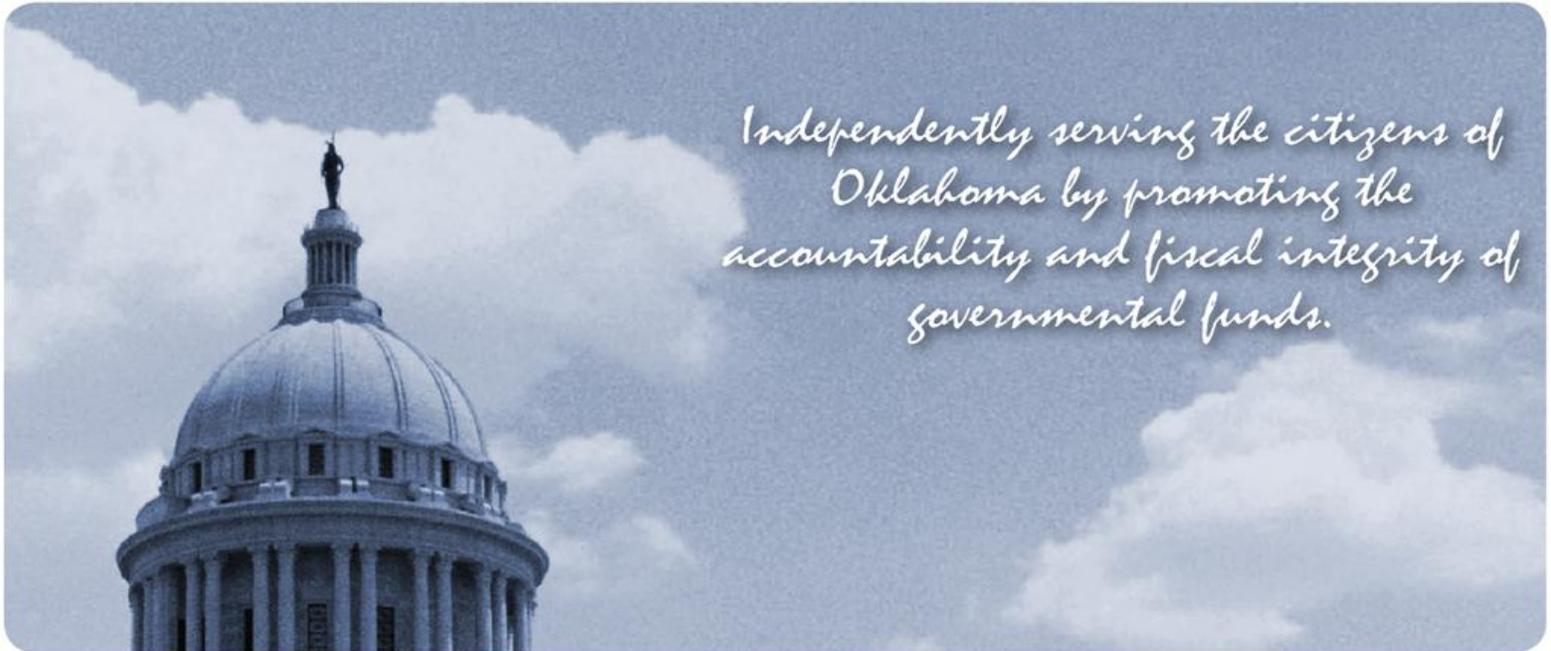


COUNTY AUDIT

OKLAHOMA COUNTY SINGLE AUDIT

For the fiscal year ended June 30, 2016



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



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

**SINGLE AUDIT REPORT
OKLAHOMA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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March 30, 2017

TO THE CITIZENS OF
OKLAHOMA COUNTY, OKLAHOMA

Transmitted herewith is the Single Audit Report of Oklahoma County, Oklahoma for the fiscal year ended June 30, 2016. Our audit report on the financial statements and the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* were issued under separate cover. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Reports of this type are critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

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

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

**OKLAHOMA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Schedule of Expenditures of Federal Awards

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE			
Passed Through the Oklahoma Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 42,300
National School Lunch Program	*10.555		71,949
Total U.S. Department of Agriculture			<u>114,249</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		562,620
Total U.S. Department of Housing and Urban Development			<u>562,620</u>
U.S. DEPARTMENT OF INTERIOR			
Direct:			
Payments in Lieu of Taxes	15.226		14,104
Total U.S. Department of Interior			<u>14,104</u>
U.S. DEPARTMENT OF JUSTICE			
Direct:			
Juvenile Accountability Block Grants	16.523	165232011	2,200
National Criminal History Improvement Program (NCHIP)	16.554	N15-004	49,059
State Criminal Alien Assistance Program	16.606	SCAAP 2015	61,563
Public Safety Partnership and Community Policing Grants	16.710	2013UMWX0132	248,495
Public Safety Partnership and Community Policing Grants	16.710	2014UMWX0052	77,848
Public Safety Partnership and Community Policing Grants	16.710	2015UMWX0141	54,203
Total CFDA # 16.710			<u>380,546</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-1120	37,379
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0985	93,001
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0771	81,076
Total CFDA # 16.738			<u>211,456</u>
Total U.S. Department of Justice			<u>704,824</u>

