care and the potential cost objectives are A02 – TANF and A07-Title XX.

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

Cause: It appears that the cost allocation percentages were not updated annually in the system.

Schedule of Findings

Federal Award Findings

And Question Costs

Effect: The amount of the allocation to expenditures to the TANF program from cost pool 674 is not correct.

Recommendation: We recommend the Department implement procedures to ensure that the allocation percentages that can change annually are in fact changed each year. Additionally, we recommend that an adjustment be made for the change in the allocation percentages for cost pool 674.

Views of Responsible Official(s)

Contact Person: Treba Dennis, Finance Operations Manager

Anticipated Completion Date: Completed 03/05/2008

Corrective Action Planned: Concur. Cost Pool 674, Children's Shelters (TANF & non-TANF days of care) has been updated in the cost allocation system to the correct percentages. Necessary adjustments will be made to the cost allocation reports for the quarter ending March 31, 2008. Procedures have been implemented to update the cost pool in July of each year following the annual determination of percentages as furnished by Children and Family Services ASU staff.

FINDING NO: 07-830-013

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$9,155

Criteria: A-133 Compliance Supplement states: "The State or Tribal Plan provides the specifics on how eligibility is determined in each State or Tribal service area. Plan and eligibility requirements must comply with the following Federal requirements..."

The State Plan refers to DHS Policy OAC 340:10, which refers to OAC 340:65-3-1. This policy states, "The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility."

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

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

OAC 340:65-3-8 states, "A periodic re-determination of eligibility is completed at 12-month intervals for: a Temporary Assistance for Needy Families (TANF) recipient except when six-month intervals are required due to: (I) protective payments; (II) pending required immunizations; (III) payment standard reductions due to intentional program violations; or (IV) hardship extension approvals."

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

1. Three cases in which no case file was provided by the county office. (Questioned Costs \$ 2,707)

Schedule of Findings Federal Award Findings And Questioned Costs

2. Four cases in which no TANF application or review was found for the time period tested in the case file provided by the county office. (Questioned Costs \$ 5,725)
3. One case in which no TANF re-determination was found for the time period tested in the case file provided by the county office. (Questioned Costs \$ 723)

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

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

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

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: Concur. The county staff involved in the cases has been contacted. A request has been made to the County Director to discuss these errors and to provide "Back to Basic" training on the forms required to document TANF applications and re-determinations. This county is participating in the Family Support Image Retriever project that went into effect August 2007. All case information, forms, etc. are sent to be imaged and there will no longer be actual case files in the county. This should alleviate the problem of locating case records.

FINDING NO: 07-830-014

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

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

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

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.

Schedule of Findings

Federal Award Findings

And Question Costs

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: April 30, 2008

Corrective Action Planned: Concur. The county staff involved in the two cases has been contacted. County has been requested to discuss these oversights and to provide "Back to Basic" training regarding the use of case scans and documentation required for TANF applications and reviews.

FINDING NO: 07-830-015

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

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

Criteria: The A-133 Compliance Supplement states, "The State is required to review and compare information obtained from each data exchange against information contained in the case record to determine whether it affects the individuals 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 2007 G1DX Exception Report. We noted the following:

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

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

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

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

Schedule of Findings Federal Award Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: August 31, 2008

Corrective Action Planned: The delay in resolving discrepancies was twofold: 1) In October 2006 FSSD experienced critical staff turnover in the Data Exchange Unit that resulted in a 2-3 month delay in producing reports to management on GIDX exceptions, and 2) A large influx of Oklahoma Wage Data (OWGD) and Oklahoma New Hire Data (SNH) occurred from March to April 2007. During that timeframe the number of OWGD matches increased from 105 to 6,698 and the number of SNH matches increased from 2,047 to 4,766. This increase strained the ability of case management staff to respond within the 30 day time period. FSSD is now producing the management reports timely. FSSD will plan for annual refresher notifications to staff on the functions and goals of the management report and on the discrepancy clearing process. FSSD also plans to establish procedures for flagging large influxes of exception data to determine its validity and to determine measures that will need to be taken to clear such exceptions.

FINDING NO: 07-830-016

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767, 93.778

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

FEDERAL AWARD NUMBER: 0605OK5021, 0705OK5021, 50605OK5028, and 50705OK5028

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 12,967

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

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

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

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

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

- For 6 of the 90 recipient case files selected for testing from Area 3, we were unable to obtain the case file supporting the eligibility determination. (Questioned Costs \$5,456)
- For 5 of the 90 recipient case files selected for testing from Area 3, the case file was provided; however, the determination which covered the time period when the service selected for testing was provided was not found in the case file. (Questioned Costs \$7,252)
- For 1 of the 90 recipient case files selected we were unable to conclude from the recipient case file documentation that the recipient was eligible to receive program benefits (Questioned costs \$259)

Schedule of Findings

Federal Award Findings

And Question Costs

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

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

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

Views of Responsible Official(s)

Contact Person: Karen Hylton

Anticipated Completion Date: April 15, 2008

Corrective Action Planned: Concur. We have contacted the county offices on the cases in question and have emphasized the importance of maintaining proper documentation in the case files. We expect this problem will subside in the future since Oklahoma county offices are currently on the imaging pilot program and paper case files and documents will no longer be kept. As the pilot program expands statewide this problem should diminish.

FINDING NO: 07-830-017

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0701OKTANF

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Reporting

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

Condition: We selected 45 cases from Section One of the quarter ended 6/30/07 TANF ACF-199 Data Report and traced the data included in the report to case file information for the critical line items as defined by the Compliance Supplement. We noted one case that was not exempt from federal time limit provisions; however, the benefit payment for the months of April and May were not counted toward the federal time limit.

Cause: The count reflected on 'BNMENU' on the DHS mainframe and the count reflected on the ACF-199 report do not agree.

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

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

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: August 31, 2008

Corrective Action Planned: Concur. The Department is in the process of analyzing and correcting the rare data inaccuracy with the BNMENU benefit tracking application. The problems are related to cases that have rapid and multiple status changes. In the interim, TANF program staff are continuing to use a data report to monitor those cases that have received 55 months or more, and auditing those cases against the data from the

Schedule of Findings Federal Award Findings And Questioned Costs

Department's Data Warehouse on a monthly basis. The TANF program staff will correct any discrepancies found manually. This will prevent any unauthorized benefit payments beyond the 60-month limitation.

Within federal guidelines on revisions to the ACF-199, care will be taken to synchronize the ACF-199 to any database changes made through BNMENU. Appropriate staff responsible for the ACF-199 will review the procedures for performing this synchronization process.

FINDING NO: 07-830-018

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0601OKTANF

FEDERAL AWARD YEAR: 2006

CONTROL CATEGORY: Special Tests and Provisions – Child Support Non-Cooperation

QUESTIONED COSTS: \$34

Criteria: 45CFR 264 states in part, "If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the SFAG for failure to substantially comply with this required State child support program.

DHS Policy 340-10-10-5(c) states, "If the applicant or recipient refuses to cooperate with OKDHS without good cause, the cash assistance must be reduced by 25% of the TANF payment standard the next effective date."

Condition: We tested 45 of 614 cases that were referred by the Child Support Enforcement Division (CSED) for child support non-cooperation during SFY07. During our testwork, we noted one of the 45 cases where the benefits were reduced or denied, but not within a reasonable time frame (30 days). Also, the benefits paid after the cases should have been reduced or denied were not being recouped. (Questioned Costs - \$34)

Cause: During SFY 2007 the process for applying the penalty to TANF cases that are not cooperating with CSED became automated. It appears that the case in question was referred by CSED for non-cooperation a few months prior to the automation of the process.

Effect: The Department may not be in compliance with the above stated federal regulations regarding child support non-cooperation cases. This may result in the State being penalized for up to five percent of the SFAG for failure to substantially comply with the required State child support program.

Recommendation: We recommend the Department implement policy and procedures to ensure that appropriate action is taken to reduce recipient benefits by twenty-five percent for all TANF recipients who are not cooperating with the Child Support Enforcement Division.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: Concur. Non coop was entered into the system on 08/11/06. Cash assistance should have been reduced effective 09/01/06 but was reduced 10/01/06 instead. The automation of the 25% non coop penalty which occurred after this date is designed to prevent such occurrences. On 10/16/06 client cooperated and cash assistance was restored effective 11/01/06. The amount of overpayment is \$34.00 for the month of September. County staff will be contacted to start the overpayment recoupment process. Follow-up will be done until the overpayment has been submitted and collection of such initiated.

Schedule of Findings

Federal Award Findings

And Question Costs

Department of Mental Health and Substance Abuse Services

FINDING NO: 07-452-001

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 07B1OKSAPT

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Reporting

Criteria: The A-133 Compliance Supplement Part L. 3. Special Reporting states “Substance Abuse Prevention and Treatment (SAPT) Block Grant Application - Form 06B, Summary of Tobacco Results by State Geographic Sampling Unit (OMB No. 0930-0080) – This form is part of the overall application for the SAPT Block Grant and it summarizes the tobacco inspection activities. Key Line Items – The following line items contain critical information: (3) No. of Outlets Randomly Inspected. (4) No. of Outlets Found in Violation during Random Inspections”

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

Condition: During our testing of the Annual SYNAR Report for FFY2007, we noted the following:

- For one outlet, the reported ‘Number of Sample Outlets Inspected’ in SSES Table 2, for the strata to which it belonged, was not supported by the Synar Compliance Sample List.
- For one outlet, a variance regarding eligibility status exists between the Oklahoma Synar Survey Inspection Form and the data reported in Synar Compliance Sample List and in SSES Table 2. The Synar Survey Inspection Form indicates that the outlet was ineligible for inspection due to being out-of-business, but the Synar Compliance Sample List and SSES Table 2 report that the outlet was eligible with no violation. This discrepancy led to misreported numbers in the columns ‘Number of Eligible Outlets in Sample’ and ‘Number of Sample Outlets Inspected’ of SSES Table 2.

Cause: It appears that the ‘Number of Eligible Outlets in Sample’ and ‘Number of Sample Outlets Inspected’ columns are misstated in SSES Table 2 of FFY 2007 Annual Synar Report.

Effect: The FFY2007 Synar Report appears to be inaccurate.

Recommendation: We recommend the Department develop procedures to ensure the information reported in the Synar Report accurately reflects the outlet inspections which were conducted. Additionally, we recommend that a FFY2007 Synar Report be revised to correct the inaccuracies.

Views of Responsible Official(s)

Contact Person: Richard Bowden, Federal Funds Administrator

Anticipated Completion Date: May 31, 2008

Corrective Action Planned: DMHSAS will ensure that the information submitted in the Synar report accurately reflects the inspection activities that actually occurred. The FFY-2007 Synar report will be revised to correct these inaccuracies.

