

SINGLE AUDIT REPORT

STATE OF OKLAHOMA 2010

For fiscal year ended June 30, 2010



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



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

OKLAHOMA 2010

Single Audit Report For The Fiscal Year Ended June 30, 2010

Prepared by
Office of the State Auditor and Inspector

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

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Oklahoma State Auditor & Inspector

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

March 31, 2011

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

This is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2010. 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, reading "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR

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**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133 and Opinion
on the Supplementary Schedule of Expenditures of Federal Awards**

**Independent Auditor's Report on Compliance with Requirements
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**To the Honorable Mary Fallin, Governor
and Members of the Legislature of the
State of Oklahoma**

Compliance

We have audited the compliance of the State of Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce, the Department of Wildlife Conservation, Water Resources Board, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All of the federal programs for the above referenced agencies represent 2% 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, 2010. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

As described in items 10-305-001 and 10-830-029, in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding:

- Subrecipient Monitoring and Special Test - R3-Subrecipient Monitoring that are applicable to 84.394 -State Fiscal Stabilization Fund(SFSF)-Education State Grants, Recovery Act, 84.397- State Fiscal Stabilization Fund(SFSF)-Government Services, Recovery Act, and

- Special Test –N3-EBT Card Security that is applicable to 10.551-Supplemental Nutrition Assistance Program (SNAP).

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

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Oklahoma, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

10-265-001	10-265-003	10-265-004	10-290-001	10-290-002
10-290-003	10-290-004	10-305-001	10-305-002	10-305-003
10-305-004	10-305-005	10-305-006	10-305-007	10-309-001
10-340-004	10-345-005	10-345-006	10-345-010	10-345-013
10-345-014	10-345-017	10-345-018	10-345-019	10-345-020
10-345-022	10-345-023	10-345-024	10-345-026	10-452-004
10-805-002	10-805-008	10-805-010	10-805-011	10-807-001
10-807-005	10-807-006	10-807-008	10-807-009	10-807-010
10-807-011	10-807-012	10-807-013	10-807-014	10-830-004
10-830-005	10-830-006	10-830-007	10-830-010	10-830-011
10-830-014	10-830-015	10-830-016	10-830-017	10-830-018
10-830-019	10-830-020	10-830-021	10-830-022	10-830-024
10-830-025	10-830-026	10-830-027	10-830-028	10-830-029
10-830-030	10-830-031			

Internal Control Over Compliance

Management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of State of Oklahoma's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be material weaknesses.

10-265-003	10-305-001	10-305-005	10-305-008	10-345-020	10-345-023	10-830-029
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A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items (see list below) to be significant deficiencies.

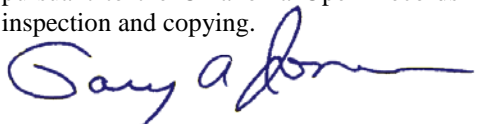
10-265-001	10-265-004	10-290-001	10-290-002	10-290-003
10-290-004	10-305-002	10-305-003	10-305-004	10-305-006
10-305-007	10-305-009	10-305-010	10-309-001	10-340-001
10-340-004	10-345-001	10-345-004	10-345-005	10-345-006
10-345-008	10-345-010	10-345-013	10-345-014	10-345-016
10-345-022	10-345-024	10-452-004	10-452-014IT	10-605-001
10-605-003	10-805-001	10-805-002	10-805-003	10-805-004
10-805-005	10-805-006	10-805-007	10-805-010	10-805-011
10-807-001	10-807-004	10-807-005	10-807-006	10-807-008
10-807-010	10-807-011	10-807-012	10-807-013	10-807-014
10-830-001	10-830-004	10-830-005	10-830-006	10-830-007
10-830-015	10-830-016	10-830-017	10-830-018	10-830-019
10-830-021	10-830-022	10-830-024	10-830-025	10-830-026
10-830-027	10-830-028	10-830-031		

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, 2010, and have issued our report thereon dated December 30, 2010, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System, the net deficit of the Multiple Injury Trust Fund, 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.

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

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



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

March 28, 2011 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 30, 2010

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

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By Federal Grantor**

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA		Expenditures/Expenses	
	Number	Agency	Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture	\$ 717,632	
	10.025	Oklahoma Boll Weevil Eradication Organization	445,000	
			<u>62,887</u>	\$ 1,225,519
Wildlife Services	10.028	Department of Wildlife Conservation		70,393
Conservation Reserve Program	10.069	Department of Agriculture		2,701
ARRA - Aquaculture Grants Program (AGP)	10.086	Department of Agriculture		14,948
Market Protection and Promotion	10.163	Department of Agriculture		185,314
Specialty Crop Block Grant	10.169	Department of Agriculture		59,653
Specialty Crop Block Grant Program - Farm Bill	10.170	Department of Agriculture		88,066
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,690,371
Supplemental Nutrition Assistance Program (SNAP)	10.551	Department of Human Services	\$ 862,707,630	⊕
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	Department of Human Services	46,721,051	⊕
ARRA - State Administrative Matching Grants for SNAP	10.561	Department of Human Services	<u>1,795,678</u>	⊕ 911,224,359 ⊗
School Breakfast Program (SBP)	10.553	Department of Education	49,176,775	⊕
National School Lunch Program (NSLP)	10.555	Department of Education	135,572,938	⊕
	⊕ 10.555	Department of Human Services	9,738,088	⊕
Special Milk Program for Children (SMP)	10.556	Department of Education	30,197	⊕
Summer Food Service Program for Children (SFSPC)	10.559	Department of Education	2,992,371	⊕
	⊗ 10.559	Department of Human Services	<u>72,586</u>	⊕ 197,582,955
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		89,802,384 ⊗
Child and Adult Care Food Program	10.558	Department of Education	55,645,744	
	⊗ 10.558	Department of Human Services	<u>229,731</u>	55,875,475
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,345,097	
	10.560	Department of Human Services	<u>331,557</u>	2,676,654
Commodity Supplemental Food Program	10.565	Department of Human Services		61,341
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	508,006	⊕
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	498,754	⊕
Emergency Food Assistance Program (Food Commodities)	⊗ 10.569	Department of Human Services	8,020,633	⊕
ARRA - Emergency Food Assistance Program (Food Commodities)	⊗ 10.569	Department of Human Services	<u>8,534</u>	⊕ 9,035,927
Senior Farmers Market Nutrition Program	10.576	Department of Human Services		21,200
Child Nutrition Discretionary Grants Limited Availability	10.579	Department of Education	372,503	
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	Department of Education	<u>1,519,538</u>	1,892,041
Outreach/Participation Program (SNAP)	10.580	Department of Human Services		99,342
Fresh Fruit and Vegetable Program	10.582	Department of Education		815,534
Forestry Research	10.652	Department of Agriculture		233,165
Cooperative Forestry Assistance	10.664	Department of Agriculture		1,691,802
Forest Legacy Program	10.676	Department of Agriculture		8,148
Cooperative Forest Land Enhancement Program	10.677	Department of Agriculture		61,826
Soil and Water Conservation	10.902	Conservation Commission	5,201,839	
	10.902	Department of Wildlife Conservation	<u>175,344</u>	5,377,183
Environmental Quality Incentives Program	10.912	Department of Agriculture		67,510
ARRA - Watershed Rehabilitation Program	10.916	Conservation Commission		707,891
Cibola National Forest and Grasslands	-	Department of Wildlife Conservation		40,000
Subtotal				<u>1,280,611,702</u>
U.S. Department of Commerce				
Direct Programs:				
Economic Adjustment Assistance	11.307	Department of Commerce		210,000
Public Safety Interoperable Communications Grant Program	11.555	Department of Public Safety		<u>7,354,349</u>
Subtotal				7,564,349

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA		Expenditures/Expenses	
	Number	Agency	Agency	State
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		638,666
State Memorandum of Agreement Program for the				
Reimbursement of Technical Services	12.113	Department of Environmental Quality		34,363
Military Construction, National Guard	12.400	Oklahoma Military Department		91,864,749
Cost Reimbursement Contract - National Guard Military				
Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department	23,410,142	
ARRA - Cost Reimbursement Contract - National Guard Military				
Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department	467,881	23,878,023
National Guard Challenge Program	12.404	Oklahoma Military Department	3,039,411	
	12.404	Department of Education	168,492	3,207,903
Subtotal				\$ 119,623,704
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication				
Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		317,403
Subtotal				\$ 317,403
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	Department of Environmental Quality		3,276
Community Development Block Grants/State's				
Program and Non-Entitlement Grants in Hawaii--	14.228	Department of Commerce	18,889,821	⊕
ARRA - Community Development Block Grants/State's				
Program and Non-Entitlement Grants in Hawaii--	14.255	Department of Commerce	6,416	⊕ 18,896,237 ◆
Emergency Shelter Grants Program	14.231	Department of Commerce		777,919
Shelter Plus Care	14.238	Department of Commerce	176,196	
	14.238	Mental Health and Substance Abuse Services	25,137	201,333
ARRA - Homeless Protection	14.257	Department of Commerce		1,508,237
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		254,992
Subtotal				\$ 21,641,994
U.S. Department of the Interior				
Direct Programs:				
Regulation of Surface Coal Mining and Surface				
Effects of Underground Coal Mining	15.250	Department of Mines		1,059,677
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		1,666,136
Water SMART (Sustaining and Manage America's Resouces				
for Tomorrow)	15.507	Water Resources Board		120,381
Sport Fish Restoration Program	15.605	Department of Wildlife Conservation	6,881,420	⊕
Wildlife Restoration	15.611	Department of Wildlife Conservation	8,228,384	⊕ 15,109,804 ◆
Fish and Wildlife Management Assistance	15.608	Department of Wildlife Conservation		34,672
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		181,841
Clean Vessel Program	15.616	Department of Environmental Quality		(22,920)
Sporting and Boating Safety Act	15.622	Department of Tourism and Recreation		22,165
Firearm and Bow Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		119,066
Partners for Fish and Wildlife	15.631	Conservation Commission	47,490	
	15.631	Department of Wildlife Conservation	216,895	264,385
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		103,236
State Wildlife Grants	15.634	Department of Wildlife Conservation		336,890
ARRA - Habitat Enhancement, Restoration and Improvement	15.656	Conservation Commission	95,000	
	15.656	Department of Wildlife Conservation	99,443	194,443

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, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		324,353
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		736,133
Cost Reimbursement Contracts:				
McGee Creek Project	-	Department of Wildlife Conservation		96,738
Cooperative Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		296,095
Subtotal			\$	20,643,095
U.S. Department of Justice				
Direct Programs:				
Sexual Assault Services Formula Program	16.017	District Attorneys Council		4,869
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	Department of Corrections		208,435
Juvenile Accountability Block Grants	16.523	Office of Juvenile Affairs		738,648
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		575,756
Missing Children's Assistance	16.543	State Bureau of Investigation		352,276
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		58,157
State Justice Statistics Program for Statistical Analysis Centers	16.550	State Bureau of Investigation		31,893
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		62,852
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	State Bureau of Investigation		356,066
Crime Victim Assistance	16.575	District Attorneys Council		4,065,296
Crime Victim Compensation	16.576	District Attorneys Council		2,018,789
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Bureau of Narcotics & Dangerous Drugs Control		77,786
Crime Victim Assistance/Discretionary Grants	16.582	Attorney General		59,707
ARRA - Violence Against Women Formula Grants	16.588	District Attorneys Council		220,026
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589	District Attorneys Council		15,987
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	Attorney General	66,386	
	16.590	District Attorneys Council	384,453	450,839
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		15,419
State Criminal Alien Assistance Program	16.606	Department of Corrections		1,194,050
Project Safe Neighborhoods	16.609	District Attorneys Council		16,250
Public Safety Partnership and Community Policing Grants	16.710	Bureau of Narcotics & Dangerous Drugs Contr	255,168	
	16.710	Department of Public Safety	151,558	406,726
Enforcing Underage Drinking Laws Program	16.727	Mental Health and Substance Abuse Services	42,852	
	16.727	Department of Public Safety	352,436	395,288
Edward Byrne Memorial Justice Assistance Grant Program	16.738	District Attorneys Council		1,359,451
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	Attorney General		36,000
Forensic DNA Backlog Reduction Program	16.741	State Bureau of Investigation		940,581
Paul Coverdell Forensic Sciences Improvement Grant	16.742	District Attorneys Council		17,811
Anti-Gang Initiative	16.744	District Attorneys Council		7,644
Criminal and Juvenile Justice and Mental Health Collaboration	16.745	Mental Health and Substance Abuse Services		7,650
Capital Case Litigation Initiative	16.746	Indigent Defense System		278
Edward Byrne Memorial Competitive Grant Program	16.751	Indigent Defense System		57,800
Congressionally Recommended Awards	16.753	State Bureau of Investigation		92,200
Harold Rogers Prescription Drug Monitoring Program	16.754	Bureau of Narcotics & Dangerous Drugs Control		42,397
ARRA - Internet Crimes Against Children Task Force	16.800	State Bureau of Investigation		188,031
ARRA - State Victim Assistance Formula Grant Program	16.801	District Attorneys Council		128,468
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	State Bureau of Investigation	110,032	
	16.803	District Attorneys Council	2,420,188	2,530,220
Second Chance Act Prisoner Reentry Initiative	16.812	Department of Corrections		108,408
Cost Reimbursement Contract:				
High Intensity Drug Trafficking Area	-	Bureau of Narcotics & Dangerous Drugs Control		25,854
Subtotal			\$	16,867,908
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,105,922
Compensation and Working Conditions	17.005	Department of Labor		117,669

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, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	13,854,188	☼
ARRA-Employment Services/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	3,516,763	☼
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission	510,875	☼
Local Veterans' Employment Representative Program	17.804	Employment Security Commission	1,642,993	☼
				19,524,819
Unemployment Insurance	17.225	Employment Security Commission	1,077,947,866	
ARRA-Unemployment Insurance	17.225	Employment Security Commission	90,104,989	1,168,052,855 ☼
Senior Community Service Employment Program	17.235	Employment Security Commission	1,724,492	
ARRA-Senior Community Service Employment Program	17.235	Employment Security Commission	382,448	2,106,940
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		5,919,611
WIA Adult Program	17.258	Department of Commerce	7,614,866	☼
ARRA- WIA Adult Program	17.258	Department of Commerce	3,036,528	☼
WIA Youth Activities	17.259	Department of Commerce	8,126,968	☼
ARRA- WIA Youth Activities	17.259	Department of Commerce	6,487,935	☼
WIA Dislocated Workers	17.260	Department of Commerce	7,262,820	☼
ARRA- WIA Dislocated Workers	17.260	Department of Commerce	3,980,291	☼
WIA Heroes at Home/Military Spouse Initiative	17.260	Department of Commerce	1,417,279	☼
				37,926,687 ♦
WIA Pilots, Demonstrations, and Research Projects	17.261	Department of Commerce		8,200
H-1B Job Training Grants	17.268	Department of Commerce		111,902
Work Opportunity Tax Credit Program (WOTC)	17.271	Employment Security Commission		187,171
Temporary Labor Certification for Foreign Workers	17.273	Employment Security Commission		37,071
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	Department of Commerce		48,260
Consultation Agreements	17.504	Department of Labor		1,222,148
Mine Health and Safety Grants	17.600	Department of Mines		108,733
Subtotal				\$ 1,236,477,988
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission	307,104	
	20.106	Oklahoma Space Industry Dev. Authority	263,155	570,259
Highway Research and Development Program	20.200	Department of Transportation		2,120,670
Highway Planning and Construction	20.205	Department of Transportation	656,756,944	☼
ARRA - Highway Planning and Construction	20.205	Department of Transportation	304,219,743	☼
Recreational Trails Program	20.219	Department of Tourism and Recreation	1,019,087	☼
				961,995,774 ☼
Highway Training and Education	20.215	Department of Transportation		3,323,542
National Motor Carrier Safety	20.218	Department of Public Safety		7,418,294
Commercial Drivers License Program Improvement Grant	20.232	Department of Public Safety		4,217,019
Commercial Vehicle Information Systems and Networks	20.237	Department of Transportation		559,847
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation	14,887,179	
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation	10,055,566	24,942,745 ☼
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		1,672,199
State and Community Highway Safety	20.600	Department of Public Safety	3,741,839	☼
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Department of Public Safety	2,034,670	☼
Safety Belt Performance Grants	20.609	Department of Public Safety	509,866	☼
State Traffic Safety Information System Improvement Grants	20.610	Department of Public Safety	541,052	☼
Incentive Grant Program to Increase Motorcyclist Safety	20.612	Department of Public Safety	134,442	☼
				6,961,869
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		333,755
Cost Reimbursement Contract - Commercial Vehicle Information System and Networks	20.237	Corporation Commission		396,462
Pipeline Safety Program Base Grants	20.700	Corporation Commission		959,677
Subtotal				\$ 1,015,472,112

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Equal Employment Opportunity Commission				
Direct Programs:				
Employment Discrimination - State and Local Fair				
Employment Practices Agency Contracts	30.002	Human Rights Commission		103,969
Subtotal				\$ 103,969
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	39.003	Department of Central Services		2,712,273
Election Reform Payments	39.011	State Election Board		980,335
Subtotal				\$ 3,692,608
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	Historical Society		25,000
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		787,000
ARRA - Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		306,800
Promotion of the Humanities - Division of Preservation and Access	45.149	Historical Society		21,391
Grants to States	45.310	Department of Libraries		2,035,111
National Leadership Grants	45.312	Department of Commerce	67,037	
	45.312	Department of Libraries	23,163	90,200
Laura Bush 21st Century Librarian Program	45.313	Department of Libraries		166,654
Subtotal				\$ 3,432,156
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		4,043,282
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		47,064,286
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		375,747
Subtotal				\$ 51,483,315
U.S. Environmental Protection Agency				
Direct Programs:				
Surveys, Studies, Research, Investigations, Demonstrations, and				
Special Act Purpose Activities Relating to the Clean Air Act	66.034	Department of Environmental Quality		451,481
ARRA - National Clean Diesel Emissions Reduction Program	66.039	Department of Environmental Quality		62,361
State Clean Diesel Grant Program	66.040	Department of Environmental Quality	375,025	
ARRA - State Clean Diesel Grant Program	66.040	Department of Environmental Quality	102,817	477,842
Water Pollution Control State, Interstate, and				
Tribal Program Support	66.419	Water Resources Board		2,746,895
State Underground Water Source Protection	66.433	Corporation Commission		369,128
Surveys, Studies, Investigations, Demonstrations, and Training Grants				
and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	Water Resources Board		22,505
Water Quality Management Planning	66.454	Water Resources Board	138,874	
ARRA - Water Quality Management Planning	66.454	Water Resources Board	98,694	237,568
Capitalization Grants for Clean Water State Revolving Fund	66.458	Water Resources Board	1,145,275	
ARRA - Capitalization Grants for Clean Water State Revolving Fund	66.458	Water Resources Board	19,768,675	20,913,950
Nonpoint Source Implementation Grants	66.460	Water Resources Board		4,214,452
Regional Wetland Program Development Grants	66.461	Water Resources Board		463,287
Water Quality Cooperative Agreements	66.463	Water Resources Board		22,644
Capitalization Grants for Drinking Water				
State Revolving Fund	66.468	Department of Environmental Quality	3,346,983	
ARRA - Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality	22,842,753	26,189,736
Water Protection Grants to the States	66.474	Department of Environmental Quality		84,770
Regional Environmental Monitoring and Assessment Program (REMAP)				
Research Projects	66.512	Water Resources Board		28,394
Performance Partnership Grants	66.605	Department of Environmental Quality		4,507,084
Surveys, Studies, Investigations, Special Purpose Grants	66.606	Water Resources Board		158,929
Environmental Information Exchange Network Grant Program				
and Related Assistance	66.608	Department of Environmental Quality	73,563	
	66.608	Department of Agriculture	83,106	156,669
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		904,327

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	Department of Labor		396,644
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		44,570
Multi-Media Capacity Building Grants for States and Tribes	66.709	Department of Agriculture		22,622
Pesticide Environmental Stewardship Regional Grants	66.714	Department of Agriculture		18,955
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	State Department of Health		4,349
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	3,158,321	
ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	10,737,338	13,895,659
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	Corporation Commission		608,280
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	Corporation Commission	1,143,110	
ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Plan	66.805	Corporation Commission	869,829	2,012,939
State and Tribal Response Program Grants	66.817	Department of Environmental Quality	278,735	
	66.817	Corporation Commission	154,943	433,678
Brownsfields Assessments and Cleanup Cooperative Agreements	66.818	Department of Environmental Quality	253	
ARRA - Brownsfields Assessments and Cleanup Cooperative Agreements	66.818	Department of Environmental Quality	8,423	8,676
Subtotal				\$ 79,458,394
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce	380,303	
ARRA - State Energy Program	81.041	Department of Commerce	2,066,514	2,446,817 ♦
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	4,123,735	
ARRA - Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	13,391,570	17,515,305 ♦
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis	81.117	Department of Commerce		7,614
ARRA - Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122	Corporation Commission	48,916	
	81.122	Department of Commerce	2,198	51,114
ARRA - Energy Efficient Appliance Rebate Program	81.127	Department of Commerce		927,813
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	Department of Commerce		139,347
Subtotal				\$ 21,088,010
U.S. Department of Education				
Direct Programs:				
Adult Education - Basic State Grant to States	84.002	Department of Education		5,480,654
Title I Grants to Local Educational Agencies	84.010	Department of Education	147,775,627 ☼	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	Department of Education	19,733,924 ☼	167,509,551 ☼
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,096,034
Title I State Agency Program for Neglected and Delinquent Children	84.013	Department of Education		133,986
Special Education - Grants to States	84.027	Department of Education	139,984,947 ☼	
Special Education - Preschool Grants	84.173	Department of Education	3,421,885 ☼	
ARRA - Special Education - Grants to States, Recovery Act	84.391	Department of Education	36,340,742 ☼	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	Department of Education	1,108,741 ☼	180,856,315 ☼
Career and Technical Education -- Basic Grants to States	84.048	Department of Career & Technology Education		16,136,916
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services	39,765,444 ☼	
ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	Department of Rehabilitation Services	4,767,750 ☼	44,533,194 ☼

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Rehabilitation Services - Client Assistance Program	84.161	Office of Disability Concerns		930
Independent Living - State Grants	84.169	Department of Rehabilitation Services		412,600
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services	373,250 ✖	
ARRA - Independent Living Services for Individuals Who are Blind, Recovery Act	84.399	Department of Rehabilitation Services	<u>14,873</u> ✖	388,123
Special Education - Grants for Infants and Families	84.181	Department of Education	4,624,662 ✖	
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	Department of Education	<u>805,460</u> ✖	5,430,122
Byrd Honors Scholarships	84.185	Department of Education		416,250
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	2,486,475	
	84.186	Mental Health and Substance Abuse Services	<u>703,606</u>	3,190,081
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	Department of Rehabilitation Services		300,000
Education for Homeless Children and Youth	84.196	Department of Education	675,044 ✖	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	Department of Education	<u>909,066</u> ✖	1,584,110
Even Start - State Educational Agencies	84.213	Department of Education		745,643
Tech-Prep Education	84.243	Department of Career & Technology Education		1,464,483
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		92,660
Twenty-First Century Community Learning Centers	84.287	Department of Education		11,735,469
Innovative Education Program Strategies	84.298	Department of Education		471,509
Education Technology State Grants	84.318	Department of Education	2,805,380 ✖	
ARRA - Education Technology State Grants, Recovery Act	84.386	Department of Education	<u>1,939,940</u> ✖	4,745,320
Special Education - State Personnel Development Grants to States for Workplace and Community Transition	84.323	Department of Education		1,267,693
Training for Incarcerated Individuals	84.331	Department of Corrections		336,535
Title I Accountability Grants	84.348	Department of Education		(854,762)
Reading First	84.357	Department of Education		4,550,922
Rural Education	84.358	Department of Education		3,573,003
English Language Acquisition Grants	84.365	Department of Education		3,276,978
Math and Science Partnerships	84.366	Department of Education		1,582,558
Improving Teacher Quality Grants	84.367	Department of Education		28,644,886
Grants for State Assessments and Related Activities	84.369	Department of Education		7,439,925
School Improvement Grants	84.377	Department of Education		3,389,360
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	Office of the Governor	271,165,427 ✖	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	Office of the Governor	<u>28,933,590</u> ✖	300,099,017 ✖
Subtotal				<u>\$ 801,030,065</u>
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		97,971
Subtotal				<u>\$ 97,971</u>
Direct Programs:				
Help America Vote Act Requirements Payments	90.401	State Election Board		439,923
Subtotal				<u>\$ 439,923</u>
U.S. Department of Health and Human Services				
Direct Programs:				
Special Programs for the Aging - Title VII, Chapter - 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		54,465

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			Agency	State
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		250,191
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		286,974
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services	4,289,653	✖
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services	7,738,818	✖
Nutrition Services Incentive Program	93.053	Department of Human Services	2,855,723	✖
ARRA-Aging Home-Delivered Nutrition Services for States	93.705	Department of Human Services	193,081	✖
ARRA-Aging Congregate Nutrition Services for States	93.707	Department of Human Services	392,190	✖ 15,469,465
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Department of Human Services		274,599
Alzheimer's Disease Demonstration Grants to States	93.051	Department of Human Services		139,560
National Family Caregiver Support, Title III, Part E	93.052	Department of Human Services		1,617,045
Public Health Emergency Preparedness	93.069	State Department of Health		10,401,246 ✖
Environmental Public Health and Emergency Response	93.070	State Department of Health		275,301
Medicare Enrollment Assistance Program	93.071	Department of Human Services		15,518
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Department of Human Services		634,086
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	Mental Health and Substance Abuse Services		516,820
Food and Drug Administration Research	93.103	Department of Agriculture		85,059
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mental Health and Substance Abuse Services		1,427,990
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		544,283
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		739,032
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	State Department of Health		132,427
ARRA - State Primary Care Offices	93.414	State Department of Health		31,915
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,081,869
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		288,951
Heath Programs for Toxic Substances and Disease Registry	93.161	State Department of Health		33,784
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	State Department of Health		278,360
Family Planning Services	93.217	State Department of Health		4,075,353
Traumatic Brain Injury State Demonstration Grant Program	93.234	State Department of Health		38,328
Abstinence Education Program	93.235	State Department of Health		631,279
Cooperative Agreement for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health		166,360
Substance Abuse and Mental Health Services Projects Regional and National Significance	93.243	Mental Health and Substance Abuse Services		6,563,277
Universal Newborn Hearing Screening	93.251	State Department of Health		158,115
Occupational Safety & Health Program	93.262	State Department of Health		(92,548)
Immunization Grants	✖ 93.268	State Department of Health	45,738,573	✖
ARRA - Immunization Grants	93.268	State Department of Health	1,310,658	✖
ARRA - Immunization	93.712	State Department of Health	218,993	✖ 47,268,224 ✖
Substance Abuse and Mental Health Services-Access to Recovery Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.275	Mental Health and Substance Abuse Services		5,307,387
	93.283	State Department of Health		16,805,395
State Partnership Grant Program to Improve Minority Health	93.296	State Department of Health		109,910

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			Agency	State
Transitional Living for Homeless Youth	93.550	Department of Human Services		37,957
Promoting Safe and Stable Families	93.556	Department of Human Services		4,351,502
Temporary Assistance for Needy Families (TANF)	93.558	Department of Human Services	157,121,667	✱
ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	Department of Human Services	9,096,328	✱ 166,217,995
Child Support Enforcement	93.563	Department of Human Services	31,785,528	
ARRA -Child Support Enforcement	93.563	Department of Human Services	13,636,996	✱ 45,422,524
Child Support Enforcement Research	93.564	Department of Human Services		37,663
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		796,906
Low-Income Home Energy Assistance	93.568	Department of Human Services		47,971,580
Community Services Block Grants	93.569	Department of Commerce	8,087,475	✱
ARRA-Community Services Block Grants	93.710	Department of Commerce	6,908,661	✱ 14,996,136
Child Care and Development Block Grant	93.575	Department of Human Services	70,933,762	✱
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services	45,603,214	✱ 116,536,976
State Court Improvement Program	93.586	Supreme Court		380,232
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		1,084,589
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		116,653
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		815,306
Child Support Enforcement Demonstrations and Special Projects	93.601	Department of Human Services		9,160
Adoption Incentive Payments	93.603	Department of Human Services		1,504,000
Family Connection Grants	93.605	Department of Human Services		110,706
Head Start	93.600	Department of Commerce		154,269
Voting Access for Individuals with Disabilities	93.617	State Election Board		43,405
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		895,269
Children's Justice Grants to States	93.643	Department of Human Services		157,213
Child Welfare Services - State Grants	93.645	Department of Human Services		1,562,431
Adoption Opportunities	93.652	Department of Human Services		570,317
Foster Care - Title IV-E	93.658	Department of Human Services	32,665,294	
ARRA - Foster Care - Title IV-E	93.658	Department of Human Services	1,623,557	✱ 34,288,851
Adoption Assistance	93.659	Department of Human Services	27,917,895	
ARRA - Adoption Assistance	93.659	Department of Human Services	2,871,927	✱ 30,789,822
Social Services Block Grant	93.667	Department of Human Services		34,784,805
Child Abuse and Neglect State Grants	93.669	Department of Human Services		347,954
Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	Attorney General		1,391,393
Chafee Foster Care Independence Program	93.674	Department of Human Services		2,786,674
ARRA - Preventing Healthcare-Associated Infections	93.717	State Department of Health		122,420
ARRA - State Grants to Promote Health Information Technology	93.719	Health Care Authority		76,889
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare - Associated Infection (ASC-HAI) Prevention Initiative	93.720	State Department of Health		13,568
ARRA - Prevention and Wellness - State, Territories and Pacific Islanders	93.723	State Department of Health		423,132
ARRA - Communities Putting Prevention to Work-Chronic Disease Self-Management Program	93.725	Department of Human Services		6,841
Children's Health Insurance Program	93.767	Health Care Authority		116,275,618
Medicare - Hospital Insurance	93.773	State Department of Health		6,299,834
State Medicaid Fraud Control Units	93.775	Attorney General	1,166,173	✱
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	Health Care Authority	4,566,174	✱
Medical Assistance Program	93.778	Health Care Authority	2,577,780,710	✱
ARRA-Medical Assistance Program	93.778	Health Care Authority	470,422,654	✱ 3,053,935,711
Alternate Non-Emergency Service Providers or Networks	93.790	Health Care Authority		354,326
Money Following the Person Rebalancing Demonstration	93.791	Health Care Authority		1,818,194

