



OKLAHOMA COUNTY SINGLE AUDIT REPORT

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**SINGLE AUDIT REPORT
OKLAHOMA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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March 28, 2019

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, 2018. 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**OKLAHOMA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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, 2018**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Office of Food and Nutrition Service | | | |
| Passed Through the Oklahoma Department of Education: | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | N/A | \$ 49,036 |
| National School Lunch Program | * 10.555 | N/A | <u>88,476</u> |
| Total U.S. Department of Agriculture Cluster Programs | | | <u>137,512</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Office of Community Planning and Development | | | |
| Passed Through the Oklahoma Department of Commerce: | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 16234 | 331,713 |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 16522 | <u>9,330</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>341,043</u> |
| U.S. DEPARTMENT OF INTERIOR | | | |
| Office of the Secretary | | | |
| Direct Grant: | | | |
| Payments in Lieu of Taxes | 15.226 | N/A | <u>14,711</u> |
| Total U.S. Department of Interior | | | <u>14,711</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Office of Community Oriented Policing Service | | | |
| Direct Grant: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2014-UW-MX-0052 | 53,469 |
| Public Safety Partnership and Community Policing Grants | 16.710 | 2015-UW-MX-0141 | <u>110,716</u> |
| Total CFDA 16.710 | | | 164,185 |
| Office of Bureau of Justice Assistance | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2016-DJ-BX-0928 | <u>7,068</u> |
| Total U.S. Department of Justice | | | <u>171,253</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Office of National Highway Traffic Safety Administration (NHTSA) | | | |
| Passed Through the Oklahoma Highway Safety Office: | | | |
| State and Community Highway Safety | 20.600 | PT-17-03-15-10 | 101,188 |
| State and Community Highway Safety | 20.600 | PT-18-03-17-11 | <u>171,764</u> |
| Total CFDA 20.600 | | | 272,952 |
| National Priority Safety Programs | 20.616 | FSOT-18-03-01-020 | <u>4,253</u> |
| Total U.S. Department of Transportation | | | <u>277,205</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Office of Federal Emergency Management Agency (FEMA) | | | |
| Passed Through the Oklahoma Department of Emergency Management: | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-4222-DR-OK | 526,898 |
| Passed Through the Oklahoma Department of Homeland Security: | | | |
| Emergency Management Performance Grants | 97.042 | EMPG | 7,368 |
| State Homeland Security Program (SHSP) | 97.073 | 730.05 | 8,009 |
| State Homeland Security Program (SHSP) | 97.073 | 830.05 | <u>6,214</u> |
| Total CFDA 97.073 | | | <u>14,223</u> |
| Total U.S. Department of Homeland Security | | | <u>548,489</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,490,213</u> |

*Partially Non-Cash Assistance

The accompanying notes are an integral part of this schedule.

**OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$10,594.39 is included in the Schedule of Expenditures of Federal Awards.

2. Indirect Cost Rate

Oklahoma County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR § 200.414(f).

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

**Independent Auditor's Report on Compliance for Each Major Federal 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 Oklahoma County, Oklahoma's, compliance 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, 2018. 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 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, 2018.



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 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 the 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 a 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.

Report on Schedule of Expenditures of Federal Awards Required by the 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, 2018, and the related notes to the financial statements, which collectively comprise Oklahoma County's basic financial statements. We issued our report thereon dated February 7, 2019, which contained unmodified opinions on those financial statements. Our report was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

March 13, 2019 except as to the Schedule of Expenditures
of Federal Awards, for which the date is February 7, 2019

Schedule of Findings and Questioned Costs

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1 - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... Yes

For fiscal year 2018, the Comprehensive Annual Financial Report (CAFR) for Oklahoma County for the year ended June 30, 2018, was issued under separate cover dated February 7, 2019.

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major program Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516(A) of the Uniform Guidance? No

Identification of Major Programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 20.600 | State and Community Highway Safety |
| 97.039 | Hazard Mitigation Grant |

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, 2018**

SECTION 2 - 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 2018-005 - Inadequate Internal Controls and Noncompliance Over the SHINE Fund 1290 for Equipment Usage

Condition: The Oklahoma County Board of County Commissioners (BOCC) approved a County policy dated August 15, 2012, regarding the usage of county equipment for the SHINE program. The policy required that all equipment charges related to projects for the SHINE program be reimbursed from the SHINE Fund 1290. While reviewing the SHINE Fund 1290 transactions, the following was noted:

- For the fiscal year ending June 30, 2018, the Highway Cash Fund 1110 was not reimbursed for equipment charges incurred on behalf of the SHINE program in the amount of \$40,281.42. Charges are normally reimbursed on a monthly basis; however, reimbursements were not made for eleven of the twelve months.
- Further, from July 2018 through current date, the Highway Cash Fund 1110 has not been reimbursed for SHINE projects in the amount of \$11,241.95.

The total amount of equipment usage not reimbursed to Highway Cash Fund 1110 over the two fiscal year periods is \$51,523.37.