FINDING NO: 07-452-002

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

Schedule of Findings Federal Award Findings And Questioned Costs

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse
FEDERAL AWARD NUMBER: 07B1OKSAPT
FEDERAL AWARD YEAR: 2007
CONTROL CATEGORY: Subrecipient Monitoring

Criteria: OMB Circular A-133, *Compliance Requirements*, states, “A pass-through entity is responsible during subrecipient audits for issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.”

Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) Internal Audit Procedure, Section 5 *Obtaining audit reports not submitted by due date*, states, “By contract, audit reports are due no later than six months after the end of an organization’s fiscal (accounting) year. “

Condition: During our testwork of five A-133 audits submitted by subrecipients to ODMHSAS, we noted the following:

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

Cause: The ODMHSAS internal audit division did not receive the audits within the required period and failed to follow-up on corrective action within six months of receipt.

Effect: The ODMHSAS has no assurance that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals are achieved.

Recommendation: We recommend ODMHSAS establish/implement policies and procedures to ensure the responsibility of monitoring subrecipients is assigned and performed in accordance with OMB Circular A-133.

Views of Responsible Official(s)

Contact Person: Richard Bowden

Anticipated Completion Date: April 30, 2008

Corrective Action Planned: Internal Audit will follow up on corrective action on audits that report findings within six months of receipt of the audit. Corrective action has been followed up on for the audit mentioned. Subrecipients that have not submitted their audit reports by the six month due date will be notified that their audit is past due and followed up on until receipt of the report.

REF NO: 07-452-001IT

STATE AGENCY: Department of Mental Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

CONTROL CATEGORY: Other

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

Condition: Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee For Service Applications. The ICIS system is used to collect and validate information about clients and the services provided to them. This information is used for evaluation, audit, and payment of services. Fee For Service

Schedule of Findings

Federal Award Findings

And Question Costs

uses information in ICIS and from contract services to determine the appropriate source of payment for services. It produces invoices and provides management reports based on ICIS data.

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

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

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

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: July 1, 2005

Corrective Action Planned: In Progress, reports are being developed to display access attempts. All in-house developed software (not just ICIS) is being modified to only be accessed thru the main web application portal "Courier" login. Courier is being modified to log access attempts. Formal resolution procedures are being developed.

Auditor Response: (08/06/07), we observed the "access control" system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however since the monitoring and reporting portion of this application is still under development we are rating this as partially corrected.

REF NO: 07-452-002IT

STATE AGENCY: Department of Mental Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

CONTROL CATEGORY: Other

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

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

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

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

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

Recommendation: The Department of Mental Health:

Schedule of Findings Federal Award Findings And Questioned Costs

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

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: July 1, 2005

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

Auditor's Response: As of 08/06/07, the agency has changed the developer access rights to the system and now only allows developers to have access rights to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel. The development and implementation of an environment that is only available to the developers and removing the developer's access rights from the production environment does mitigate a number of concerns in the original finding, however since remote access policies and procedures are still under development we are rating this as partially corrected.

REF NO: 07-452-003IT

STATE AGENCY: Department of Mental Health and Substance Abuse

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

CONTROL CATEGORY: Other

Criteria: Strategic Planning:

According to the standards of the Information Systems Audit and Control Association (CobiT) Planning and Organization PO1.1, senior management is responsible for developing and implementing long- and short-range plans that fulfill the organization's mission and goals. In this respect, senior management should ensure that IT issues as well as opportunities are adequately assessed and reflected in the organization's long- and short-range plans. IT long- and short-range plans should be developed to help ensure that the use of IT is aligned with the mission and business strategies of the organization. In addition, according to the State of Oklahoma, Information Security Policy, Procedures and Guidelines, Section 3.1, minimum standards include system planning, contingency planning and disaster recovery.

Condition: The agency did not provide an IT strategic plan for our review but explained that the IT Strategic Plan was being updated for compliance with the eventual HIPAA regulations.

Effect: The IT function may not be meeting the agency's current and future needs without an adequate strategic plan.

Recommendation: We recommend the OSDMH review their updated strategic plan to ensure it addresses the future needs of all management and considers recent developments in technology. In addition, this update and review should prepare OSDMH for the guidelines and procedure requirements of the Oklahoma Information Security Policy and Procedures Guidelines.

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: Ongoing

Corrective Action Planned: Review and update the IT Strategic Plan (short and long range).

Auditor Response: As of 08/06/07, the draft of the IT Strategic Plan is still being reviewed and updated.

Schedule of Findings

Federal Award Findings

And Question Costs

REF NO: 07-452-004IT

STATE AGENCY: Department of Mental Health and Substance Abuse

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

CONTROL CATEGORY: Other

Criteria: Quality Assurance:

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

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

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

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

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: Ongoing

Corrective Action Planned: Develop and implement a quality assurance unit within the IT division to provide oversight for development and implementation of IT projects.

Auditor Response: As of 08/16/07, the IT Steering Committee has been discussing how to proceed on this issue, and has requested information to help them in planning for quality assurance.

Oklahoma Military Department

FINDING NO: 07-025-001

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: Department of Defense

CFDA NO: 12.401

FEDERAL PROGRAM NAME: National Guard Military Operations & Maintenance Projects

FEDERAL AWARD NUMBER: W912L6-07-2-1000

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

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

Schedule of Findings Federal Award Findings And Questioned Costs

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

Cause: The timesheet used for this employee was an outdated version that did not include the certification statement. The employee's information was handwritten on the form. The employee worked for two months and neither timesheet contained the certification.

Effect: The department is not in compliance with OMB Circular A-87.

Recommendation: We recommend the department ensure certifications are performed at least semi-annually for employees charged directly to a federal program.

Views of Responsible Official(s)

Contact Person: Diana Watkins

Anticipated Completion Date: Procedure is in place

Corrective Action Planned: In January 2007 we implemented a timesheet that utilizes excel to calculate balances, and comp time earned. The certification is on all the monthly timesheets and State Personnel does not accept any other timesheet.

FINDING NO: 07-025-002

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: Department of Defense

CFDA NO: 12.401

FEDERAL PROGRAM NAME: National Guard Military Operations & Maintenance Projects

FEDERAL AWARD NUMBER: W912L6-07-2-1000

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

Criteria: The State Employee Handbook for personnel states "Supervisors and employees shall use the Time and Attendance Report provided by the State Personnel Office. The employee and supervisor shall certify the accuracy of the Time and Attendance Report by signing the timesheet. In the event the supervisor is absent, the timesheet may be signed by the next level supervisor. Employees must sign their timesheets."

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

Cause: The missing timesheet was either not completed by the employee or was misplaced by the payroll department. The employee or supervisor was not available to sign the other timesheets.

Effect: The department is not in compliance with the State Employee Handbook.

Recommendation: We recommend the department ensure every employee submits monthly timesheets and said timesheets are signed by the employee and supervisor.

Views of Responsible Official(s)

Contact Person: Diana Watkins

Anticipated Completion Date: Procedures are in place to ensure compliance

Corrective Action Planned:
Timesheet not in employee file

Schedule of Findings

Federal Award Findings

And Question Costs

We run a list of all current employees each month and the employee's name is marked off as the timesheet is received. We verify through this system that all current employee timesheets are received. The timesheet that was not in the file is probably misfiled. Human error will always be a factor.

Three timesheets not signed by employees

There are circumstances in which we cannot get an employee signature. Employee terminates their employment and does not return to sign the final timesheet. Employee is off work for sickness, injury or an accident. I will consider revising the employee hand book to included circumstances in which it would be appropriate to state "Employee unavailable for signature"

One timesheet not signed by the supervisor

This was an oversight on our part. We should always be able to get a supervisor signature even if we must go up the chain of command.

Since approximately June or July 2007, I have assigned one employee to verify all timesheets are received, signed, and have appropriate documentation.

FINDING NO: 07-025-003

STATE AGENCY: Oklahoma Military Department

FEDERAL AGENCY: Department of Defense, National Guard Bureau

CFDA NO: 12.401

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

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

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Equipment and Real Property

Criteria: According to OMB Circular A-133, Compliance Supplement, Part F. Equipment and Real Property: The requirements for equipment and real property are contained in the A-102 Common Rule.

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

74 O.S. § 62.6, states in part:

- A.1. Each chief administrative officer of a state agency, except as otherwise provided by subsection B of this section, shall maintain a current list of all surplus property held and disposed of by that state agency.
2. Except as otherwise provided in paragraph 3 of this subsection, such list shall include the location where surplus property is maintained, purchase price, when sold and selling price, if transferred to which state agency or authorized entity, and if otherwise disposed of, what manner of disposal.

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

- (d) **Supporting documents.** An agency shall maintain supporting documents to identify tangible assets. Document types include acquisition digital photographs or images and other documents that may provide pertinent tangible assets identification information.

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

- The Oklahoma Military Department is maintaining an inventory list; however, we were unable to determine that the inventory listing was complete.
- We also noted that supporting documentation of inventory purchases were not maintained in the inventory files.

Schedule of Findings Federal Award Findings And Questioned Costs

- The Oklahoma Military Department is maintaining a list of surplus property disposed of by the Department; however, the list does not include where the property is maintained, purchase price, when sold or selling price, if transferred to which state agency or authorized entity, and if otherwise disposed of, what manner.

Cause: The following are possible causes for the aforementioned conditions:

- The inventory listing did not contain necessary elements to determine it was complete.
- Supporting documentation for inventory was placed in files sporadically; some files had back-up documentation others had none.
- The disposal spreadsheet does not contain the required elements of disposing inventory.

Effect: The Oklahoma Military Department may have incomplete inventory records.

Recommendation: We recommend the Department develop and implement policies and procedures to ensure the inventory listing can be reconciled to the purchasing data. The listing should include both purchase order numbers and invoice numbers. We also recommend the Department include all supporting documentation (i.e. P.O., invoice, packing slip, etc.) in the inventory files and include all required elements in the disposal listing.

Views of Responsible Official(s)

Contact Person: Paul Edgemon @ (405) 228-5679 or paul.edgemon@us.army.mil

Anticipated Completion Date: March 1, 2008

Corrective Action Planned: The attached standard operating procedures are currently being implemented in order to improve communication between state inventory control officer and OKSRM-SA division.

Supporting documentation from inventory files will be transferred to surplus files upon approved transfer of surplus items by Department of Central Services. The OMD surplus/salvage spreadsheet will be expanded to accommodate the additional information requested above for accountability throughout the item's life-cycle. Disposal price may be difficult to obtain on items transferred to DCS for surplus disposal due to the fact that the Department of Central Services (except for vehicles) does not provide the sale price of the disposed item.