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			Agency	State
Medicaid Transformation Grant	93.793	Health Care Authority		3,465,634
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		5,956,333
HIV Care Formula Grants	93.917	State Department of Health		9,981,851
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	State Department of Health		1,004,858
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		246,013
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,722,114
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		413,578
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		505,026
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,187,680
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		16,429,856
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,147,781
Preventive Health and Health Services Block Grant	93.991	State Department of Health		1,020,924
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health	5,330,616	
	93.994	Department of Human Services	2,274,695	7,605,311
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		46,809
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		359,038
Cost Reimbursement Contracts:				
Implementation Alcohol/Drug Data Collection	-	Mental Health and Substance Abuse Services		19,901
Client Level Projects	-	Mental Health and Substance Abuse Services		28,111
CSAP Prevention Fellowship	-	Mental Health and Substance Abuse Services		69,794
State Outcome Measurement & Management System	-	Mental Health and Substance Abuse Services		97,784
State Epidemiological Outcomes Workgroup	-	Mental Health and Substance Abuse Services		802
Subtotal				<u>\$ 3,858,408,039</u>
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		178,020
AmeriCorps	94.006	Bureau of Narcotics & Dangerous Drugs Control		78,238
Foster Grandparent Program	94.011	Department of Human Services		427,281
Volunteers in Service to America	94.013	Department of Education		17,000
Subtotal				<u>\$ 700,539</u>
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		32,696,224
Subtotal				<u>\$ 32,696,224</u>
U.S. Department of Homeland Security				
Direct Programs:				
Interoperable Communications Equipment Grant	97.001	Department of Public Safety		238,336
Non-Profit Security Program	97.008	Department of Public Safety		3,850,096
Boating Safety Financial Assistance	97.012	Department of Public Safety		1,548,910
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	Department of Emergency Management		178,004
Emergency Management Institute (EMI) Independent Study Program	97.027	Department of Emergency Management		921,111
Flood Mitigation Assistance	97.029	Department of Emergency Management		3,844
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	Department of Emergency Management		28,895,171
Hazard Mitigation Grant	97.039	Department of Emergency Management		2,246,151
National Dam Safety Program	97.041	Water Resources Board		260,845

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Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Emergency Management Performance Grants	97.042	Department of Emergency Management	4,049,576	
	97.042	Department of Public Safety	<u>4,126,617</u>	8,176,193
Fire Management Assistance Grant	97.046	Department of Emergency Management		181,378
Pre-Disaster Mitigation	97.047	Department of Emergency Management		80,756
Citizens Corps	97.053	Department of Public Safety		425,897
Interoperable Emergency Communications Grant	97.055	Department of Public Safety		34,643
Map Modernization Management Support	97.070	Department of Emergency Management		65,219
Metropolitan Medical Response System	97.071	Department of Public Safety		293,159
State Homeland Security Program (SHSP)	97.073	Department of Public Safety		4,891,991
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	Department of Public Safety		1,616,287
Buffer Zone Protection Program	97.078	Department of Public Safety		323,244
Repetitive Food Claims	97.092	Department of Emergency Management		<u>34,112</u>
Subtotal				<u>\$ 54,265,347</u>
Total Federal Assistance				<u><u>\$ 8,626,116,815</u></u>

⌘ Noncash Assistance

❖ Partially Noncash Assistance

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

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

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

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

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2010

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, as described in CAFR note 1, 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, 2010. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

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

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

The scope of the Schedule includes expenditures and expenses of federal assistance directly received by state primary recipients. With reference to the primary government, the primary recipient expenditures are not adjusted for sub-recipient state agency expenditures.

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

Notes to the Schedule of Expenditures of Federal Awards

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Department of Environmental Quality (CFDA 66.468) a primary government enterprise fund, and the Wildlife Conservation Commission, a governmental fund, use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. Petroleum Violation Escrow Funds

Petroleum Violation Escrow (PVE) funds received by the State as restitution relative to litigation involving violations of federal price controls are not federal funds and therefore are not included in the Schedule. However, certain PVE funds were made subject to OMB Circular A-133 by the terms of federal legislation, or by court orders. Those PVE funds subject to OMB Circular A-133, and included within the scope of our audit, were utilized in the following programs during fiscal year 2010:

<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 \$549,839,384. The federal portion of UI funds amounted to \$528,108,482 and additional funds of \$90,104,989 were provided by the ARRA.

Note 4. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Clean Water Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$245,698,027 at June 30, 2010. A federal grant from the U.S. Environmental Protection Agency provides approximately 80% of the program's loan funding, with State funds matching the remaining 20%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$312,789,744 at June 30, 2010. 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 2010, the ODEQ withdrew federal funds in the amount of \$4,389,586. Of these funds, no funds were used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2010, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$21,779,908 on sales of formula to participants in the Special Supplemental Food Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

Notes to the Schedule of Expenditures of Federal Awards

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$2,887,000 were in suspense at June 30, 2010, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100 percent will be considered available.

Note 6. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
Oklahoma Department of Wildlife
Oklahoma Department of Environmental Quality
Oklahoma Water Resources Board

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

Note 7. Department of Education Grant Transfers

The Department of Education made the following transferability payments between programs for the fiscal year 2010:

	Improving Teacher Quality	Education Technology	Safe & Drug Free Schools & Communities State Grants
	State Grants (CFDA 84.367)	State Grants (CFDA 84.318)	(CFDA 84.186)
<u>Transferred To:</u>			
Title I Grants to LEAs (CFDA 84.010)	\$ 1,185,403.15	\$ 1,412.27	\$ 6,089.05
Improving Teacher Quality State Grants (CFDA 84.367)	\$ -	\$ -	\$ 2,000.00
Education Technology State Grants (CFDA 84.318)	\$ 494,554.69	\$ -	\$ 18,713.39
Safe & Drug Free Schools & Communities State Grants (CFDA 84.186)	\$ 102,949.91	\$ -	\$ -
State Grants for Innovative Programs (CFDA 84.298)	\$ 451,210.35	\$ -	\$ -
	<u>\$ 2,234,118.10</u>	<u>\$ 1,412.27</u>	<u>\$ 26,802.44</u>

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

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

is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma's highway projects.

The Department utilized \$78,462,234 of the soft match provision for projects billed during fiscal year 2010. 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.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Schedule of Findings Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:unqualified

Internal control over financial reporting:

Material weakness(es) identified?yes

Significant deficiencies identified that are not
considered to be material weakness(es)?no

Noncompliance material to financial statements noted?no

For fiscal year 2010, the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards*, and related finding, dated December 30, 2010, was issued under separate cover.

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 for all major programs except for 84.394 –State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act, 84.397 State Fiscal Stabilization Fund (SFSF)-Government Services, Recovery Act and 10.551-Supplemental Nutrition Assistance Program (SNAP) which were qualified.

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: \$25,737,039

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

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

Schedule of Findings
Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
CDBG – State Administered Small Cities Program Cluster	14.228 Community Development Block Grants – State's Program and Non-Entitlement Grants/Hawaii 14.255ARRA Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii (State Administered Small Cities Program)	Department of Commerce
Fish and Wildlife Cluster	15.605 Sport Fish Restoration Program 15.611 Wildlife Restoration	Department of Wildlife Conservation
	17.225 Unemployment Insurance 17.225 ARRA – Unemployment Insurance	Employment Security Commission
WIA Cluster	17.258 Workforce Investment Act – Adults 17.258 ARRA – Workforce Investment Act - Adults 17.259 Workforce Investment Act - Youth Activities 17.259 ARRA - Workforce Investment Act – Youth Activities 17.260 Workforce Investment Act - Dislocated Workers 17.260 ARRA – Workforce Investment Act – Dislocated Workers 17.260 Workforce Investment Act – Heroes at Home/Military Spouse Initiative	Department of Commerce
Highway Planning & Construction Cluster	20.205 Highway Planning and Construction 20.205 ARRA – Highway Planning and Construction 20.219 Recreational Trails Program	Department of Transportation Department of Tourism & Recreation
	20.509 Formula Grants for Other Than Urbanized Areas 20.509 ARRA- Formula Grants for Other Than Urbanized Areas	Department of Transportation
	64.015 Veterans State Nursing Home Care	Department of Veteran Affairs
	66.468 Capitalization Grants for Drinking Water State Revolving Fund 66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	81.041 State Energy Program 81.041 ARRA – State Energy Program	Department of Commerce
	81.042 Weatherization Assistance for Low-Income Persons 81.042 ARRA – Weatherization Assistance for Low-Income Persons	Department of Commerce

Schedule of Findings
Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
Title I, Part A Cluster	84.010 Title I Grants to Local Educational Agencies 84.389 ARRA – Title I Grants to Local Educational Agencies, Recovery Act	Department of Education
Special Education Cluster (IDEA)	84.027 Special Education – Grants to States 84.173 Special Education - Preschool Grants 84.391 ARRA - Special Education – Grants to States, Recovery Act 84.392 ARRA – Special Education – Preschool Grants, Recovery Act	Department of Education
Vocational Rehabilitation Cluster	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States 84.390 ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	Department of Rehabilitation Services
State Fiscal Stabilization Fund Cluster	84.394 ARRA- State Fiscal Stabilization Fund(SFSF)- Education State Grants, Recovery Act(Education Stabilization Fund) 84.397 ARRA- State Fiscal Stabilization Fund(SFSF)- Government Services, Recovery Act	Office of Governor
	93.069 Public Health Emergency Preparedness	Department of Health
Immunization Cluster	93.268 Immunization Grants 93.268 ARRA Immunization Grants 93.712 ARRA Immunization	Department of Health
TANF Cluster	93.558 Temporary Assistance for Needy Families (TANF) State Programs 93.714 ARRA-Emergency Contingency Fund for TANF State Programs	Department of Human Services
	93.563 Child Support Enforcement 93.563 ARRA – Child Support Enforcement	Department of Human Services
	93.568 Low Income Home Energy Assistance	Department of Human Services
CSBG Cluster	93.569 Community Services Block Grant 93.710 ARRA – Community Services Block Grant	Department of Commerce
	93.658 Foster Care – Title IV-E 93.658 ARRA – Foster Care – Title IV-E	Department of Human Services
	93.659 Adoption Assistance 93.659 ARRA – Adoption Assistance	Department of Human Services

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

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	93.667 Social Services Block Grant	Department of Human Services
	93.767 Children's Health 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 (Medicaid)	Health Care Authority
	93.778 ARRA – Medical Assistance Program (Medicaid)	Health Care Authority
	93.959 Block Grants for Prevention and Treatment of Substance Abuse	Department of Mental Health and Substance Abuse Services
	97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Department of Emergency Management

Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Education

FINDING NO: 10-265-001 **REPEAT FINDING**

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.391,84.392, 84.389

FEDERAL PROGRAM NAME: Special Education Grants to States – Recovery Act,
Special Education Preschool Grants – Recovery Act,
Title I Grants to Local Educational Agencies – Recovery Act

FEDERAL AWARD NUMBER: H391A090051, H392A090084, S389A0900036

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$0

Criteria: According to 34 CFR § 80.20 (b) (7) *Cash Management*, “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

According to 34 CFR § 80.21 (c) *Advances*, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

According to 34 CFR § 80.21 (i) *Interest earned on advances*, “Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.”

Condition: Oklahoma State Department of Education (OSDE), as Grantee of American Recovery and Reinvestment Act of 2009 (ARRA/the Act) funds, subawarded and advanced the majority of the first round Special Education IDEA B, Special Education – Preschool grant ARRA funds and Title I Grants to Local Educational Agencies ARRA funds to subgrantee schools in May of 2009.

Of the \$73,932,846.34 IDEA B ARRA funds advanced to the subgrantee schools, approximately \$11,096,723.63 was unexpended as of March 2010. OSDE required subgrantee schools to refund to OSDE these unexpended funds, which OSDE subsequently refunded to the United States Department of Education (USDE). As of November 29, 2010, OSDE had collected and remitted to USDE all unexpended IDEA B ARRA funds that were advanced to subgrantee schools.

Of the \$1,940,970 IDEA Preschool ARRA funds advanced to the subgrantee schools, approximately \$566,166.89 was unexpended as of March 2010. OSDE required subgrantee schools to refund to OSDE these unexpended funds, which OSDE subsequently refunded to the USDE. As of January 3, 2011, OSDE had collected and remitted to USDE all unexpended IDEA Preschool ARRA funds that were advanced to subgrantee schools.

Schedule of Findings Federal Award Findings And Questioned Costs

Of the \$54,687,691 Title I Grants to Local Educational Agencies ARRA funds advanced to the subgrantee schools, approximately \$15,235,131.57 was unexpended as of March 2010. OSDE required subgrantee schools to refund to OSDE these unexpended funds, which OSDE subsequently refunded to the USDE. As of January 3, 2011, OSDE had collected and remitted to USDE all unexpended Title I Part A ARRA funds that were advanced to subgrantee schools.

Cause: Oklahoma State Department of Education advanced ARRA funds to subgrantee schools with the understanding that the subgrantee schools would expend funds based on a legitimate financial need and that the ARRA funds would be timely disbursed as certified in assurance statements signed by the subgrantee schools. However, OSDE did not ensure each subgrantee school had an immediate financial need before advancing funds, which would minimize the time elapsing between the transfer of funds from the U.S. Treasury and the ultimate disbursement of funds for program purposes.

Effect: The subgrantee schools had cash balances of unexpended ARRA funds which is contrary to 34 CFR § 80 and ARRA guiding principles. Subgrantee schools owed the federal agency interest on the advanced ARRA funds. In signed assurances, the subgrantee schools had agreed to return any interest earned on funds between the transfer of funds and the disbursement by the local entity.

As of December 31, 2010, OSDE had collected and remitted to USDE a total of \$61,233.94 in return interest payments from subgrantee schools for ARRA funds received for the IDEA B and IDEA Preschool programs. Additional interest in the amount of \$71.01 has been received from two subgrantee schools and is in the process of being remitted to USDE.

As of December 31, 2010, OSDE had collected and remitted to USDE a total of \$51,135.96 in return interest payments from subgrantee schools for ARRA funds received for the Title I Part A program. Additional interest in the amount of \$1,327.94 has been received from six subgrantee schools and is in the process of being remitted to USDE.

Recommendation: We recommend OSDE collect and remit to USDE any remaining interest owed on advanced ARRA funds.

Views of Responsible Official(s): Misty Kimbrough, Assistant State Superintendent Special Education Services and Cindy Koss, Assistant State Superintendent Office of Standards and Curriculum

Contact Person: Jennifer Carter, Chief of Staff

Anticipated Completion Date: March 10, 2011

Corrective Action Planned: We concur with your recommendation. The agency is now paying on a reimbursement basis only. We have collected the unexpended balance of the first fifty percent forward funded money from the school districts. This money has been returned to the U.S. Department of Education, and has been added to the available balance of the grant. Additionally, interest earnings have been collected from the school districts, and have been remitted to the U.S. Department of Education. There will be no more interest earnings, since we are now on a reimbursement claim basis with the school.

FINDING NO: 10-265-003

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.027, 84.173

FEDERAL PROGRAM NAME: Special Education Grants to States and Special Education Preschool Grants

FEDERAL AWARD NUMBER: H027A090051A, H173A100084

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

Schedule of Findings

Federal Award Findings

And Question Costs

Criteria: Code of Federal Regulations, **Title 34: Education, Part 80—Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Subpart C—Post-Award Requirements, Changes, Property, and Subawards**, § 80.35 Subawards to debarred and suspended parties states, in part:

“Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, “Debarment and Suspension.”

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

However, it should be noted that during SFY 2011, the Department implemented procedures to verify an entity is not debarred or suspended by checking the EPLS, printing a copy of verification and including a copy in the vendor’s contract file.

Cause: The Department relied upon People Soft system through Office of State Finance (OSF) to detect parties that are included on the Excluded Parties List (debarred or suspended). The People Soft system through OSF does not provide this service. The Department did not have adequate controls in place to ensure compliance with the Procurement and Suspension and Debarment requirement.

Effect: The Department is not in compliance with the above stated requirement. There is an increased risk that the Department may award contracts to parties that are debarred or suspended.

Recommendation: We recommend the Department implement procedures to ensure all parties to whom they award contracts under federal grants or awards are not debarred or suspended.

Views of Responsible Official(s): Marta Coombes, Executive Director Fiscal Services

Contact Person: Jennifer Carter, Chief of Staff

Anticipated Completion Date: March 21, 2011

Corrective Action Planned: Management partially concurs with the finding. We previously relied upon the OSF PeopleSoft system to prevent entries for purchase orders on debarred vendors before we learned that OSF did not provide this service. We followed procurement procedures for fiscal year 2010 using the Department of Central Services Central Purchasing Agency Internal Requisition procedure #AQ-005 effective September 11, 2009 which did not include a requirement to verify whether a vendor had been debarred or suspended. However, we have been verifying vendors on the EPLS system during the last year.

Auditor Response: In addition to the Department of Central Services Central Purchasing State laws, the Department is responsible for ensuring that every procurement is made in compliance with any clauses required by Federal statutes or other federal procurement requirements specific to that federal award.

FINDING NO: 10-265-004

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies

FEDERAL AWARD NUMBER: S010A070036A

FEDERAL AWARD YEAR: 2007

CONTROL CATEGORY: Period of Availability of Federal Funds

Schedule of Findings Federal Award Findings And Questioned Costs

QUESTIONED COSTS: \$805,971

Criteria: 2 CFR §215.71 states, “Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal Agency may extend this deadline upon request.”

Condition: During our testing of second year carryover (program codes 3028003 and 3028323) transactions charged to the Title I, Part A Federal award after the end of the period of availability, we noted that 27 claims totaling \$805,970.63 were paid after the liquidation period ending December 31, 2009, which is the 90 days after the end of the fiscal year 2007 appropriation.

Cause: The Department does not have adequate procedures in place to ensure Title I, Part A Federal award expenditures are liquidated within the allowed time period.

Effect: The Department is not in compliance with the above stated requirement.

Recommendation: We recommend the Department implement procedures to ensure that all federal award expenditures are liquidated within the allowed liquidation period.

View of responsible Official(s)

OSDE’s Fiscal Services Department

Vonna Anderson, Administrator Federal Accounting and Reporting

OSDE’s Office of Title I, IIA, VI and X

Ramona Coats, Team Leader

Contact Person: Ramona Coats, Team Leader

Anticipated Completion Date: December of next fiscal year.

Corrective Action Planned: We concur with your finding and recommendation.

OSDE’s Fiscal Services Department: Response submitted by Ms. Vonna Anderson

Per our conversation with the U.S. Department of Education, expenditures should be charged to the oldest funds available, as long as the obligation time frame of the expenditures is within the period of availability for those funds. OSDE has been using this method to draw down funds. The OSDE has sufficient claims on hand paid out of fiscal year 2008 and 2009 federal appropriations, which meet the obligation and period of availability time frame, to offset the above referenced claims. If necessary, claims can be recoded to reflect this displacement of funds.

OSDE’s Office of Title I, IIA, VI, and X: Response submitted by Ms. Ramona Coats and Ms. Kay Townsend

The Oklahoma State Department of Education (OSDE) has performed a thorough investigation regarding the audit finding in question. Please see information included below:

1. Approaching Paul S. Brown, USDE Acting Deputy Director, School Achievement and Accountability Programs:

- ☐ The State Auditor requested that we request an updated approval for OSDE’s method for Displacing Funds.
- ☐ A memorandum was created by Ramona Coats, Team Leader, and Kay Townsend, Fiscal Grants Consultant on February 18, 2011. We requested a letter from USDE’s Paul Brown, authorizing approval to continue utilizing our present method for displacing funds for FY2010. This memorandum was sent electronically to Mr. Paul Brown, USDE.
- ☐ We did not receive a response back from Mr. Brown. A phone call was then issued to Mr. Brown. He responded to this request by stating that he would research the matter

Schedule of Findings

Federal Award Findings

And Question Costs

further, and in lieu of a written response, he would prefer to engage in a conference call regarding the matter.

- A phone conference then took place between Mr. Brown and members of our fiscal team, including V. Anderson. We shared with him our present processes for drawing down funds, and displacing funds.
- Mr. Brown listened carefully to our processes, and then thoroughly addressed the requirement for implementing the Period of Availability of funds, and that Oklahoma should ensure that our fiscal processes and procedures, as they presently stand, align according to this standard. He addressed the importance of drawing down the oldest funds first.

2. Title I, IIA, VI and X: Creation of Timeline for Corrective Action Events

- Our next action was to create a timeline of events that will be expedited by this office in order to bring this matter into complete compliance. We believe these changes will represent sound fiscal and business practices.
- **FY2010-2011**
 - **May:** Prepare and mail memorandum to districts of SEA policy of liquidation of unclaimed LEA 2nd year carryover funds.
 - **June:** Identify LEAs with a projection of LEA 2nd year carryover unclaimed funds.
- **FY2011-2012**
 - **July:** Notify LEAs of timeline for submitting eligible expenditures.
 - **Aug-Sept:** SDE will begin notifying LEAs with verified LEA 2nd year carryover funds that all funds must be encumbered and claimed before November 1, and that all unclaimed funds will be returned to the State Department of Education.
 - **Oct-Dec:** Claims auditors begin to audit and authorize payment to LEAs that submitted expenditures that qualified for LEA 2nd year carryover funds.
 - **November:** For LEAs that do not respond by November 1, the office of Title I, IIA, VI, & X will coordinate with Fiscal Services to return funds to the US Treasury any LEA unclaimed LEA 2nd year carryover funds that were not encumbered by September 30, 2011.
 - **December:** By the last week in December, all claims with LEA 2nd year carry over funds will be paid and remaining funds will be removed from districts that failed to claim them.

OSDE Makes Recommendation:

- The office of Title I, IIA, VI, and X, recommends that OSDE invest in an online reporting system that links Title I, Fiscal Services, Data Services and LEAs together to ensure the availability of funds are identified and utilized before the end of the period of availability lapses.
- We further recommend that Fiscal Services establish written policies with clear procedures and processes of ensuring funds at the LEA level are drawn down using the most effective practice as well as provide a point of contact to bridge a link of communication among Title I, IIA, VI, and X, Data Services and Fiscal Services.

Closing Statement:

The Oklahoma State Department of Education trusts that the implementation of the above named processes will ensure compliance standards are met according to this finding.

Auditor Response: *Oklahoma Administrative Code (OAC) 210:25-5-4. Accounting (c)* states, “The school district must inform the Financial Accounting Section of the State Department of Education of any changes made at the district level to any of the financial transactions already submitted to the State

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Department of Education. Further, none of the data submitted by Law can be changed or altered by either the school district or the Financial Accounting Section after November 15 of each year.”

Based on the above code, state fiscal year 2010 expenditures should not be changed or altered after November 15, 2010. We recommend that the Department not offset the above referenced items.

Emergency Management

FINDING NO: 10-309-001

STATE AGENCY: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Public Assistance Grant

FEDERAL AWARD NUMBER: FEMA-1678-DR-OK, FEMA-1707-DR-OK, FEMA-1712-DR-OK, FEMA-1718-DR-OK, FEMA-1735-DR-OK, FEMA-1752-DR-OK, FEMA-1754-DR-OK, FEMA-1756-DR-OK, FEMA-1775-DR-OK, FEMA-1803-DR-OK, FEMA-1823-DR-OK

FEDERAL AWARD YEAR: FFY 2009, FFY 2010

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

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

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

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

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

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

Condition: The Department did not have adequate documentation of sufficiently monitoring 35, or 98%, of the 36 subrecipients meeting the audit requirements of OMB Circular A-133 during fiscal year ending June 30, 2009. The Department has no policy or procedure in place to ensure subrecipients expending

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\$500,000 or more in total federal funds receive an independent audit timely, or a system in place to track program related reported deficiencies noted.

Cause: Although the Department notifies the subrecipient of the A-133 audit requirement at the time of application, the Department does not follow up or require the applicant to inform the Department of total federal funds expended during the subrecipient's fiscal year.

Effect: Lack of knowledge by the Department of total federal funds expended during a subrecipient's fiscal year could result in the Department not receiving and reviewing the subrecipient's independent audit report. Not receiving the required subrecipient A-133 independent audit reports for review by the Department could indicate or result in (1) inability or unwillingness of a subrecipient to have the required audit, (2) the Department not issuing a management decision on audit findings, and (3) subrecipients not taking timely and appropriate action on audit findings.

Recommendation: We recommend the Department adequately document and implement procedures to (1) require subrecipients to report to the Department total federal funds expended during the subrecipient's fiscal year; (2) review applicants federal funds expended during the fiscal year to compile a list for monitoring subrecipients who meet the A-133 audit requirement; and (3) maintain a system to track receipt of all audit reports within the 180 days as required, follow-up on past due audit reports until the audit is completed and received by the Department, ensure a management decision is issued on audit findings within 6 months after receipt of the subrecipient's audit report, and monitor program related reported deficiencies to ensure timely corrective action is taken.

Views of Responsible Official(s)

Contact Person: Fred Liebe, Deputy Director

Anticipated Completion Date: October 26, 2010

Corrective Action Planned: 1. The 35 subrecipients discussed above, for SFY 2009, who did not have adequate documentation on file for subrecipient monitoring have been identified on the attached list. Through a detailed review of all federal payments made by OEM, we identified a total of 44 subgrantees that received over \$500,000 in funds during SFY 2009. In addition, the 16 subrecipients for SFY 2010 have been identified on the attached list.

2. OEM prepared and sent a letter to each of the 16 subrecipients to request a copy of their audit for SFY 2010 when completed. A copy of the letter is attached. Letters to the 44 subrecipients for SFY 2009 that need to provide our office with copies of their audits will be mailed on October 26, 2010.

3. In addition, OEM has:

a. Written procedures to identify any subrecipients, or eligible applicants that received \$500,000 or more in federal grants from OEM on an annual basis. The written procedures are attached.

b. Created a spreadsheet to track those eligible subrecipients so that we in fact send a request letter; track the receipt of the required audit from the subrecipients; and, make a second contact with the subrecipients in the event the written request letter is not complied with.

c. Indicated on the OEM request letter that subrecipients will forward their annual audit reports to OEM, ATTN: Finance Section to be included in the respective tracking spreadsheet.

d. Developed individual folders to file copies of the OEM request letters, copies of the subrecipient audits, and corrective actions taken by the subrecipient that can be used for future audits.

4. The above corrective measures are in compliance with the above recommendations of the auditors.

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Employment Security Commission

FINDING NO: 10-290-001

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-09-55-A-40 and UI-16767-10-55-A-40

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

Cause: The Commission excluded the first quarter of expenditures when calculating the total Federal Expenditures for SFY 2010.

Effect: The expenditures on the SEFA were understated by \$168,393,411.

Recommendation: We recommend the Commission implement procedures to ensure someone other than the preparer review the SEFA for accuracy and completeness.

Views of Responsible Official(s):

Contact Person: Don Armstrong, OESC Comptroller III

Anticipated Completion Date:

Corrective Action Planned: This was a clerical error that was corrected in a timely manner shortly after the discrepancy was brought to our attention. Angela Myers at Office of State Finance Financial Reporting Unit was notified by phone and subsequent E-Mail of required revision on November 18, 2010. Just to be sure we have since verified with Angela that correction was actually made.

This particular clerical error will not be made again as I believe there is a clearer understanding among parties involved what is the accurate number and location and also what the intent of it is before posting into final spreadsheet. I take responsibility for this error and will also do my best to ensure that it does not happen again.

