

**OKLAHOMA COUNTY, OKLAHOMA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

January 23, 2003

TO THE CITIZENS OF
OKLAHOMA COUNTY, OKLAHOMA

Transmitted herewith are the Single Audit Reports for Oklahoma County for the fiscal year ended June 30, 2002. Our report on the audited financial statements is issued under a separate cover. The audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, the requirements of the Single Audit Act of 1984, as amended and the provisions of the Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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.

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

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

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA COUNTY, OKLAHOMA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2002**

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Schedule of Expenditures of Federal Awards

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Oklahoma Department of Education:			
National School Lunch Program	10.555	N/A	95,422
Total U.S. Department of Agriculture			\$ 95,422
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through American Housing Foundation			
New Approach Anti-Drug Grant	14.312	OK56HAD001098	38,158
Total U.S. Department of Housing and Urban Development			\$ 38,158
U.S. DEPARTMENT OF JUSTICE			
Direct:			
State Domestic Preparedness Equipment Support Program	16.007	N/A	108,092
Victims of Child Abuse	16.547	N/A	38,950
Victims of Child Abuse	16.547	N/A	4,856
Local Law Enforcement Block Grant	16.592	1999LBVX8133	267,246
Local Law Enforcement Block Grant	16.592	2000LBBX1597	14,942
Local Law Enforcement Block Grant	16.592	2001LBBX3422	-
State Criminal Alien Assistance Program	16.606	2001F0020OKAP	-
State Criminal Alien Assistance Program	16.606	2002F0509OKAP	-
COPS More 98	16.710	98CLWX0175	5,496
COPS - Universal Hiring Plan	16.710	98ULWX0068	199,521
COPS-in-School	16.710	2000SHWX0147	149,736
COPS-in-School	16.710	2001SHWX0630	123,894
COPS Technology	16.710	1999CKWX0235	52,052
COPS Technology	16.710	2000CKWX0184	2,972
Passed through Oklahoma Office of Juvenile Affairs:			
Juvenile Accountability Incentive Block Grant Program	16.523	N/A	42,681
Passed through Oklahoma District Attorneys Council:			
Crime Victim Assistance	16.575	N/A	50,147
Byrne Formula Grant Program	16.579	D01-1093	20,238
Byrne State & Local Law Enforcement Assistance Discretionary Grant	16.580	D99-1053	33,597
Passed through City of Oklahoma City:			
Weed and Seed	16.595	N/A	2,791
Weed and Seed	16.595	N/A	6,863
Total U.S. Department of Justice			\$ 1,124,074

(continued next page)

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

(continued from previous page)

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Direct:			
Welfare to Work Competitive	17.253	Y78639008160	1,774,993
Passed through Oklahoma Employment Security Commission:			
Welfare to Work Formula	17.253	98638	57,863
Welfare to Work Formula	17.253	98639	282,407
WIA Title I Adult	17.255	94251-CE-01	55,831
WIA Title I Adult	17.255	94651-CE-01	57,259
WIA Title I Adult	17.255	94652-CE-02	167,023
WIA Title I Adult Incentive	17.255	94581-CE-01	8,076
WIA Title I Dislocated Worker	17.255	93251-CE-01	33,488
WIA Title I Dislocated Worker	17.255	93651-CE-01	108,199
WIA Title I Dislocated Worker	17.255	93652-CE-02	66,970
WIA Title I Dislocated Worker	17.255	93250-CE-00	1,817
WIA Title I Youth	17.255	95250-CE-00	164,565
Total U.S. Department of Labor			\$ <u>2,778,491</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-02-03-08-05	44,584
State and Community Highway Safety	20.600	PT-01-03-09-04	31,760
State and Community Highway Safety	20.600	N/A	8,019
State and Community Highway Safety	20.600	N/A	3,271
Total U.S. Department of Transportation			\$ <u>87,634</u>
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT</u>			
Passed through Oklahoma Department of Civil Emergency Management:			
Public Assistance Grant	83.544	N/A	54,584
Hazard Mitigation Grant Program	83.548	N/A	23,640
Emergency Management Performance Grant	83.552	N/A	16,483
Total Federal Emergency Management			\$ <u>94,707</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Oklahoma Employment Security Commission:			
Temporary Assistance for Needy Families (TANF)	93.558	98251-CE-01	86,000
Total U.S. Department of Health and Human Services			\$ <u>86,000</u>
Total Expenditures of Federal Awards			\$ <u>4,304,486</u>