Department of Rehabilitation Services

FINDING NO: 07-805-001

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-050053, H126A-060053 and H126A-070053

FEDERAL AWARD YEAR: 2005, 2006, and 2007

CONTROL CATEGORY: Cash Management

Criteria: The FY 2007 Treasury-State Agreement with the State of Oklahoma details the manner in which federal funds are to be drawn down:

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

The FY 2007 Treasury-State Agreement 6.2.4 states:

“Payment Schedule – Monthly – Variation #3

Schedule of Findings

Federal Award Findings

And Question Costs

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

Payment Schedule – Monthly – Variation #8

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

The FY 2007 Treasury-State Agreement 6.2.1 states:

“Average Clearance

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

Condition: During testing we noted the following:

- One nonpayroll and payroll draw tested was documented as both payroll and nonpayroll expenditures. The payroll portion of the draw was deposited four working days after disbursement of July 1, 2006. The nonpayroll portion of the draw was deposited 39 working days after May 15, 2006 and was not an estimate based on actual payments of the prior month.
- One nonpayroll draw tested was deposited five working days after the 15th of the month. In addition, the Federal draw worksheet traced to the supporting documentation with a \$2000 variance.
- One payroll draw tested was deposited eight working days after disbursement.
- One payroll draw tested was deposited seven working days after disbursement. In addition, the support documentation did not contain the payroll disbursement and a variance of \$44,708.81 was noted. Information received from the program accountant indicated the subsequent draw would adjust the variance. We reviewed the subsequent draw and were unable to determine the adjustment.
- For the nonpayroll draws tested, the amount of the request was not an estimate based on actual payments of the prior month and adjusted to actual on a *monthly* or *quarterly* basis as described in Payment Schedule-Monthly-Variation #3 or Payment Schedule-Monthly-Variation #8.

Cause: The Department is following Payment Schedule-Monthly-Variation #5 and not the agreed upon Payment Schedule-Monthly-Variation #3 or Payment Schedule-Monthly-Variation #8 as specified in the Treasury-State Agreement.

Effect: The Department of Rehabilitation Services is in violation of the State of Oklahoma’s FY 2007 Treasury-State Agreement with the U.S. Treasurer.

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

Schedule of Findings Federal Award Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: Kevin Statham, Financial Manager

Anticipated Completion Date: June 30, 2008

Corrective Action Planned: Management concurs with the findings. Management understands that the Agreement requires estimates be used to calculate the draws and adjustment to actual be performed quarterly or monthly depending on the variation. The Agency has strengthened the data collection to calculate the draw and now have access to actual expenditures faster than before there by eliminating the need to perform the adjustments. The Agency will work with OSF to modify the CMIA agreement.

FINDING NO: 07-805-002

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-060053 and H126A-070053

FEDERAL AWARD YEAR: 2006 and 2007

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

QUESTIONED COSTS: \$2,607

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

The Department of Rehabilitation Services uses Title 612 of the Oklahoma Administrative Code as it policies and procedures.

Title 612:10-7-49 INSTRUCTIONS TO STAFF states:

1. "Before the case is closed, all unliquidated authorizations must be canceled or accounted for to determine if a claim will be made against any outstanding authorization."

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

- Three of the thirty-six case files did not contain a copy of the specified claim/authorization number and supporting documentation. In addition, one of the three case files also indicates the cost was incurred after the case was closed.
- One of the thirty-six case files was not provided by the Department.

Cause: Adequate documentation was not appropriately maintained in the case file to support expenditures.

Effect: The Department is not in compliance with OMB Circular A-133 Compliance Supplement Part B (a) (2) (j) and Title 612:10-7-49.

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

Views of Responsible Official(s)

Contact Person: Kevin Statham, Financial Services Administrator

Anticipated Completion Date: April 15, 2008

Corrective Action Planned: We concur with the audit finding. The Department currently has policy in place to address this issue. The appropriate Area Field Coordinator from which the case originated will be alerted to the audit finding and the case file will be corrected no later than April 15, 2008. This issue will be addressed in training by Unit Programs Managers. The issue will be further addressed the VR/VS Quality Assurance Team's training with Field offices. Lastly, the Quality Assurance team will make note to verify that cases find pin-pointed in the audit finding have indeed been corrected four months from the date of this response.

Schedule of Findings

Federal Award Findings

And Question Costs

FINDING NO: 07-805-003

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-060053 and H126A-070053

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Allowable Costs/Cost Principles

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

Condition: During testing of the direct payroll certifications, we noted the 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.

Cause: The Department did not adequately maintain the certifications for all employees that worked solely on the program.

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

Recommendation: We recommend the Department ensure certifications are maintained for employees charged directly to a federal program.

Views of Responsible Official(s)

Contact Person: Kevin Statham, Financial Manager

Anticipated Completion Date: May 1, 2008

Corrective Action Planned: We concur that the certification for all the tested employees were not immediately available. We do not feel that any inappropriate charges resulted from the oversight on certifications. The employees have routinely been certified as 100% and continue to be allocable to this program. We are in the process of developing an electronic certification process that should eliminate the manual process of collecting the certification as well as document when supervisory duties change.

FINDING NO: 07-805-004

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: H126A-060053 and H126A-070053

FEDERAL AWARD YEAR: 2006 and 2007

CONTROL CATEGORY: Eligibility and Activities Allowed or Unallowed

QUESTIONED COSTS: \$21,986

Criteria: OMB Circular A-133 Compliance Supplement Part E (1) state, “The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services...”

Schedule of Findings Federal Award Findings And Questioned Costs

According to 34 CFR Section 361.42 (3) (B) (ii), “If an applicant for vocational rehabilitation services asserts that he or she is eligible for Social Security benefits under Title II or Title XVI of the Social Security Act (and, therefore, is presumed eligible for vocational rehabilitation services under paragraph (a) (3) (i) (A) of this section), but is unable to provide appropriate evidence, such as an award letter, to support that assertion, the State unit must verify the applicant’s eligibility under Title II or Title XVI of the Social Security Act by contracting the Social Security Administration.”

According to 34 CFR Section 361.45 (a) (1), “An individualized plan for employment (IPE) meeting the requirements of this section and Sec. 361.46 is developed and implemented in a timely manner for each individual determined to be eligible for vocational rehabilitation services...”

The Department of Rehabilitation Services uses Title 612 of the Oklahoma Administrative Code as it policies and procedures.

Title 612:10-7-49 INSTRUCTIONS TO STAFF states, “Before the case is closed, all unliquidated authorizations must be canceled or accounted for to determine if a claim will be made against any outstanding authorization.”

Title 612:10-7-50(a) states, “...To continue assistance with college or university training, the client must maintain a cumulative 2.0 grade-point average (GPA), based on a four point (4.0) scale. The client must carry the minimum number of semester hours determined to be full time at the school attended.

Title 612:10-1-5 (a) states, “All client or applicant information acquired will remain the property of DRS. All casework materials are to be maintained in the appropriate case record.”

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

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

Cause: The Department did not follow established policies and procedures to support eligibility determinations.

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

Recommendation: We recommend the Department ensure established policies and procedures are followed.

Views of Responsible Official(s)

Contact Person: Kevin Statham, Financial Manager

Anticipated Completion Date: April 15, 2008

Corrective Action Planned: We concur with the audit finding. The Department currently has policy in place to address this issue. The appropriate Area Field Coordinator from which the case originated will be alerted to the audit finding and the case file will be corrected no later than April 15, 2008. This issue will be addressed in training by Unit Programs Managers. The issue will be further addressed the VR/VS Quality Assurance

Schedule of Findings

Federal Award Findings

And Question Costs

Team's training with Field offices. Lastly, the Quality Assurance team will make note to verify that cases find pin-pointed in the audit finding have indeed been corrected four months from the date of this response.

Department of Transportation

FINDING NO: 07-345-001

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:

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Davis-Bacon Act

Criteria: 29 CFR § 3.3(b) states in part: "Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period."

29 CFR § 3.4(a) states in part, "Each weekly statement required under § 3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work."

29 CFR § 5.5(a) states in part: "The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls..."

29 CFR § 5.6(a)3 states in part: "...Investigations shall be made of all contracts with such frequency as may be necessary to assure compliance. Such investigations shall include interviews with employees...and examinations of payroll data ..."

The procedures the Oklahoma Department of Transportation has implemented to fulfill this requirement are in Construction Control Directive Number 971114, which states:

The prime contractor and all approved subcontractors performing work on a Federally funded contract are required to submit weekly payroll records to the Residency. All payroll records from the prime contractor or subcontractor shall be received within two weeks of the end of the payroll reporting period. Payrolls for periods of "no work in progress" will not be required. The Residency will be required to stamp all payrolls indicating the date on which they were received. The Residency must monitor the payroll records received weekly and should notify the prime contractor in writing for any failure to submit the required payrolls or to submit a record with the necessary information (as detailed below) within the two week period. The written notification to the prime contractor may state actions that could be taken by the Residency, including holding future progressive payments until the contractual requirement has been satisfied. Any such correspondence must be stored in the project's payroll files.

Wage Rate Interviews

The Residency employees shall conduct systematic spot interviews of the prime contractor's and approved subcontractor's employees to identify whether the minimum wage and other labor standards of the contract are being fully complied with and that there is no misclassification of an

Schedule of Findings Federal Award Findings And Questioned Costs

employee. One employee of the prime contractor or subcontractor shall be interviewed each month during the duration of the original contract time. A minimum of two employees shall be interviewed on a specific contract.

The Residency should ensure that interviews of subcontractors' employees are done as well as the prime contractor's employees. An employee shall not be interviewed more than once per contract. This form shall be used to record the information obtained from the interview. (auditor note: the wage rate interview form is attached to the back of Directive 971114) Once an employee is interviewed, the results of the interview should be checked against the information contained in the weekly payroll record for that date and the payroll record should be reviewed for completeness. There is no mandatorily prescribed format for the contractor's or subcontractor's payroll records, however, payroll records received by the Residency shall contain, at a minimum, the following information:

1. Each employee's full name, address, and social security number.
2. Each employee's classification.
3. Each employee's hourly wage rate and, where applicable, overtime hourly rate.
4. The daily and weekly hours worked in each of the employee's classification, including actual overtime hours worked.
5. The itemized deductions made for each employee.
6. The net wages paid to each employee.

Condition: We selected 40 out of a possible 86 projects to test for compliance with the requirements of 29 CFR Parts 3 and 5 and the Department's internal control directive. These parts of the Code of Federal Regulations were designed to aid in the enforcement of the minimum wage provisions of the Davis-Bacon Act. For the 40 projects selected, we requested the following:

- All payrolls received for the weeks during state fiscal year 2007 (July 1, 2006 through June 30, 2007).
- All correspondence that was sent to the contractor that notified them of any deficiencies during that time frame.
- All wage rate interview forms completed during that time frame.

Each project file was reviewed to determine if the residency appeared to be monitoring the contractor and/or subcontractor to ensure they were in compliance with Davis Bacon requirements.