FINDING NO: 10-290-002

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-09-55-A-40 and UI-16767-10-55-A-40

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Special Tests and Provisions – Employer Experience Rating (Regular Federal funds)

QUESTIONED COSTS: \$0

Criteria: Oklahoma's Unemployment Insurance contribution rates are determined by the Employer Experience Rating system as described in 40 O.S. §3-109. This statute states, "The contribution rate for each employer for each calendar quarter after December 31, 1983, to be applied to his current payroll shall

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be in accordance with the following table based upon the state experience factor and his benefit wage ratio.” (Due to the size of the table, it has not been included in this finding).

Condition: The Oklahoma Employment Security Commission (Commission) uses a computer system to apply the rates based on the employer’s benefit wage ratio and the State Experience Factor. In the prior year audit we noted the table programmed into the system varied from the table in 40 O.S. §3-109. Based on follow-up procedures performed, it appears the statute was changed (HB 2704) during our fiscal year; however, it was not approved and signed by the Governor until May 6, 2010 and became effective July 1, 2010.

Cause: Based on discussions with management, it appears that adjustments were made to the Employer Experience Rating table in approximately fiscal year 2003. The rate changes were not approved by the Legislature.

Effect: Employers may be charged rates different than those set by State statute.

Recommendation: We recommend the Commission ensure any future rate changes are approved by the Legislature and Governor.

Views of Responsible Official(s):

Contact Person: *Barbara Ramsey, Director UI*

Anticipated Completion Date: Completed Issue has been resolved.

Corrective Action Planned: The Commission procedures have been changed that all Statute and Rule changes to be approved by our Legal Division and approved by the Legislature and Governor before implementation.

FINDING NO: 10-290-003

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-09-55-A-40 and UI-16767-10-55-A-40

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

Condition: During SFY 2010 audit, we requested detailed support for the ETA 581 report and the Oklahoma Employment Security Commission (Commission) was unable to provide it.

Cause: During the SFY 2009 audit, we noted that the data supporting the ETA 581 did not support the ETA 581.

Effect: The Commission is in the process of creating a data file that supports the ETA 581 report.

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

Views of Responsible Official(s):

Contact Person: *Barbara Ramsey, Director UI*

Anticipated Completion Date: May 2011

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Corrective Action Planned: Oklahoma Tax Unit and IT Division are currently in development of the data file to support the ETA-581 data.

FINDING NO: 10-290-004

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-09-55-A-40 and UI-16767-10-55-A-40

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

Condition: The Oklahoma Employment Security Commission could not provide supporting documentation for two of the four ETA 227, Overpayment Detection and Recovery Activities Reports, for State Fiscal Year (SFY) 2010. The supporting documentation for the TEUC and FAC08 reports were not provided; therefore, we were unable to perform testing procedures on either of the reports.

Cause: The back-up CD for SFY 2010 could not be located.

Effect: The Commission may not be able to provide detailed documentation for ETA 227 reports submitted to the Department of Labor.

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

Views of Responsible Official(s)

Contact Person: Pete Shipman

Anticipated Completion Date: The original procedure has already been implemented, however the additional back up with IT should be completed by March 31, 2011.

Corrective Action Planned: This was a previous audit finding. Unfortunately, the procedures were not implemented until early 2010. Therefore the files requested for the 3rd and 4th quarter of 2009 would not have had these new procedures in place to prevent the loss of data. The attached letter details the new procedures implemented to have an acceptable level of control to prevent this from occurring in the future. In addition to these new procedures, we are working with our IT department to have another backup disc created and sent to a location outside of the Will Rogers Building. If you should have any questions please feel free to contact me. Thank you.

Office of the Governor

FINDING NO: 10-305-001

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394/84.397

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

FEDERAL AWARD NUMBER: S394A090037/S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Subrecipient Monitoring / Special Tests (R3) Subrecipient Monitoring

QUESTIONED COSTS: -0-

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

Additionally, 2CFR176.210 (c through d) states, “(c) Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program. (d) Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office.”

Condition/Cause: According to the Office of State Finance (OSF) personnel, the subrecipient monitoring duty was delegated to the Oklahoma State Department of Education (OSDE) to monitor the subrecipient school districts receiving State Fiscal Stabilization Funds. We were unable to obtain written documentation from OSF indicating this duty was in fact communicated to OSDE and that OSDE was aware that they were required to perform all subrecipient monitoring requirements. Additionally, OSF did not perform follow-up during the year with OSDE to ensure the subrecipient monitoring requirements were being met since OSF as the administrator of the grant had primary responsibility for the subrecipient monitoring duties.

Based on review of OSDE documentation provided to the subrecipient school districts, it does not appear that subrecipients were made aware of the required items at the beginning of the award. Although OSDE did have some written communication with the subrecipients at the beginning of the award, we do not believe these communications included all necessary items (CFDA title and number, award name and number, award year, name of Federal agency, applicable compliance requirements, activities allowed, requirement for ARRA identification in subrecipient SEFA). OSDE did offer guidance on their website for subrecipients but we do not believe this is adequate to suffice this requirement. By placing the information on the website, the burden of determining required grant information and required compliance requirements was placed on the subrecipient rather than communicated by the pass-through entity as required.

Additionally, based on communication with OSDE we do not believe the subrecipients were adequately monitored during the year to ensure Federal awards were used for authorized purposes in compliance with regulations. Our understanding was that documentation was obtained at the beginning of the award to indicate what the subrecipient intended to use the funding for however no monitoring was performed during the award to ensure the funds were being spent as intended.

Effect: The OSF and OSDE are not in compliance with the above noted subrecipient monitoring requirements. OSDE did not adequately perform monitoring of subrecipients. Additionally, although the subrecipient monitoring duties were passed to OSDE, that does not alleviate OSF’s responsibilities as administrator of the grant to ensure the requirements were met.

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Recommendation: We recommend procedures be implemented to ensure proper communications are made with subrecipients and monitoring is performed to ensure Federal awards are used for authorized purposes in compliance with laws, regulations and grant agreements. Further, we recommend steps be taken to ensure communications occur between OSF and OSDE to allow for adequate monitoring to take place.

Views of Responsible Official(s) - OSDE

Contact Person: Dr. Jack Herron, Ms. Renee McWaters, and Mr. Chad Bratton

Anticipated Completion Date: Ongoing

Corrective Action Planned: The staff of the Financial Services Division of the Oklahoma State Department of Education have reviewed the findings and recommendation of the “Single Audit Finding Input Sheet Fiscal Year 2010” (Finding No: 10-305-001) and state the following:

Procedures have been implemented to ensure proper communications are made with subrecipients and monitoring is performed to ensure Federal awards are used for authorized purposes in compliance with laws, regulations, and grant agreements. The Office of State Finance (OSF) and the Oklahoma State Department of Education are communicating to allow for adequate monitoring to take place. Efforts have been made to improve communications between the two agencies.

Additionally, the agency (OSDE) has contracted with a vendor to assist in monitoring the actions of local education agencies (LEAs) with regard to submission of “SFSF Documentation of Expenditures” on time.

It should be noted that the Financial Services Division has no capability to do “on site checks and monitoring” of LEAs. However, the Division does require various LEAs to submit expenditure reports and other backup documentation as a source of desk monitoring.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned:

General Response

The State Auditor and Inspector has charged the Office of State Finance (OSF) with the responsibility of monitoring sub-recipients for compliance with ARRA grant requirements, while executive documents specifically assign those duties to another entity, the State Auditor and Inspector. Further, federal guidance specifies that the last state agency to expend ARRA funds is responsible for sub-recipient monitoring, which is the State Department of Education. Finally, federal reports identify and accept another state that is similarly organized with each agency responsible for its sub-recipient monitoring.

Governor’s Executive Order

The Governor’s Executive Order 2009-14 states that the Director of the Office of State Finance is responsible for “Public Disclosure and Awareness”. Pursuant to these responsibilities, the Office of State Finance undertook the following actions:

1. Created an awareness website
2. Developed a centralized reporting system
3. Included the award, sub award, and vendor information related to expenditures and jobs funded for reporting and awareness purposes

The same executive order also tasked the Office of State Finance with providing administrative support, which resulted in the following activities:

1. Budget Division
 - a. Filling out the Federal grant application
 - b. Corresponding with agencies receiving awards
 - c. Receiving draw requests

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- d. Providing a central contact point for the U.S. Department of Education
- 2. Division of Central Accounting and Reporting
 - a. Making draw request from U.S. Department of Education draw system
 - b. Depositing funds into BU 000
 - c. Transferring funds to receiving agency as instructed.
 - d. Quarterly 1512 reporting

Further, this executive order identifies an executive committee with specific responsibilities as follows: “The State Auditor and Inspector shall direct, monitor and oversee the auditing of the expenditure of all funds received under ARRA and ensure the state and its agencies are in full compliance with all statutory and regulatory requirements related to ARRA, including, but not limited to, monitoring of expenditures and regulatory reporting.”

Governor’s Award to Oklahoma Auditor and Inspector (January 12, 2010) states:

“I hereby authorized the Office of State Finance to draw down \$300,000 of State Fiscal Stabilization Funds, the Government Services Funds, and transfer that amount to the Oklahoma Auditor and Inspector, Agency #300, Fund 490, for the purpose of auditing and monitoring the use of all government funds, including ARRA stimulus funds.”

U.S. Office of Management and Budget

Based on initial guidance from OMB (and later clarified by U.S. Department of Education) which stated that a transfer of ARRA grant funds from one state agency to a second state agency does not create a “sub-recipient” for ARRA purposes. From this guidance it is OSF position that the last state agency to expend the funds out of the state system is the prime recipient and is responsible for any program monitoring.

GAO Report to Congressional Committees “RECOVERY ACT – As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues is Essential (April 2009 GAO-09-580):

“In one state, Arizona, officials told us that state agencies will primarily be responsible for administering, tracking, reporting on and overseeing Recovery Act funds for their respective programs because the state government is highly decentralized. The state’s existing accounting system will have new accounting codes added in order to segregate and track the Recovery Act funds separately from other funds that will flow through the state government. Under Arizona’s decentralized government, some larger agencies, and program offices within them, have their own accounting systems that will need to code and track Recovery Act funds as well. The Arizona General Accounting Office has issued guidance to state agencies on their responsibilities, including how they were to receive, disburse, tag or code in their accounting systems, track separately, and to some extent report on these federal resources.”

The above guidance mirrors Oklahoma’s situation. The Arizona comptroller’s office has confirmed that their State Department of Education may have audit findings. There are no audit findings related to lack of sub-recipient monitoring by the comptroller’s office.

OSF Monitoring Activity

On several occasions, the State Auditor and Inspector requested a monitoring plan from the Office of State Finance (OSF), although OSF was not given authority or resources to review or monitor awards to state agencies, expenditures by state agencies, or pass-through amounts to secondary state agencies or sub-recipients. In response to those requests, OSF sent letters to the state agencies receiving the awards to emphasize the necessity of monitoring for compliance.

Initial information received from the state agencies indicated that a majority of the funds would be spent on payroll both at the state level and at the sub-recipient level. As payroll transactions are highly audited and generally have stronger controls than other types of expenditures, the risk of non-compliance risk was considered to be low. Current information indicates that 99.6% of all ARRA funds were expended for payroll transactions.

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Also, OSF provided limited monitoring activities as a result of our role as the primary contact with the federal government, which is due to our function as the central reporting entity for ARRA funds spent through the state accounting system. The OSF monitored the cash draw requests and transfer processes to ensure state agencies did not exceed their award amounts. The OSF worked with the agencies to get the expenditures coded correctly, which did extend beyond the normal cash management guidance in some instances. Additionally, OSF provided support through its central reporting platform for agencies to report the expenditures to the Federal reporting website. Through the reporting process OSF provided feedback to agencies about the information reported when deemed appropriate.

Final Comments

The Office of State Finance would submit that the guidance on the monitoring function of the ARRA funding, including the State Fiscal Stabilization Fund grant, was unclear. The Office of State Finance Director was named the recipient contact for the grant and therefore provides a central point of contact for the U.S. Department of Education, including contact with their monitoring division, reporting division and application submission division. The Oklahoma State Auditor and Inspector was provided funding from the recipient Office of the Governor for auditing and monitoring of all federal funds, including ARRA stimulus funds.

The Office of State Finance would also submit that as a response to these audit findings, OSF will seek a clarification from both the recipient entity, the Office of the Governor, and the U.S. Department of Education. We will then proceed accordingly.

In conclusion, it is the Office of State Finance's contention that:

- 1) The Office of the Governor, not the Office of State Finance, is the recipient of the SFSF grant, as stated in the award notification document.
- 2) The Office of State Finance is the recipient contact for the SFSF grant, as stated in the award notification document.
- 3) The Office of State Finance performed limited monitoring based on what we understood the role of OSF to be.
- 4) As per OMB guidance, the last state agency to expend the funds out of the state system is the prime recipient and is responsible for any program monitoring.

Auditor Response: We disagree on the OSF assertion that the State Auditor and Inspector (SA&I) was responsible for monitoring, managing, and accounting for the ARRA funds. The SA&I is an auditing entity, which by definition must be independent of accounting and management. This is fundamental to the constitutional and statutory duties of SA&I. The Governor's Executive Order stated, "The State Auditor and Inspector shall direct, monitor and oversee the **auditing** of all funds received under ARRA..." SA&I's task was to perform the audit function related to the ARRA funds.

The OSF is the state's accounting department and its fundamental statutory responsibility is to monitor, manage, and account for state funds. The OSF was the agency that signed the grant agreement and is viewed by the federal government as being responsible for the program.

The U.S. Department of Education, Office of Inspector General, issued a report covering the State Fiscal Stabilization Fund grant (SFSF) - Education Stabilization Fund (ESF) and Government Services Fund (GSF) on February 18, 2011. This report concluded that, "OSF was designated as the prime recipient for SFSF grant funds by the Governor and was tasked with awarding and monitoring the funds to ensure they were expended appropriately by State agencies." This report can be seen at <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2011/a06k0002.pdf>.

OSF provided multiple documents regarding the monitoring of the SFSF grant. The documents included:

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- A memorandum dated January 14, 2010, from the OSF Director to Agency Directors/Agency Finance Officers, stating, “OSF is charged with monitoring the award or project activities and the related documentation for each award. Therefore, agencies must comply with requests by the OSF for such information whether submitted formally or informally.”
- A schedule of its planned monitoring site visits and desk reviews.

OSF clearly indicated its intentions of performing subrecipient monitoring but failed to do so.

As a result of the budget shortfall, the SA&I received \$300,000 in SFSF funds for performing audits of all governmental funds, including ARRA funds.

FINDING NO: 10-305-002

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.397

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

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: Section 1512 of the American Recovery and Reinvestment Act of 2009 requires that recipients report on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter (beginning the quarter ending September 30, 2009) and for the Federal agency providing those funds to make the reports publicly available no later than the 30th day after the end of that quarter. Recipients are expected to report the total amount of funds received; and of that, the amount spent on projects and activities.

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

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

Additionally, on the 1512 report the \$16,000,000 in expenditures was noted as primary expenditures at Department of Education, instead of at the subrecipient level where the textbooks were purchased.

After the \$16,000,000 had been returned to OSF, OSDE reclassified expenditures previously recorded as state to federal in the amount of \$7,957,437.

Cause: At the time of the 1512 reporting, the amount that had been drawn was assumed to be expended. The expenditure amounts were not verified and therefore the report was erroneous.

Effect: The 1512 Report for award S397A090037 is inaccurate and should include expenditures in the amount of \$7,957,437 rather than \$16,000,000. This resulted in the 1512 report for the quarter ending 3/31/10 being overstated by \$8,042,563 for expenditures.

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Recommendation: We recommend that OSF revise the 1512 Report in the next filing period to accurately reflect the amounts drawn and expended. Further, we recommend the expenditures on the 1512 report be accurately reflected as subrecipient expenditures for the amount of textbook purchases made by the school districts.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-003

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394 and 84.397

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

FEDERAL AWARD NUMBER: S394A090037 / S397A090037

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Special Tests (R2) – Presentation on SEFA

QUESTIONED COSTS: \$-0-

Criteria: OMB A-133 Subpart B §.205 states, “(a) Determining Federal awards expended. The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.”

OSF Form Z-1 Instructions define federal expenditures as “Payments of federal funds made to vendors, subrecipients, contractors, employees, etc for allowable costs related to the program or contract.”

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

Condition: Based on review and testing of the SFY10 Schedule of Expenditures of Federal Awards (SEFA), we noted errors in both the Federal revenues and Federal expenditures reported. Federal revenues for CFDA #84.394 were understated by \$170,317 when compared to supporting draw documentation. Additionally, \$170,326 in Federal expenditures at one of the Higher Education Institutions were not reported for CFDA #84.394. Also, Federal expenditures for CFDA #84.397 were overstated by \$18,042,563. This misstatement is made up of two different discrepancies. First, \$10,000,000 was drawn and distributed by the Office of State Finance (OSF) to the Oklahoma Healthcare Authority (OHCA) for expenditures that were determined to be unallowable. Since these expenditures were determined to be unallowable, they should not be reported as federal expenditures on the SEFA. In addition, \$16,000,000 was drawn and distributed by the OSF to the Oklahoma State Department of Education (OSDE) for subrecipient school district textbook expenditures. However, based on documentation provided by OSDE, only \$7,957,437 was expended by the school districts for textbooks. Therefore the remaining \$8,042,563 should not have been reported as expenditures. These two discrepancies combined make up an \$18,042,563 overstatement of federal expenditures for CFDA #84.397.

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Cause: For federal revenue, errors were made in reconciling the OSF draw records with those from the USDE G5 system which led to the discrepancy. For federal expenditures, adequate controls were not in place to properly ensure all expenditures reported on the SEFA were truly expenditures. The amount drawn was reported as expended without review of support documentation to ensure the expenditures had occurred.

Effect: The SFY10 SEFA for CFDA #84.394 and CFDA #84.397 is inaccurate. Federal revenues for CFDA #84.394 are understated by \$170,317 while federal expenditures were understated by \$170,326. For CFDA #84.397 federal expenditures are overstated by \$18,042,563.

Recommendation: We recommend that OSF revise the SEFA for CFDA #84.394 and CFDA #84.397 to reflect the correct revenue and expenditure amounts. Also, we recommend that controls be implemented to ensure amounts reported as expenditures are truly expenditures.

Views of Responsible Official(s)

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-004

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394/84.397

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

FEDERAL AWARD NUMBER: S394A090037/S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Activities Allowed or Unallowed / Cash Management

QUESTIONED COSTS: -0-

Criteria: According to 2 CFR 215.23(a)(5), contributions obtained from the Federal Government under another award cannot be used to meet the cost sharing or matching requirement unless authorized by Federal statute.

According to Subpart B of 31 CFR § 205.33(a), "A state must minimize the time between the drawdown of federal funds from the Federal government and their disbursement for federal program purposes."

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

The OSF (as administering agency of the grant) had no controls in place to ensure that recipients or subrecipients were expending funds for allowable activities or were meeting cash management requirements.

Cause: The OHCA considered the funds to be State funds since they were received from the American Recovery and Reinvestment Act discretionary money awarded through the Governor's Office of the State of Oklahoma.

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Effect: The OHCA used Federal funds from the SFSF grant to meet their matching requirement on CFDA #93.778, which is unallowable activity for the SFSF grant. Further, since the SFSF funds were returned to OSF on 12/14/2010, the agency was not in compliance with Subpart B of 31 CFR § 205.33(a).

Recommendation: Since the OHCA has returned the \$10,000,000 to OSF, no further action is required. However, we would recommend OHCA develop and implement controls/procedures to ensure federal funds are used only for allowable activities and in accordance with cash management regulations.

In addition, we recommend the OSF develop and implement controls/procedures to ensure that all recipients and subrecipients of the SFSF grant are minimizing the time between drawdown of federal funds and disbursement of funds based on immediate cash needs, and that the expenditures are for allowable activities.

Views of Responsible Official(s) - OHCA

Contact Person: Gloria Hudson

Anticipated Completion Date: Completed

Corrective Action Planned: OHCA does not concur with certain finding stipulations. OHCA feels that our agency staff has shown due diligence in trying to ensure that Federal matching requirements are met and give the following narrative in support regarding State Fiscal Stabilization Funds (SFSF) usage.

SFSF funds were ARRA funds appropriated to the Office of the Governor. The Governor's Office submitted a description of the planned use of funds prior to receiving appropriations and allocating to the different state agencies. The application for Initial Funding under SFSF program provided a template for States to report intended uses of Government Services funds (SFSF Application, Part B, Section 5). The template includes "Medicaid" as one of the categories of expenditures.

Per email dated 12/8/10 from James Butler (Office of Elementary and Secondary with the Department of Education) who is the central point of contact on the SFSF program with the Federal over site agency, "there is nothing in SFSF statute that prohibits a State from using the funds to meet a Federal match requirement." In addition, the Guidance for Grantees and Auditors for the SFSF program issued 12/24/09 by the Department of Education specifies that "SFSF differs from other Department programs in that one of its primary purposes is to provide Federal support for expenditures that are typically paid for with non-Federal resources.....There is no State- or local -level supplanting prohibition.....Thus, the specific cost principles in the OMB Circulars do not apply to SFSF funds."

In addition, prior to requesting the SFSF from the Governor's Office, OHCA staff worked closely with OSF in identifying expenditures to be charged against the SFSF program, specifically identifying payroll costs. OHCA staff was not aware of a letter from Joseph C Conaty, Director of Academic Improvement and Teacher Quality Programs, dated 10/2/09 directing that SFSF funds could not be used to meet Medicaid non-federal match requirements. When OHCA was made aware of this exclusion, these funds were promptly redistributed by OSF.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-005

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394/84.397

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And Question Costs

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

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: -0-

Criteria: According to 34 CFR § 80.20 (b) (7) *Cash Management*, “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

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

According to 34 CFR § 80.21 (c) *Advances*, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

Condition: The Oklahoma State Department of Education (OSDE) advanced funds received under the State Fiscal Stabilization Fund (SFSF) grant totaling \$217,276,547 (\$202,542,885 for #84.394 and \$14,733,662 for #84.397) for state fiscal year 2010 to subgrantees (schools) largely for payroll related expenses. The payment process for #84.394 monies was a monthly allocation to all school districts using the same allocation percentage that State Aid used when they allocated the state funds during SFY 2010. The payment process for #84.397 followed the same allocation process as noted for #84.394; however, the subgrantee (school) was not to receive funding/allocation until they had an approved assurance statement and data form on file. However, OSDE did not have controls in place to ensure the subgrantees (schools) were spending the funds in a timely manner for immediate cash needs.

In addition, the OSDE also advanced funds for the purchase of textbooks totaling \$16,000,000. These funds were supposed to be expended on a reimbursement basis; however, when the money was drawn on 9/2/09 the schools had already purchased their textbooks with state funds. The textbook funds were later returned to the Office of State Finance (OSF) on 11/22/2010 to be reallocated.

OSDE did not have procedures in place to ensure that the subgrantees (schools) conformed substantially to the same standard of timing regarding payment of funds, as applied to the grantees. Further, OSF as the administering agency of the grant did not have procedures in place to ensure that the grantee was complying with their cash management requirements.

Cause: OSDE gave cash advances of American Reinvestment and Recovery Act (ARRA) funds to subgrantees (schools) with the understanding that the subgrantee (schools) would expend the funds in a timely manner. However, OSDE is unable to determine if the subgrantee (school) had recorded the payment timely since no cash management procedures were in place.

In addition, OSF relied solely on OSDE to ensure that the subgrantees (schools) were meeting cash management requirements.

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Effect: OSDE is unable to determine how timely the subgrantee (school) payments were (or their immediate cash needs) since no procedures were in place to monitor cash drawdowns. In addition, both OSDE and OSF did not comply with the above noted code of federal regulations.

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

Views of Responsible Official(s) - OSDE

Contact Person: Dr. Jack Herron, Ms. Renee McWaters, and Mr. Chad Bratton

Anticipated Completion Date:

Corrective Action Planned: The Oklahoma State Department of Education (OSDE) has established and put into process a federal program for the State Fiscal Stabilization Fund (SFSF) Education Stabilization Fund (ESF) [CFDA 84.394] calculated through the FY2011 funding formula. This system documents the budget as well as each payment consistent with the other federal programs through the OSDE.

During FY2010 and FY2011, all subgrantees (schools) had to have an approved assurance statement and data form and/or expenditure reports on file before any SFSF funds (both ESF – CFDA 84.394 and GSF – CFDA 84.397) were distributed. If other allowable purchases were made with SFSF funds, additional back-up documentation was also required before reimbursement was distributed back to the subgrantee (school).

OSDE has no method of obtaining each subgrantee's payroll schedule. Most subgrantees (schools) have their monthly payroll consistent with the OSDE monthly schedule for the formula funds, but that is a decision of each individual subgrantee (school).

This federal system will require subgrantees (schools) to provide periodic Documentation of Expenditures to keep the distribution of SFSF-ESF consistent with each subgrantee's (school's) financial need. Future payments are not distributed unless the subgrantee (school) completes and submits the required documentation by the proposed deadline. The percentage of budget distribution will be adjusted if it is not consistent with the need for cash.

In regards to "OSDE gave cash advances of American Reinvestment and Recovery Act (ARRA) funds to subgrantees (schools) with the understanding that the subgrantee (school) would expend the funds in a timely manner" we offer the following: receiving the \$16 million for textbooks was not made legal until Senate Bill 1566 was signed by the Governor June 10, 2010 because no additional funding had been given for these funds. Senate Bill 1566 legally, or illegally, reduced the amount of state appropriation thereby making the "swapping of state and federal dollars" legal and essentially put these funds in place of \$16 million in reduced state appropriation. Therefore, it is OSDE's position that it did not give cash advances because it simply did not have control over the drawdown and placement of funds.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-006

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

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And Question Costs

CFDA NO: 84.397

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

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: -0-

Criteria: According to 34 CFR § 80.20 (b) (7) *Cash Management*, “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

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

According to Subpart B of 31 CFR § 205.33(a), “A state must minimize the time between the drawdown of federal funds from the Federal government and their disbursement for federal program purposes.”

According to 34 CFR § 80.21 (c) *Advances*, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

Condition: The Oklahoma Indigent Defense System (OIDS) received a draw from the State Fiscal Stabilization Fund (SFSF) totaling \$610,000 on April 29, 2010. According to the original Agency Award Agreement, OIDS was to use \$300,000 for operational needs of the agency and the remaining \$310,000 was to be used for purchasing and installing host servers, data storage and replication devices, and server software and licensing. The Agency Award Agreement also stated the funds were to enhance the efficiency of the statewide case-management system for a state provider of free civil legal services for low-income and elderly Oklahomans. The statewide provider that received the funds was Legal Aid Services, Inc. in May of 2010.

According to OIDS, when Legal Aid Services received the funds they stated the equipment and software had already been purchased in the prior year with state funds. As a result, Legal Aid Services held the funds until OIDS could get a new Agency Award Agreement stating what type of expenditures could be incurred.

On November 19, 2010, the Governor signed a new Agency Award Agreement stating the use of the funds should be for, “the specific and sole purpose of operational needs for a statewide provider of free civil legal services for low-income and elderly Oklahomans.” Because of the new agreement not being signed until November of 2010, Legal Aid Services held the \$310,000 until the issue got resolved. Then on November 30, 2010, Legal Aid Services recorded expenditures to the SFSF grant by reimbursing June 2010 salaries paid to attorneys, paralegals, and support staff.

Cause: Communications between the Office of State Finance (OSF), OIDS, and Legal Aid Services were not adequate to ensure the \$310,000 in SFSF funds were expended timely and for immediate cash needs.

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Effect: The \$310,000 in SFSF funds that were passed to Legal Aid Services by OSF & OIDS were not expended in accordance with the above noted code of federal regulations related to the timeliness of cash management disbursements.

Recommendation: We recommend OIDS develop and implement controls/procedures to ensure federal funds submitted to a subgrantee (Legal Aid Services) are used in accordance with cash management regulations.

In addition, we recommend OSF develop and implement controls/procedures to ensure that all grantees and subgrantees of the SFSF grant are minimizing the time between drawdown of federal funds and disbursement of funds based on immediate cash needs.

Views of Responsible Official(s) - OIDS

Contact Person: David H. Page, Chief Administrative Officer

Anticipated Completion Date: March 22, 2011

Corrective Action Planned: OIDS will ensure that any future drawdown of federal funds disbursed to subgrantees will be based on immediate allowable cash needs.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-007

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.397

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

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: -0-

Criteria: According to 34 CFR § 80.20 (b) (7) *Cash Management*, “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used... When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.”

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

According to Subpart B of 31 CFR § 205.33(a), “A state must minimize the time between the drawdown of federal funds from the Federal government and their disbursement for federal program purposes.”

According to 34 CFR § 80.21 (c) *Advances*, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

Condition: The Oklahoma Water Resources Board (OWRB) received a draw from the State Fiscal Stabilization Fund (SFSF) totaling \$2,700,000 on July 30, 2009, which was intended to pay down debt.

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After the funds were received OWRB was informed that the State Fiscal Stabilization Fund (SFSF) monies could not be expended for debt. OWRB then held the SFSF funds from July 30, 2009 until January 14, 2010, when the Office of State Finance (OSF) made correcting entries to recode state payroll expenses totaling \$2,700,000 to SFSF payroll charges.