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oklahoma County, Oklahoma, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Report on Compliance and on Internal Control Over Financial Reporting
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

**Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

TO THE OFFICERS OF
OKLAHOMA COUNTY, OKLAHOMA

We have audited the general-purpose financial statements of Oklahoma County, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002. We did not audit the financial statements of Oklahoma County Employees Defined Benefit Retirement Plan included in the Pension Trust Fund, nor did we audit the financial statements of the Oklahoma County Finance Authority, a discretely presented component unit. Additionally, we did not audit the financial statements of the Oklahoma County Public Buildings Authority, a blended component unit. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the Pension Trust Fund, the discretely presented component unit, and blended component unit is based solely upon the reports of the other auditors. 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.

Compliance

As part of obtaining reasonable assurance about whether Oklahoma County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2002-2, 2002-3, and 2002-5

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oklahoma County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2002-1 and 2002-4.

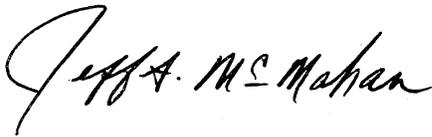
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan". The signature is written in a cursive, flowing style.

JEFF A. McMahan
State Auditor and Inspector

December 3, 2002

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

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

TO THE OFFICERS OF
OKLAHOMA COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Oklahoma County, 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, 2002. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oklahoma County's management. Our responsibility is to express an opinion on Oklahoma County's compliance based on our audit.

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

In our opinion, Oklahoma County 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, 2002.

Internal Control Over Compliance

The management of Oklahoma County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oklahoma County's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of Oklahoma County, Oklahoma, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002. We did not audit the financial statements of Oklahoma County Employees Defined Benefit Retirement Plan included in the Pension Trust Fund, nor did we audit the financial statements of the Oklahoma County Finance Authority, a discretely presented component unit. Additionally, we did not audit the financial statements of the Oklahoma County Public Buildings Authority, a blended component unit. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed, insofar as it relates to the amounts included for the Pension Trust Fund, the discretely presented component unit, and blended component unit is based solely upon the reports of other auditors. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

December 3, 2002

Schedule of Audit Findings and Questioned Costs

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

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
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? None Reported
- Reportable condition(s) identified that are not considered to be material weakness(es)? 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 510(a) of Circular A-133? No

Identification of Major Programs

CFDA Number(s)

Type A:

16.710
17.253
17.255

Name of Federal Program or Cluster

Public Safety Partnership and Community Policing (COPS)
Welfare to Work Grants to States and Localities
Workforce Investment Act

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

SECTION 2 - Financial Statement Findings

Finding 2002-1 Segregation of Duties

Criteria: The overall goal of accounting principles generally accepted in the United States of America is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not segregated for some county offices.

Recommendation: We recommend management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of County operations and periodic review of those operations.

Finding 2002-2 – Expenditures

Criteria: The following Oklahoma statutes provide:

19 O.S. 2001, § 1505 states in part:

The following procedures shall be used by counties for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for the maintenance, operation and capital expenditures of county government unless otherwise provided for by law. . .

19 O.S. 2001, § 1505 E.5 states:

The receiving officer shall complete a receiving report in quadruplicate, which shall state the quantity and quality of goods delivered.

62 O.S. 2001, § 310.2 states in part:

The amount and purpose of each purchase order or contract shall be charged against the appropriation at the time purchase is made or contract let . . .

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Condition: During testwork performed on the sample of 150 purchase orders the following exceptions were noted:

- The invoice date was prior to the purchase order date for twenty-five (25) (17%) of the expenditures.
- A signed receiving report was not documented for fourteen (14) (9%) of the expenditures.
- The invoice was not presented for three (3) expenditures.