Based on the testwork performed, we noted the following:

- Exceptions noted concerning the completion of the wage rate interview
 - Seven of the forty project files tested did not have a wage rate interview for every month for which they had payrolls submitted.
 - For two of the forty project files tested, it appeared that the residency is not consistently following the payroll monitoring requirements as stated in Construction Control Directive Number 971114. The residencies are not consistently date stamping the payrolls when they are received and there is no log (note: if the payrolls were not date stamped, a log documenting the week ending on the payroll and the date received was used in lieu of date stamping on the actual payrolls) of when the payrolls were received to ensure that all the payrolls are received and in a timely manner.
 - For one of the forty project files tested, we noted that all but one of the payrolls received from a contractor on a project were not date stamped. The one payroll that was date stamped had a payroll week ending date of 3/31/2007 and the date stamp marked as received was 10/30/2007. Therefore, there is no evidence that the residency is monitoring the receipt of payrolls in accordance with Construction Control Directive Number 971114, ODOT's internal policy.
 - For one of the forty project files tested, it appears that the residency is not notifying the contractor in a timely manner that required payrolls have not been submitted, and therefore, not consistently following the payroll monitoring requirements as stated in Construction Control Directive

Schedule of Findings

Federal Award Findings

And Question Costs

Number 971114. This was evidenced by logging of payrolls from a contractor almost one year after they should have been received by the residency.

- Two of the forty projects tested had only one wage rate interview in the project file; however the Construction Control Directive Number 971114 requires that a minimum of two employees shall be interviewed on a specific contract.
- Five of the forty projects had wage rate interview forms in the file where the bottom portion of the form was not completed – This section of the form verifies that the Inspector checked the information obtained from the interview against the information on file from the payrolls. Additionally some of the forms received did not have a place for the resident engineer to sign and date, thereby signifying approval.
- Two of the forty project files tested had wage rate interview forms completed on a supervisor or foreman. The employee was identified as a salaried employee on the wage rate interview form and on the contractor payrolls. Therefore the Davis Bacon prevailing wage rates do not apply.
- Five of the forty project files tested did not have any wage rate interview forms included in the project file.

Cause: Construction Control Directive 971114 provides direction for the residencies to set up their project files in such a way to allow them to ensure payrolls are received and that wage rates are consistent with Davis Bacon Requirements. However it appears that further training is needed in this area to stress the importance of maintaining the project files. Additionally it appears that the resident engineer should ensure that he/she reviews all of the wage rate interview forms, this should include a review of the coinciding payrolls to check wage rate information, employee title name and wage per hour compared to the prevailing wage rates. The resident engineer should sign and date each form indicating their review.

Effect: Consistent application of 29 CFR Parts 3 and 5 and Internal Control Directive 971114 should ensure the Department is in compliance with the Davis-Bacon Act requirements, and also ensure the Department has complete and accurate documentation to support their compliance efforts.

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

Views of Responsible Official(s)

Concur with Finding, with the following exceptions/comments:

1. The statement on the first condition, that “Seven of the forty project files tested did not have a wage rate interview for every month for which they had payrolls submitted.” The Construction Control Directive simply requires that “*One employee of the prime contractor or subcontractor shall be interviewed each month during the duration of the original contract time.*” Therefore, there will be instances when payrolls are received during a month beyond the duration of the original contract time when a wage rate interview will not be required.
2. The agency is still in the learning curve for the recently revised Construction Control Directive. The last revision date of the Directive actually occurred during FY 2007. Familiarity and training about this directive for agency personnel should reduce the number of inconsistencies cited on most of the conditions.

Contact Person: George T. Raymond, State Construction Engineer

Anticipated Completion Date: Staged implementation beginning FY 2007.

Corrective Action Planned:

1. Continued emphasis and communication on the Davis-Bacon requirements, including:
 - a. Distribution of the Finding results and the response to field personnel.
 - b. Discussion with management to continue emphasis with field personnel.
 - c. Discussion and emphasis to contractor associations.
2. Continued training and emphasis of proper utilization of SiteManager software program.
3. Training and emphasis of the requirements of Construction Control Directive No. 971114, including requirements to stamp the date received on the payrolls as they are received, that follow up

Schedule of Findings Federal Award Findings And Questioned Costs

- correspondence to the contractor be logged or filed in the payroll files and to properly complete the entire wage rate interview form along with its comparison to the certified payroll.
4. Participation of ODOT in an AASHTO pool-funded project to develop software that can interface with SiteManager is currently underway. This new software will assist the agency in managing the submittal and verification of payrolls and the reporting required by the federal regulations. It could be available for testing later this year.

FINDING NO: 07-345-001IT

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:

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Delivery & Support objective #4, management should ensure IT services are available as required and to ensure a minimum business impact in the event of a major disruption. The methodology should ensure that the user departments establish alternative processing procedures that may be used until the IT function is available to fully restore its services after a disaster or an event. A continuity plan should identify the critical application programs, third-party services, operating systems, personnel and supplies, data files and time frames needed for recovery after a disaster occurs. Critical data and operations should be identified, documented, prioritized, and approved by the business process owners, in cooperation with IT management.

Condition: There is no documented, approved, and tested disaster recovery plan as well as no alternative processing procedures to ensure the continuance of state business, regardless of the condition of the IT environment. ODOT systems have not been classified and prioritized to identify the critical infrastructure and application systems, personnel and supplies, data files, as well as time frames needed for recovery should a disaster or other event occur.

Effect: Without a documented, approved and tested disaster recovery plan, efforts to restore the environment after a disaster or event could be prolonged or possibly unsuccessful. Without alternative processing procedures for end user departments, state business could become ineffective or cease due to reliance on the technology used in the business.

Recommendation: Management should develop a comprehensive disaster recovery plan. Such a plan should be developed through cooperation with IT management and the business process owners, and should take into consideration:

- Critically classification.
- Alternative procedures.
- Back-up and recovery.
- Systematic and regular testing and training.
- Monitoring and escalation procedures.
- Internal and external organizational responsibilities.
- Business continuity activation, fallback and resumption plans.
- Risk management activities.
- Assessment of single points of failure.
- Problem management.

Schedule of Findings

Federal Award Findings

And Question Costs

Views of Responsible Official(s)

Contact Person: David Ooten

Anticipated Completion Date: Ongoing

Corrective Action Planned: Over the past several years, OSF has explored the option of a cold site backup data center with all state agencies. ODOT has elected to wait until the results of the effort are known to determine the appropriate course of action to take.

FINDING NO: 07-345-002IT

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:

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Other

Criteria: The Information Systems Audit and Control Association management guidelines, Control Objectives for Information Technology (CobiT) Delivery and Support objective #11, states that management should ensure that data remains complete, accurate and valid during its input, update, and storage.

Condition: Our review of the weekly process to transfer data from the Financial Management System to the Project Funding System and subsequent creation of the weekly billing to the Federal Highway Administration (FHWA) found the procedures to be inadequate in ensuring the transfer was complete. In addition, the data processing and tracking techniques used to calculate the weekly billing to the FHWA does not prove data processing continuity either in number or records or dollar amounts between the source information used to create the billing and the final amount billed to FHWA. After several attempts by Comptroller Division staff, it was determined that the final amount billed to FHWA cannot be reconciled to the source information used to create the billing.

Effect: A weak internal control structure has increased the risk of inaccurate federal funds billing and reporting. The internal control structure is weakened. Data loss could occur during the process. This loss may not be discovered and corrected.

Recommendation: We recommend the Department of Transportation adopt a procedure for monitoring information systems, to include controls to ensure the completeness, validity, and accuracy of source information used to create the FHWA billing. This would entail matching system reports to relevant control totals at the onset of processing. These beginning totals, once validated, should be carried forward and reconciled with adjustments for proven processing shown by system reporting. The beginning totals, adjusted for this processing should agree with the amounts billed to FHWA. To implement such controls, the Department of Transportation should consider implementing documented error procedures that include:

- Accuracy checks
- Completeness and authorization checks
- Date input error handling
- Data processing integrity
- Data processing data error handling.
- Correction and resubmission of errors require approval
- Assign individual responsibility for suspense files, generate reports for non-resolved errors
- A suspense file prioritization scheme should be available based on age and type of error.

Schedule of Findings Federal Award Findings And Questioned Costs

Views of Responsible Official(s)

Contact Person: David Ooten

Anticipated Completion Date: Ongoing

Corrective Action Planned: ODOT has had for some time the process and procedures in place to reconcile the project funding system (PFS) to the systems that feed expenditure. Those systems are the financial management system (FMS), the equipment system, the time and attendance system (A-), and the lab cost system. When and if, costs are not accepted by PFS from the other systems, a process is available to ensure that any valid costs are corrected and loaded into PFS for the capturing of projects cost and possible billing to a partnering entity.

FINDING NO: 07-345-003IT

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:

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Planning & Organization objective #4, management should ensure the organization is suitable in numbers and skills with roles and responsibilities defined and communicated, aligned with the business and that facilitates the strategy and provides for effective direction and adequate control. These roles and responsibilities should be designed with consideration to adequate segregation of duties.

Condition: End users within the Comptroller Division have direct access to change/modify production reporting through TSO. The ability to modify the results of production reports jeopardizes the integrity of the financial information. Data and production reporting modified in this way is not subject to audit trails or other application controls. Additionally, the financial reconciliation of the material ODOT accounts found in their statement of net assets (e.g., Infrastructure, Construction in Progress, Federal Receivable) are performed using Ad-Hoc queries rather than through standardized production reporting.

Effect: Data and production reporting are subject to an increased risk of unauthorized, erroneous or fraudulent changes outside of the controls offered by the applications.

Recommendation: End users should only have access to change / modify production data through application controls as specified by the data owner. Direct user access to production data should be discouraged and eliminated through an overall application and operating system security design specified by the data owner. Material accounts should be reconciled using standardized production reporting to prevent inherent differences that could occur between periods when ad-hoc queries are used.

Views of Responsible Official(s)

Contact Person: David Ooten

Anticipated Completion Date: Ongoing

Corrective Action Planned: This finding refers to the ability of the Comptroller personnel to develop ad hoc reports from production databases and historical files. The ability of those personnel to develop those reports is necessary and will not be restricted.

This page intentionally left blank.

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Note: Schedule is presented alphabetically by state agency.

Department of Career and Technology Education

Finding No: 06-800-001

CFDA NO: 84.048

Federal Agency: United States Department of Education

Control Category: Eligibility

Finding Summary: The 1999 census data was used to calculate the allocation of secondary schools for the 30 percent of individuals who reside in the school district served by such LEA and 70 percent of individuals who reside in the school district served by such LEA from families with incomes below the poverty line. All of the 430 eligible schools had a variance over/under the amount they should have been allocated had the correct percentage been used.

Status: Corrected.

Department of Education

Finding No: 96-265-003

CFDA: All Federal Programs

Federal Agency: Department of Education

Questioned Costs: \$6,200,000

Control Category: Allowable Costs/Cost Principles

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

Status: Partially Corrected.