OSF did not provide OWRB with an *Agency Award Agreement* during state fiscal year 2010 documenting the allowable activities for grant expenditures.

Cause: Due to lack of appropriate communication between OSF and OWRB, the SFSF funds were not expended timely and for immediate cash needs. Further, OSF did not provide documentation to OWRB to notify the grantee of the allowable activities prior to drawing the SFSF funds.

Effect: The SFSF funds were not expended in accordance with the above noted code of federal regulations related to the timeliness of cash management disbursements.

Recommendation: We recommend OSF develop and implement controls/procedures to ensure that all grantees of SFSF funds are minimizing the time between drawdown of federal funds and disbursement of funds based on immediate and allowable cash needs and that all grantees are fully informed regarding allowable activities at the time of receipt of SFSF funds.

In addition, we recommend OWRB ensure they are aware of the allowable activities for SFSF funds prior to acceptance of any funds.

Views of Responsible Official(s) - OWRB

Contact Person: Amanda D. Storck, Chief of Administration, CFO

Anticipated Completion Date:

Corrective Action Planned: The information in the *Condition* portion of the Single State Audit Input Sheet for FY-2010 can be considered accurate, except for additional information and clarification as follows:

The \$2.7 million State Fiscal Stabilization Fund Program (“SFSF”) funds in question were transferred to the OWRB without advance notice. On the day the draw was received, a copy of the SFSF guidelines was sent to the OWRB. In discussions between staff from OSF, the Office of the Governor and OWRB, a mutual understanding was reached that the SFSF Guidelines about paying down debt should be interpreted to mean that SFSF Program funding could not be used as an initial court-ordered payment relating to a contract dispute between the United States, the State of Oklahoma, and the OWRB. OSF staff later indicated to OWRB staff that the SFSF Program funding being retained by the OWRB awaiting further instructions and guidance could be used for state payroll expenses. Apparently, it was sometime later that OSF recoded the state payroll expenses to show the source of funds as being the SFSF draw.

The drawdown of federal funds was not made at the request or order of the OWRB. The delay in time between the drawdown of federal funds and disbursement of such funds was not the result of any action or inaction by the OWRB. The OWRB was not given the opportunity to become aware of allowable activities for SFSF funds before it received the draw, and the OWRB was not given the opportunity to accept or reject SFSF funds.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-008

Schedule of Findings Federal Award Findings And Questioned Costs

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394/84.397

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

FEDERAL AWARD NUMBER: S394A090037/S397A090037

FEDERAL AWARD YEAR: 2009/2010

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

Criteria: According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework related to *Control Environment*, “an entity’s control consciousness is significantly influenced by those charged with governance. Attributes include the extent of its involvement and scrutiny of activities, the appropriateness of its actions, and the information it receives. Other responsibilities of those charged with governance include oversight of the process for reviewing the effectiveness of the entity’s internal controls.”

According to the COSO framework for *Communication*, “communication involves providing an understanding of individual roles and responsibilities pertaining to internal control over reporting. It includes the extent to which personnel understand how their activities relate to the work of others and the means of reporting exceptions to the appropriate level within the entity. In addition to communication within the organization, communications with external parties (recipients and subrecipients) are also critical. Communications with outside parties can provide information that is vital to detecting deficiencies in internal control, and the better the communications, the more effectively it can carry out its oversight responsibilities.”

According to the COSO framework for *Monitoring*, “An important management responsibility is to establish and maintain internal control on an ongoing basis... Monitoring of controls is a process to assess the quality of internal control performance over time. It involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring is done to ensure that controls continue to operate effectively...Monitoring of controls is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.”

Condition: The Office of State Finance (OSF) per the Grant Award Notifications from the U.S. Department of Education for the State Fiscal Stabilization Fund (SFSF) grant was noted as the “recipient” agency of awards S394A090037 (#84.394) and S397A090037 (#84.397). The explanation page of the Grant Award Notification defines the recipient as the person responsible for administering the project.

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

Cause: OSF’s position was the last agency to expend the funds out of the state system is the prime recipient and it is the agency’s responsibility for any program monitoring.

Effect: OSF failed to implement an adequate control structure for SFSF grant funds.

Recommendation: We recommend OSF develop and implement an internal control structure for SFSF grant funds adequate to ensure costs are for allowable activities, draws are made for immediate and allowable cash needs, and that subrecipient monitoring is being performed as required.

Views of Responsible Official(s)

Schedule of Findings Federal Award Findings And Question Costs

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

FINDING NO: 10-305-009

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.397

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

FEDERAL AWARD NUMBER: S397A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Control Environment

Criteria: *Oklahoma Administrative Code (OAC) 210:25-5-4. Accounting (c)* states, “The school district must inform the Financial Accounting Section of the State Department of Education of any changes made at the district level to any of the financial transactions already submitted to the State Department of Education. Further, none of the data submitted by Law can be changed or altered by either the school district or the Financial Accounting Section after November 15 of each year.”

Based on the above guidance, state fiscal year 2010 expenditures should not be changed or altered after November 15, 2010.

Condition: On December 17, 2010, the Oklahoma State Department of Education (OSDE) took corrective action to a finding issued by the U.S. Department of Education Office of Inspector General related to cash advances of State Fiscal Stabilization Funds (SFSF) for textbook purchases totaling \$16,000,000. OSDE sent an email to state school districts recommending: (1) that textbook expenditures previously coded as state expenditures be recoded as federal expenditures up to the amount of federal allocation the district was to receive, and (2) show the recoded expenditures on the district’s Schedule of Expenditures of Federal Awards (SEFA) as SFSF funds (if their independent auditor was comfortable revising the SEFA and testing the additional expenditures).

As a result of management bypassing their administrative code, expenditures totaling \$7,957,437 were recoded, changing data previously submitted, after the November 15, 2010 deadline.

Cause: Due to the lack of communication between OSDE and the Office of State Finance (OSF), the Financial Accounting/OCAS department at OSDE thought they still had the \$16,000,000 in SFSF funds and were concerned the funds would be returned to the federal government if they did not recode the expenditures.

Effect: OSDE did not comply with Oklahoma Administrative Code (OAC) 210:25-5-4. Accounting (c).

Recommendation: We recommend OSDE consult with their legal council on how to appropriately handle these funds to ensure both state and federal funds are recorded in accordance with state and federal regulations.

Views of Responsible Official(s)

Contact Person: Dr. Jack Herron and Mr. Chad Bratton

Anticipated Completion Date:

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Corrective Action Planned: It is OSDE's position that we did not violate Oklahoma Administrative Code (OAC) 210:25-5-4 for the following reason: 1) The OIG directed the following: the OIG recommended the following:

"Recommendations

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education (OESE) require –

1.1 OSF to provide documentation and/or accounting transactions to support that SFSF GSF funds were expended appropriately or return \$16 million is SFSF GSF funds. If documentation is provided to show that the funds went to LEAs for the purchase of textbook or to other subrecipients, Oklahoma should notify each subrecipient of how much it received to ensure proper accounting changes are made. Oklahoma should also ensure that (1) the subrecipients appropriately account for and use the funds in accordance with the requirements and within the period of availability, (2) that the funds are appropriately included in their single audits, and (3) that the subrecipients provide the information Oklahoma needs to report on the SFSF GSF program completely and accurately."

This response from the OIG was included in the exit conference July 14, 2010. Therefore, it is our position that this corrective action was already accepted by the OIG and therefore the process was already in motion. Further, none of the data could be offset until all schools' financial data was received. This did not occur until mid-November 2010. Therefore, the schools late submission of their OCAS data precluded Financial Accounting's ability to go ahead and perform the offset.

Auditor Response: It is the State Auditor and Inspector's position that OSDE violated OAC 210:25-5-4. Accounting (c) when they recoded textbook expenditures after the November 15, 2010 OCAS deadline.

FINDING NO: 10-305-010

STATE AGENCY: Office of the Governor

FEDERAL AGENCY: US Department of Education

CFDA NO: 84.394

FEDERAL PROGRAM NAME: State Fiscal Stabilization Fund

FEDERAL AWARD NUMBER: S394A090037

FEDERAL AWARD YEAR: 2009/2010

CONTROL CATEGORY: Activities Allowed or Unallowed

Criteria: ARRA Title XIV – State Fiscal Stabilization Fund, Section 14003(b) states, "Prohibition – A local educational agency may not use funds received under this title for (1) payment of maintenance costs; (2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public; (3) purchase or upgrade of vehicles; or (4) improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities."

Condition: The Oklahoma State Department of Education (OSDE) nor the Office of State Finance (OSF) designed and implemented a control structure sufficient to ensure that SFSF grant funds were used for allowable activities.

Based on discussion with OSDE management as well as observation of supporting documentation, we noted \$83,729 in funding from CFDA #84.394 was used by four school districts to purchase school buses. These expenditures were eventually recoded to payroll expenditures in late SFY10 and early SFY11.

Cause: Due to the lack of communication and monitoring of the subrecipient activities by both OSDE and the OSF, unallowable purchases originally went undetected.

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Effect: Funding from CFDA #84.394 was used for unallowable activities.

Recommendation: We recommend OSF develop and implement controls/procedures to ensure that all recipients and subrecipients of the SFSF grant are expending the funds for allowable activities.

In addition, we recommend OSDE develop and implement controls/procedures to ensure federal funds are used only for allowable activities. Lastly, since OSDE has allowed the subrecipient school districts to recode the expenditures to payroll, no further action is required related to the costs.

Views of Responsible Official(s) - OSDE

Contact Person: Dr. Jack Herron, Ms. Renee McWaters, Mr. Chad Bratton

Anticipated Completion Date: Before the 2010 year ended

Corrective Action Planned: The staff of the Department of Education believed after reading Guidance that the purchase of a school bus to transport students with special needs was an allowable expense at the time of approval. That approval was given before the school districts made any purchases.

As soon as we were informed by the OIG Auditors that it was not an allowable expense, we were in contact with all four districts and informed them of the information. All districts chose to use the funds on salaries and made all of the corrective coding adjustments in their financial records before the end of the fiscal year.

Views of Responsible Official(s) - OSF

Contact Person: Brandy Manek

Anticipated Completion Date:

Corrective Action Planned: See finding response on finding #10-305-001

Auditor Response: See response on finding #10-305-001.

Department of Health

FINDING NO: 10-340-001

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.557

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

FEDERAL AWARD NUMBER: 2009IW100346 / 2010IW100346

FEDERAL AWARD YEAR: FY 2009/2010

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

Criteria: 7 CFR §246.12 (q) states “The State agency must account for the disposition of all food instruments and cash-value vouchers as either issued or voided, and either as redeemed or unredeemed. Redeemed food instruments and cash-value vouchers must be identified as validly issued, lost, stolen, expired, duplicate, or not matching valid enrollment and issuance records... This process must be performed within 120 days of the first valid date for participant use of the food instruments and must be conducted in accordance with the financial management requirements of §246.13.”

7 CFR § 246.12 (k)(1) states, “The State agency must design and implement a system to review food instruments and cash-value vouchers submitted by vendors for redemption to ensure compliance with the applicable price limitations and to detect questionable food instruments or cash-value vouchers, suspected

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vendor overcharges, and other errors. This review must examine either all or a representative sample of the food instruments and cash-value vouchers and may be done either before or after the State agency makes payments on the food instruments or cash-value vouchers. The review of food instruments must include a price comparison or other edit designed to ensure compliance with the applicable price limitations and to assist in detecting vendor overcharges. For printed food instruments and cash-value vouchers the system also must detect the following errors—purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; food instruments or cash-value vouchers transacted or redeemed after the specified time periods; and, as appropriate, altered purchase price. The State agency must take follow-up action within 120 days of detecting any questionable food instruments or cash-value vouchers, suspected vendor overcharges, and other errors and must implement procedures to reduce the number of errors when possible.”

In addition, according to 7 CFR § 246.13(b), “Internal control. The State agency shall maintain effective control over and accountability for all Program grants and funds. The State agency must have effective internal controls to ensure that expenditures financed with Program funds are authorized and properly chargeable to the Program.”

Good internal controls dictate that agencies receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to follow up on deficiencies identified in service organization reports and assess their impact on the administration of the program.

Condition: Within 120 days of the first valid date for participant use the State agency must identify all food instruments (FIs) and cash-value vouchers (CVVs) as either issued or voided, and identify issued FIs and CVVs as either redeemed or unredeemed. OSDH contracts with a third party service organization to process and pay food instruments and cash-value vouchers. OSDH receives and reviews a disposition report daily from this third party service organization. In addition, OSDH relies on this entity to ensure that vouchers contain the purchase price, participant, parent/caretaker, or proxy’s signature, and vendor identification. OSDH also relies on the third party service organization to ensure that the purchase price has not been altered, the voucher was redeemed during proper time period (between the voucher’s begin and end dates), and that the redemption price does not exceed cost limitations given the vendor’s peer group status. A Statements on Auditing Standards (SAS) 70 report on the controls in operation and tests of operating effectiveness for the third party service organization was issued during our audit period. We were unable to determine that OSDH personnel obtained and reviewed the report to identify any deficiencies that would affect the agency’s compliance with the requirements of 7 CFR § 246.12(q) and 7 CFR § 246.12(k)(1).

Cause: OSDH has not established adequate procedures to ensure controls are operating effectively at its third party service organization.

Effect: Failure to properly monitor performance that has been contracted to an outside entity could result in noncompliance with the applicable requirement and the erroneous payment of food instruments or cash-value vouchers.

Recommendation: We recommend that OSDH design and implement an appropriate system of internal controls, including written policies and procedures, addressing the monitoring of its third party service organizations and implement additional procedures to ensure appropriate identification and follow-up of deficiencies noted in the third party service organization’s SAS 70 audit.

Views of Responsible Official(s)

Although the criteria specified (7 CFR 246) does not require or mention the program obtaining and/or reviewing a SAS 70 audit report, we do agree that if a SAS 70 report is available, we should be doing due diligence as the primary grantee by obtaining, reviewing and following-up on any identified deficiencies. This additional procedural step will only help to strengthen or enhance our existing control environment.

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We will implement policy/procedures to ensure we obtain said report and review it annually as well as reacting to or following-up appropriately on any deficiencies identified if applicable.

Contact Person: Terry Bryce

Anticipated Completion Date: 7/31/2011

Corrective Action Planned: We will have new policies developed and the most recent SAS 70 by 7/31/2011. We will include the new policies in our State Plan due 8/15/2011.

FINDING NO: 10-340-004

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.557

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

FEDERAL AWARD NUMBER: 2009IW100346

FEDERAL AWARD YEAR: FFY 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

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

Condition: The agency did not correctly prepare the FNS 798-A report. The Total Federal Outlays amount is correct, however, the outlays are not reported under the correct function/activity. Total Federal Outlays for Program Management was overstated by \$4,455,102.00, Client Services was understated by \$4,386,743.00, Nutrition Education was understated by \$12,855.00, and Breastfeeding was understated by \$55,504.00. The agency also understated Indirect Cost by \$1,186.16 and overstated Program Funds Recovered by the same amount.

Cause: Report preparation and reviewing procedures for the WIC FNS 798-A report were not followed. Also, adjustments were made but were not carried forward to the FNS 798-A report or addressed through a correcting journal entry.

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

Recommendation: We recommend the agency submit an amended FFY 2009 FNS 798-A report. We also recommend that the agency evaluate the current internal control structure to determine where the breakdown in internal controls occurred and implement procedures to ensure proper review and approval of the report to ensure its accuracy.

Views of Responsible Official(s)

Contact Person: Grace Brown

Anticipated Completion Date: 3/23/2011

Corrective Action Planned: The FNS 798-A report is being amended to reflect the appropriate category of the costs. The Grants Supervisor will review the procedures for reporting with Grants staff. A schedule of costs by category is being incorporated into the reporting documentation to assist the accuracy of the report and the review and approval process.

Health Care Authority

FINDING NO: 10-807-001

STATE AGENCY: Oklahoma Health Care Authority

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FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

QUESTIONED COSTS: \$-0-

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

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

Condition: Based on the procedures performed, we determined the expenditure amounts on the Schedule of Expenditures of Federal Awards (SEFA) received from the Oklahoma Health Care Authority (OHCA) for the above noted programs to be misstated. The expenditures for the Children's Health Insurance Program (CHIP) and the Medical Assistance Program (MAP) American Recovery and Reinvestment Act (ARRA) portion were included in the MAP expenditures and these amounts were also reported separately on the SEFA. According to 2 CFR Section 176.210(b), MAP ARRA expenditures are required to be identified separately on the SEFA even though these expenditures have the same CFDA number as the MAP non-ARRA expenditures. This resulted in the expenditures for the CHIP program and MAP ARRA being reported twice on the SEFA and the MAP non-ARRA expenditures being overstated. In addition, the OHCA received \$10,000,000 for CFDA #84.397 – State Fiscal Stabilization Fund (SFSF) which was incorrectly reported under the MAP ARRA expenditures on the SEFA.

Cause: Adequate training has not been provided and an adequate review system is not in place to ensure the amounts reported on the SEFA are accurately reported.

Effect: The OHCA overstated expenditures for MAP non-ARRA and MAP ARRA and failed to report expenditures for the SFSF on the SEFA.

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

Views of Responsible Official(s)

Contact Person: Gloria Hudson-Hinkle, General Accounting Director

Anticipated Completion Date: Immediately

Corrective Action Planned: For future periods, the SEFA reports will be reviewed by both the Comptroller and the Director of General Accounting. In addition, further care will be given in the completion of the SEFA report, review of reporting instructions and preparer submission dates have been established in order to allow time for adequate supervisory review of all reports.

FINDING NO: 10-807-004

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

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CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 105OK5ADM, 0905OKARRA 1005OKARRA

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Maintenance of Effort - Prompt Pay (Regular and ARRA Federal funds)

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

Condition: While performing our walkthrough of internal controls, we noted that OHCA did not have a system in place to monitor the agency's compliance with prompt pay requirements on a daily basis during SFY 2010.

Cause: OHCA did not seem to be aware of the requirement to monitor compliance on a daily basis until notified by the State Auditor and Inspector's Office.

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

Recommendation: We recommend that the Department monitor its compliance with prompt pay requirement on a daily basis as required by 42 CFR 447.45(d) and Section 5001(f)(2) of the American Recovery and Reinvestment Act.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: Complete

Corrective Action Planned: OHCA has established a system that is in compliance with the American Recovery and Reinvestment Act (ARRA).

Auditor Response: OHCA did not have a system in place during our audit period. However, a system was developed subsequent to the audit period. OHCA retroactively applied the new system to claims data for the period July 1, 2009 through June 30, 2010. Our office performed testwork on a random sample of days during the audit period and based on the procedures performed was able to determine that during our audit period OHCA met the American Recovery and Reinvestment Act prompt pay requirement by paying claims within the time periods stated in the above criteria.

FINDING NO: 10-807-005

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Matching (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

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Criteria: According to 2 CFR 215.23(a)(5), contributions obtained from the Federal Government under another award cannot be used to meet the cost sharing or matching requirement unless authorized by Federal statute.

Condition: OHCA received Federal funds totaling \$10,000,000 under CFDA #84.397 – State Fiscal Stabilization Fund (SFSF). These funds were used to retroactively pay payroll expenditures for the Medical Assistance Program that had previously been paid with State appropriations and claimed as state match on the CMS-64 report.

Cause: OHCA considered the funds to be State funds since they were received from American Recovery and Reinvestment Act discretionary money awarded through the Governor’s Office of the State of Oklahoma.

Effect: OHCA used Federal funds to meet their matching requirement on CFDA # 93.778, which is unallowable.

Recommendation: Since the OHCA has returned the \$10,000,000 back to the Governor’s Office, no further action is needed. However, we would suggest OHCA revisit the Federal matching requirements and implement procedures to ensure only non-federal funds are used to meet their matching requirements in the future.

Views of Responsible Official(s)

Contact Person: Gloria Hudson

Anticipated Completion Date: Completed

Corrective Action Planned: OHCA does not concur with certain finding stipulations. OHCA feels that our agency staff has shown due diligence in trying to ensure that Federal matching requirements are met and give the following narrative in support regarding State Fiscal Stabilization Funds (SFSF) usage.

SFSF funds were ARRA funds appropriated to the Office of the Governor. The Governor’s Office submitted a description of the planned use of funds prior to receiving appropriations and allocating to the different state agencies. The application for Initial Funding under SFSF program provided a template for States to report intended uses of Government Services funds (SFSF Application, Part B, Section 5). The template includes “Medicaid” as one of the categories of expenditures.

Per email dated 12/8/10 from James Butler (Office of Elementary and Secondary with the Department of Education) who is the central point of contact on the SFSF program with the Federal over site agency, “there is nothing in SFSF statute that prohibits a State from using the funds to meet a Federal match requirement.” In addition, the Guidance for Grantees and Auditors for the SFSF program issued 12/24/09 by the Department of Education specifies that “SFSF differs from other Department programs in that one of its primary purposes is to provide Federal support for expenditures that are typically paid for with non-Federal resources.....There is no State- or local –level supplanting prohibition.....Thus, the specific cost principles in the OMB Circulars do not apply to SFSF funds.”

In addition, prior to requesting the SFSF from the Governor’s Office, OHCA staff worked closely with OSF in identifying expenditures to be charged against the SFSF program, specifically identifying payroll costs. OHCA staff was not aware of a letter from Joseph C Conaty, Director of Academic Improvement and Teacher Quality Programs, dated 10/2/09 directing that SFSF funds could not be used to meet Medicaid non-federal match requirements. When OHCA was made aware of this exclusion, these funds were promptly redistributed by OSF.

FINDING NO: 10-807-006

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

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CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2009 and 2010

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

QUESTIONED COSTS: \$-0-

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

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

Condition: During our testwork, we extracted all claim reimbursements for Indian participants who were served by an Indian health care provider during SFY 2010 and noted 119,666 claim reimbursements with \$187,960.84 in copayments charged.

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

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

Recommendation: We recommend that OHCA develop and implement policies and procedures to ensure compliance with Section 5006(a) of ARRA.

Views of Responsible Official(s)

Contact Person: Trevlyn Cross

Anticipated Completion Date: July 1, 2010

Corrective Action Planned: OHCA has taken as much action as possible at this time to comply with the requirements of Section 5006(a) of ARRA. Policy has been submitted to the OHCA board addressing this issue and a change order is currently being worked as well. Prior to implementation, in mid May, letters will be sent to providers and members making them aware of the change. The scheduled implementation date for this project is July 1, 2011.

OHCA is working diligently to comply with the applicable requirements; however addressing this issue has proven to be difficult not only for OHCA but for our federal partner, CMS, as well. OHCA has requested clarification of this issue multiple times from CMS but at this time, OHCA still awaits directives regarding Native American cost sharing. Until OHCA receives such, developing and implementing actions to appropriately address unclear issues will be delayed.

FINDING NO: 10-807-008

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009 and 2010

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CONTROL CATEGORY: Special Tests and Provisions – Inpatient Hospital and Long Term Care Facility Audits (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: The Oklahoma Health Care Authority State Plan, Attachment 4.19-D, Methods and Standards for Establishing Payment Rates - Intermediate Care Facilities for the Mentally Retarded, states in part: "Audits of Cost Reports. ...In addition, a sample number of cost reports will be audited independently by an auditor retained by OHCA."

In addition, Article IV. SCOPE OF WORK, 4.0 of the contract between OHCA and the contracted auditor states, "On an annual basis, Contractor agrees to complete a comprehensive audit of preceding state fiscal year (SFY) cost reports for the facility type and quantity listed below:

- a) 40 Nursing Facilities,
- b) 5 Intermediate Care Facilities for the Mentally Retarded (ICFs/MR), and
- c) 7 Acute ICFs/MR"

Condition: Based on review of the audit tracking spreadsheet maintained by OHCA and review of the audit reports submitted to OHCA during State Fiscal Year 2010, it appears the contracted auditor only performed 3 Intermediate Care Facilities for the Mentally Retarded audits during SFY 2010 on cost reports submitted for SFY 2009. The required number of Nursing Facilities and Acute ICFs/MR were performed.

Cause: The regular ICFs/MR facilities have been closing and/or converting to Acute Care (16 bed or less) so OHCA decided to have the contracted auditor look at ICFs/MR in total and reduced the amount of regular facilities audited. Prior year finding 09-807-010 recommended the "Authority update the contract as needed and retain all supporting documentation related to the transaction." The Authority did follow the recommended action, initiating a change between the two parties and provided evidence of this change to the auditing agency. The change occurred during the renewal option for State Fiscal Year 2011 with the corresponding dates of July 1, 2010 through June 30, 2011. The change was not applicable to the SFY 2010 resulting in the contracted auditor's failure to comply with his contract.

Effect: The contracted auditor is not in compliance with his contract with OHCA.

Recommendation: We recommend that for future contract changes, the contract be amended or an addendum added that outlines the additions, alterations, or removal of the scope of the contract that has been mutually agreed upon by both parties.

Views of Responsible Official(s)

Contact Person: David Branson

Anticipated Completion Date: Complete

Corrective Action Planned: Contract was amended. The contract was amended as a result of the audit performed for SFY 2009, but it was not made in time to change the contract for 2010.

FINDING NO: 10-807-009

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: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009 and 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

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Criteria: The Oklahoma Health Care Authority (OHCA) contracts with Hewlett Packard (HP) for drug rebate support services. Per the contract agreement HP should mail letters, late notices, and statements to drug labelers on behalf of the Health Care Authority.

According to 42 U.S.C. 1396r-8 (b) (2) (A), "State responsibility.—Each State under this title shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug dispensed after December 31, 1990, for which payment was made under the plan during the period, and shall promptly transmit a copy of such report to the Secretary."

According to the HP's 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 HP's 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 the procedures performed, it appears HP mailed labeler invoices for the quarter ending June 30, 2009, 63 days after the quarter ended and HP mailed labeler invoices for the quarter ending March 31, 2010, 65 days after the quarter ended.

Cause: It appears invoices were mailed late due to issues with the receipt of data from HP.

Effect: If invoices are mailed late, the labelers may not be given sufficient time to mail payments or disputes. OHCA is not receiving services that have been contracted and may not be collecting drug rebate payments in a timely and efficient manner.

Recommendation: We recommend that OHCA enforce the terms of the contract with HP in order to ensure the invoices are mailed timely.

Views of Responsible Official(s)

Contact Person: Tom Simonson

Anticipated Completion Date: 06/30/2011

Corrective Action Planned: OHCA will continue to monitor this process and will incorporate any feasible changes to better ensure total compliance with this requirement. Regarding these two instances, technical issues within system processing caused delays of mailings by 3 and 5 days respectively.

FINDING NO: 10-807-010

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Service

CFDA NO: 93.778 & 93.767

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

FEDERAL AWARD NUMBER: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA, 1005OKARRA, 0905OK5021, and 1005OK5021

FEDERAL AWARD YEAR: 2008, 2009 and 2010

CONTROL CATEGORY: Cash Management (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

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Criteria: The Department did not maintain effective fiscal controls over the draw preparation and draw request processes and did not maintain supporting documentation of draws. A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information supported by documentation.

Per 2 CFR section 215.22 g,

“To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

Condition: During our testing of internal controls for the period February 1, 2010 to June 30, 2010, we noted the following:

- Three out of 22 or 13.6% of the Program Draw Worksheets were not initialed as reviewed;
- Two out of 19 American Recovery and Reinvestment Act (ARRA) draws or 10.52% had exceptions. One ARRA Draw Worksheet was not available for our review and one ARRA Draw Worksheet was not initialed as reviewed; and
- One out of five or 20% of the Administrative Draw Worksheets were not initialed as reviewed.

A review of the Program, Administrative, and ARRA draws on a draw by draw basis as well as a review of the quarterly draw reconciliations was implemented by OHCA after OHCA received our prior year audit finding in January of 2010.

During our compliance testing procedures, we noted that one of 6 Program and ARRA draws were not mathematically accurate or net of available program income, rebates, refunds, and other income or receipts. This error resulted in the agency overdrawing \$23,960.79 in ARRA funds and \$166,991.22 in program funds.

Cause: There does not appear to be adequate supervisory review of the draws prior to requesting funds.

Effect: Failure to properly review and approve program draws could result in errors not being detected in a timely manner, which could potentially result in noncompliance with the Cash Management Improvement Act Agreement and result in an interest event.

Recommendation: We recommend the Authority evaluate the current internal control structure and determine where the breakdown in internal controls occurred. We further recommend the Department design and implement a control structure that provides adequate supervision and review to allow for the detection of errors in a timely manner.

Views of Responsible Official(s)

Contact Person: Gloria Hudson

Anticipated Completion Date: complete

Corrective Action Planned: OHCA concurs with this finding. During the period of review, OHCA had begun implementation of additional internal control procedures regarding the adequate review over Federal draws. However, because the control procedures were new, some weaknesses in the controls were still in evidence. OHCA feels that in future periods, adequate controls will be in place.