Recommendation: We recommend the County develop and implement written policies and procedures to ensure compliance with state statutes.

Finding 2002-3 – Expenditures

Criteria: The Board of County Commissioners must approve all purchase orders before the actual settlement is made as provided in the statutes at 62 O.S. § 310.8.A.1.

Condition: Seven purchase orders of 25 tested were paid before the claims had been approved by the Board of Commissioners.

Recommendation: We recommend all purchase orders be approved and follow required procedures before payment is made.

Finding 2002-4 – Timesheet Authorization

Criteria: To ensure employees are paid only for hours worked and to ensure that annual leave and sick leave are used appropriately, employee timesheets should be reviewed, approved, and signed by their immediate supervisor.

Condition: Timesheets were not properly signed, authorized, and approved by department supervisors.

We noted that 16 of 49 employee timesheets audited, did not have supervisory signature approvals. Additionally, an employee did not sign their timesheet in 7 of the 49 employee timesheets tested.

Our audit of 25 additional employee timesheets revealed that a supervisor or department head did not approve 5 timesheets.

The County does not have a formal systematic method of reporting payroll activity on a monthly basis.

Recommendation: The County departments should be required to use only the approved standardized timesheets. Those timesheets should be properly signed and approved by supervisory personnel.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Additionally, the County should consider a formal, systematic method of reporting payroll activity on a monthly basis. Utilization of the existing payroll and human resources packages should be considered for implementation of a leave balance system. Policy and procedures should be implemented and updated to provide departmental guidelines for reporting payroll to the County Clerk on a monthly basis.

Finding 2002-5 – Transfer of Depository Accounts

Criteria: 19 O.S. 2001, § 684 states in part:

All monies that shall be received during any calendar month by any officer, county board, county commissioner or the members or employees . . . shall be paid into the county treasurer, - that is transferred from the official account of the officer, board, commissioner or employee of either thereof depositing the same, to the fund or funds of the county . . . by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received.

Condition: During our documentation of internal controls, management indicated that funds in the County Sheriff and Juvenile Bureau Official Depository account are not being transferred monthly to the County Treasurer as required by statute.

Effect: The Office is not in compliance with 19 O.S.2001, § 684.

Recommendation: We recommend the officials transfer all monies accruing to the Official Depository accounts to the County Treasurer by the second Monday after the calendar month in which such monies were received.

SECTION 3 - Federal Award Findings and Questioned Costs

No matters were reported.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Finding 2001-1 – Allowable Cost/Cost Principles

Criteria: OMB A-133 Compliance Supplement, Part B indicates that grant costs should be “given consistent accounting treatment within and between accounting periods.”

Condition: During fiscal year 2001, the Training and General Assistance Administrator and Fiscal Officer salaries were charged to the federal contracts operating during the first six months of the fiscal year. No allocation of their salaries was made to the federal grants operating in the second half of the fiscal year. The reverse was true for three other Training and General Assistance employees whose salaries were charged to grants during the second half of the fiscal year, but not during the first half.

Effect: Questioned Costs: Undetermined; however, the salaries for the five staff members amounted to \$14,735 per month, plus additional fringe benefit costs. The mix of grant contracts operating in the first six months can be significantly different from those operating in the second six months, as some grants are closed out and others are started during the year. Cumulative errors from the above condition could exceed the \$10,000 threshold for likely questioned costs for a type of compliance requirement.

Recommendation: The salaries of the five employees above should be charged to the Training and General Assistance allocation cost center #6110 monthly, and then allocated to the various grant and non-grant cost centers based on their actual hours worked for each month.

Corrective Action Taken: Currently, the computer accounting system used by the County to pay and allocate salaries to specific cost centers is not set up to allow for 50% - 50% monthly allocations to/from the TGA General Fund / Budget and the TGA Federal Grant Fund / Budget. Also, we are midway between the program year and to change the method of allocation at this time would create not only a hardship for the organization, but would result in further inconsistencies. However, we will continue to work diligently towards a solution to resolve this matter and will put in place a more consistent and equitable allocation method for the coming fiscal year. When we set up our budgets for the coming fiscal year, we will set up a mechanism whereby we can allocate the cost on a monthly basis.