Cause of Condition: Internal control procedures have not been designed and implemented to ensure the Highway Cash Fund 1110 is reimbursed by the SHINE Fund 1290 as stated in the BOCC approved County policy.

Effect of Conditions: This condition appears to have resulted in misappropriation of funds, and violation of County policy and state statute. This condition could also result in unrecorded transactions, misstated financial reports and misuse of county equipment.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that controls be designed and implemented to ensure the Highway Cash Fund 1110 is reimbursed from the SHINE Fund 1290 for equipment usage. We further recommend District 2 contact the District Attorney's office for legal guidance on properly reimbursing the Highway Cash Fund 1110.

Management Response:

County Commissioner District 2: Corrective action will be implemented.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure proper accounting of funds, reimbursements should be timely submitted for equipment usage.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

BOCC Policy approved on August 15, 2012, states:

“...Equipment will be provided by, but not limited to, Oklahoma County Highway Departments. Equipment will be paid for, to reimburse highway funds, at the rates established by the office of the Oklahoma State Auditor and Inspector and/or by rates established by the Federal Emergency Management Agency (FEMA)...”

Title 69 O.S. § 1503(a) states: All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.

Finding 2018-009 – Inadequate Internal Controls Over Business Continuity Plan

Condition: Upon review of the County’s Business Continuity Plan (BCP), we noted it does not appear that adequate controls are in place to ensure, in the event of a disaster, the County would not have delays in the recovery of operations. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County reviews and updates its BCP regularly.

Effect of Condition: This condition could result in increased delays in the recovery of critical business functions of the County.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioner’s Departments will interface with other elected officials’ Departments to update the current continuity plans.

Criteria: According to CobiT, Deliver and Support 4 Ensure Continuous Service, management must develop an IT continuity plan designed to reduce the impact of a major disruption in critical business functions. This process includes periodic testing and monitoring of the IT continuity/disaster recovery plan to keep the plan relevant, documenting and reporting test results, and addressing weakness.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 3 – Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

No matters were reported.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



BRIAN MAUGHAN
COUNTY COMMISSIONER
OKLAHOMA COUNTY DISTRICT TWO

Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2018

| Finding No. | Title (Financial) or CEEDA No. & Program Name (Federal) | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|--------------------|---|---|------------------------------------|-----------------------------------|
| 2018-005 | Inadequate Internal Controls and Noncompliance over the SHINE Fund 1290 for Equipment Usage | Corrective action will be implemented. | 12/16/2019 | Brian Maughan |
| 2018-009 | Inadequate Internal Controls Over Business Continuity Plan | The Board of County Commissioner's Departments will interface with other elected officials' Departments to update the current continuity plans. | 12/16/2019 | Chairman BOCC |

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



BRIAN MAUGHAN
COUNTY COMMISSIONER
OKLAHOMA COUNTY DISTRICT TWO

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2018**

FINANCIAL AUDIT FINDINGS

Finding 2012-001, 2013-001, 2014-001, 2015-001, 2016-001, 2017-001

Inadequate Internal Controls Over Payroll Disbursements

Finding Summary: We noted the following weaknesses in internal controls over processing of payroll:

- The centralized payroll process approved by the Budget Board and Board of County Commissioners (BOCC) is not being properly utilized resulting in the following:
 - Two departments use timekeeping systems that do not effectively interact with the approved centralized payroll system. Rather, the restrictions in the centralized system are not automatically applied to the two other timekeeping systems. Additionally, beginning leave balances were not included in the centralized payroll system's initial totals for one of these offices, which does not allow for leave benefits to be centrally tracked and calculated.
 - Negative leave balances noted for some employees. There are no safeguards in the software system to prevent employees from recording annual or sick leave used when no balance is available.
 - Shared Leave is being donated without evidence of employees meeting all the proper Family Medical Leave Act (FMLA) criteria and without following the County Handbook policies.
 - Holiday Leave is not accurately accrued in two county departments according to the Fair Labor Standard Act (FLSA).
 - Compensatory time in some departments is not consistently calculated in accordance with FLSA regarding the time of law enforcement personnel, non-exempt and exempt employees.
- The County Employee Handbook has not been timely updated after concerns and inconsistencies were noted in the prior audit period.

Status: Corrective action was taken. The BOCC Chairman responds with the County updated their Handbook. The BOCC has made recommendations to the Budget Board regarding consistency in interfacing with the centralized payroll system to comply with FMLA and FLSA guidelines.

Finding 2017-002

Inadequate Internal Controls Over the County Treasurer's Bank Accounts

Finding Summary: Upon inquiry of the County Treasurer staff, review of documentation, and confirmation of bank accounts, it was noted that authorized check signers for the County's bank accounts are not updated in a timely manner.

Status: Corrective action was taken. The BOCC Chairman responds with the Oklahoma County Treasurer's Comptroller was notified by SA&I in November 2017, regarding outdated bank signature cards. All bank signature cards were updated, and proof thereof was provided to SA&I on December 1, 2017. Controls have been put in place to update signature cards when applicable

FEDERAL AUDIT FINDINGS

No Prior Year Federal Findings

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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