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FINDING NO: 10-807-011

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: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Special Tests and Provisions – Managed Care (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$-0-

Criteria: Per the SoonerCare § 1115(a) Research and Demonstration Waiver, “A SoonerCare Helpline is monitored. Customer service representatives provide answers to general program information questions. For more individualized assistance, callers are forwarded real-time from the contractor to OHCA Beneficiary Services staff. Members are assisted with access issues, complaints or urgent care requests in a timely manner. All calls to the agency helplines are tracked, monitored and trended through a sophisticated computerized telephony integration system. The agency’s Quality Assurance and Improvement Division is responsible for coordinating all quality initiatives throughout the agency. This division conducts the agency-wide Quality Assurance Committee and researches and takes appropriate action on complaints about providers that are referred for review.”

Condition: We were unable to determine if the appropriate action was taken for 3 of the 45 (6.66%) complaint calls we selected for review. Based on review of the CTI notes and discussion with agency staff the 3 complaint calls should have been referred for further follow up. However, the 3 were not included in the call complaint book with referral forms and no documentation supporting a referral for follow up had been made.

Cause: There is not an adequate system in place to ensure appropriate referral of complaint calls.

Effect: Appropriate action may not be taken for complaints.

Recommendation: We recommend the agency implement procedures to automate and/or streamline the referral process for complaint calls to ensure appropriate action is taken. We also recommend the agency establish a review of complaint calls to ensure appropriate action was taken.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire

Anticipated Completion Date: 06/30/2011

Corrective Action Planned: OHCA is performing further research; upon completion OHCA will take appropriate action.

FINDING NO: 10-807-012

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767

FEDERAL PROGRAM NAME: Childrens’ Health Insurance Program (CHIP)

FEDERAL AWARD NUMBER: 50905OK5021 and 1005OK5021

FEDERAL AWARD YEAR: 2009 and 2010

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

QUESTIONED COSTS: \$431

Schedule of Findings Federal Award Findings And Questioned Costs

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

Condition: Based on a medical professional's review of 60 claims for CHIP recipients we noted seven claims with payment errors which are listed below:

- Two claims were paid when the medical records support a procedure code different than the code billed by the provider. (\$103.26)
- Three claims were paid when the services provided were not supported by the medical records and/or consistent with the medical diagnosis. (\$350.99)
- One claim was paid when the medical records supported a procedure code different than the code billed by the provider for one service line and other service lines were not supported by the medical records and/or consistent with the medical diagnosis. (\$117.99)

The questioned costs noted above are an estimate of the Federal portion of the claims.

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

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

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: 03/31/11

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 CHIP expenditures.

FINDING NO: 10-807-013

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: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

QUESTIONED COSTS: \$498

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

Condition: Based on a medical professional's review of 60 claims for Medicaid recipients we noted three claims paid when there were services provided which were not supported by the medical records and/or the service provided was not properly coded. The questioned costs noted above are an estimate of the Federal portion of the claims.

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

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

Views of Responsible Official(s)

Contact Person: Susan Crooke

Anticipated Completion Date: 03/31/11

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.

FINDING NO: 10-807-014

STATE AGENCY: Oklahoma Health Care Authority/Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 5 0805OK5028, 5 0905OK5028, 1005OKMAP, 5 0905OK5048, 1005OK5ADM, 50905OKARRA and 1005OKARRA

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Eligibility (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$50,057

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

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

Also, 42 CFR 435.916(a) states, "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months..."

Condition: During testwork of 60 recipient medical claims, we noted one medical claim was paid when the recipient's case file did not contain evidence of an application/eligibility determination covering the time period for which the claim was paid. The questioned costs noted above are an estimate of the Federal portion of the claims.

Cause: The Department of Human Services was responsible for performing the eligibility determination on this case. The Department of Human Services did not redetermine the client's eligibility every 12 months or did not maintain the documentation to support that they performed the eligibility redetermination.

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

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

Views of Responsible Official(s)

Contact Person: Karen Hylton DHS / Kelly Shropshire OHCA

Anticipated Completion Date: 09/30/2011

Corrective Action Planned: DHS is performing further research; DHS and OHCA will complete further action subsequent to research.

Schedule of Findings Federal Award Findings And Questioned Costs

It appears this condition exists solely due to lack of documentation in the member's file. This person has a lengthy history of being a SoonerCare member. From September 2003 through November 2009, this person was categorically eligible via a disability. In December 2010, the case was closed as the person failed to complete their redetermination review. The member's SSA payment increased from \$629 to \$829 at this time and we can only assume they feared this income level would be too high for them to continue eligibility. However, on February 18, 2010 the person re-applied for benefits and was found to be eligible again. Based on this application, the member was eligible from January 2010 through January 2011. The member passed away in October 2010.

Auditor Response: The case file that we reviewed did not contain any documentation to support that this member was determined eligible for benefits during our audit period. We have not been provided any documentation to support management's response.

Department of Human Services

FINDING NO: 10-830-001

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 2009IS251446 and 2010IS251446

FEDERAL AWARD YEAR: 2009, 2010

CONTROL CATEGORY: Cash Management (Regular and ARRA Federal funds)

Criteria: Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states:

The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

Condition: During our testing of Cash Management, we selected 36 administrative draws from the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Admin) program of which 17 appear to have been both prepared and drawn by the same person. We noted there was not a process in place prior to January 1, 2010 to review the draw calculations and methodologies before the draws were made. It appears that the program accountants had the ability to both prepare the draw calculations and make the draws without a review of the calculations being performed to ensure draw accuracy.

Cause: The draw duties were reassigned and the Finance Administrator no longer reviews the draw documentation before draws are made.

Effect: Inaccurate draws could be made without being detected.

Recommendation: We recommend a review process be implemented to ensure that each draw is reviewed for reasonableness and accuracy before the drawdown of funds is made.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: January 1, 2010

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Corrective Action Planned: Concur. Procedures addressing this issue were put in place January 1, 2010. Since that date Non-EBT draws are being reviewed by a program accountant other than the accountant making the draw calculation. The reviewer signs and dates the draw backup at which time the draw is ready for the request of funds.

FINDING NO: 10-830-004

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care Program – Title IV-E

FEDERAL AWARD NUMBER: 1001OK1407

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$391,341

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

Condition: For the quarters ending 3/31/10 and 6/30/10, the supporting documentation for the IV-E-1 “State Quarterly Report of Expenditures and Estimates” contained an error. The amount of Training Stipends were entered as positive amounts rather than negative amounts (\$94,428.87) and (\$101,241.57). This increased the total expenditures reported on the IV-E-1 report causing a variance between the financial report and the FCSVM Summary report of \$188,857.74 (\$94,428.87 * 2) and \$202,483.14 (\$101,241.57 * 2) respectively. The amount reported was overstated by a total of \$391,340.88 (\$188,857.74 + \$202,483.14).

Cause: There is no detail level review of the IV-E-1 “State Quarterly Report of Expenditures and Estimates” report.

Effect: A calculation error on the financial report went undetected and caused the amount reported to be overstated.

Recommendation: We recommend the Department implement procedures to ensure someone other than the preparer review the financial report and the supporting documentation for accuracy.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: January 31, 2011

Corrective Action Planned: Concur. Subsequent reports will reflect correcting adjustments. All reports are currently reviewed for reasonableness by the Unit Manager or Senior staff. Unfortunately the volume of reports requiring completion within 8 business days does not allow for a detailed review prior to submission. Staff has been instructed to ensure their reports agree to supporting documentation prior to review by the Unit Manager or Senior staff.

FINDING NO: 10-830-005

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: G10B1OKLIEA

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$288,214

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

Condition: We noted draw # 21 from the 2010 Grant was overdrawn by \$288,214. It appears that the total draw amount should have been \$3,383,542.19, with \$3,095,328.19 coming from the FFY 2010 grant award and \$288,214 from the FFY 2009 grant award. The actual amount drawn for the FFY 2009 award was \$288,214, which appears to be accurate. However, it appears the \$288,214 was also drawn from the FFY 2010 award as well.

Cause: The calculated amount as stated in the supporting documentation for the 2010 Grant is \$3,095,328.19, whereas the drawn amount is \$3,383,542.19. It appears the \$288,214 was drawn twice, once from the FFY 2009 award and once from the FFY 2010 award.

Effect: An overstatement of cash draws will result in an overstatement of the total cash draws in the Grant Transaction Summary Report, LIHEAP Federal Expenditures, and an overstatement of outlays in the SF-269A report.

Recommendation: We recommend the Department implement procedures to ensure all cash draws are calculated correctly and are drawn accurately.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: January 1, 2010

Corrective Action Planned: Concur. This oversight occurred in December 2009 and was discovered by the program accountant during a subsequent reconciliation of expenditures and revenue. In December 2009 the accountant reduced the next draw (#22) by \$288,214. Current procedures put in place January 1, 2010, after the date of this draw, require that all federal draws be reviewed by an individual other than the accountant preparing the draw request.

FINDING NO: 10-830-006

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 2010IS251446

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

Condition: The SFY 2010 Schedule of Expenditures of Federal Awards did not include matching contributions and the expenditures were overstated.

Cause: There is not an adequate detail level review of the Schedule of Expenditures of Federal Awards (SEFA).

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Effect: The Department inaccurately reported matching contributions and expenditures.

Recommendation: We recommend the SEFA be resubmitted and the Department implement procedures to ensure someone other than the preparer review the SEFA and the supporting documentation for accuracy.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date:

Corrective Action Planned: OKDHS concurs the SNAP Administrative Matching Grants' state matching contribution was omitted from the Schedule of Expenditures of Federal Awards (SEFA), and that federal expenditures were overstated. Numerous events and factors contributed to these errors and omission, including: (1) a limited turn around time between the preparation of the SEFA, and the submission to the State Auditor's Office; (2) new staff in the OKDHS Finance Division – CARE Unit; and, (3) the unit's senior staff being unavailable due to unforeseen circumstances.

Effective with State Fiscal Year 2011, SEFA expenditures and supporting documentation will be compiled throughout the fiscal year, in order to reduce the time and effort spent preparing the report subsequent to the close of the fiscal year. Staff responsible for preparation of the SEFA will have additional time to review supporting documentation and ensure amounts reconcile to reported federal expenditures. A final high level quality control review of the SEFA will be conducted by a staff member with general knowledge of the approximately seventy (70) programs. The final revised SEFA will be resubmitted no later than December 21, 2010.

FINDING NO: 10-830-007

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.563

FEDERAL PROGRAM NAME: Child Support Enforcement

FEDERAL AWARD NUMBER: G0904OK4004

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

Condition: During testing of the SFY10 SEFA, we noted a variance between the amount reported and supporting documentation for the Expenditures Charged to Incentive Grant (Stimulus Match) and the Net Federal (IV-D Regular and Incentive) Grant. It appears the Expenditures Charged to Incentive Grant was not included in the dollar amount reported and the Net Federal Grant amount was overstated.

Cause: It appears the SFY10 SEFA report was understated.

Effect: The Department may not be in compliance with the above stated policies, procedures, or regulations which has resulted in inaccurate reporting.

Recommendation: We recommend the SEFA be resubmitted and that a review of the SEFA by an independent person be completed prior to submitting the SEFA.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: November 16, 2010

Schedule of Findings Federal Award Findings And Questioned Costs

Corrective Action Planned: Concur. SEFA report has been revised to include Child Support Incentive expenditures. The revised report was resubmitted on November 16, 2010. Procedures have been updated to include a secondary review of the SEFA report prior to submission.

FINDING NO: 10-830-010

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 532

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

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

Condition: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2010, we noted one case that received TANF benefits within five months of receiving diversion assistance benefits and did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits. (Questioned Costs \$532)

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

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

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

Views of Responsible Official(s)

Contact Person: Linda Hughes, FSSD, TANF Section

Anticipated Completion Date: March 31, 2011

Corrective Action Planned: Concur. The County Director was contacted and asked to review this case to determine why it was approved for TANF within twelve months following Diversion Assistance, without documented approval. The County Director indicated, based on his review, that the receipt of TANF before the end of the twelve month period would have been approved. Therefore reimbursement will not be requested. Field Operations staff has been notified of this finding and have been instructed to review policy and procedures on Diversion Assistance.

FINDING NO: 10-830-011

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

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FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families
FEDERAL AWARD NUMBER: G1001OKTANF
FEDERAL AWARD YEAR: 2010
CONTROL CATEGORY: Eligibility
QUESTIONED COSTS: \$ 158

Criteria: DHS Policy **340:10-20-(a)(3)** “DA is limited to once in the lifetime of the applicant(s); therefore, it is vital that financial planning be initiated to determine if the provision of DA will allow the family to be self-sufficient for the next 12 months.”

Condition: During our testing of cases that received Diversion Assistance benefits during SFY 2010, we noted one case that received \$2,108.75 in Diversion Assistance benefits during SFY 2010, which is greater than the \$1,950 maximum allowable benefit. This case had been certified for Diversion assistance 11/12/09 and therefore not ever eligible for Diversion again beyond the first 90 days of benefit eligibility. (Questioned Costs \$158.75)

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.

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, FSSD, TANF Section

Anticipated Completion Date: March 31, 2011

Corrective Action Planned: Concur. Field Operations staff has been instructed to review policy and procedures on Diversion Assistance. Field Operations staff will be requested to complete an overpayment referral by March 31, 2011. The overpayment occurred because the April payment was miscoded as a new application on the system

FINDING NO: 10-830-014

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 1,259

Criteria: 45 CFR Section 264.1(a) (1) states, “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance (as defined in § 260.31 of this chapter) to a family that includes an adult head-of-household or a spouse of the head-of-household who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

45 CFR Section 264.1 (c) states, “States have the option to extend assistance paid for by Federal TANF funds beyond the five-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the State elects. States are permitted to extend assistance to families only on the basis of: (1) Hardship, as defined by the State; or (2) The fact that the family includes someone who has been battered, or subject to extreme cruelty based on the fact that the individual has been subjected to: (i) Physical acts that resulted in, or

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threatened to result in, physical injury to the individual; (ii) Sexual abuse; (iii) Sexual activity involving a dependent child; (iv) Being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities; (v) Threats of, or attempts at, physical or sexual abuse; (vi) Mental abuse; or (vii) Neglect or deprivation of medical care.”

DHS Policy Instructions to Staff 340:10-3-56-4.b. (2) states, “(b) When the TANF benefit is active and the client is approaching the 60 month time limit, the system sends an automatic notice in the 57th month of benefit receipt. The notice advises the client to contact the worker as benefits are ending soon. The worker's CWA Report 57 lists all cases where TANF clients are within 90 calendar days of the 60 month time limit. When a case appears on the worker's CWA, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request a hardship extension request. (2) When the client fails to respond to the interview request or marks on Form 08TW024E that an extension request is not requested, the worker closes the TANF benefit for the next effective date and follows the same procedures outlined in (a)(3) of this Instruction. If the client requests a fair hearing during the ten-day period following the issuance of the adverse notice, the benefit can remain open until a decision is made by the Appeals Unit. Refer to OAC 340:65-5-1.”

DHS Policy Instructions to Staff 340:10-3-56-4.d.(2) states, “(d) When the client's hardship extension approval time frame is completed, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request an additional hardship extension. (2) When the client fails to respond to the interview request or marks on Form 08TW025E that a continued extension request is not requested, the worker closes the TANF benefit for the next effective date using code 29C "receipt of 60 months of TANF. Extension time frame completed.”

Condition: From the population of 135 cases that received TANF benefits for more than 60 months, we selected 22 cases for testing. We tested the 22 cases and noted 2 cases where the client received benefits for more than 60 months without applying for a continued hardship extension of benefits (Form TW-25).

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 a request for a continued hardship extension of benefits (Form 08TW025E) is documented in the case files 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, FSSD, TANF Section

Anticipated Completion Date: March 31, 2011

Corrective Action Planned: Concur. Documented approval for a hardship extension was lacking in both cases for the time periods in question. Field Operations Staff will be instructed to review policy and procedures for Diversion Assistance.

In one of the cases we agree that overpayments were made for three months. Reimbursement will be requested by March 31, 2011. In the other case (questioned cost of \$584) a hardship extension was approved when the review, which was delinquent, was completed January 25, 2010. Therefore, reimbursement will not be pursued.

FINDING NO: 10-830-015

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

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FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: G09B1OKLIEA

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Reporting-SF-269A Report

QUESTIONED COSTS: \$0

Criteria: 45 CFR 93.30(b) states: Financial summary of obligation and expenditure of block grant funds— (1)Block grants containing time limits on both the obligation and the expenditure of funds. After the close of each statutory period for the obligation of block grant funds and after the close of each statutory period for the expenditure of block grant funds, each grantee shall report to the Department: (i) Total funds obligated and total funds expended by the grantee during the applicable statutory periods; and (ii) The date of the last obligation and the date of the last expenditure. (2) Block grants containing time limits only on obligation of funds. After the close of each statutory period for the obligation of block grant funds, each grantee shall report to the Department: (i) Total funds obligated by the grantee during the applicable statutory period; and (ii) The date of the last obligation. (3) Block grants containing time limits only on expenditure of funds. After the close of each statutory period for the expenditure of block grant funds, each grantee shall report to the Department: (i) Total funds expended by the grantee during the statutory period; and (ii) The date of the last expenditure. (4) Submission of information. Grantees shall submit the information required by paragraph (b)(1), (2), and (3) of this section on OMB Standard Form 269A, Financial Status Report (short form). Grantees are to provide the requested information within 90 days of the close of the applicable statutory grant periods.

Condition: We noted the amount reported on the 10/01/2008-9/30/2009 SF-269A Report for the 2009 Grant did not match the supporting Grant Transaction Summary Report dated 12/31/2008-12/07/2009. Also, the supporting Grant Transaction Summary Report is for a different period than the period stated on the SF-269A.

We noted the period for the SF-269A Report for the 2008 Grant is 10/01/2008-9/30/2009, while the supporting Grant Transaction Summary Report states cash expenditures for the period 10/01/2008-12/30/2009.

Cause: It appears there are no checks to ensure the outlays reported on the SF-269A report match the stated period.

Effect: DHS has stated the incorrect period for the 2009 Grant outlays and underreported the outlays as stated on the SF-269A report by \$6,659,937.49 (\$42,738,465-\$36,078,528). DHS has stated the incorrect period on the SF-269A report for the 2008 Grant for the amount of outlays as stated.

Recommendation: We recommend the Department implement procedures to ensure the period stated on the SF-269A report for cash expenditures matches the period for the outlays expended.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: March 1, 2011

Corrective Action Planned: Concur. These are cumulative reports and the final report for 2008 is correct. The final report for 2009 is due December 31, 2011. Procedures are in place to ensure it is correct. The importance of following federal report requirements has been emphasized to staff. Additionally, the Unit Supervisor has worked with staff to implement a better process for verifying expenditures.

FINDING NO: 10-830-016

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

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FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program
FEDERAL AWARD NUMBER: 008015410S6008
FEDERAL AWARD YEAR: 2010
CONTROL CATEGORY: EBT Issuance Document Security (Regular Federal funds)
QUESTIONED COSTS: \$0

Criteria: Code of Federal Regulations title 7 part 274 section .7 subpart (b) states, “State Agencies shall establish control and security procedures to safeguard coupons that are similar to those used to protect currency. The state agencies, as well as all persons or organizations acting on their behalf shall safeguard coupons from theft, embezzlement, loss, damage, or destruction; and avoid unauthorized transfer, negotiation, or use of coupons.”

Condition: Based on review of the Daily EBT Card Returns Detail and Log, it appears there was a lack of segregation of duties for all offices that receive lost activated EBT cards prior to January 5, 2010. This segregation of duties deficiency is due to only one person receiving the active cards for destruction. At the OKDHS EBT Office, as well as the county offices, the same employee receives the mail, logs the cards, and destroys the cards. This control deficiency provides an opportunity for the employee receiving, logging, and destroying the cards to take the returned activated cards and use them for personal gain.

Cause: The OKDHS EBT Office and County Offices do not have proper safeguards to prevent theft, embezzlement, or unauthorized negotiation or use of benefits on active cards returned to either the EBT or County Office(s).

Effect: The OKDHS EBT Office and County Offices may not be in compliance with the above stated regulations and policies, which may result in theft, embezzlement, or unauthorized negation or use of benefits by an employee of either the EBT or County Office(s).

Recommendation: We recommend the OKDHS EBT Office and County Offices require that the destruction process involve two employees. This should start with the two employees being present when the cards are received, both employees signing the log that records the destruction and both employees being present when the cards are destroyed. If the card(s) are not destroyed immediately they should be secured in a dual control box, which requires two keys to open.

Views of Responsible Official(s)

Contact Person: Cliff Higgs, Director of Electronic Payment System

Anticipated Completion Date: February, 2010

Corrective Action Planned: In January 2010 the following procedures were implemented:

- (1) Upon receipt of cards in the mail, two staff members (one of which is supervisory personnel) will make a count of the cards received.
- (2) One staffer will log all cards and status as “lost” if any is received as “active”.
- (3) The log and cards will be provided to the supervisor for audit purposes to ensure cards are logged and deactivated if they were received as active.
- (4) The two staff members will conduct the destruction of the cards received and each sign the log confirming the count, status change (if active) and destruction.
- (5) Cards are to be destroyed immediately upon receipt by mail and not stored. Backup personnel will be designated in case of absence of regularly assigned individuals.

These procedures were added to the 2010 EBT Specialist Guide and mailed to each EBT specialist. New specialists are provided a copy of the Guide when they are given access to the system.

FINDING NO: 10-830-017

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

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CFDA NO: 93.659

FEDERAL PROGRAM NAME: Adoption Assistance

FEDERAL AWARD NUMBER: 0901OK1407 and 1001OK1407

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Eligibility (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$28,577

Criteria: According to 42 USC § 673(a) (4) (A) “No payment may be made to parents with respect to any child who has attained the age of eighteen (or, where the State determines that the child has a mental or physical handicap which warrants the continuation of assistance, the age of twenty-one).”

Condition: During our testing of IV-E Adoption Assistance cases, we noted that in twenty-one of the forty-five cases tested, the parents received assistance after the child attained the age of 18 and documentation was not provided which indicated the child had a mental or physical handicap that warranted the continuation of assistance to the age of 21. The documentation provided to support the continuation of benefits after the child had attained the age of 18 only demonstrated the child was still enrolled in school which is not an allowable reason for the continuation of benefits for the IV-E Adoption Assistance program.

Cause: It appears the cases were not monitored to ensure IV-E assistance was terminated when the child became ineligible.

Effect: The Department may be providing benefits to ineligible recipients.

Recommendation: We recommend the Department implement procedures to ensure no individual that attains the age of 18 receives IV-E Adoption Assistance benefits unless there is a documented mental or physical handicap.

Views of Responsible Official(s)

Contact Person: Kevin Haddock, Finance Manager/Comptroller II/OKDHS Child and Family Services

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: Concur. Procedures are in place to review eligibility once a child reaches age 18. This review can take two to three months to complete. If a child is determined to be ineligible, identifying the non-IV-E expenditures would be a manual process. CFSD is working with its programmers to automate this process to ensure ineligible expenditures are identified and reclassified timely. Federal expenditures would then be adjusted on the next quarterly report. For the cases noted in this finding the ineligible expenditures will be reimbursed by September 30, 2011.

FINDING NO: 10-830-018

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: G10B1OKLIEA

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$1,556

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

The LIHEAP FSSD – ECAP March 2010 instructions item 4 states, “The maximum payment is **\$650** regardless of household size.”

Schedule of Findings Federal Award Findings And Questioned Costs

Condition: While performing analytical procedures we noted the following:

- 9 of the 65 addresses appear to have received more than \$650 in ECAP benefit, (Questioned Costs \$1,176)
- 3 of the 45 addresses appear to have received more than one heating benefit payment for the household. (Questioned Costs \$380)

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

Effect: Households may be receiving more benefits than allowed.

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

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: March 1, 2012

Corrective Action Planned: Concur. FSSD has requested DSD add additional online edits to prevent overpayments from being made to a given address. This enhancement should be available by March 1, 2012. We will also continue emphasizing the importance of cross referencing cases to existing reports listing possible duplicate addresses. This review is to be completed prior to certification of benefits. FSSD will request reimbursement from the vendors/households cited in this audit as receiving excess benefits by June 30, 2011.

FINDING NO: 10-830-019

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 0901OK1407 and 1001OK1407

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Eligibility (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$6,507

Criteria: 45 CFR 233.90 (b) (3) states, “A state may elect to include in its AFDC program children age 18 who are full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program before reaching age 19.”

Condition: We analyzed the Department’s records and determined there were 37 IV-E Foster Care recipients over the age of 18 receiving benefits during SFY10. We tested 19 of the 37 cases and noted the following:

- One case file did not contain documentation verifying the youth was attending school and expected to graduate before her 19th birthday. (Questioned Costs \$1,494.99)
- In addition to the 19 case files tested, 4 IV-E recipients were over the age of 19 when they received benefits. (Questioned Costs \$5,012.90)

Cause: The Department did not ensure the IV-E Foster Care recipients had not exceeded the age limitation without adequately documenting they were full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program

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before reaching the age of 19. In addition, the Department did not ensure the IV-E Foster Care maintenance payments ended the month following the recipients 19th birthday.

Effect: The Department may be providing benefits to ineligible IV-E recipients.

Recommendation: We recommend the Department ensure recipients 18 years old or older do not receive IV-E Foster Care benefits unless the child is expected to graduate from a secondary educational institution before his or her 19th birthday. In addition, we recommend the Department put controls in place to ensure that benefit payments of recipients age 19 or older switch to state funding the month following the recipients 19th birthday.

Views of Responsible Official(s)

Contact Person: Kevin Haddock, Finance Manager/Comptroller II/OKDHS Child and Family Services

Anticipated Completion Date: June 30, 2012

Corrective Action Planned: Concur. The importance of maintaining adequate documentation has been discussed with the case worker involved. Payments made on the remaining four cases appear to be a system issue. These cases are being researched and corrective action will be taken once the cause is identified. Ineligible expenditures will be reimbursed by offsetting eligible expenditures reported quarterly. Reimbursement will be completed by September 30, 2011.

FINDING NO: 10-830-020

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Special Test and Provisions – Penalty for Failure to Comply with Work Verification Plan

QUESTIONED COSTS: \$0

Criteria: 45 CFR Section 261.62(a) states, “To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP–MOE Data Report, each State must establish and employ procedures for determining whether its work activities may count for participation rate purposes; establish and employ procedures for determining how to count and verify reported hours of work; establish and employ procedures for identifying who is a work-eligible individual; establish and employ internal controls to ensure compliance with the procedures...”

TANF Data Report – Section One Adult Work Participation Activities Guidance states in part, “A State must support each individual’s hours of participation through documentation in the case file. In accordance with 45 CFR Section 261.62, a State must describe in its Work Verification Plan the documentation it uses to verify hours of participation in each activity.”

TANF Data Report – Section One Adult Work Participation Activities Guidance states in part, “For an individual who is not employed, the documentation for substantiating hours of participation may consist of, but is not limited to, time sheets, service provider attendance records, or school attendance records....”

TANF Data Report – Section One Adult Work Participation Activities Guidance 53 Work Experience Definition states in part, “This activity must be supervised by an employer, work site sponsor, or other responsible party on an ongoing basis no less frequently than once each day in which the individual is scheduled to participate.”

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Condition: We selected 45 cases for testing the Penalty for Failure to Comply with Work Verification Plan requirement and noted one case where the work participation hours recorded on the ACF-199 report were not documented in the case file. The work participation hours were recorded on the OKDHS Mainframe system as a Work Experience activity that requires documentation of the supervised work participation hours.

Cause: The TANF work participation hours were not adequately documented.

Effect: The Department may not be in compliance with the above stated regulations, which may result in ineligible individuals receiving TANF benefits as well as inaccurate reporting on the TANF Data Report.

Recommendation: We recommend the Department follow policy and procedures for verifying reported hours of work to ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Programs Manager

Anticipated Completion Date: May 31, 2011

Corrective Action Planned: Concur. Policy requiring documentation of hours for TANF participation will be discussed during quarterly statewide training sessions in May 2011. Supervisors receiving such training are expected to train their staff with the same information and materials used during quarterly training. This will assure all staff working with TANF cases receives updated training.

FINDING NO: 10-830-021

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Eligibility, Special Tests-Child Support Non-Cooperation and Penalty for Refusal to Work

QUESTIONED COSTS: \$1,645

Criteria: OAC 340:65-3-1(a) states, "The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. "

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

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

OAC 340:65-3-8(d) (2) states, "The worker completes a review or recertification at 12-month intervals with a: (A) TANF recipient unless an earlier review date is warranted..."

OAC 340:65-3-8(d) (1) states "The worker completes a review at six month intervals with a:(A) TANF recipient due to:(i) pending required immunizations; (ii) payment standard reductions because of intentional program violations; (iii) hardship extension approvals; (iv) earned income; (v) a work-eligible

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person exempt from TANF Work activities because of incapacity; or (vi) a work-eligible person exempt from TANF Work activities to care for a disabled family member living in the household.”

Condition: From our population of 18,462 cases, we selected 40 cases for eligibility testing and noted one case where no TANF eligibility review or re-determination was found in the case file provided by the county office for benefits paid for the months of July 2009 through January 2010. (Questioned Costs \$1,645)

Cause: TANF eligibility review/re-determination was not performed at the required 12-month interval.