We have submitted information to the U.S Department of Education regarding the finding, including possible offsets, and other allowances. Awaiting response from the U.S Department of Education.

Finding No: 02-265-006, 02-265-007, 03-265-003, 04-265-005

CFDA: 84.010

Federal Agency: Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: The Department does not appear to be following up on subrecipient audit findings as required by the Department's procedures.

Status: Corrected.

Finding No: 05-265-002

CFDA: 84.010

Federal Agency: Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: Of seventy-seven (77) (27 onsite and 50 desk reviews) reviews tested for FY '05 we noted that twenty-eight (28) of the desk reviews did not contain documentation to indicate if a Title I review had been completed by the assigned director.

Status: Corrected.

Finding No: 05-265-003, 06-265-001

CFDA: 84.027, 84.173

Federal Agency: Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: During testwork of the Special Education division's monitoring processes and procedures, we noted the agency is performing desk and on-site reviews. However, there is no monitoring

Summary Schedule of Prior Findings

of subrecipient claims that are submitted for reimbursement by schools and no monitoring procedures in place stating how subrecipient expenditures will be monitored to ensure awards are used for authorized purposes.

Status: Corrected.

Finding No: 06-265-002

CFDA: 84.010

Federal Agency: United States Department of Education

Control Category: Subrecipient Monitoring and Special Tests (Comparability, Highly Qualified Teachers, and School-wide)

Finding Summary: Of the 121 reviews (25 on-site visits and 96 desk monitoring reviews) performed in FY 2006, we tested 45 (9 on-site visits and 36 desk monitoring reviews) and noted the following:

- a. In fourteen (14) of the files, corrective action was needed from the LEA, however no follow-up was done to determine if the LEA was in compliance with program requirements.
- b. In five (5) of the files, there was no documentation in the file to indicate a review had been completed or that OSDE followed up on corrective action plans. Therefore, no further test work could be performed to determine if the districts were in compliance with the highly qualified teachers, comparability, and school-wide requirements.
- c. In two (2) files, for Berryhill School District and Copan School District, there was no documentation to indicate if the highly qualified teacher requirements had been met.
- d. In the file for Mason School District, there was no documentation to indicate the district had responded to OSDE's request for verification of the highly qualified teacher requirement.

In addition, when we reviewed the subrecipient monitoring log during our testwork, we were unable to determine whether corrective action was timely on the part of the LEA, when applicable.

Status: Corrected.

Finding No: 06-265-003

CFDA: 84.010

Federal Agency: United States Department of Education

Control Category: Maintenance of Effort/Level of Effort

Questioned Costs: \$9,436.61

Finding Summary: Of the 55 maintenance of effort calculations tested, we noted one (1) allocation reduction had not been appropriately reduced.

Status: Corrected.

Finding No: 06-265-004

CFDA: 84.010

Federal Agency: United States Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: During our testing of 45 subrecipient audits, it was noted that the Title I, Part A, program personnel had not been notified by Financial Accounting of the Federal findings noted in the Oklahoma City School District No. I-89 FY 2005 independent audit report. The audit was received in Financial Accounting on March 24, 2006. Two material weaknesses related to the program were noted. It appears a management decision on the audit findings has not been issued within the 6 months after receipt of the subrecipient's audit report as required by the OMB Circular A-133.

Status: Corrected.

Finding No: 06-265-005

CFDA: 84.010

Federal Agency: United States Department of Education

Control Category: Subrecipient Monitoring

Summary Schedule of Prior Findings

Finding Summary: During our testing of subrecipient audits, it was noted that not all of the FY 2005 audits had been reviewed by the Financial Accounting Division. One audit (Luther school district) with Federal audit findings was received by the Department on March 8, 2006. The program division was not notified of the audit exceptions until November 21, 2006. Therefore, a management decision on the audit findings has not been issued within the 6 months after receipt of the subrecipient's audit report as required by OMB Circular A-133.

Status: Corrected.

Department of Emergency Management

Finding No: 06-309-001

CFDA: 97.039

Federal Agency: Department of Homeland Security

Control Category: Period of Availability

Questioned Costs: \$50,544

Finding Summary: We noted a planning project during internal controls and expenditures during substantive testwork that were not closed within the three year period of availability and the department did not request and/or retain an extension.

Status: Corrected.

Finding No: 06-309-002

CFDA NO: 97.039

Federal Agency: Department of Homeland Security

Control Category: Sub-recipient Monitoring

Finding Summary: We noted projects with federal and sub-grantee administrative funds that were not de-obligated timely. Also, we noted a project that had a checklist that was not completed and signed due to the untimely de-obligation of funds.

Status: Corrected.

Finding No: 06-309-003

CFDA: 97.039

Federal Agency: Department of Homeland Security

Control Category: Allowable Costs

Finding Summary: We noted expenditures that did not have documentation maintained in the file to adequately support project costs at the time of our testwork and these costs had already been paid. Documentation was later obtained from the jurisdictions to support the expenditures and appeared to be for allowable costs.

Status: Corrected.

Finding No: 06-309-006

CFDA: 97.036

Federal Agency: Department of Homeland Security

Control Category: Subrecipient Monitoring

Finding Summary: Quarterly performance reports are not due until 90 days after the Joint Field Office (JFO) closes for a disaster; however, there is no OEM written policy stating when the applicant's quarterly reports should be submitted to OEM.

Status: Corrected.

Finding No: 06-309-007

CFDA: 97.036

Federal Agency: Department of Homeland Security

Control Category: Subrecipient Monitoring

Summary Schedule of Prior Findings

Finding Summary: We noted applicant projects that were completed and the final payment had been made but no close-out had been performed.

Status: Corrected.

Finding No: 06-309-008

CFDA: 97.036

Federal Agency: Department of Homeland Security

Control Category: Special Tests and Provisions

Finding Summary: During testing of applicant claims, we noted applicant case files that contained a *P-4 – Project Completion and Certification Report*; however, it was not signed by the applicant or OEM.

Status: Corrected.

Finding No: 06-309-009

CFDA: 97.036

Federal Agency: Department of Homeland Security

Control Category: Sub-recipient Monitoring

Finding Summary: During A-133 subrecipient monitoring testwork, we noted there was no documentation in the applicants case file that OEM obtained the A-133 audits; therefore, possible findings are not being reviewed or followed-up.

Status: Corrected.

Department of Health

Finding No: 05-340-003, 06-340-005

CFDA: 93.283

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: The Breast and Cervical Cancer department personnel were unable to locate documentation showing that each subrecipient received an on-site visit. Also, the department did not complete the Contract Risk Assessment Tools, Contract Administration Plans, and Contract Monitoring Plans.

Status: Corrected

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

CFDA: 93.283

Federal Agency: Department of Health and Human Services

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

Control Category: Real Property and Equipment Management

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

Status: Partially corrected (Repeat Finding 07-340-007)

Physical inventory conducted in FY-07 has been reconciled and signed off on per agency policy. Documentation has been placed on file. As previously state, we do not have inventory, accounting and purchasing records in a single system to accurately record amount paid for each asset and existing salvage/surplus values are assigned to every item at 10% of original value in the current software.

Finding No: 05-340-007, 06-340-003

CFDA: 93.283

Federal Agency: Department of Health and Human Services

Control Category: Earmarking

Summary Schedule of Prior Findings

Finding Summary: Based on discussion with management and review of accounting records, it appears OSDH does not track Breast and Cervical Grant expenditures at a level to make a conclusive determination of whether or not the earmarking requirement was met.

Status: Corrected

Finding No: 06-340-006

CFDA: 93.283

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: Based on our review, it appears that the Contract Risk Assessment Tools, Contract Administration Plans, and Contract Monitoring Plans for the Bioterrorism program were not completed during the period of July 1, 2005 to June 30, 2006.

Status: Corrected

Oklahoma Health Care Authority

Finding No: 03-807-011, 04-807-004, 05-807-005, 06-807-009

CFDA: 93.778, 93.767 & 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: Based on conversation with personnel in the Drug Rebate division and testwork performed, five of fifty labelers tested did not pay interest to OHCA on disputed or unpaid amounts. Further, two labelers did not respond to OHCA's invoices; however, nonpayment has not been reported to CMS, nor has interest been charged for the unpaid total.

Status: Corrected

Finding No: 04-807-003, 05-807-004, 06-807-001

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions-Utilization Control and Program Integrity

Finding Summary: During testing cases, we noted instances where the first level of review was initiated more than 50 days from the date of selection or 65 days from the receipt of the tape, whichever comes first. We also noted cases in which OFMQ had performed the sample selection months prior to the time we performed our testwork, however, the first level of review had not yet been initiated as of the time we performed our testwork. Also, we noted cases that were appealed that did not have the reconsideration decided within 45 days of receipt of the documentation from the provider.

Status: Corrected

Finding No: 06-807-004

CFDA: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program \$2,546 and State Children's Insurance Program \$207

Finding Summary: While performing analytical procedures on MAP and SCHIP laboratory and radiology service claims, we noted MAP and SCHIP claims that appear to have been improperly coded.

Status: Corrected

Finding No: 06-807-005

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$3,836

Finding Summary: While performing analytical procedures on Medical Assistance Program case management service claims, we noted claims that appear to have been improperly coded. These were

Summary Schedule of Prior Findings

claims with procedure codes identified in the “2006 Ingenix HCPCS Level II Expert” book as a once per month procedure and the recipient received the procedure twice in the same month.

Status: Corrected

Finding No: 06-807-006

CFDA: 93.767

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$172

Finding Summary: While performing analytical procedures on State Children’s Health Insurance Program EPSDT service claims, we noted claims that appear to have been improperly coded. These were claims with procedure codes identified in the “2006 Ingenix CPT Expert” as an age specific code and the recipient did not meet the age requirement.

Status: Corrected

Finding No: 06-807-007

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Questioned Costs: \$460,762

Finding Summary: Based on testwork of all quarters of SFY 2006 for Fund 200 Cost Allocation, we noted that no department codes were allocated to cost objective A44 from cost pool 702. Also, the total allocated amounts from cost pool 702 do not match the total to be allocated from cost pool 702.

Status: Partially corrected, see current year finding #07-807-001. This formula was corrected for the quarter ending 03-31-07 and prior period adjustments were made for quarters ending 12-31-05, 03-31-06, 06-30-06, and 09-30-06 on CMS 64 for 03-31-07.

Finding No: 06-807-010

CFDA: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

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

Status: Not corrected, see current year finding #07-807-002. OHCA concurs with the finding that drug rebate invoices were not mailed timely during FYE 6-30-07. For the four quarterly invoice cycles of FYE 6-30-07, the number of days late in mailing were 47, 8, 20 and 2, respectively. OHCA will meet with its fiscal agent, EDS, to decide the best approach to implement new procedures deemed necessary to ensure invoices are mailed in a timely manner.