Continued on next page

The accompanying note is an integral part of this schedule.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Continued from previous page			
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	AL-15-03-04-08	32,585
State and Community Highway Safety	20.600	OP-15-03-03-08	41,134
State and Community Highway Safety	20.600	PT-15-03-16-08	12,992
State and Community Highway Safety	20.600	AL-16-03-12-09	38,973
State and Community Highway Safety	20.600	OP-16-03-05-09	51,928
State and Community Highway Safety	20.600	PT-16-03-16-09	73,498
Total CFDA # 20.600			<u>251,110</u>
National Priority Safety Programs	20.616	ODMHSAS-00139	50,000
Total U.S. Department of Transportation			<u>301,110</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Department of Homeland Security:			
Emergency Management Performance Grants (EMPG)	97.042	EMP	121,199
Fire Management Assistance Grant (FMAG)	97.046	FMAG	340,777
State Homeland Security Program (SHSP)	97.073	560.065	6,358
State Homeland Security Program (SHSP)	97.073	560.062	96,451
State Homeland Security Program (SHSP)	97.073	660.034	1,444
Total CFDA # 97.073			<u>104,253</u>
Total U.S. Department of Homeland Security			<u>566,229</u>
Total Expenditures of Federal Awards			<u>\$ 2,263,136</u>

*Partially Non-Cash Assistance

The accompanying note is an integral part of this schedule.

**OKLAHOMA COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the “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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of Oklahoma County as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of the Uniform Guidance, and have not been included in the Schedule. The Uniform Guidance 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 accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the primary government of Oklahoma County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Revenue and expenditures are reported using the modified accrual basis of accounting in the Comprehensive Annual Financial Report (CAFR). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

C. Non-Cash-Assistance– National School Lunch Program CFDA #10.555

Non-cash assistance in the form of commodities was received from the Oklahoma State Department of Education. The federal value of \$4,636.09 is included in the Schedule of Expenditures of Federal Awards.

The accompanying note is an integral part of this schedule.

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance**



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

TO THE OFFICERS OF
OKLAHOMA COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Oklahoma County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oklahoma County's major federal programs for the year ended June 30, 2016. Oklahoma County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oklahoma County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Oklahoma County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oklahoma County's compliance.

Opinion on Each Major Federal Program

In our opinion, Oklahoma County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Oklahoma County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oklahoma County's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Oklahoma County as of and for the year ended June 30, 2016, and have issued our report thereon dated March 30, 2017, which contained an unmodified opinion on those financial statements. Our report was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of

expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

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

March 1, 2017

Schedule of Findings and Questioned Costs

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1 - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? No

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 200.516 of the Uniform Guidance? No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
16.710	Public Safety Partnership and Community Policing Grants
97.046	Fire Management Assistance Grant (FMAG)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 2 – Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

No Findings.

Schedule of Prior Year Findings and Questioned Costs

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Finding 2015-1 – Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes

Finding Summary: While performing expenditures testwork, we noted the following pertaining to expenditures made for medical expenses of inmates:

- The Board of County Commissioners (BOCC) approved to enter into a contract with Inmate Medical Care for medical services for inmates. Throughout the fiscal year, the Sheriff's Office did not obtain purchase orders and periodically encumber amounts expected to be used for medical expenses, in accordance to the contract. As a result, eleven invoices totaling \$3,055,769.63 were not submitted for payment and were part of an outstanding balance due at June 30, 2015.
- Because the Sheriff's Office failed to properly encumber these expenditures, the amount of \$3,055,769.63 was not properly recorded in the County's financial records and the expenditures did not follow state statutes regarding the expenditure of county funds. No invoices were presented to the County Clerk's office and the BOCC for payment.
- We noted one purchase order totaling \$338,771.61 that was not timely encumbered due to the requisition and purchase order dated after the invoice date.
- The contract with Inmate Medical Care includes a clause for the vendor to submit an invoice to the County for final payment within 180 days after the end of the fiscal year.
- On October 14, 2015, Inmate Medical Care filed a lawsuit against the BOCC in the amount of \$3,314,610.67 for breach of contract.

Status: Corrective Action was taken.

Finding 2015-2 – Payroll Internal Controls (Repeat Finding)

Finding Summary: During the examination of internal controls over processing of payroll, we noted certain weaknesses in that:

- 1) Each department submits a monthly payroll claim; however, controls are not in place to verify the accuracy of the payroll calculations that have been submitted by the individual department.
- 2) No controls are in place to check the accuracy of the leave balances submitted for payment by the individual department when an employee has been terminated.

Status: Partial corrective action was taken. The portion of the finding relating to the accuracy of the leave balances submitted for payment has been corrected. The portion of the finding related to controls of the accuracy of the payroll calculations submitted by the individual departments has not been corrected.

Corrective Action Plan

**OKLAHOMA COUNTY, OKLAHOMA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Finding 2016-1 – Inadequate Internal Controls Over Payroll Disbursements (Repeat Finding)

Finding Summary: The centralized payroll process approved by the Budget Board and Board of County Commissioners is not being properly utilized. To date, the Oklahoma County Employee Handbook has not been approved to ensure the Fair Labor Standards Act (FLSA) guidelines are properly documented to assure the calculations of overtime and holiday leave; and non-exempt/exempt status are consistent throughout all County Departments.

Contact Person(s): The Board of County Commissioners.

Corrective Action Planned: The Oklahoma County Handbook Committee has completed their review and the revised handbook should be presented to the Board of County Commissioners in the next few months which will assure the calculations of overtime, holiday leave, and non-exempt/exempt are consistent throughout all County Departments. With the implementation of the revised Oklahoma County Employee Handbook, all departments will utilize the centralized payroll process.

Anticipated Completion Date: September 1, 2017.



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