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

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

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Programs Manager

Anticipated Completion Date: May 31, 2011

Corrective Action Planned: Concur. This case is a child only (relative payee) case. The review was delinquent but when completed there were no changes to the case and the children remained eligible for TANF. This finding will be included during our discussion and policy review of TANF reviews and applications at the quarterly statewide training sessions in May 2011. Supervisors receiving such training are expected to train their staff with the same information and material used during quarterly training. This will assure all staff working with TANF cases receives updated training.

FINDING NO: 10-830-022

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: G10B1OKLIEA

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$1,200

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

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states, “The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....”

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

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Condition: We noted 184 cooling cases where the cooling benefit payment detail indicated no vendor and an “S” fuel type. According to the LIHEAP FSSD - 2010 Summer Cooling Instructions, benefits with the fuel type “S” are direct payments to the client for the purchase of or repairs to cooling equipment. We selected 10 of these cases for further review and noted the following:

- For 7 of the 10 case files selected, we noted a completed application for cooling assistance with an indication of a desire to purchase fan/air conditioner equipment; however, there was no purchase documentation (receipt) indicating that the purchase of this equipment was made (Questioned Costs \$1,050).
- For 1 of the 10 case files selected, we could not find a completed application for cooling assistance, no indication of a desire to purchase fan/air conditioner equipment with the benefit funds, and no purchase documentation (receipt) indicating that the purchase was made (Questioned Costs \$150).

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

Effect: The State may be issuing cooling benefit payments directly to clients and those payments may not be going for the intended purpose; therefore, not meeting program objectives.

Recommendation: We recommend the Department begin requiring purchase documentation to support these benefit payments to ensure funds are being used for the intended purpose. One possible alternative would be to implement a voucher system similar to the FSSD Flexible Fund authorizations. If clients are determined eligible for benefits, a voucher would be issued for the benefit amount and the client would then take the voucher to an approved vendor to purchase the fan/air conditioning equipment. The vendor would then submit the voucher to the Department for payment. This could help to ensure that program funds are being used for the intended purpose. We recommend the Department implement procedures to ensure all LIHEAP applications submitted by the client are placed in the client’s file.

Views of Responsible Official(s)

Contact Person: Cari Crittenden

Anticipated Completion Date: 7/1/2012

Corrective Action Planned: Concur. FSSD will continue exploring alternatives to making direct payments to households. FSSD has researched the voucher system and found that the additional costs and time associated with a voucher system is excessive compared to the small number of households receiving such payments. Some of the barriers to implementing a voucher system are: 1) locating vendors willing to wait 30 days for payment, 2) the necessity for households to make two visits, and 3) the increase in administrative costs to implement and maintain a voucher system.

FINDING NO: 10-830-024

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: G10B1OKLIEA

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Eligibility; Activities Allowed or Unallowed

QUESTIONED COSTS: \$760

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

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

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.

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.”

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

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states, “The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....”

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

Condition: During testwork of case files selected, we noted the following:

- 4 of the 60 case files did not include the LIHEAP application to support the eligibility determination for the benefit selected for testing and to support the benefit was for an allowable activity. (Questioned Costs \$760)
- 45 of the 60 cases did not contain a completed LIHEAP Checklist for Walk-In Applications to ensure the benefit was for an eligible recipient and for an allowable activity, 1 of those 45 maintained a different household size than the size documented in the data (Questioned costs \$0).

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

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

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

Views of Responsible Official(s)

Contact Person: Cari Crittenden, LIHEAP Program Field Representative

Anticipated Completion Date: December 1, 2011

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Corrective Action Planned: Concur. FSSD will continue emphasizing the importance of maintaining applications and other supporting documentation in the case files. Documentation requirements are included in the annual training packets. As more counties begin using the imaging system, we expect there will be fewer misplaced applications.

FINDING NO: 10-830-025

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$ 1,014

Criteria: 45 CFR Sec. 264.30 states “(a)(1) The State agency must refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency (i.e., the IV-D agency). (2) Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. (b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with § 260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly. (c) The IV-A agency must then take appropriate action by: (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program.”

Condition: We selected 45 cases for testing the Child Support Non-Cooperation requirement and noted the following:

- One case where the benefits were not reduced and full benefits were paid for the months of October 2009 through June 2010. (Questioned Costs \$ 150.00)
- One case where the benefits were not reduced and full benefits were paid for the months of July 2009 through June 2010. (Questioned Costs \$ 751.00)
- One case where the benefits were not reduced and full benefits were paid for the months of July 2009 and August 2010. (Questioned Costs \$ 112.50)

Cause: The PS2 system did not automatically reduce the benefit amount by 25%.

Effect: The Department may not be in compliance with the above stated regulations, which may result in a penalty of up to five percent of the SFAG for failure to substantially comply with this requirement.

Recommendation: We recommend the Department ensures the automated process of reducing benefits for individuals that do not cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child is operating effectively.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: Concur. The failure to properly reduce benefits in the cases noted appears to be isolated incidents. Circumstances that resulted in the PS2 system not reducing benefits

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were identified in two of the cases. The third case will be reported to Data Service for review. Establishment of an overpayment will be requested on all three cases.

FINDING NO: 10-830-026

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.563

FEDERAL PROGRAM NAME: Child Support Enforcement

FEDERAL AWARD NUMBER: G1004OK4004

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

Condition: Based on discussion with management and review of the cash balancing worksheet, the 34A report cannot be reconciled to deposits at the State Treasurer.

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

Effect: The Department may be submitting inaccurate reports.

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

Views of Responsible Official(s)

Contact Person: Heidi Randell

Anticipated Completion Date: November 15, 2011

Corrective Action Planned: Concur. Attempts have been made to reconcile on multiple occasions. We are working with our Systems Unit to automate the reconciliation of the 34-A to the 1830F clearing account. This should be completed by November 15, 2011.

FINDING NO: 10-830-027

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

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

Condition: Total expenditures reported on the FFY 2009 ACF-196 report do not agree with accounting records and are overstated.

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Cause: A duplication of expenditures error on the financial report went undetected and caused the amount reported to be overstated.

Effect: The Department submitted an overstated FFY 2009 ACF-196 report.

Recommendation: We recommend the Department implement procedures to ensure someone other than the preparer review the financial report and the supporting documentation for accuracy prior to submission.

Views of Responsible Official(s)

Contact Person: Deena Brown

Anticipated Completion Date: April 30, 2010

Corrective Action Planned: Concur. Expenditures were overstated on the September 30, 2009 quarterly report but were corrected on the March 31, 2010 quarterly report following a subsequent review. The Accountant discovered the overstatement during this review and corrected it by reducing expenditures on the March 31, 2010 quarterly report. Federal deadlines do not allow for a detailed review prior to submission. The Supervisor or other senior staff review the reports for reasonableness prior to submission. The Accountant is responsible for conducting a subsequent review of federal reports. This process allows us to discover any errors and adjust for them on a subsequent report.

FINDING NO: 10-830-028

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Special Tests and Provisions – TANF Emergency Funds Grants – FY 2009 and FY 2010

QUESTIONED COSTS: \$0

Criteria: OMB Instructions for Completing Form OFA-100 Financial and Caseload Data states in part, “Financial data reported on this form must consist of combined Federal TANF expenditures and qualified State maintenance-of-effort (MOE) expenditures. Expenditures for a quarter should reflect the amount actually expended for that particular quarter, irrespective of when the jurisdiction reports them on a TANF financial report. This is true whether the expenditures are for a quarter in the base year or for a request quarter.”

Condition: The average monthly caseload numbers and expenditure amounts reported on Form OFA-100 dated 08/30/2010 do not agree with supporting documentation. The categories and quarters that do not agree are as follows:

- Caseload base quarter numbers for the 2nd, 3rd, and 4th quarters of SFY 2010;
- Non-Recurrent Short Term Benefit request quarter amounts for the 1st quarter of SFY 2010.

Cause: Adjustments made to Form OFA-100 caseload numbers and expenditures amounts were not adequately documented.

Effect: Caseload numbers and expenditure amounts recorded on Form OFA-100 are not adequately documented to ensure the department qualifies for the amount of ARRA funding that was received for Basic Assistance and Non-Recurrent Short-Term Benefits during SFY 2010.

Recommendation: We recommend the department implement procedures to ensure someone other than the preparer review Form OFA-100 and the supporting documentation for accuracy prior to submission.

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Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator, Chris Weimer, FSSD

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: The cause for the variance is being researched. Appropriate action will be taken once the research is complete.

FINDING NO: 10-830-029

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 008015410S6008

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Special Tests and Provisions - EBT Card Security (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

DHS Policy Instructions to Staff 340:50-10-5-4 states, "The Daily Card Count Forms, 10EB001E, are kept for audit and review purposes for a period of three years."

Condition: During testing of EBT Card Security we noted 7 out of 10 offices were not in compliance.

- One office did not retain copies of the delivery verification memo from ACS; (Okmulgee)
- Two offices did not retain EBT card stock reconciliations or inventory logs for all or a portion of the time frame requested;(Tulsa and Cleveland)
- One office did not retain EBT card stock reconciliations for all or a portion of the time frame requested, the director's or administrative assistant's keys were not maintained in a secure environment, and two people have access to both obtain and load cards. (Greer)
- One office did not retain EBT card stock reconciliations for all or a portion of the time frame requested, the director's or administrative assistant's keys were not maintained in a secure environment, two people have access to both obtain and load cards, and the EBT inventory log was not updated during each issuance of EBT cards to OKDHS employees;(Kiowa)
- One office performed an EBT card stock reconciliation; however, the reconciliation did not involve two people. (Noble)
- One office did not keep the director's and administrative assistant's keys in a secure environment and two people have access to both obtain and load cards. (Tillman)

Cause: Seven (7) county offices have not implemented EBT Card Security.

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

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

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Views of Responsible Official(s)

Contact Person: Larry Johnson, Field Operations, Cliff Higgs, Finance

Anticipated Completion Date: April, 30, 2011

Corrective Action Planned: Concur. An updated version of the EBT handbook will be provided to the EBT Specialists and County Directors via email. Starting in April, 2011 EPS will conduct monthly “Back to Basics” training/refreshers courses via email. We will initially focus on the issues cited in this finding and then continue monthly with other sections of the handbook. EPS staff, in cooperation with Field Operations, will make random visits to the field offices for training and auditing purposes.

FINDING NO: 10-830-030

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: State Administrative Matching Grants for SNAP

FEDERAL AWARD NUMBER: 2010IS251446

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement and Suspension and Debarment (Regular Federal funds)

QUESTIONED COSTS: \$0

Criteria: 7 CFR 277.18 (c) General acquisition requirements states: “(1) Requirement for prior FNS approval. A State agency shall obtain prior written approval from FNS as specified in paragraph (c) (2) of this section when it plans to acquire ADP equipment or services with proposed FFP that it anticipates will have total acquisition costs of \$5 million or more in Federal and State funds. This applies to both competitively bid and sole source acquisitions. A State agency shall also obtain prior written approval from FNS of its justification for a sole source acquisition when it plans to acquire ADP equipment or services non-competitively from a nongovernmental source which has a total State and Federal acquisition cost of more than \$1 million but no more than \$5 million. The State agency shall request prior FNS approval by submitting the Planning APD, the Implementation APD or the justification for the sole source acquisition signed by the appropriate State official to the FNS Regional Office. However, a State agency shall obtain prior written approval from FNS for the acquisition of ADP equipment or services to be utilized in an EBT system regardless of the cost of the acquisition.”

7 CFR 3016.36(b)(9) states, “State agency procurement records. State agencies shall maintain records sufficient to detail the significant history of a procurement. These records shall include, but are not necessarily limited to, information pertinent to the rationale for the method of procurement, the selection of contract type, the contract selection or rejection, and the basis for the cost or price.”

7 CFR 3016.36(h)(3)(i)(10) states, “In the case of a payment by a State agency to a subagency or contractor using program funds, the state agency, USDA, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any book, documents, papers and records of the subagency or contractor which the State agency, USDA, or the Comptroller General of the United States or any of their duly authorized representatives, determine are pertinent to administration of the specific FNS program funds, for the purpose of making audit, examination, excerpts, and transcripts.”

The Central Purchasing Act Section 85.39(c) – Agency Internal Purchasing Procedures states, “Each state agency shall maintain a document file for each acquisition the state agency makes which shall include, at a minimum, justification for the acquisition, supporting documentation, copies of all contracts, if any, pertaining to the acquisition, evaluations, written reports if required by contract, and any other information the State Purchasing Director requires be kept.”

Condition: During our testing of the SNAP related procurement files, we noted that the IAPD for competitive contracts exceeding \$5 million dollars could not be produced. The particular file was for ACS

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which is a 10 year contract award. The Contracts and Purchasing Unit was unable to provide the file containing the IAPD. Department personnel explained that this file has been subject to many purchase order number changes, and the record of PO numbers related to the ACS file did not include the initial file PO number. This resulted in the initial file, which contained the IAPD documentation, to be unavailable. Therefore, it appears the proper documents, papers, and records were not maintained for an active contract award.

Cause: Pertinent documents for active contracts do not appear to have been maintained as required.

Effect: The Department may not be in compliance with the above stated regulations.

Recommendation: We recommend procedures be implemented and training be performed to ensure active contract files be maintained and that records be kept that would allow the Procurements Division to access these files.

Views of Responsible Official(s)

Contact Person: Pam Jennings, OKDHS Contracts & Procurements Division

Anticipated Completion Date: March 31, 2011

Corrective Action Planned: The contract in question is the only multiyear contract over \$5 million requiring an IAPD. We have requested a copy of the IAPD from the federal government.

FINDING NO: 10-830-031

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558 & 93.714

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G1001OKTANF

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy Instructions to Staff 340:65-3-4-14 states, "Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, an automated system of notification posts discrepancy messages to IMS. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 30 days of the error posting."

Condition: We performed testwork on the SFY 2010 G1DX Exception and Clearance Reports. We noted the following:

Error Type	G1DX EXCEPTIONS OVER 30 DAYS	TOTAL G1DX EXCEPTIONS	% OF EXCEPTIONS OVER 30 DAYS
BEN	2,683	21,126	12.70%
IEV	192	1,609	11.93%
OWG	3,794	30,700	12.36%
SDX	10,647	92,038	11.57%

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SNH	8,630	64,694	13.34%
UIB	2,519	25,379	9.93%
TOTAL	25,782	214,420	12.02%

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.

Views of Responsible Official(s)

Contact Person: James Conway

Anticipated Completion Date: July 1, 2012

Corrective Action Planned: Concur. In August, 2009 FSSD initiated a G1DX process improvement project aligned with an agency wide "Lean/Six Sigma" initiative. The goal of this project is to increase the effectiveness and efficiency in clearing discrepancies by automating processes and filtering out irrelevant items. Our current process already utilizes the monitoring reports created for the G1DX discrepancies and are worked as promptly as workload allows. OKDHS policy is 50% more stringent than the federal policy and the agency is still accomplishing an 88% timeliness rate. Previously OKDHS decided not to change the related policy in order to give other process improvements a chance to become fully implemented. With caseloads increasing from 40% to 50%, staff priority has been given to certifying program eligibility and other case management tasks. At this time Family Support Services Division plans to move forward with aligning the state policy more closely with the federal policy on a schedule to be determined by local guidelines and the Administrative Procedures Act

Department of Mental Health and Substance Abuse Services

FINDING NO: 10-452-004

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: SAPT Block Grant

FEDERAL AWARD NUMBER: 10B1OKSAPT

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

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

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

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Condition: During our testwork of the Department's SAPT Block Grant subrecipient contracts, we noted that 41 of the 46 contracts tested failed to communicate the fiscal year 2010 federal award information to the provider. Both the standard contracts and contracts based on Request for Proposals failed to identify award information on a year-to-year basis as required.

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

Effect: The Department is not in compliance with federal regulations.

Recommendation: We recommend the Department of Mental Health and Substance Abuse Services develop procedures/controls to ensure all providers are made aware of federal award information on a yearly basis.

Views of Responsible Official(s)

Contact Person: Richard Bowden, Director of Financial Services

Anticipated Completion Date: Already in place; the CPOs were notified in June 2010 via email.

Corrective Action Planned: All Agency CPOs were notified via email that they are required to use the Contract Quality Review Checklist to ensure that each contract packet is reviewed for completeness before being mailed to the Contractor; particularly to ensure that federal funding is identified to the Contractor. The checklist ensures that a quality assurance is in place and creates a system of checks and balances.

REF NO: 10-452-014IT

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

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME:

CONTROL CATEGORY: Internal Control Information Security

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

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

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

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

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

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Views of Responsible Official(s)

Contact Person: Kevin Marble

Anticipated Completion Date: 7/1/2012

Corrective Action Planned: ODMHSAS will establish a general project management framework using a new application that we are currently building to assist in defining the project including approvals, deliverables and sign offs at each phase of the project development including the final sign off by the customer. The system will also document for future reference all decisions and other information used on the project.

Department of Rehabilitation Services

FINDING NO: 10-805-001

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-10053, and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles

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

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

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

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

Effect: Unallowable costs could be charged to the program and not be detected in a timely manner.

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

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Views of Responsible Official(s): While there are no specific procedures in place to review for A-87 allowability, there are safeguards in place that prevent the lapse in internal controls described. The items listed as unallowable in A-87 are also identified as unallowable in the Central Purchasing Rules, Office of State Finance Procedures and the p-card training identifies unallowable purchases consistent with A-87, but does not link the reason for disallowance back to A-87. Staff that were questioned do review for allowance, but may be unable to point to A-87 as the document used if in fact they are more readily familiar with the DCS Rules or OSF Procedures. A-87 compliance takes place at many levels and is not, nor should it be limited to the procurement process. In a proactive usage, A-87 is as much a guide as a compliance document and in that vein is referred to during budgeting or program planning discussions to determine how to structure a particular function so that it is compliant with all regulations.

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: The Agency concurs with the need for an internal process document that identifies the workflow and compliance reviews regarding costs charged to the programs. This document will encompass all the regulatory oversight for the program, the existing workflow and document at what point a compliance review is performed regarding a potential cost.

FINDING NO: 10-805-002

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

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

FEDERAL AWARD YEAR: 2009, and 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$0

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

2CFR § 225 – Cost Principles for State, Local, and Tribal Governments (OMB Circular A-87) establishes principles and standards to provide a uniform approach for determining allowable costs. Attachment B 8.h.3 states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Condition: During the testing of payroll certifications, it was noted that 29 out of 50 employees tested (58%) were missing one or both semi-annual payroll certifications for SFY 2010. We were able to confirm with the employee via e-mail or with the Division Administrator that the employees’ with missing payroll certifications worked 100% on the VR program. However, the Department did not have the appropriate certifications on file as required by OMB Circular A-87.

Cause: There are no formal agency policies or procedures for performing the semi-annual payroll certifications. Some supervisors were uncertain on how to complete the payroll certifications. Therefore, it appears proper training was not provided to ensure accurate and complete preparation of the payroll certifications. In addition, it appears DRS lacks backup procedures for the completion of payroll certifications when the direct supervisor is not available.

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

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Recommendation: To ensure payroll certifications are completed and approved by the employees' direct supervisor in a timely manner, we recommend that DRS develop and implement policies and procedures regarding the completion of direct employee payroll certifications and provide training to ensure the certifications are properly completed. The policies should include who is to fill out payroll certifications in the absence of the direct supervisor. In addition, it may be beneficial if copies of the procedures are provided to the supervisors when it is time to complete the semi-annual payroll certifications.

Views of Responsible Official(s): The Agency concurs that documentation of certifications has been problematic. Responsibility for the completion of the certifications was transferred to align the certifications with other payroll oversight mechanisms already in place. Procedures will be forthcoming once system modifications and an efficient workflow has been developed, trained and adequately tested. DRS does review all Agency personnel transactions to establish funding regarding FTE. This review allows for the assignment of funding prior to new assignments taking place based on the reporting structure and assigned duties. It is recognized that an efficient certification process will complete and fully document the effectiveness of the controls already in place.

Contact Person: Kevin Statham and Paula Nelson

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: Complete the retooling of the certification system, train appropriate staff and develop internal procedure documents.

FINDING NO: 10-805-003

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-100053 and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Reporting, R-1 Separate Accountability for ARRA Funding, and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

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

Condition: During our internal control walkthrough we noted that management compares the numbers reported on the SEFA to the DRS financial statements. The DRS financial statements do not break down the client service expenditures by American Recovery and Reinvestment Act (ARRA) and non-ARRA. Therefore, this review would not detect errors in reporting expenditures which may be inaccurately reported between CFDA # 84.126 and CFDA # 84.390. We also noted an error in the state match amount reported on the SEFA which was not detected by this review.

In addition, we noted that DRS prepares a spreadsheet which tracks and reconciles the ARRA draws and ARRA expenditures. This reconciliation is used to prepare the ARRA Section 1512 report and to ensure all ARRA funds are separately recorded. Management stated that this reconciliation is periodically reviewed to ensure it was properly completed. However, no documentation that this review occurred is maintained and the supporting documentation for this reconciliation was not maintained throughout the audit period. Therefore, we were unable to confirm that this review occurred.

Cause: There does not appear to be a proper review process in place for reporting and the Department has failed to maintain appropriate documentation to support the ARRA Section 1512 report reconciliation.

Effect: It appears management's review has not been adequately designed to detect errors in reporting. Therefore, expenditures could be improperly reported and not be detected in a timely manner.

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Recommendation: We recommend the Department develop and implement procedures for a detailed review and approval of the SEFA which includes determining if the amounts reported as ARRA expenditures, non-ARRA expenditures, and state match are accurate and complete. We also recommend that the Department develop and implement procedures to ensure that its internal controls operate effectively, including procedures for record retention of all pertinent documents.

Views of Responsible Official(s): The regulations for the ARRA funds (84.390) mirrored the Title I dollars (84.126) already in place for the VR program. This allowed for both funds to be a source for client service. Due to the short nature of ARRA funding, automated computer systems were not modified. Though cumbersome, manual reporting processes were determined to be the most cost efficient and the agency resorted to other parameters to isolate ARRA expenditures. The financial statement, by itself does not isolate individual program costs within a Division. The ARRA worksheets bring together an aggregate cost of infrastructure costs and client service costs for ARRA funds. The procedure for record retention is previously established in the Grant regulations and is documented at 34 CFR, part 80.42.

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: DRS concurs with the need to document the internal procedures regarding reviews performed on reports.

FINDING NO: 10-805-004

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-100053 and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Cash Management, Matching, Level of Effort, and Period of Availability

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

Condition: During our documentation of internal controls, we noted there are no formal written policies and procedures for preparation of the cash draws or the monitoring of cash management activities. We also noted there are no formal written policies and procedures for matching, level of effort, or period of availability activities.

Effect: Failure to properly document internal controls in the form of written policies and procedures could lead to a breakdown in the internal control process that could result in misappropriation of assets or material noncompliance with applicable laws and regulations. In addition, should Vocational Rehabilitation not meet its match and level of effort requirements the program may be penalized. Penalties could include the repayment of awards, loss of funding, and/or a reduction in the length of time the funds are available (period of availability), any of which would have a negative impact on DRS' capability to provide services for Vocational Rehabilitation.

Recommendation: We recommend the Department develop formal written policies and procedures for the preparation of cash draws and cash management activities. We also recommend the development of formal written policies and procedures for the monitoring of the matching, level of effort, and period of availability requirements.

Views of Responsible Official(s): The Cash Management Information Act Agreement currently in place dictates the manner in which draws requests are compiled and processed. Controls exist that isolate program costs within specific departments established in the Agency's Chart of Accounts. Program accountants do know which departments are assigned to their programs.

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Contact Person: Kevin Statham and Elaine Shetley

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: Controls exist to allow for accurate and timely collection of expenditure information for Cash Management compliance. What does not exist is an internal procedures document that defines the steps performed by staff to complete the necessary draws and monitoring of matching requirements, MOE and periods of availability. The Agency concurs, the processes will be documented.

FINDING NO: 10-805-005

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-100053 and H390A-090053 (ARRA)

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Eligibility

Criteria: A component objective of effective internal controls is to provide accurate and reliable information through adequate supervision and review.

DRS Vocational Rehabilitation Specialist Level Descriptors for Level I Code K21A states “This is the basic level where employees are assigned responsibilities for performing entry-level work under direct supervision. Direct supervision includes, but is not limited to, supervisor’s signature authority on approval on eligibility decision, Individual Plans for Employment (IPE) and amendments, authorizations for services, evaluation, and case closure.”

Condition: During our testwork of controls, we noted that 5 out of 37 or 13.51% of IPE's assigned to counselors that were Level I or Carl Albert Executive Fellows Interns did not have the required supervisor signatures, which indicates approval of the IPE and eligibility determination. .

Cause: It appears supervisors are either not documenting their review and approval or a supervisory review is not being performed for Level I specialists or Carl Albert Executive Fellows Interns.

Effect: The Client may not be eligible for the services they are provided.

Recommendation: We recommend that the Department ensure all supervisors have been properly informed and trained regarding the policy on restrictions pertaining to entry-level counselors. Emphasis should be on the restrictions for entry-level counselors involved in eligibility decisions, Individual Plans for Employment (IPE) and amendments, authorizations for services, evaluations, and case closures.

Views of Responsible Official(s): The five cases in question will be reviewed to determine the validity of the case.

Contact Person: Mark Kinnison

Anticipated Completion Date: March 31, 2011

Corrective Action Planned: The Division Administrator will conduct training to VR Programs Managers and Field Coordinators at the next quarterly meeting, which will be in February or March. At that time the cases identified in the finding will be reviewed and discussed. Part of the agenda will include training regarding DRS Vocational Rehab Specialist level descriptors and the function of those levels. In addition to that, I will also provide training consisting of an overview of DRS 612:10-7-87 actions requiring supervisor’s approval.

FINDING NO: 10-805-006

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STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126

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

FEDERAL AWARD NUMBER: H126A-100053

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Matching and Level of Effort

Criteria: A component objective of effective internal controls is to provide accurate and reliable information through adequate supervision and review.

Condition: During our testwork of controls over matching and level of effort, we noted that the match amount reported on the Federal Financial Report (FFR) 425 for the quarter ended 12-31-09 was incorrectly reported as \$33,000 less than the match applied to the draws during that quarter. The amount of match applied to the draws appears to be correct and ties to the match amount budgeted in the State Year (SY) 2010 State Appropriations Table. The error was corrected during the quarter ended 6-30-10 with a match recalculation; however, the recalculation appears to be due to appropriation cuts and not a part of the review processes.

Cause: The review process did not detect that the match amount was recorded incorrectly on the FFR-425 for the quarter ended 12-31-09.

Effect: Without proper supervision and review, errors could occur and not be detected in a timely manner. This could result in the Department failing to meet the Federal matching requirements for the grant and could also affect whether the Department maintains the appropriate level of effort.

Recommendation: We recommend management develop and implement appropriate internal controls to provide adequate supervision and review to ensure that the correct match is applied to the draw and is properly reported on the FFR-425.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: The agency concurs with the finding. The agency is continuing to develop internal procedure documents that identify all the processes in place to review reports, monitor matching requirements and manage the department's level of effort requirements.

FINDING NO: 10-805-007

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-10053, and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009 and 2010

CONTROL CATEGORY: Cash Management

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

Condition: During our testing of cash draws, we noted the following:

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- One of 5 (20%) American Reinvestment and Recovery Act (ARRA) draws tested did not trace from the draw worksheet directly to the draw support. The PeopleSoft portion of the draw was \$3,518.59 less than was supported and the AWARE portion of the draw was \$29,759.14 less than was supported, making the total draw \$33,277.73 less than the support indicated the draw should be.
- One of four (25%) non-payroll administrative draws tested did not trace from the draw worksheet to the draw support. It appears DRS' non-payroll administrative draw for draw # 379 was reduced based on the prior month's payroll expenditures. This resulted in an over draw of \$8,621.

Cause: It appears the review is not operating effectively or the approval for drawing less than the support was not properly documented.

Effect: Without proper supervision and review, errors could occur and not be detected in a timely manner.

Recommendation: We recommend the Department evaluate the current internal control structure and determine where the breakdown in internal controls occurred. We further recommend the Department design and implement a control structure that provides adequate supervision and review to allow for the detection of errors in a timely manner.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: The agency concurs with the finding. The agency is in the process of documenting the internal processes associated with the draws.

FINDING NO: 10-805-008

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-10053, and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$599

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

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

Condition: During our testwork of claims, we noted that two out of 46 claims (4.3%) did not have proper documentation to support the payments. The claims were Authorization Numbers 543328 and 575593.

Cause: Hand-written lists of purchase and/or expenses were accepted in lieu of receipts.

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Effect: Failure to obtain appropriate documentation could result in the Department paying costs which are unallowable to the program.

Recommendation: We recommend the Department investigate these claims to determine if the claims were improperly reimbursed and take appropriate action. We further recommend the Department provide guidance to counselors on the need to obtain proper forms of documentation to support claims.

Views of Responsible Official(s)

Contact Person: Jane Nelson

Anticipated Completion Date: May 15, 2011

Corrective Action Planned: DRS concurs with the finding. The authorizations have been forwarded to the Field Coordinator for review and will be investigated. Furthermore, the issue will be discussed at the next program manager meeting so that they may provide guidance to counselors regarding proper documentation to support expenses.