Finding No: 06-807-011

CFDA: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Provider Health and Safety Standards

Finding Summary: We sampled hospitals to ensure the Authority had documentation that the hospitals met the prescribed health and safety standards and we noted that hospitals either did not contain a Joint Commission Accreditation or Medicare Certification, a copy of their current license, a current contract with OHCA, or a CLIA Certification.

Status: Corrected

Finding No: 06-807-012

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: When reviewing the Fund 200 Cost Allocation for the quarter ended 9/30/05, we noted that costs were allocated to cost objective A44 from cost pool 529 which is not in accordance with the CAP in effect at the time.

Summary Schedule of Prior Findings

Status: Corrected

Finding No: 06-807-013

CFDA: 93.767

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

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$371

Finding Summary: Based upon a medical professional's review of medical records to support Early and Periodic Screening, Diagnosis and Treatment Program (EPSDT), the following exceptions were noted:

- Four services in which the medical record does not support the services billed, the medical record does not support the procedure code billed; however, does support another procedure code. (Questioned Costs \$200)
- One service in which no medical record was provided. (Questioned Costs \$100)
- One service in which the medical record does not support the service billed. (Questioned Costs \$71)

Status: Corrected

Finding No: 06-807-014

CFDA: 93.778

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

Control Category: Activities Allowed or Unallowed

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

- Two services in which the medical record diagnosis is inconsistent with the procedure billed.
- Two services in which the medical record does not support the procedure billed however does support another procedure code.

Status: Corrected

REF No: 06-807-015

CFDA: 93.778

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

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$811

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

- One service in which the medical record does not include sufficient documentation to support the procedure code billed. (Questioned Costs \$16)
- Three services in which the medical record does not support the procedure billed; however, does support another procedure code. (Questioned Costs \$247)

One service in which the medical record documentation indicated no direct contact with the member occurred during the billing period as required by Medicaid. (Questioned Costs \$548)

Status: Not corrected, see current year finding #07-807-008. We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA Program and Integrity division will continue to review for these types of errors during their annual audits of Medicaid expenditures.

Department of Homeland Security

Finding No: 06-585h-001

CFDA: 97.067, 97.004, 16.007

Federal Agency: Us Department Of Homeland Security

Control Category: Activities Allowed And Allowable Costs, Cash Management, Earmarking, Reporting, & Period Of Availability, Special Tests

Summary Schedule of Prior Findings

Finding Summary: The Office Of Homeland Security Does Not Have Sufficient Written Policies And Procedures In Place To Address The Operations Of The Homeland Security Grant.

Status: Corrected.

Finding No: 06-585H-002

CFDA: 16.007

Federal Agency: US Department of Justice

Control Category: Period of Availability

Questioned Costs: \$3,720.40

Finding Summary: During testing, we noted one of four charges to the FY1999 grant was obligated after the period of availability and liquidation of that obligation occurred more than 90 days after the period of availability.

Grant ID	Entity	Drawdown #	Amount	Obligation	Drawdown Date	Liquidation
1.07	Shawnee Fire Dept	DD #26	3,720.40	3/13/2005	06/21/05	7/6/2005

Status: Corrected, in as much as this was a one time event and not something that could be undone. As noted, we have redoubled our effort to be sure a similar event does not happen again.

Finding No: 06-585h-003

CFDA: 97.067, 97.007, 16.007

Federal Agency: Us Department Of Homeland Security

Control Category: Subrecipient Monitoring

Questioned Costs: \$2,466.35

Finding Summary: During our testing of subrecipient monitoring we noted the following:

- OHS has developed a protocol for subrecipient monitoring however it has not been fully implemented. OHS does perform various desk monitoring procedures but did not perform any on-site monitoring for the year including monitoring of subgrantees to ensure that equipment and other assets purchased with Federal funds are being inventoried, tagged, recorded and used appropriately.
- OHS does not have procedures or a tracking system in place for obtaining and reviewing the single audits reports of subgrantees that are required to have such audits.
- OHS in 29 of 60 subawards either communicated the incorrect CFDA number to subrecipients or did not communicate the CFDA number to subrecipients.

Status: Corrected. A monitoring coordinator has been hired. This individual is actively conducting on site monitoring visits to various subgrantees and has begun to compile single audit reports. Further, previous confusion about the appropriate CFDA number associated with various grants has been eliminated.

Finding No: 06-585h-05

CFDA: 97.067, 97.004, 16.007

Federal Agency: Us Department Of Homeland Security

Control Category: Reporting

Finding Summary: There are no reconciliations or reviews performed to determine if information in the PeopleSoft accounting system is consistent with internal records OHS uses to prepare financial reports. Also, no managerial reviews of reports were performed.

Status: Corrected. Monthly reports are being received from DPS Accounting and reviewed by OKOHS personnel.

Department of Human Services

Finding No: 99-830-028, 03-830-024, 04-830-035, 05-830-020, 06-830-008

CFDA: 10.551, 10.561, 93.558, 93.563, 93.575, 93.596, 93.658, 93.667, 93.994

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

Summary Schedule of Prior Findings

Control Category: Reporting

Finding Summary: There are no written policies and procedures, which apply to the Cost Accounting and Revenue Enhancement Unit of the Office of Finance.

Status: Corrected

Finding No: 00-830-021, 01-830-028, 02-830-014, 03-830-003, 04-830-021, 05-830-022, 06-830-013

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: The Department was unable to provide detail supporting the information reported on the Annual Report of Households assisted by LIHEAP.

Status: Corrected

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

CFDA: 93.558

Federal Agency: Department of Health and Human Services

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

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

Status: Not corrected, current year finding #07-830-018. Concur. Non coop was entered into the system on 08/11/06. Cash assistance should have been reduced effective 09/01/06 but was reduced 10/01/06 instead. The automation of the 25% non coop penalty which occurred after this date is designed to prevent such occurrences. On 10/16/06 client cooperated and cash assistance was restored effective 11/01/06. The amount of overpayment is \$34.00 for the month of September. County staff will be contacted to start the overpayment recoupment process. Follow-up will be done until the overpayment has been submitted and collection of such initiated.

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

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

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

Status: Partially corrected, current year finding #07-830-004. Concur. The issuance of TANF benefits was due to coding errors at time of application/authorization. A “TANF TALK” training document will be written regarding 1) correct computer coding of DA certification and 2) proper coding used to issue remaining eligible benefits within the 90 day timeframe of DA application. This document will be issued to staff as a broadcast message and placed on the FSSD/TANF infonet website. In both cases the county has been notified to complete a TANF overpayment for the amounts in question.

Finding No: 04-830-003, 05-830-003, 06-830-001

CFDA: 93.044, 93.045

Federal Agency: Department of Health and Human Services

Control Category: Cash Management

Questioned Costs: Undeterminable

Finding Summary: *FY '04 & FY '05 finding:* Based on testwork performed and discussion with management, it appears there are no written procedures in place to determine the monthly disbursement amount for each subrecipient (Area Agency on Aging (AAA)). Also, it appears the program director is judgmentally determining the amount disbursed to each subrecipient without a methodology that complies with Treasury Subpart B.

Summary Schedule of Prior Findings

FY '06 finding: Written procedures in place to determine the monthly disbursement amount for each subrecipient (Area Agency on Aging (AAA)) during SFY 2006 were not followed for the months of April through June of 2006. Also, the amount that was disbursed to each subrecipient during this time period was judgmentally determined without a methodology that complies with Treasury Subpart B.

Status: Corrected

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

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

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

Status: Not corrected, current year finding #07-830-007. Concur. We will establish and implement procedures to differentiate between TANF Daycare assistance and non-assistance benefits in order to correctly report these expenditures.

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

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

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

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

Status: Partially corrected, current year finding #07-830-003. Concur. For condition 1, edits are in place to prevent families from receiving energy assistance who have income over the standards. However, the edits in place cover households up to 8 individuals. This item has been referred to programming for review and correction. As with all family support programs, it is a statewide expectation that applications for energy assistance programs be filed in the working case file or via electronic imaging, as applicable. Instructions for energy assistance programs are distributed via broadcast mail 2-3 weeks prior to the start of each application period. The processing instructions are being revised to include a line item stating all applications, checklists and documentation are to be filed in the working case file or via electronic imaging, as applicable. The instructions will also remind personnel to complete a LIHEAP checklist for walk-ins, where applicable. We will encourage the County Advisors and Supervisors to retrain affected employees. We will also continue to search our files for the missing documentation noted above.

Finding No: 04-830-032, 05-830-012, 06-830-010, 06-830-011

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility/Activities Allowed or Unallowed/Reporting

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

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

Status: Partially corrected, current year finding #07-830-003. Concur. For condition 1, edits are in place to prevent families from receiving energy assistance who have income over the standards. However, the edits in place cover households up to 8 individuals. This item has been referred to programming for review and correction. As with all family support programs, it is a statewide expectation that applications for energy assistance programs be filed in the working case file or via electronic imaging, as applicable. Instructions for energy assistance programs are distributed via broadcast mail 2-3 weeks prior to the start of each application period. The processing instructions are being revised to include a line item stating all

Summary Schedule of Prior Findings

applications, checklists and documentation are to be filed in the working case file or via electronic imaging, as applicable. The instructions will also remind personnel to complete a LIHEAP checklist for walk-ins, where applicable. We will encourage the County Advisors and Supervisors to retrain affected employees. We will also continue to search our files for the missing documentation noted above.

Finding No: 06-830-012

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: We noted one case that was not exempt from federal time limit provisions when reviewing Section One of the quarter ended 6/30/06 TANF ACF-199 Data Report. However, the benefit payment for the months of April and May were not counted toward the federal time limit.

Status: Partially corrected, current year finding #07-830-017. Concur. The Department is in the process of analyzing and correcting the rare data inaccuracy with the BNMENU benefit tracking application. The problems are related to cases that have rapid and multiple status changes. In the interim, TANF program staff are continuing to use a data report to monitor those cases that have received 55 months or more, and auditing those cases against the data from the Department's Data Warehouse on a monthly basis. The TANF program staff will correct any discrepancies found manually. This will prevent any unauthorized benefit payments beyond the 60-month limitation. Within federal guidelines on revisions to the ACF-199, care will be taken to synchronize the ACF-199 to any database changes made through BNMENU. Appropriate staff responsible for the ACF-199 will review the procedures for performing this synchronization process.

Department of Mental Health and Substance Abuse Services

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

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

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

Status: Partially corrected, see current year finding #07-452-003IT and 07-452-004IT. The draft of the IT Strategic Plan is still being reviewed and updated. Also, the agency IT Steering Committee has been discussing how to proceed on this issue, and has requested information to help them in planning for quality assurance.