Finding 2001-2 – Allowable Costs/Cost Principles

Criteria: OMB A-133 Compliance Supplement, Part B indicates that grant costs should “not (be) included as both a direct billing and as a component of indirect costs.”

Condition: The County does not charge indirect costs. However, in allocating the salaries of Training and General Assistance employees, some employees' hours were included in the allocation of time to the various grant contracts, further, the dollar amount of their salaries was then charged directly to specific grant contracts. This was done with the salaries of three Welfare to Work Competitive grant employees and one National Reserve disaster grant employee.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002**

Effect: Questioned Costs: Undetermined; however, for the month of June, the total salaries of the four employees in question amounted to \$10,444, not counting fringe benefits that were also allocated based on the erroneous time schedule. Cumulative errors from the above condition would exceed the \$10,000 threshold for likely questioned costs for a type of compliance requirement.

Recommendation: If an employee's total salary is charged directly to a specific grant contract, the hours for that employee should be excluded from the staff time allocation used to determine charges of employees whose salaries are allocated to various grants.

Corrective Action Taken: The County no longer uses this allocation method to expense salaries. The dollar amount of each employee's salary is charged directly to specific grants based on actual hours worked identified by each employee's time sheet. Shared indirect costs such as administrative costs are pooled and allocated based on direct time charges per program.

Finding 2001-3 – Allowable Costs/Cost Principles

Criteria: OMB A-133 Compliance Supplement, Part B indicates that grant costs should "Represent charges for actual costs, not budgeted or projected amounts."

Condition: The County's present method for allocating salaries is to total the employees' hours for each grant contract from timesheets, and then allocate the total payroll amount based on percentages of time assigned. This method of allocation treats each employee as if the hourly cost is the same, an assumption that is not valid. Administrative and technical staff members are not paid the same as clerical and part-time staff.

Effect: Questioned Costs: Undetermined; however, a review of the June allocated payroll costs in comparison with an allocation of payroll based on hours assigned and actual hourly cost by individual employee resulted in significant variances. Fringe benefit calculations for retirement, FICA, Medicare and health insurance are also based on the payroll allocations. Cumulative errors from the above condition would exceed the \$10,000 threshold for likely questioned costs for a type of compliance requirement.

Recommendation: Salaries of employees that must be charged to two or more grant contracts should be allocated based on actual hours worked charged at the actual hourly rate for each individual employee, or by some method that closely approximates such a distribution of costs.

Corrective Action Taken: The County no longer uses this method of allocating salaries. Salaries of employees who must be charged to two or more grants are allocated based on actual hours worked per grant to total hours worked charged as the percentage the employee's monthly salary.

Management's Response



BOARD OF COUNTY COMMISSIONERS

OKLAHOMA COUNTY

320 ROBERT S. KERR AVENUE
OKLAHOMA CITY, OKLAHOMA 73102
(405) 713-1500

COMMISSIONERS

JIM ROTH
DISTRICT NO. 1

JACK CORNETT
DISTRICT NO. 2

STAN INMAN
DISTRICT NO. 3

January 22, 2003

Sheri Merle
Oklahoma State Auditor and Inspector
Weatherford District Office
1401 Lera, Suite 9, Rt 2
Weatherford, OK 73096

Sherri,

The following is our response to the reportable comments provided to all County Officers in conjunction with the audit for the year ending June 30, 2002.

Finding 2002-1 – Segregation of Duties

Condition:

Based on inquiries of County personnel, it was noted that the duties of receiving, receipting, recording, and depositing collections were not segregated for some county offices.

Response:

Written policies and procedures have been established for proper segregation of duties of deposits and vouchers for some of the departments, while others have simply made changes to their procedures to improve segregation of duties by requiring reviews or approvals by a supervisor not previously involved in the process.

Finding 2002-2 – Expenditures – Compliance

Condition:

During testwork performed on the sample of 150 purchase orders the following exceptions were noted:

- The invoice date was prior to the purchase order date for thirty-two (32) (21%) of the expenditures.
- A signed receiving report was not documented for thirteen (13) (9%) of the expenditures.
- The invoice was not presented for three (3) expenditures.