FINDING NO: 10-805-010

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-100053 and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Reporting and R2 - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

QUESTIONED COST: \$0

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

The OSF Form Z-1 instructions, Part IV, B.5.c., state that the total cash basis expenditures for the program should be entered on line 5 – Total Federal Expenditures.

The OSF Form Z-1 instructions, Part IV, 9, state that the federal payable from the current year Conversion Package I should be entered on line 9 – Current Year Federal Accounts Payable.

The instructions for the RSA-2 report state the RSA-2 Report must reflect all expenditures made during the Federal fiscal year from Federal, State and other rehabilitation funds.

Condition: While performing testwork on the Schedule of Expenditures of Federal Awards (SEFA), we noted that the Federal Accounts Payable listed on OSF Conversion Package I-1 in the amount of \$630,259 was omitted from the SEFA (OSF Form Z-1). We also noted that the SEFA cash basis expenditure amount did not include client service payments from June 19, 2010 to June 30, 2010. Our calculations show the SEFA for CFDA #84.126 was understated by \$776,670.16 and the SEFA for CFDA #84.390 was understated by \$86,233.89 due to this error.

In addition, we noted that the expenditures on the FFY 2009 RSA-2, Schedule II, are \$292,004.03 more than the amount recorded in the AWARE system.

Cause: Client service expenditures are paid through the AWARE system. A journal entry is made into Oklahoma's statewide accounting system, PeopleSoft, periodically to represent the claims paid through the AWARE system. The journal entry representing the omitted SEFA expenditures was not made until after the reporting cutoff date. Since the SEFA is prepared using PeopleSoft reports, the SEFA did not include the expenditures from June 19, 2010 to June 30, 2010. DRS adjusted the amount reported on the RSA-2,

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Schedule II, to reflect the client service expenditure balance recorded in the PeopleSoft system. The PeopleSoft system does not have an accurate record of cash basis expenditures due to timing issues between when expenditures are paid through the AWARE system and when the journal entry representing the expenditures is made in the PeopleSoft system.

Effect: The cash basis expenditures for CFDA #84.126 reported on the SFY 2010 SEFA were understated by \$776,670.16 and the cash basis expenditures for CFDA #84.390 were understated by \$86,233.89. Current year accounts payable were understated \$630,259 and the expenditures recorded on the RSA-2 for FFY 2009 are overstated by \$292,004.03.

Recommendation: We recommend the Department develop and implement procedures to ensure the timely recording of journal entries representing claims paid in the AWARE system into the PeopleSoft system, especially at reporting cutoff periods. In addition, the Department should implement policies and procedures for an effective review of the SEFA. We further recommend that the Department amend its SFY 2010 SEFA.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: DRS concurs with the finding. The SEFA has been corrected and the process to document procedures is in process.

FINDING NO: 10-805-011

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

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

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, H126A-10053, and H390A-090053

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

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

In addition, the Oklahoma Department of Rehabilitation Services Acquisition Procedures states, “CPOs shall not select a supplier that...is located on the Federal debarment list.”

Condition: During our testwork of claims, it appeared 28 contracts (42.42% of 66 contracts tested) did not have documentation to support verification that the provider is not suspended or debarred. Out of the 66 total contracts tested:

- 19 medical provider contracts (28.79% of the 66 contracts tested) did not have documentation to support verification that the provider is not suspended or debarred.
- 9 lease contracts (13.64% of the 66 contracts tested) did not have documentation to support verification that the provider is not suspended or debarred.

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

Effect: Covered transactions could be awarded to a vendor who has been suspended or debarred.

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Recommendation: We recommend the Department of Rehabilitation Services implement procedures to ensure vendors in “covered transactions” have not been suspended or debarred by the Federal government, and train staff in the Procurement Division regarding the procurement related requirements in OMB Circular A-133.

Views of Responsible Official(s)

Anticipated Completion Date: June 30, 2011

Corrective Action Planned:

Contact Person: Kevin Statham 9 lease contracts

The Agency will document through EPLS the status of 9 lease agreement providers.

Contact Person: Cheryl Gray 19 medical provider contracts

A clause specific to suspension and debarment will be added to all medical provider contracts as an addendum on existing contracts, and added as standard contract language on future contracts. Assurance that providers have not been debarred or suspended is verified through EPLS website and is the current practice on all medical providers before contract is initiated. The 19 providers were rechecked.

Department of Transportation

FINDING NO: 10-345-001

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X027-00, OK-18-X035-00, and OK-18-X044-00 (Regular Federal funds); and OK-86-X002-00 (ARRA funds)

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

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

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

Condition: Proper segregation of duties do not exist between the approval of invoices and the preparation and approval of claims. Subrecipients submit claims for reimbursement through the Transit Programs Division’s Make Your Life Easier, MYLEO.NET system. Four individuals in the Transit Programs Division that have access to print, review, and manually approve the subrecipient invoices from MYLEO.NET also have signing authority on claims. One of those four individuals is also responsible for preparing and transmitting claims for reimbursement.

For 7 (10 percent) of 67 claims tested, the same individual approved the invoice for payment and approved the claim for reimbursement.

Cause: The Department does not have formal policies and procedures in place to ensure proper segregation of duties exist for invoice and claim approvals.

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

Recommendation: We recommend the Department assign signing authority on the claims to someone without signing authority on the invoices. We further recommend the Department develop formal policies and procedures to ensure proper segregation of duties exist in the internal control process for claims.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 11/01/2010

Corrective Action Planned: The Department concurs with this finding. All four employees will retain claim signing authority. However, if one of these four employees approves the invoice, that person should not approve the claim as well. Segregation of duties for invoice and claim approvals has been added to division internal policies and procedures. It appears samples for the above finding were taken from claims prior to and since the anticipated completion date. The Department concurs that claims processed prior to 11/01/2010 (the anticipated completion date) did sometimes have the same person sign the claim and the invoice. However, at the time of the review, segregation of duties for invoice and claim approvals was added to the division internal policies and procedures.

FINDING NO: 10-345-004

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

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

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

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching and Earmarking, Reporting, Separate Accountability for American Recovery and Reinvestment Act Funds (Regular Federal funds and ARRA Federal funds)

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

Basic components of effective internal controls include appropriate segregation of duties and ensuring procedures for performing essential duties are adequately documented to facilitate an efficient transition of duties when personnel changes occur.

Condition: Numerous duty changes occurred in ODOT's Comptroller Division during State Fiscal Year (SFY) 2010. These changes were attributed to reassignment of staff to work on the implementation of the new CORE-PeopleSoft conversion, as well as personnel turnover. However, written policy and procedures do not reflect current operations and personnel assignments. During auditor interviews with Comptroller Division personnel, numerous personnel, including management, were unclear in their understanding of duty assignments within the Comptroller Division.

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Cause: The Comptroller Division has not updated written policy and procedures to address current operations and personnel assignments.

Effect: Appropriate controls may not be in place to ensure job duties are properly segregated to help deter, prevent and detect fraud.

Recommendation: We recommend the Comptroller Division continuously assess and monitor internal controls to ensure job duties are properly segregated. We also recommend the Comptroller Division maintain updated policies and procedures to properly reflect current operations and personnel assignments.

Views of Responsible Official(s)

Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: Completed

Corrective Action Planned: The Revenue Section consisted of a supervisor and three employees at year end 2010. The Revenue Section experienced turnover of three employees in a three month period. The Comptroller Division has transferred one employee in, filled one vacancy and is in the process of filling a second vacancy for the Revenue Section. The Comptroller Division is dedicated to maintaining updated policies and procedures, segregation of duties and personnel assignments.

FINDING NO: 10-345-005

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X027-00, OK-18-X035-00, and OK-18-X044-00 (Regular Federal funds); and OK-86-X002-00 (ARRA funds)

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

QUESTIONED COSTS: \$0

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

2 CFR § 176.210(c) states:

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

2 CFR § 176.210(d) states:

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

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

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

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

The Department did include the CFDA title and number in the State Management Plan, but the CFDA title the Department included was incorrect. The CFDA title the Department included in the State Management Plan for CFDA #20.509 was Section 5311-Nonurbanized Area Formula Program. The correct CFDA title for CFDA #20.509 is Formula Grants for Other than Urbanized Areas.

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

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

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

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

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

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 10/1/2011

Corrective Action Planned: The Department concurs with identifying the program's CFDA # and title in the annual contracts executed with the subrecipients. However, there seems to be some ambiguity regarding the program's title. The title, as illustrated by the attached Exhibit A, is "Nonurbanized Area Formula Program." The source for Exhibit A is the CFDA website. This title also appears on FTA website documents, as well as the Federal Register dated May 13, 2010, at page 27057, number 14 in the left column, please see Exhibit B.

Auditor Response: Nonurbanized Area Formula Program is the name of the Federal program. Federal programs can, and often do, have multiple CFDA #s associated with them. Based on information obtained from CFDA.gov, Formula Grants for Other than Urbanized Areas is the CFDA title associated with CFDA #20.509.

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FINDING NO: 10-345-006 **Repeat Finding**

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009, 2010

CONTROL CATEGORY: Procurement, Suspension, and Department – Contract Engineers (Regular Federal funds)

QUESTIONED COSTS: \$0

Criteria: 23 USC § 112. (b)(2)(C) states “instead of performing its own audits, a recipient of funds under a contract or subcontract awarded in accordance with subparagraph (A) shall accept indirect cost rates established in accordance with the Federal Acquisition Regulations for 1-year applicable accounting periods by a cognizant Federal or State government agency, if such rates are not currently under dispute.”

23 CFR § 172.7(b) states “contracting agencies shall use the indirect cost rate established by a cognizant agency audit for the cost principles contained in 48 CFR part 31 for the consultant, if such rates are not under dispute. A lower indirect cost rate may be used if submitted by the consultant firm, however the consultant's offer of a lower indirect cost rate shall not be a condition of contract award. The contracting agencies shall apply these indirect cost rates for the purposes of contract estimation, negotiation, administration, reporting, and contract payment and the indirect cost rates shall not be limited by any administrative or de facto ceilings. The consultant's indirect cost rates for its one-year applicable accounting period shall be applied to the contract, however once an indirect cost rate is established for a contract it may be extended beyond the one year applicable accounting period provided all concerned parties agree. Agreement to the extension of the one-year applicable period shall not be a condition of contract award. Other procedures may be used if permitted by State statutes that were enacted into law prior to June 9, 1998.”

Section 6.11 of the Oklahoma Department of Transportation (the Department) ‘Guidelines for the Administration of Consultant Contracts’ dated June 26, 2008, and approved by the Federal Highway Administration, states in part “An audited FAR indirect cost rate and related information must be submitted annually to the Department’s Operations Review and Evaluation (OR&E) Division for review and acceptance or provide proof of acceptance by another cognizant agency audit. The OR&E Division will be responsible for ensuring that a current FAR audit is on file with the Department. A provisional overhead rate may be used in a contract until such time that the Consultant’s annual overhead rate is audited and established.”

Condition: For one of 10 consultant engineering firms tested, the Department was unable to provide documentation that the indirect cost rate audit had been received for review and acceptance by the Department’s OR&E Division.

Cause: The consultant engineering firm has not provided an indirect cost rate audit to the Department. Furthermore, the Department does not have a process in place to ensure indirect cost rate audits are timely received.

Effect: Without receipt of the consultant engineering firm’s indirect cost rate audits for timely review and acceptance by the Department’s OR&E Division, the Department may be billing Federal Highway and Administration for unallowable costs.

Recommendation: We recommend the Department develop and implement internal controls to ensure receipt of consultant engineering firm’s indirect cost rate audits for timely review and acceptance by the Department’s OR&E Division.

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Views of Responsible Official(s)

Contact Person: Raymond Sanders, Project Management Division

Anticipated Completion Date: 2011

Corrective Action Planned: EC-1269L is the first Oklahoma Department of Transportation professional service contract for Horan, Carroll and Associates (HCA). Therefore, HCA had not yet had an adequate opportunity to produce an indirect cost rate FAR audit. HCA provided the Department the required certificate of final indirect costs in compliance with FHWA Order 4470.1A dated October 27, 2010. HCA certified the indirect cost rate included in EC-1269L does not include any costs which are expressly unallowable under the cost principles of the FAR of 48 CFR 31. The final contract audit by OR&E Division will detect any rate adjustment following the submission and approval of HCA's FAR audit.

Auditor Response: The contract was executed by the consultant on November 25, 2009 and by the Department on December 2, 2009. The Department did not obtain a provisional indirect cost rate form the consultant. The certificate of final indirect costs for the fiscal period covered January 1, 2008 to December 31, 2008 was not issued until February 23, 2011. FHWA Order 4470.1A dated October 27, 2010 is not applicable to state fiscal year ended June 30, 2010.

FINDING NO: 10-345-008

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X027-00, OK-18-X035-00, and OK-18-X044-00 (Regular Federal funds); and OK-86-X002-00 (ARRA funds)

FEDERAL AWARD YEAR: 2008, 2009, and 2010

CONTROL CATEGORY: Eligibility (Regular Federal funds and ARRA funds)

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

Circular A-133, Subpart C—Auditees § .300 Auditee responsibilities states, in part, “the auditee shall: (b) maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

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

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

Condition: The Department defines eligible recipients in its State Management Plan for the Administration of the Section 5311 – Nonurbanized Area Formula Grant Program and Rural Transportation Assistance Program. The Department does not, however, have written policies and procedures in place to help ensure eligibility determinations are documented and made in accordance with the Department's State

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Management Plan. The Department's unwritten procedure is to obtain, review, and maintain documentation of eligibility for all subrecipients. Documentation of eligibility includes articles of incorporation for nonprofit organizations, or resolution and/or minutes from meetings approving their participation in the program for State agencies and units of local government. Eligibility documents are maintained in the Department's subrecipient project files.

For 3 (16 percent) of the 19 subrecipients, the Department was unable to provide evidence eligibility documentation was obtained prior to the eligibility determination.

Cause: Management has not established and implemented proper written policies and procedures, nor did it follow its stated procedures.

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

Recommendation: We recommend the Department establish and implement written policies and procedures to ensure eligibility determinations are documented and made in accordance with the Department's State Management Plan. Adequate policies and procedures should include a written process to determine eligibility, including verifying the accuracy of information used in eligibility determinations and steps to ensure periodic eligibility re-determinations are made. We recommend the Department stress to appropriate personnel the importance of compliance with applicable policies and procedures to ensure the eligibility determination process is properly performed and documentation is properly maintained prior to payment of subrecipient claims. We also recommend the Department obtain and maintain conflict-of-interest statements for staff who determine eligibility.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 12/15/2010

Corrective Action Planned: We concur. Appropriate personnel have been advised to ensure that eligibility documentation is included within each application submitted. The Department will review thoroughly for the applicability of conflict-of-interest statements for the staff who determine eligibility.

FINDING NO: 10-345-010

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

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

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

FEDERAL AWARD YEAR: 2008, 2009, 2010

CONTROL CATEGORY: Reporting (Regular Federal Funds)

QUESTIONED COSTS: \$0

Criteria: Circular A-133 Subpart C--Auditees§____.300 Auditee responsibilities states, 'the auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §____.310.'

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

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

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

Condition: The Oklahoma Department of Transportation (the Department) reported Federal revenue and expenditures for multiple Catalog of Federal Domestic Assistance (CFDA) numbers under CFDA #20.205 and CFDA #20.509 on the Department's state fiscal year (SFY) 2010 Schedule of Expenditures of Federal Awards (SEFA).

Federal Transit Administration (FTA)'s confirmation of Federal revenue for CFDA #20.509 indicated that revenue should have been reported separately on the Department's SFY 2010 SEFA for the CFDA's listed below:

CFDA #20.521	New Freedom Program	\$1,379,269
CFDA #20.507	Federal Transit – Formula Grants (Urbanized Area Formula Program)	\$2,217,579

SA&I requested confirmation of the Department's Federal revenue by CFDA number from Federal Highway Administration (FHWA). Based on FHWA's fund code interpretation, it appears the following approximation of expenditures was reported under CFDA #20.205 that should have been reported separately on the Department's SFY 2010 SEFA for the CFDA's listed below:

CFDA #20.200	Highway Research and Development	\$1,543,613
CFDA #20.215	Highway Training and Education	\$6,813,335

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

Cause: The Federal Agencies failed to provide the Department with applicable CFDA numbers when providing funding information and the Department did not request that information from the Federal Agencies. The Department did not have adequate controls in place to ensure each individual Federal program was properly included and reported on their SFY 2010 SEFA.

Effect: The Department's SFY 2010 SEFA did not list each individual Federal program separately. Federal revenues and expenditures were overstated for CFDA # 20.205 and CFDA #20.509, and no revenues or expenditures were reported for CFDA #20.521, CFDA #20.507, CFDA #20.200, and CFDA #20.215.

Recommendation: We recommend the Department consult the appropriate Federal Agency to identify revenue and expenditures related to specific CFDA numbers not listed on the SFY 2010 SEFA. We also recommend the Department ensure CFDA numbers are provided by the appropriate Federal Agency when funding information is provided to the Department. This should ensure revenue and expenditures are properly tracked and reported on future SEFA's.

Views of Responsible Official(s)

Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: January 31, 2011

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Corrective Action Planned: I agree with the audit recommendation. The Comptroller will request agency staff to request the CFDA when they are not provided by the Federal Agency and provide this information to the Comptroller Division.

Auditor Response: The Department did partially correct their SFY 2010 SEFA to separately report each individual program for CFDA #20.205 prior to issuance of this report.

FINDING NO: 10-345-013

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: Not Applicable

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Reporting (Regular and ARRA Federal funds)

QUESTIONED COSTS: \$0

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

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

Condition: American Recovery and Reinvestment Act (ARRA) revenue and expenditure amounts for CFDA #20.205 reported on the state fiscal year (SFY) 2010 Schedule of Expenditures of Federal Awards (SEFA) were \$167,328 less than the Federal Highway Administration (FHWA) confirmation for Federal revenue. Regular program (non-ARRA) revenue and expenditure amounts for CFDA #20.205 reported on the SFY 2010 SEFA were \$167,639.36 more than the FHWA confirmation. Based on our inquiry of the variance, the Oklahoma Department of Transportation (the Department) discovered an input error in the amount of \$167,328 on the weekly billing spreadsheet used to prepare the SFY 2010 SEFA.

The Department utilizes a weekly billing spreadsheet to track expenditures reimbursed by FHWA. The total amount of weekly billing and final voucher reimbursements on this spreadsheet supports the revenue and expenditure amounts reported on the SEFA for CFDA #20.205. SA&I reviewed the weekly billing spreadsheet supporting the SFY 2010 SEFA and noted total final vouchers were \$2,222,966 less than the FHWA Federal revenue confirmation for final vouchers. Federal revenue for CFDA #20.205 was understated by \$2,222,966 on the SFY 2010 SEFA.

Cause: The Department does not have adequate internal controls in place to ensure the amount reported on the weekly billing spreadsheet used to prepare the SEFA is accurate. Multiple persons have input responsibilities for the weekly billing spreadsheet, and no reconciliation of the amounts entered is performed prior to issuance of the SEFA.

Effect: ARRA revenue and expenditures for CFDA #20.205 were understated by \$167,328 on the SFY 2010 SEFA. Regular program (non-ARRA) revenue and expenditures for CFDA #20.205 were understated by the net amount of \$2,055,638 on the SFY 2010 SEFA.

Recommendation: We recommend the Department perform a reconciliation of the supporting weekly billing spreadsheet prior to the issuance of the SEFA to ensure the accuracy of the SEFA.

Views of Responsible Official(s)

Schedule of Findings Federal Award Findings And Questioned Costs

Contact Person: Chelley Hilmes, Comptroller

Anticipated Completion Date: January 31, 2011

Corrective Action Planned: The Comptroller Division current practice is to check with the Treasurer's Office and FHWA at year end to see if any deposits are not recorded. The Comptroller Division and FHWA are looking into this further to see what happened.

Auditor Response: The Department did correct their SFY 2010 SEFA to correctly report revenue and expenditures for CFDA # 20.205 prior to issuance of this report.

FINDING NO: 10-345-014

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Quality Assurance (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

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

Condition: We noted the department does not have adequate internal controls in place to ensure the 90% requirement is met. During our testwork of 59 projects, we noted one project for which all required quality assurance tests were not completed in accordance with the ODOT Quality Assurance program approved by the Federal Highway Administration.

Cause: The department management has not designed and implemented written procedures to ensure adequate internal controls over quality assurance testing and the documentation of the results of those tests.

Effect: The department may not be in compliance with the requirements of the ODOT Quality Assurance program approved by the Federal Highway Administration.

Recommendation: We recommend the department design and implement internal controls to ensure compliance with the requirements of the ODOT Quality Assurance program approved by the Federal Highway Administration.

Views of Responsible Official(s)

In regard to the stated **Condition**, we do not concur with the finding. As the IA activity is completed for each project, a completed file of the IA sampling/testing activity is reviewed by the IA supervisor. A report is sent to the Residency office by the IA supervisor informing the field office of any problems with non-comparing or missing samples. We consider this ongoing evaluation of the projects an acceptable method to identify any problems with missing samples and allows corrections to be made far in advance of

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dropping to the 90% minimum requirement. Based on the numbers reported in the audit finding, 58 of the 59 projects were completed in accordance with the ODOT Quality Assurance Program, a compliance rate of 98%. Prior to April 2007, the Materials Division maintained a spreadsheet documenting for each project, the number of IA samples required and sampled. A summary of the data from 2003 to 2007 is presented in attachment A. Note the four year average of 96.95% compliance with IA sampling, exceeds the 90% minimum requirement. Following a major malfunction of the IA supervisor's computer, an oversight resulted in the recording of the data not being continued. Individual projects were evaluated as stated above. During that same time frame, the Materials Division began working on a major change to the IA program, specifically developing a System Based Approach to IA activities as recommended by the FHWA.

In regard to the stated **Cause**, we do not concur with the finding. ODOT's Quality Assurance Program approved by the FHWA includes a section defining the IA process and procedures (see attachment B). In addition, testing documentation is performed utilizing the Department's Construction Management System, "SiteManager", a computer database program leased from AASHTO. There is an extensive set of written procedures providing guidance to SiteManager users on how to document testing and test results. The written procedures are maintained in the Department's Lotus Notes database system in a section called the "SiteManager Support System" (SSS). A copy of this system is also available to non-Department personnel users of SiteManager.

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

In regard to the stated **Recommendation**; the Materials Division has begun recording IA project sampling data in a spreadsheet again for future reporting. In May 2009, the FHWA approved a revised ODOT Quality Assurance Program. In Appendix B of that document (see attachment B), the System Based approach for IA activity was introduced as an option. The IA System Basis represents a major change from the historical department practice of project based IA. For the past year and a half, the department has been performing a hybrid IA program to determine the feasibility of converting over to a full System Based approach. Within the new process, which is time based instead of quantity based, there is the ability to report IA activity utilizing SiteManager data. An example of this new reporting tool is included as attachment C, which was the report furnished to FHWA summarizing our limited IA System Based activities for 2010. As we proceed in the conversion we will determine an appropriate target of annual technician evaluations based on our resources. When the Department makes the decision to transition fully to a System Based approach for IA, a revised ODOT Quality Assurance Program will be submitted to FHWA for approval, and the project based IA sampling spreadsheet referenced earlier will no longer be required.

Contact Person: Reynolds Toney

Anticipated Completion Date: 3/15/2011: As IA sampling is completed on a project, the number of samples required and taken will be entered into a spreadsheet to monitor the 90% compliance requirement.

Corrective Action Planned: While not a corrective action, the Materials Division's short and long term action plan is to continue with the conversion from an IA Project Based to a IA System Basis to monitor compliance with ODOT's Quality Assurance Program. Based on results of the early stages of this conversion, tentative targets will be set concerning percentage of technician evaluations on an annual basis. A revised Department Quality Assurance Program document addressing the new IA process will be furnished to FHWA for approval. Annual reports of the System Basis results will be furnished to FHWA at the end of the calendar year.

Auditor Response: The Department should maintain proper tracking to document the 90% requirement is met overall.

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FINDING NO: 10-345-016

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205; 20.509

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

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

FEDERAL AWARD YEAR: 2009; 2010

CONTROL CATEGORY: Section 1512 American Recovery and Reinvestment Act Reporting (ARRA federal funds)

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

Condition: We noted the Department does not have adequate policies and procedures in place to ensure 1512 ARRA reporting presents accurate and reliable information.

Cause: Department management has not implemented written procedures designed to establish internal controls over Section 1512 reporting.

Effect: ARRA expenditures could be improperly reported and not corrected in a timely manner. The Department may not be in compliance with Section 1512 ARRA reporting requirements.

Recommendation: We recommend the Department design and implement written procedures for Section 1512 ARRA reporting to ensure compliance with Section 1512 ARRA reporting requirements. These policies and procedures should provide for a detailed review and approval of the reported information prior to submission to the Oklahoma Office of State Finance, as well as a reconciliation of the reported information to the information posted on Recovery.gov.

Views of Responsible Official(s)

ODOT Process:

Federal Highway Administration (FHWA) Fund Authorization Process

- **Programs Division**
 - Initially - Request and receive federal authorization of funds
 - Obtain federal fund amounts from Project Estimating System (PES)
 - Subsequently - Request and receive federal fund modifications
 - Modify previously authorized amounts for change orders and ARRA fund adjustments
 - Review previously authorized amounts
 - Notify reporting personnel of changes to the previously authorized amount
- **Comptroller**
 - Initial Authorization - Receive e-mail notification of FHWA approval with authorized amount
 - Manually load authorized amount from FMIS into PFS following FHWA approval
 - Subsequent Modifications - Receive e-mail notification of FHWA approval with authorized amount
 - Manually load authorized amount from FMIS into PFS following FHWA approval

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Federal Transit Administration (FTA) Award Establishment Process

- **Transit Programs Division**
 - Receive FTA announcement of allocation of ARRA funding availability.
 - Contact qualified sub-recipients to develop a program of eligible projects along with estimated funding requirements.
 - Request and receive FTA program approval.
 - Request and receive FTA award of grant.
 - Establish project award accounts through the Comptroller.
 - Verify and process claims and log into a tracking spreadsheet by vendor name, tracking the payment date, the warrant date and the warrant number.
 - Direct enter the validated spreadsheet information into Oracle FTA reporting system for the quarterly reporting period.

FHWA / FTA Section 1512 Reporting

- **1512 Transmittal File**
 - Automatically collect data from PFS to generate the 1512 FHWA transmittal file
 - Run script to compare the numbers in PFS against FMIS
 - Adjust data collection table based on the FMIS data if differences between the systems are found
 - Automatically collect data from the Oracle FTA reporting system to generate the 1512 FTA transmittal file
 - Compile and transmit 1512 data to Oklahoma Office of State Finance (OSF)
- **OSF**
 - Send e-mail notification following the upload of 1512 data from ODOT
 - If unsuccessful request ODOT correct data and resubmit
 - If successful transmit data to Recovery.gov
- **Recovery.gov**
 - Report state DOT data on website
- **Reporting personnel**
 - Perform random validation of project data to compare 1512 data submitted to OSF against Recovery.gov
 - Perform validation of specific projects with atypical transaction data to ensure correct handling through OSF

NOTE: To meet the OSF 1512 reporting deadline, inconsistencies in data may occur due to timing issues related to the processing of claims, vendor payments and FHWA billing/reimbursements. In the 1512 report ODOT includes transactions for invoices submitted to FHWA for reimbursement. However, FHWA only reports transactions that include actual reimbursements to ODOT. Delays in the reimbursements following the submittal of 1512 data to OSF will result in differences between ODOT reporting and FHWA reporting.

Contact Person: Tim Gatz, Director of Capital Programs

Anticipated Completion Date: TBD following meeting with Auditor

Corrective Action Planned: Translate the process described above into a procedure for the development, transmittal and validation of 1512 data.

FINDING NO: 10-345-017

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

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FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement, Suspension, and Debarment – Construction Projects (Regular Federal funds)

QUESTIONED COSTS: \$0

Criteria: 61 O.S. 2001 § 134 states, “any insurance or bond required by this act shall be secured from an insurance or indemnity carrier licensed to do business in the State of Oklahoma.”

Condition: For one of 60 procurements tested, we noted that the workers compensation insurance was not secured from an insurance carrier licensed to do business in the State of Oklahoma.

Cause: The Department did not ensure the insurance was secured from an insurance carrier licensed to do business in the State of Oklahoma, and instead accepted documentation of insurance from an insurance carrier licensed to do business in the State of Texas.

Effect: The Department was not in compliance with 61 O.S. 2001 § 134. Procurements may not be legally supported by adequate insurance.

Recommendation: In order to comply with 61 O.S. 2001 § 134 , we recommend the Department review all applicable insurance policies and ensure all insurance carriers are licensed to do business in the State of Oklahoma.