Finding No: 03-452-002, 04-452-010IT, 05-452-006IT, 06-452-006IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: The Integrated Client Information System does not have a separate development, testing, and production environment.

Status: Corrected

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

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

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

Status: Partially corrected, current year finding #07-452-001IT. The agency has changed the entry in to the ICIS system which now has an "access control" module restricting user access, based upon a business need. In addition, the agency is logging access attempts and enforcing a HIPAA access control standard. However, the development of a monitoring report application is still being developed.

Summary Schedule of Prior Findings

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

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

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

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

Status: Partially corrected, current year finding #07-452-002IT. The agency has changed the developer access rights to the system and now only allows them access to the development machines and the development environment. Remote access policies and procedures are still under development by IT and Security personnel.

Finding No: 06-452-001

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

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

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

Status: Not corrected, current year finding #07-452-002. Internal Audit will follow up on corrective action on audits that report findings within six months of receipt of the audit. Corrective action has been followed up on for the audit mentioned. Subrecipients that have not submitted their audit reports by the six month due date will be notified that their audit is past due and followed up on until receipt of the report.

Finding No: 06-452-005IT (d)

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: According to management responses, they feel the current resources are inadequate to accomplish the objectives set forth for the IT function. Specifically, management feels they could better accomplish the goals of the agency in a timelier manner if they had more resources.

Status: Corrected

Department Of Rehabilitation Services

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

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Cash Management

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

Status: Partially corrected, current year finding #07-805-001. Management understands that the Agreement requires estimates be used to calculate the draws and adjustment to actual be performed quarterly or monthly depending on the variation. The Agency has strengthened the data collection to calculate the draw and now have access to actual expenditures faster than before there by eliminating the need to perform the adjustments. The Agency will work with OSF to modify the CMIA agreement.

Finding No: 06-805-001

CFDA: 84.126

Summary Schedule of Prior Findings

Federal Agency: US Department of Education

Control Category: Activities Allowed, Allowable Costs, & Eligibility

Questioned Costs: \$3,794

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

Status: Partially corrected, current year finding #07-805-004. We concur with the audit finding. The Department currently has policy in place to address this issue. The appropriate Area Field Coordinator from which the case originated will be alerted to the audit finding and the case file will be corrected no later than April 15, 2008. This issue will be addressed in training by Unit Programs Managers, The issue will be further addressed the VR/VS Quality Assurance Team's training with Field offices. Lastly, the Quality Assurance team will make note to verify that cases find pin-pointed in the audit finding have indeed been corrected four months from the date of this response.

Department Of Transportation

Finding No: 01-345-025, 02-345-035, 03-345-049, 04-345-020, 05-345-010, 06-345-004

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

Finding Summary: The Department is not closing projects within one year of construction completion.

Status: Corrected.

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

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

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

Status: Not corrected. The limitations inherent in the current billing system do not provide for an adequate resolution to this finding.

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

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

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

Status: Not corrected. ODOT continues to wait for the Office of State Finance to provide a solution for this finding. OSF is not interested in having individual agencies provide independent solutions.

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

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Other

Finding Summary: End users within the Comptroller Division have direct access to change/modify production reporting through TSO. This ability jeopardizes the integrity of financial information. Additionally, the financial reconciliation of the material ODOT accounts found in their statement of net

Summary Schedule of Prior Findings

assets (e.g., Infrastructure, Construction in Progress, Federal Receivable) are performed using Ad-Hoc queries rather than through standardized production reporting.

Status: Not corrected. The reporting structure of the Project Funding System (PFS) requires the use of Ad-Hoc reporting.

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

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Davis-Bacon Act

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

Status: Partially corrected. The agency continues to require documentation necessary for proper reporting. As this reporting improves the data will improve for the audit.

Schedule of Federal Programs by State Agency

Attorney General

16.740 State Automated Victim Information Notification (Sav) 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
10.163 Market Protection and Promotion
10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
10.664 Cooperative Forestry Assistance
10.677 Cooperative Forest Land Enhancement Program
66.608 Environmental Info Exchange Network
66.700 Consolidated Pesticide Enforcement Cooperative Agreements
93.103 Food and Drug Administration - Research

Boll Weevil Eradication

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

Career and Technology Education, Department of

12.002 Procurement Technical Assistance For Business Firms
17.261 WIA Pilots, Demonstrations, and Research Projects
84.048 Vocational Education-Basic Grants to States
84.243 Tech-Prep Education
84.346 Occupational and Employment Information State Grants

Central Services, Department of

39.003 Donation of Federal Surplus Personal Property

Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
97.029 Flood Mitigation Assistance
97.032 Crisis Counseling
97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.042 Emergency Management Performance Grants
97.047 Pre Disaster Mitigation
97.052 Supplemental-Operations Center
97.070 Map Modernization Met Support
97.092 Repetitive Food Claims

Commerce, Department of

14.228 Community Development Block Grants/State's Program
14.231 Emergency Shelter Grant Program
14.235 Community Development Technical Assistance
14.238 Shelter Plus Care/Continuum of Care
17.258 Workforce Investment Act - Adults
17.259 Workforce Investment Act - Youth
17.260 Workforce Investment Act - Dislocated Workers
17.267 State Utilization of WIA Section 503 Incentive Grants to States
81.041 State Energy Program
81.042 Weatherization Assistance of Low-Income Persons
81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
81.119 State Energy Program/Special Project
93.569 Community Services Block Grant
93.571 Community Services Block Grant Formula and Discretionary Awards-Community Food and Nutrition
93.600 Head Start

Conservation Commission

10.902 Soil and Water Conservation
15.252 Abandoned Mine Land Reclamation (AMLR) Program
15.808 Development of Strategic Plan -- NSGIC

Corporation Commission

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

Corrections, Department of

16.202 Offender Reentry Program
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants
16.606 State Criminal Alien Assistance Program
84.255 Literacy Programs for Prisoners
84.331 Grants to States for Incarcerated Youth Offenders

District Attorneys Council

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

Education, Department of

10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.558 Child and Adult Care Food Program
10.559 Summer Food Service Program for Children
10.560 State Administrative Expenses for Child Nutrition
10.574 Wellness Policy Grant
12.404 Other Federal Assistance - Troops to Teachers
15.130 Indian Education-Assistance to Schools
84.002 Adult Education-State Grant Program
84.010 Title I Grants to Local Educational Agencies
84.011 Migrant Education-Basic State Grant Program
84.013 Title I Program for Neglected and Delinquent Children
84.027 Special Education-Grants to States
84.162 Emergency Immigrant Education
84.173 Special Education-Preschool Grants
84.181 Special Education-Grants for Infants and Families with Disabilities
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
84.215 Fund for the Improvement of Education
84.281 Eisenhower Professional Development State Grants
84.282 Charter Schools
84.287 Twenty-First Century Community Learning Centers
84.298 State Grants Innovative Programs
84.318 Education Technology State Grants
84.323 Special Education - State Personnel Improvement
84.326 Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities
84.330 Advanced Placement Incentive Program
84.332 Comprehensive School Reform Demonstration
84.357 Reading First State Grants
84.358 Rural Education
84.365 English Language Acquisition Grants
84.366 Math and Science Partnerships
84.367 Improving Teacher Quality Grants
84.368 Grants for Enhanced Assessment Instruments
84.369 State Assessments and Related Activities
84.938 Hurricane Education Recovery
93.576 Refugee and Entrant Assistance - Discretionary Grants
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV
94.005 Learn and Serve America - Higher Education

Election Board, State

39.011 Election Reform Payments
90.401 Help America Vote Act
93.617 Voter Access for Individuals with Disabilities Developmental Disabilities Basic Support and Advocacy Grants

Employment Security Commission

17.002 Labor Force Statistics
17.207 Employment Service
17.225 Unemployment Insurance
17.235 Senior Community Service Employment Program
17.245 Trade Adjustment Assistance - Workers
17.258 Workforce Investment Act - Adults
17.259 Workforce Investment Act - Youth
17.260 Workforce Investment Act - Dislocated Workers
17.261 WIA Pilots Demonstrations and Research Projects
17.266 Work Incentive
17.271 Work Opportunity Tax Credit Program (WOTC)
17.273 Temporary Labor Certification for Foreign Workers
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program

Environmental Quality, Department of

10.922 Land Reclamation - Oklahoma Plan
12.113 State Memorandum of Agreement Program for the Reimbursement of Technical Services
14.218 Community Development Block Grants/Entitlement Grants
15.616 Clean Vessel Act
66.034 Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act
66.468 Capitalization Grants for Drinking Water State Revolving Fund
66.471 Systems for Training and Certification Costs
66.474 Water Protection Grants to the States
66.605 Performance Partnership Grants
66.606 Surveys, Studies, Investigations and Special Purpose Grants
66.608 Environmental Information Exchange Network Grant Program and Related Assistance
66.610 Video Conference Equipment
66.708 Pollution Prevention Grants Program
66.802 Superfund State Site - Specific Cooperative Agreements
66.811 Brownsfields - State Revolving Loan Fund
66.817 Brownsfields - State and Tribal Response Program

Health, Department of

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

Historical Society

15.904 Historic Preservation Fund Grants-In-Aid
45.164 Promotion of the Humanities - Public Programs

Human Rights Commission

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

Human Services, Department of

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

Insurance Department

- 93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
- 93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations

Labor, Department of

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

Legislative Service Bureau

- 16.550 State Justice Statistics Program for Statistical Analysis Centers

Libraries, Department of

- 45.310 State Library Program
- 45.312 National Leadership Grants
- 89.003 National Historical Publications and Records Grants

Medicolegal Investigation Board

- Drug Death Reporting System
- 16.560 NFSIA Formula & Discretionary
- 93.136 Oklahoma Violent Death Reporting System
- 93.283 Bioterrorism Surveillance

Rehabilitation Services, Department of

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

State Arts Council

45.024 Promotin of the Arts - Grants to Orgranizations
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

16.542 Nat'l Inst. For Juv. Deling. Prev.
16.543 2006 Internet Crimes Against Children
16.560 Forensic Casework DNA Backlog Reduction
16.564 Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction
16.741 2006 Forensic DNA Capacity Enhancement Program

Supreme Court

93.586 State Court Improvement Program

Tourism & Recreation, Department of

15.504 Small Reclamation Projects
15.622 Boating & Infrastructure Grant
15.916 Outdoor Recreation - Acquisition, Development and Planning
20.219 Recreational Trails Program

Transportation, Department of

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

Veterans Affairs, Department of

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

Water Resources Board

12.300 Basic and Applied Scientific Research
15.504 Reclamation and Water Reuse Programs
66.419 Water Pollution Control State and Interstate Program Support
66.436 Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements
66.454 Water Quality Management Planning
66.458 CAP Grants Clean Water State Revolving Fund
66.460 Nonpoint Source Implementation Grants
66.461 Regional Wetland Program - Development Grants
66.463 National Pollutant Discharge Elimination System Related State Program Grants
66.512 REMAP Research Projects
66.606 Surveys, Studies, Investigations and Special Purpose Grants
97.041 National Dam Safety Program