Response:

- Since these items are legal liabilities of the County, and all other documentation is in order to ensure the expense is a true and valid expense of the County, payments are legally due. Accounts payable staff stamp these purchases “Proper Purchasing Procedures not Followed” and starting in December 2002 began preparing a summary of these invoices to present to the Commissioners with the weekly list of claims. This is done in order to ensure the Board is aware of the magnitude of this problem. The County will begin requiring written justification from departments on future purchases in violation of this procedure, and we will consider adopting a policy on reassigning requisitioning officer responsibilities after repeated offenses, similar to the policy utilized by the State.
- Of the thirteen (13) items identified, eleven (11) of the purchases were of inventory/fixed assets. The County has historically considered completion of the Inventory Sheet to be in lieu of the receiving report. The County Clerk’s office and Purchasing department will work together to either get Oracle to print the transaction register for the capital items or to modify the inventory sheet to also include all the required information from the receiving report in order to fulfill this requirement.
- Accounts payable staff have been advised to bring any items for payment which are not supported by an invoice to the Accounts Payable Manager, who will then ensure an appropriate invoice is obtained before processing.
- The Chairman of the County Commissioner’s has issued a written reprimand to all Commissioners’ departments informing them of their purchasing violations.

The County Clerk’s office and the Purchasing department will work together to write policies and procedures regarding proper processing of claims, and will hold quarterly training sessions for departmental accounts payable and purchasing contacts. This will provide a forum for departmental personnel to ask questions about unclear procedures, and will provide an opportunity for new employees to gain a more thorough understanding of the process. Policies will address training requirements (internally and from OSU) for requisitioning and purchasing officers.

Finding 2002-3 Tort Expenditures – Compliance

Condition:

Seven purchase orders of 25 tested were paid before the claims had been approved by the Board of Commissioners.

Response:

Checks are printed several days ahead of the Board Meetings to enable time to register with the Treasurers office prior to approval by the Board. Therefore, check dates are always before the approval date. Checks are not released until the Board does approve the payment of claims in an open meeting. The County will consider changing the process to print checks after approval in the weekly meetings.

Finding 2002-4 – Timesheet Authorization – Internal Control

Condition:

Timesheets were not properly signed, authorized and approved by department supervisors.

We noted 16 of 49 employee timesheets audited, did not have supervisory signatures to approve timesheets. Additionally, an employee did not sign his timesheet in 7 of the 49 employee timesheets tested.

Our audit of 25 additional employee timesheets revealed that a supervisor or department head did not approve 5 timesheets.

Response:

Since timesheets are not turned in to payroll, it is up to the individual departments to ensure the adopted timesheets are being utilized and that appropriate signatures are obtained on timesheets.

The County Clerk's office will prepare written procedures for each departmental payroll contact to follow in order to ensure appropriate review of timesheets, including verification of proper signatures is performed monthly. These procedures will be presented to the Budget Board for approval, and then distributed to departmental payroll contacts and their supervisor. The County Clerk's office will also re-distribute the adopted timesheets to all departments.

Finding 2002-5 Transfer of Depository Accounts – Compliance

Condition:

During our documentation of internal controls, management indicated that funds in the Sheriff and Juvenile bureau Depository Accounts are not being transferred monthly to the County Treasurer as required by statute.

Response:

All monies accruing to the Official Depository accounts maintained by the Oklahoma County Juvenile Bureau will be transferred to the County Treasurer by the second Monday after the calendar month in which monies were received.

Monies accruing to the Official Depository accounts maintained by the Oklahoma County Sheriff's Office will be transferred to the County Treasurer monthly, less the amounts retained for outstanding encumbrances and unforeseen emergencies.

Thank you for your comments and recommendations. The County will take the necessary steps to see that these issues are resolved in a timely manner.

Sincerely,



Stanley Inman, Chairman

ATTEST:

Joy Cox, Chief Deputy
Carolynn Caudill
Carolynn Caudill, County Clerk