Wildlife, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
15.504 Reclamation and Water Reuse Programs
15.605 Sport Fish Restoration
15.611 Wildlife Restoration
15.615 Cooperative Endangered Species Conservation Fund
15.625 Wildlife Conservation and Restoration
15.626 Hunter Education and Safety Program
15.633 Land Owners Incentive Program
15.634 State Wildlife Grants

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, 2007

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 7,110,338	\$ 169,458,810	\$ 26,719,523	\$ 40,221,164	\$ 243,509,835
Total Expenditures	7,623,130	223,020,868	26,436,002	18,162,879	275,242,879
Revenues Over (Under) Expenditures	(512,792)	(53,562,058)	283,521	22,058,285	(31,733,044)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	1,721,486	1,721,486
Operating Transfers Out	-	-	-	-	-
Bond Proceeds	-	6,430,000	-	-	6,430,000
Premium from Bond Issue	-	-	-	-	-
Discount on Bond Issue	-	(81,892)	-	-	(81,892)
Total Other Financing Sources (Uses)	-	6,348,108	-	1,721,486	8,069,594
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(512,792)	(47,213,950)	283,521	23,779,771	(23,663,450)
Fund Balances - Beginning of Year	8,375,576	783,939,542	9,048,233	33,458,291	834,821,642
Fund Balances - End of Year	\$ 7,862,784	\$ 736,725,592	\$ 9,331,754	\$ 57,238,062	\$ 811,158,192

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2007

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2006 Ending Fund Balance	8,375,576	783,939,542	9,048,233	33,458,291	834,821,642
July 1, 2006 Beginning Fund Balance	8,375,576	783,939,542	9,048,233	33,458,291	834,821,642
Cash Basis Data -					
FY 2007 Revenues	\$ 7,110,338	\$ 169,458,810	\$ 26,719,523	\$ 40,221,164	\$ 243,509,835
FY 2007 Expenditures	7,623,130	223,020,868	26,436,002	18,162,879	275,242,879
FY 2006 Revenues	\$ 6,914,726	\$ 149,239,048	\$ 19,178,018	\$ 40,108,467	\$ 215,440,259
FY 2006 Expenditures	6,200,696	149,008,027	22,251,178	34,872,080	212,331,981
FY 2005 Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
FY 2005 Expenditures	6,058,374	61,086,111	20,778,987	58,099,105	146,022,577
FY 2004 Revenues	\$ 6,681,226	\$ 34,588,139	\$ 16,696,278	\$ 43,158,953	\$ 101,124,596
FY 2004 Expenditures	5,376,259	93,923,582	19,092,697	16,974,235	135,366,773
FY 2003 Revenues	\$ 7,958,873	\$ 105,418,792	\$ 18,799,319	\$ 33,638,353	\$ 165,815,337
FY 2003 Expenditures	6,484,542	133,962,684	18,641,469	28,438,516	187,527,211
FY 2002 Revenues	\$ 6,655,452	\$ 100,839,257	\$ 21,109,749	\$ 31,227,073	\$ 243,509,835
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	275,242,879
FY 2001 Revenues	\$ 6,953,009	\$ 385,493,871	\$ 18,786,750	\$ 26,727,356	\$ 437,960,986
FY 2001 Expenditures	6,512,837	375,044,970	16,401,905	22,925,119	420,884,831
FY 2000 Revenues	\$ 7,088,960	\$ 413,990,357	\$ 21,242,630	\$ 24,635,015	\$ 466,956,962
FY 2000 Expenditures	5,227,259	450,125,696	15,902,079	21,724,429	492,979,463
FY 1999 Revenues	\$ 6,986,000	\$ 645,717,311	\$ 20,880,942	\$ 22,996,273	\$ 696,580,526
FY 1999 Expenditures	6,210,227	438,167,389	15,394,894	19,255,616	479,028,126
FY 1998 Revenues	\$ 6,396,227	\$ 63,692,512	\$ 20,538,199	\$ 22,451,143	\$ 113,078,081
FY 1998 Expenditures	5,785,483	71,292,827	17,187,171	21,527,611	115,793,092

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds
For the Year Ended June 30, 2007

Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2007 Revenue to Prior Years'				
FY06	102.83%	113.55%	139.32%	100.28%
FY05	114.28%	348.06%	119.38%	102.03%
FY04	106.42%	489.93%	160.03%	93.19%
FY03	89.34%	160.75%	142.13%	119.57%
FY02	106.83%	168.05%	126.57%	128.80%
Comparison of FY 2007 Expenditures to Prior Years'				
FY06	122.94%	149.67%	118.81%	52.08%
FY05	125.83%	365.09%	127.22%	31.26%
FY04	141.79%	237.45%	138.46%	107.00%
FY03	117.56%	166.48%	141.81%	63.87%
FY02	106.73%	107.81%	168.27%	79.33%
Revenues expressed as a percent of expenditures				
FY07	93.27%	75.98%	101.07%	221.45%
FY06	111.52%	100.16%	86.19%	115.02%
FY05	102.70%	79.70%	107.71%	67.85%
FY04	124.27%	36.83%	87.45%	254.26%
FY03	122.74%	78.69%	100.85%	118.28%
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%
FY99	112.49%	147.37%	135.64%	119.43%
FY98	110.56%	89.34%	119.50%	104.29%

**Selected Activities for
Internal Service Type Funds**

This page intentionally left blank

Other Findings

Other Findings

This section contains audit findings not required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133. However, we believe these findings are significant enough to bring to management's attention.

FINDING NO: 07-345-002

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:

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Davis-Bacon Act

Criteria: 29 CFR § 5.5(a) states in part: "The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls..."

29 CFR § 5.6(a)3 states in part: "...Investigations shall be made of all contracts with such frequency as may be necessary to assure compliance. Such investigations shall include interviews with employees...and examinations of payroll data ..."

The procedures the Oklahoma Department of Transportation has implemented to fulfill this requirement are in Construction Control Directive Number 971114, which states in part:

The prime contractor and all approved subcontractors performing work on a Federally funded contract are required to submit weekly payroll records to the Residency. All payroll records from the prime contractor or subcontractor shall be received within two weeks of the end of the payroll reporting period. Payrolls for periods of "no work in progress" will not be required. The Residency will be required to stamp all payrolls indicating the date on which they were received. The Residency must monitor the payroll records received weekly and should notify the prime contractor in writing for any failure to submit the required payrolls or to submit a record with the necessary information ... within the two week period. The written notification to the prime contractor may state actions that could be taken by the Residency, including holding future progressive payments until the contractual requirement has been satisfied. Any such correspondence must be stored in the project's payroll files.

Condition: We identified 86 new projects for state fiscal year 2007 to be subject to the Davis Bacon Act and selected 40 of those projects to test for compliance with the with the requirements of 29 CFR Parts 3 and 5 and the Department's internal control directive. These parts of the Code of Federal Regulations were designed to aid in the enforcement of the minimum wage provisions of the Davis-Bacon Act.

For the 40 projects selected, we requested the following:

- All payrolls received for the weeks during state fiscal year 2007 (July 1, 2006 through June 30, 2007).
- All correspondence that was sent to the contractor that notified them of any deficiencies during that time frame.
- All wage rate interview forms completed during that time frame.

Each project file was reviewed to determine if the residency appeared to be monitoring the contractor and/or subcontractor to ensure they were in compliance with Davis Bacon requirements.

Based on the testwork performed, we noted the following:

- The wage rate interview form was not always signed by the resident engineer. This appears to be either because the form used did not have a space for them to sign, or because the form was not complete. It appears there are two variations of the form: one has a place for the resident engineer

Other Findings

This section contains audit findings not required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133. However, we believe these findings are significant enough to bring to management's attention.

- to sign and date signifying that they compared the wages with the Contract Wages (Davis Bacon Wages); the other one does not.
- The Information about the employee interviewed, did not completely match the information on the payroll record from the certified payroll submitted by the contractor or subcontractor:
 - ◆ For one of forty project files tested, the wage rate identified on the Wage Rate Interview form for three employees interviewed did not match the payroll rate for the employees on the contractor's certified payroll record.
 - ◆ For three of forty project files tested, the contractor's certified payroll record did not show any time for the date the interview was completed for one employee interviewed.
 - For some of the project files tested, the residency had logged and date stamped payrolls for more than one payroll period, from the contractor and subcontractor(s), on the same day. This gives the appearance that payrolls may have been held by the residency to process several at one time, instead of processing them at the time they each were actually received.

Cause: Construction Control Directive 971114 provides direction for the residencies to set up their project files in such a way to allow them to ensure payrolls are received and that wage rates are consistent with Davis Bacon Requirements. However it appears that further training is needed in this area to stress the importance of maintaining the project files. Additionally it appears that the resident engineer should ensure that he/she reviews all of the wage rate interview forms, this should include a review of the coinciding payrolls to check wage rate information, employee title name and wage per hour compared to the prevailing wage rates. The resident engineer should sign and date each form indicating their review.

Effect: Consistent application of 29 CFR Parts 3 and 5 and Internal Control Directive 971114 should ensure the Department is in compliance with the Davis-Bacon Act requirements, and also ensure the Department has complete and accurate documentation to support their compliance efforts.

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

Views of Responsible Official(s)

Concur with Finding, with the following exceptions/comments:

3. The agency is still in the learning curve for the recently revised Construction Control Directive. The last revision date of the Directive actually occurred during FY 2007. Familiarity and training about this directive for agency personnel should reduce the number of inconsistencies cited on most of the conditions.

Contact Person: George T. Raymond, State Construction Engineer

Anticipated Completion Date: Staged implementation beginning FY 2007.

Corrective Action Planned:

5. Continued emphasis and communication on the Davis-Bacon requirements, including:
 - a. Distribution of the Finding results and the response to field personnel.
 - b. Discussion with management to continue emphasis with field personnel.
 - c. Discussion and emphasis to contractor associations.
6. Continued training and emphasis of proper utilization of SiteManager software program.
7. Training and emphasis of the requirements of Construction Control Directive No. 971114, including requirements to stamp the date received on the payrolls as they are received, that follow up correspondence to the contractor be logged or filed in the payroll files and to properly complete the entire wage rate interview form along with its comparison to the certified payroll.
8. Participation of ODOT in an AASHTO pool-funded project to develop software that can interface with SiteManager is currently underway. This new software will assist the agency in managing the submittal and verification of payrolls and the reporting required by the federal regulations. It could be available for testing later this year.



Office of the State Auditor and Inspector
2300 N. Lincoln Boulevard, Room 100
Oklahoma City, OK 73105-4896

www.sai.state.ok.us



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.STATE.OK.US