Views of Responsible Official(s): Do not concur with Finding, due to the following:

1. The statute that is referenced, 61 O.S. 2001 § 134, states that the carrier be licensed to do business in Oklahoma. However, the carrier cited isn’t selling insurance or bonds in Oklahoma. They are selling workers compensation insurance to a Texas based construction firm and covering their employees which happen to occasionally work in Oklahoma.
2. The carrier cited is Texas Mutual Insurance Co. which is the Texas equivalent to Oklahoma’s CompSource. It is a carrier established by the Texas Legislature in 1991 for Texas employers.
3. The Oklahoma DOL has confirmed with this office in the past, that employees working for Texas Bridge, Inc. (the contractor cited) in Oklahoma that are covered by Texas Mutual Insurance Co., would be covered and not in violation of the statute. Just like if an Oklahoma based contractor worked in Texas and their employees were covered by CompSource Oklahoma.
4. The CompSource Oklahoma Underwriting Department confirmed that Oklahoma contractors’ employees are covered when working in other states.
5. In FY 2009, this same Texas based contractor and workers compensation carrier were identified, but no Finding was made.

Contact Person: George T. Raymond, State Construction Engineer

Anticipated Completion Date: June 30, 2011

Corrective Action Planned: The ODOT General Counsel’s office is investigating this issue to see if changes in the procedures used by ODOT during execution of the construction contracts needs to be modified to include verification of the source of the contractor’s workers compensation insurance.

Auditor Response: Based on SA&I’s discussion with the Oklahoma Department of Labor (ODL), an employer must provide a valid workers’ compensation insurance policy issued by an insurance carrier authorized by the Oklahoma Insurance Commissioner. ODL also stated all authorized carriers are listed on the Oklahoma Insurance Commissioner’s website. We checked the Oklahoma Insurance Commissioner’s website at www.ok.gov/oic and confirmed the insurance carrier for the procurement cited was not listed as an authorized carrier.

FINDING NO: 10-345-018 **Repeat Finding**

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

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CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement, Suspension, and Debarment – Construction Projects (ARRA federal funds)

QUESTIONED COSTS: \$0

Criteria: 61 O.S. 2001 § 104 states, “all proposals to award public construction contracts shall be made equally and uniformly known by the awarding public agency to all prospective bidders and the public in the following manner: (1) Notice thereof shall be given by publication in a newspaper of general circulation and published in the county where the work, or the major part of it, is to be done, such notice by publication to be published in two consecutive weekly issues of said newspaper, with the first publication thereof to be at least twenty (20) days prior to the date set for opening bids.”

67 O.S. 2001 § 206.A. states, “the head of each agency shall: (2) make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities.”

Condition: For four of 60 procurements tested, we noted the first publication was not at least twenty (20) days prior to the date set for opening bids. Of the four instances, we noted one instance where the Department was unable to provide proof of any publication for the bidding of the project.

Cause: The Office Engineer Division sent the advertisement request to the Online Publisher’s Association (OPA) with a start date less than 20 days prior to the opening of the bids for three of the four publications. The Office Engineer Division was unable to provide documentation supporting advertisement of the other project.

Effect: The Department was not in compliance with 61 O.S. 2001 § 104.1 or 67 O.S. 2001 § 206.A.2 and may not have given prospective bidders adequate notice to bid on projects.

Recommendation: We recommend the Department stress to appropriate personnel the importance of compliance with regulations to ensure the procurement process is performed properly, supporting documentation is maintained and prospective bidders are given adequate notice to bid on available projects.

Views of Responsible Official(s)

Contact Person: Brian Schmitt, Division Engineer – Office Engineer Div.

Anticipated Completion Date: 3/16/11

Corrective Action Planned: These 4 projects were originally on the January and February letting, but STIM funds were slower being posted to FMIS than expected. As a result of this delay, and by the time the funds were available, ODOT’s decision was to go to the next available letting since the purpose of these funds was the stimulation of the economy. All of this resulted in just over 2 weeks lead time on the advertising instead of the required 3 weeks. We will make every effort to not repeat this series of events in the future.

FINDING NO: 10-345-019

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2010

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CONTROL CATEGORY: Section 1512 American Recovery and Reinvestment Act Reporting (ARRA federal funds)

QUESTIONED COSTS: \$0

Criteria: M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009), section 2.5 states “all data contained in each quarterly recipient report will be cumulative in order to encompass the total amount of funds expended to date.”

M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009), Recipient Reporting Data Model- For Quarter Ending 12/31/2009 states “Final Project Report Indicator (i.e. no future reports) (Y or N). Check "Y" only if this is the final report and there will be no further quarterly reports.”

Condition: Thirty-three projects with expenditures totaling \$50,123,584.63 were included in the Department’s source data but were not included in the March 2010 1512 Report Data. In addition, final accounting for three of the 33 projects was not complete.

Cause: The Department was instructed by the Federal Highway Administration (FHWA) to mark projects open to traffic as final on the 1512 Report. Therefore, the Department marked 33 such projects as final on the December 2010 1512 Report submission. However, once a project is marked as final, it cannot be included in any future 1512 Reports.

Effect: The March 2010 1512 Report is understated by \$50,123,584.63 representing 33 projects.

Recommendation: We recommend the department consult the appropriate State/Federal Agency to include the 33 projects with expenditures totaling \$50,123,584.63 and any final accounting excluded from the March 2020 1512 Report.

Views of Responsible Official(s)

ODOT Response: Based on a mutual agreement between State DOTs and federal level reporting entities such as FHWA and the House Committee on Transportation & Infrastructure "Open to Traffic" was used to identify a project as “substantially completed” and therefore “final”. In December, 2009 ODOT reported 33 projects through the Office of State Finance with 'Y' in the Final Report column using this criteria. When it was determined “Open to Traffic” did not constitute the true completion of a project Oklahoma Office of State Finance (OSF) could not provide ODOT a mechanism to correct those projects in their system therefore preventing an update to the federal reporting system. Requests from ODOT to allow the update resulted in a response from OSF that they would not accept further reporting of the projects to their system. Without the ability to change the Final Report indicator ODOT was unable to correct those 33 projects.

Related to the reporting error, the 1512 data is to be reported as cumulative. However, when a project is identified as Final Report it can no longer be reported through OSF thus eliminating it from being reported in future cumulative totals. Over time as more projects are closed following the FHWA approval of the PR20 the cumulative totals will decrease until they reach zero.

Another issue arose following the submission of the December, 2009 data to OSF. ODOT failed to enter the lead/tied indicator on 2 projects in PFS correctly and subsequently the first report was submitted showing all costs against the lead project. To correct this, a credit was issued in a subsequent report against the lead project and the corresponding debit issued against the tied project. However, when the vendor payment records were built and sent through OSF, OSF was not able to process this type of transaction correctly and the entry for the credit was processed as a debit entry for vendor payments. The result was a doubling of the credit thus increasing the amount for the lead project rather than decreasing it. This was

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discovered on the federalreporting.gov site when ODOT personnel attempted to validate the debit/credit transactions for this specific project.

Contact Person: Tim J. Gatz, Director of Capital Programs

Anticipated Completion Date: March 21, 2011

Corrective Action Planned: Unless OSF allows ODOT to remedy errors in reporting previously reported 1512 data will remain inaccurate. Also, based on the reporting restrictions, cumulative totals will continue to decrease as projects are closed. ODOT does not control the reporting requirements and can only submit data as the current process dictates.

FINDING NO: 10-345-020

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

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

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

QUESTIONED COSTS: \$0

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

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

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

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

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

FTA Circular 9040.1F, Chapter II Program Overview, part 3.a. Role of the State Agency states in part: “The Governor designates a State agency which will have the principal authority and responsibility for

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administering the Section 5311 program. Specifically, the role of the State agency is to: . . . (9) ensure compliance with Federal requirements by all subrecipients.”

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

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

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

Condition:

For 10 of 19 subrecipients tested, the Department had not conducted Project Assessment/Project Management Reviews at least once in the five years preceding the conclusion of state fiscal year (SFY) 2010 (June 30, 2010).

The Department had conducted Project Assessment/Project Management Reviews for 4 of those 10 subrecipients subsequent to the conclusion of SFY 2010.

The Department had not conducted Project Assessment/Project Management Reviews for 6 of those 10 subrecipients prior to the issuance of this finding.

For 5 of the 13 Project Assessment or Project Management Reviews conducted, the Department did not follow up to ensure corrective action on deficiencies noted during the Project Assessment/Management Review.

For all of the 13 Project Assessment or Project Management Reviews conducted, the Department did not review adequate documentation to ensure subrecipients have met the audit requirements delineated in 2 CFR § 215.26.

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

Cause: The Department does not have adequate internal controls in place to ensure compliance with the federal program monitoring requirement. The Department has not designed the Project Assessment/Project Management Reviews to adequately ensure subrecipients are properly monitored. The Department does

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not review detailed records to ensure claims are paid only for allowable activities or to verify the subrecipient's required matching contributions.

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

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

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 04/01/2011

Corrective Action Planned: The Department concurs with this recommendation. We will include in our onsite assessment documents, in the financial management section, tasks to test a sample of monthly claims wherein we will compare support documents to expenses filed. At present, we have scheduled eight (8) subrecipient project assessments from now through June 2011.

FINDING NO: 10-345-022

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

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

FEDERAL AWARD YEAR: 2007, 2008, and 2009

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

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

Condition:

For all 3 Federal Financial Reports (SF-425), the Department did not ensure reported amounts were properly calculated and supported. The Department reported the current period recipient share of expenditures, cumulative recipient share of expenditures, and cumulative recipient share of unliquidated obligations using calculated amounts by applying the required matching percentages to amounts previously reimbursed by the Federal Transit Administration rather than the actual amounts expended by the subrecipients.

The FFY 2009 SF-425 for grant number OK-18-X024:

- overstated cumulative recipient share of expenditures by \$972,128.72.
- understated cumulative recipient share of unliquidated obligations by \$76,781.25.

The FFY 2009 SF-425 for grant number OK-18-X027:

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- understated current period Federal share of expenditures by \$428,934.00.
- understated cumulative Federal share of expenditures by \$202,731.00.
- overstated cumulative recipient share of expenditures by \$389.56.
- overstated cumulative Federal share of unliquidated obligations by \$202,731.00.
- understated current period recipient expenditures by \$239,543.50.
- understated cumulative recipient share of unliquidated obligations by \$45,646.75.

The FFY 2009 SF-425 for grant number OK-18-X035:

- understated current period Federal share of expenditures by \$3,119,048.00.
- understated cumulative Federal share of expenditures by \$3,119,048.00.
- overstated cumulative Federal share of unliquidated obligations by \$3,119,048.00.
- understated current period recipient expenditures by \$2,801,755.50.
- understated cumulative recipient share of expenditures by \$2,801,755.50.
- overstated cumulative recipient share of unliquidated obligations by \$773,545.95.

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

Effect: The Department reported inaccurate FFY 2009 Federal and recipient share of expenditures (current and cumulative) and Federal and recipient unliquidated obligations to the Federal Transit Administration.

Recommendation: We recommend the Department develop written policies and procedures, including an adequate review and approval process, to ensure amounts are properly reported on the SF-425 – Federal Financial Reports. We also recommend the Department report current period recipient share of expenditures based on actual amounts expended by the subrecipients.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 10/01/2011

Corrective Action Planned: The Department concurs with this finding. The discrepancy is as a result of using an expense report provided by the Comptroller Division, which included errant formulas. It is our recommendation that this task be transferred to the Comptroller Division, as they process all federal billings and ECHO funding transfers.

FINDING NO: 10-345-023

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

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

FEDERAL AWARD YEAR: 2007, 2008, and 2009

CONTROL CATEGORY: Reporting (Regular Federal funds)

QUESTIONED COSTS: \$0

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

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

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

Condition: The Department was unable to provide documentation to support the amounts reported for the Federal fiscal year (FFY) 2009 NTD Report; therefore, we were unable to test the accuracy of the NTD Report.

Cause: The Department did not have adequate policies and procedures in place to ensure adequate supporting documentation was obtained and maintained to support amounts reported on the NTD Report.

Effect: The Department may have reported inaccurate FFY 2009 data to the National Transit Database.

Recommendation: We recommend the Department develop written policies and procedures, to include a process to obtain and maintain adequate supporting documentation, and an adequate review and approval process. These processes should ensure data is properly documented and reported on the NTD Reports.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 06/30/2011

Corrective Action Planned: The Department concurs. The Department will develop internal written policies and procedures prior to June 30, 2011.

FINDING NO: 10-345-024

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.509

FEDERAL PROGRAM NAME: Formula Grants for Other than Urbanized Areas

FEDERAL AWARD NUMBER: OK-18-X027-00, OK-18-X035-00, and OK-18-X044-00 (Regular Federal funds); and OK-86-X002-00 (ARRA Federal funds)

FEDERAL AWARD YEAR: 2008, 2009, and 2010

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

QUESTIONED COSTS: \$0

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

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

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

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

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

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

Condition: Thirteen of the 19 subrecipients tested were required to submit the data collection form and the reporting package to the Federal clearinghouse designated by OMB as required by OMB Circular No. A-133 Subpart C § .320(d) within the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period.

Of the 13 subrecipients required, 6 (46 percent) did not submit the data collection form and the reporting package to the Federal clearinghouse designated by OMB as required by OMB Circular No. A-133 Subpart C § .320(d) within the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period.

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

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

Recommendation: We recommend the Department develop written policies and procedures to monitor the subrecipients’ compliance with the OMB Circular A-133 audit requirements.

Views of Responsible Official(s)

Contact Person: Kenneth R. LaRue

Anticipated Completion Date: 4/1/2011

Corrective Action Planned: The Department concurs with this finding. The subrecipients have been reminded that A-133 audits must be submitted to the Clearinghouse the earlier of 30 days after audit receipt or 9 months after the end of the fiscal year. As part of OR&E’s review of annual audits,

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we will request that they confirm that the subrecipient has filed its report with the Federal Clearinghouse.

FINDING NO: 10-345-026

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$0

Criteria: 49 CFR § 18.36 (a) states, “States. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.”

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

Condition: For seven (12 percent) of 60 procurements tested, we noted that the Department advertised the projects prior to United States Department of Transportation (USDOT) approval.

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

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

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

Views of Responsible Official(s)

Contact Person: Brian Schmitt, Division Engineer – Office Engineer Division

Anticipated Completion Date: 3/16/11

Corrective Action Planned: I agree that all of the 7 projects noted were advertised prior to FHWA authorization and we need to avoid doing such in the future. I offer the following not as justification, but as an attempt to explain some mitigating points.

- J/P06374(08) & J/P27198(04) were authorized prior to any proposals being sold.
- J/P24595(04) the authorization unexpectedly held up while awaiting posting of the funds to FMIS.
- J/P 26733(04) & J/P26752(04) were STIM projects which required Governor Henry’s certification of the funds prior to sending for authorization. I was told by Sam Adkins, Programs Div. that ODOT had an agreement with FHWA allowing us to advertise those projects prior to authorization as long as the bids were not read unless/until authorizations were received. In the future, I will ask for copies of such agreements and place them in my files.

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Department of Veteran Affairs

FINDING NO: 10-605-001

STATE AGENCY: Oklahoma Department of Veteran Affairs

FEDERAL AGENCY: United States Department of Veteran Affairs

CFDA NO: 64.015

FEDERAL PROGRAM NAME: Veterans State Nursing Home Care

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR: 2009 and 2010

CONTROL CATEGORY: Eligibility and Reporting

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

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

According to Title 72 § 63.1 - Commission and Department Created - Administration - Successor of Former Commission, “There is hereby created the War Veterans Commission of Oklahoma, and the Oklahoma Department of Veterans Affairs, which shall be a cabinet-level department pursuant to the provisions of Section 10.3 of Title 74 of the Oklahoma Statutes. The Department shall consist of a departmental headquarters and such Veterans Centers as are operated by the Department. The Department shall be administered under such rules, regulations and policies as may be prescribed by the War Veterans Commission.”

The Oklahoma Administrative Code - 770:1-3-2. Program administration states, “(c) The War Veterans Commission has authorized and charged the Director with the responsibility of administering the program”

Condition: ODVA operates seven nursing facilities. The nursing facilities are responsible for preparing the daily census reports which are used to obtain the ‘Days of Care’ reported on the VA – Form 10-5588 (State Home Report). In addition, the individual nursing facilities are performing the eligibility determinations for admission. The ODVA Central Office does not have a standardized, written policy and procedure for documentation of the daily census, the calculation of the ‘Days of Care’ reported on the State Home Report, and/or documenting and determining eligibility. Each nursing facility has developed their own written operating procedures which are not reviewed, approved, or monitored by the ODVA Central Office.

Effect: Without proper controls over preparation of the daily census reports or reporting of the days of care, the VA-Form 10-5588 could be misstated and ODVA would not detect the error in a timely manner. Without proper controls over eligibility determinations, ineligible residents could be admitted to the veteran nursing facilities.

Recommendation: We recommend that ODVA implement a monitoring system which will ensure that the policies and procedures of the nursing facilities meet Federal requirements and that those policies and procedures are being followed.

Views of Responsible Official(s):

Contact Person: Martha Spear, Executive Director

Anticipated Completion Date:

Corrective Action Planned: ODVA partially agrees to this finding. We agree that the Central Office does not have standardized, written policy and procedure for operating procedures and we are in the process of developing one. We have hired a Quality Assurance Manager whose primary function is to

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develop new Standing Operating Procedures and modify the existing ones as needed. However, we disagree with the finding that, "Each nursing facility has developed their own written operating procedures which are not reviewed, approved, or monitored by the ODVA Central Office." The Central Office works and communicates closely with all the nursing centers and the Director approves all the actions taken by the centers.

FINDING NO: 10-605-003

STATE AGENCY: Oklahoma Department of Veteran Affairs

FEDERAL AGENCY: United States Department of Veteran Affairs

CFDA NO: 64.015

FEDERAL PROGRAM NAME: Veterans State Nursing Home Care

FEDERAL AWARD NUMBER:

FEDERAL AWARD YEAR: 2009 & 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles and Reporting

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

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

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

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

- The *ODVA State Home Report Compilation Procedures* Memo does not reflect the procedures currently followed for preparation of the VA Form 10-5588 *State Home Report and Statement of Financial Aid Claimed* and the memo does not include procedures for the calculation of depreciation.
- The ODVA Fiscal Department does not have adequate written policies and procedures for ensuring only appropriate program costs allowable under OMB Circular A-87 are reported on the *Statement of Federal Aid Claimed* and used as the basis for determining the amount of Federal per diem reimbursed to ODVA.
- ODVA does not have an Indirect Cost Rate Plan or written policies and procedures for calculating Indirect Costs.
- The ODVA Central Office does not provide a formal, documented training process for the Central Office Finance staff and the Business Managers/Patient Service Coordinators at the nursing facilities who are responsible for preparing the VA Form 10-5588 *State Home Report and Statement of Federal Aid Claimed*.
- The ODVA Central Office does not have adequate written policies and procedures for verifying that the 'Days of Care' information entered by the nursing facilities is correct on the VA Form 10-5588 *State Home Report*.

Effect: Management cannot ensure accurate and reliable information is available for reporting purposes, costs of goods and services charged to the Federal award are allowable and in accordance with the

Schedule of Findings Federal Award Findings And Questioned Costs

applicable cost principles, and staff have the appropriate training to ensure adherence to compliance requirements.

Recommendation: We recommend that management develop and implement written policies and procedures which will ensure compliance with Federal requirements, implement a training program for the staff responsible for preparing the VA-Form 10-5588, and implement a risk assessment process to analyze and assess the risk of noncompliance related to Federal programs.

Views of Responsible Official(s)

Contact Person: Martha Spear, Executive Director

Anticipated Completion Date:

Corrective Action Planned:

Response – Bullet 1: Oklahoma Department of Veterans Affairs (ODVA) is aware that depreciation cost is an allowable cost per OMB-Circular A-87 in reporting VA per-diem costs:

Depreciation- according to OMB Circular A-87, Computation of depreciation must exclude:

- *The Cost of Land*
- *Any portion of the cost of buildings and equipment borne by or donated by the Federal Government*
- *Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement. However, VA manual M-1, part 1, chapter 3, paragraph 3.11.f specifically allows depreciation of state matching contributions. The Manual states, “Depreciation of capital improvements may be claimed only to the extent of State participation under a depreciation accounting system.”*

ODVA follows the guidelines of GAAP conversion package H- relating to capital assets, accumulated depreciation and depreciation costs and submits GAAP reports to Office of State Finance annually and properly allocates the allowable percentage of depreciation costs each month in VA Form 10-5588. Due to several turn-over in staff, the inclusion of the procedures for the calculation of depreciation was overlooked and will be included in the memo.

Response – Bullet 2: The management disagrees with this finding. ODVA Fiscal Department works closely with the Information Technology Department and provides the listing of expenditure codes to be extracted from the State of Oklahoma Finance System for determining the amount of Federal per diem reimbursed to ODVA. The management has provided that listing to Oklahoma State Auditor and Inspector. To our knowledge, all the expenditure codes are allowable under OMB Circular A-87. ODVA would like to point out this audit period is unusually different due to retro per-diem reimbursement. ODVA was one of the earlier agencies to receive and there was no adequate time to formulate written policies and procedures. However, currently we do have one in place.

Response - Bullet 3: The management disagrees with this finding. The Indirect Costs which are included in the VA per-diem calculation are Central Office Payroll, Data Processing, Depreciation and Statewide Cost allocation. To the management’s knowledge, the indirect costs calculation meets the guidelines of OMB-Circular A-87.

Response – Bullet 4: The Central Office conducts meetings with Business Managers on a regular basis. Each Business Manager has a copy of OMB-Circular A-87, VA Manual M-1, Part I, Chapter 3 and Indirect Cost Allocation Methodology. Recently, the Centers and the Central Office Staff who are responsible for preparing VA Form 10-5588 had a meeting with Chief of State Home Per Diem Program, National Fee Program Office to discuss data needs and processes required to support completion of Form 10-5588. In our prior responses, we have provided examples to the Oklahoma State Auditor and Inspector several examples to show how the central office serves as help desk to all the nursing centers business office relating to per-diem compliance requirements.

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Response – Bullet 5: Days of Care is calculated at each center from daily attendance records maintained by resident for the month. These records are sent directly to the VA hospital of jurisdiction where they are examined for correctness as part of the process of certification of the VA Form 10-5588. The report must be certified before it is entered for payment by the VA. If a discrepancy is found, the VA certifying officer contacts the admissions person at the center in question. The two resolve the discrepancy. If the resolution requires a revision to the VA Form 10-5588 the admissions person contacts ODVA Central Office Fiscal Services to inform the accountant who processes the reports that a revised report is forthcoming. The VA certifying officer contacts ODVA Central Office Fiscal Services to inform the accountant that processing by the VA is on hold awaiting the arrival of the revised VA Form 10-5588. The certifying officer sets the date by which the revised report must be received in order to be included in the current payment cycle.

Since the revision of the VA Form 10-5588 for full cost reimbursement for specified veterans the admissions person attaches the attendance records to the 10-5588 in addition to direct submission to the VA hospital of jurisdiction. The ODVA Central Office Fiscal Services accountant confirms the days of care calculation. Any discrepancy found is resolved with the center admissions person before the VA Form 10-5588 is submitted to the VA hospital of jurisdiction.

ODVA believes that there are checks and balances for verification of days of care and the Central Office has adequate information for verification. The management assures that we are constantly improving and developing written policies and procedures.

Auditor Response: We would like to re-iterate the importance of having updated policies and procedures and the need to communicate these policies and procedures to each of the Veterans Centers.

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Note: Schedule is presented alphabetically by state agency.

Department of Education

Finding No: 09-265-001

CFDA No: 83.489, 83.391, 84.392

Federal Agency: U.S. Department of Education

Control Category: Cash Management

Questioned Costs:

#84.389 – Title I Grants to Local Educational Agencies – Recovery Act \$50,334,317

#84.391 – Special Education Grants to States – Recovery Act \$56,434,003

#84.392 – Special Education Preschool Grants – Recovery Act \$1,734,931

Finding Summary: Oklahoma State Department of Education (OSDE) advanced \$130,561,507.34 in the first round of ARRA funds to Title IA, Special Education Grants to States, and Special Education – Preschool grants in May 2009. We determined from review of the November 16, 2009 expenditure logs that only \$22,058,256.92 had been reported as expended to date. Therefore, the agency did not make drawdowns as close as possible to the time of making disbursements.

Status: Partially Corrected, Current Year Finding 10-265-001

Finding No: 09-265-002

CFDA No: 83.489, 83.391, 84.392

Federal Agency: U.S. Department of Education

Control Category: Special Tests and Provisions – R3 – Subrecipient Monitoring

Finding Summary: The department was unable to provide evidence that the federal award number for ARRA was communicated to its subrecipients at the time of the subaward and the requirement to separately identify expenditures for ARRA awards on their Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (SF-SAC) was communicated to its subrecipients.

Status: Corrected.

Finding No: 09-265-004

CFDA No: 84.027, 84.173

Federal Agency: United States Department of Education

Control Category: Subrecipient Monitoring

Findings Summary: The Department was unable to provide evidence that the name of Federal awarding agency was communicated to subrecipients at the time of the award.

Status: Corrected.

Finding No: 09-265-005

CFDA No: 84.389, 84.391, 84.392

Federal Agency: United States Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: The Department was unable to provide evidence that they ensured subrecipients had current CCR registrations prior to making subawards and that the Department performed periodic checks to ensure that subrecipients are updating information as necessary.

Status: Corrected.

Finding No: 09-265-008

CFDA No: 84.010

Federal Agency: United States Department of Education

Control Category: Special Tests and Provisions – N3 – Comparability

Finding Summary: Of the 25 LEAs tested, the Department was unable to provide evidence that a letter was submitted to seven LEAs informing them that the comparability requirements have been met, nor did the Department obtain written assurances from the LEAs that steps will be implemented to meet the comparability requirements.

Status: Corrected.

Summary Schedule of Prior Findings

Employment Security Commission

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

CFDA No: 17.225

Federal Agency: Department of Labor

Control Category: Special Tests & Provisions – Employer Experience Rating

Questioned Costs: Undeterminable

Finding Summary: OESC uses a computer system to apply the rates based on the employer's benefit wage ratio and the State Experience Factor. During testwork we discovered the table programmed into the system varied from the table provided by 40 O.S. §3-109.

Status: Partially corrected, current year finding #10-290-002. The Commission procedures have been changed that all Statute and Rule changes to be approved by our Legal Division and approved by the Legislature and Governor before implementation.

Finding No: 09-290-001

CFDA No: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Reporting

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

Status: Not corrected, current year finding #10-290-003. Oklahoma Tax Unit and IT Division are currently in development of the data file to support the ETA-581 data.

Finding No: 09-290-005

CFDA No: 17.225

Federal Agency: U.S. Department of Labor

Control Category: Reporting

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

Status: Not corrected, current year finding #10-290-004. This was a previous audit finding. Unfortunately, the procedures were not implemented until early 2010. Therefore the files requested for the 3rd and 4th quarter of 2009 would not have had these new procedures in place to prevent the loss of data. The attached letter details the new procedures implemented to have an acceptable level of control to prevent this from occurring in the future. In addition to these new procedures, we are working with our IT department to have another backup disc created and sent to a location outside of the Will Rogers Building.

Department of Health

Finding No: 04-340-001, 05-340-006, 06-340-008, 07-340-007, 08-340-001, 09-340-005

CFDA No: 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

Summary Schedule of Prior Findings

costs and salvage value of all assets in the department's inventory records were set at 10% of the items original value.

Status: Corrected

Finding No: 09-340-001

CFDA No: 93.069

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not receive a fiscal year 2008 OMB A-133 audit for one of its two Public Health Emergency Preparedness subrecipients and did not perform appropriate follow-up procedures to obtain the audit.

Status: Corrected

Finding No: 09-340-003

CFDA No: 93.069

Federal Agency: Department of Health and Human Services

Control Category: Sub Recipient Monitoring (Non A-133)

Finding Summary: During our testing procedures, the Department could not provide us with a completed Financial Contract Compliance Screening Tool as evidence that a site visit had been performed for one of its two Public Health Emergency Preparedness subrecipients (Oklahoma City-County Health Department).

Status: Corrected

Finding No: 09-340-006

CFDA No: 93.069

Federal Agency: Department of Health and Human Services

Control Category: Procurement and Suspension and Debarment

Finding Summary: The Department is required for vendor contracts to either check the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), obtain a certification from the entity, or add a clause or condition to the contract with that entity to verify that the vendor was not suspended or debarred by the Federal government. During our testing of contracts, we noted that for one out of seven (14%) vendor contracts reviewed the Department did not perform the appropriate procedures to ensure the vendor was not suspended or debarred.

Status: Corrected

Oklahoma Health Care Authority

Finding No: 07-807-002, 08-807-010, 09-807-001

CFDA No: 93.778, 93.767

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

Control Category: Allowable Costs/Cost Principles

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

Status: Partially Corrected - See current year finding #10-807-009. Concur. OHCA will continue to monitor this process and will incorporate any feasible changes to better ensure total compliance with this requirement. Regarding these two instances, technical issues within system processing caused delays of mailings by 3 and 5 days respectively.

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

CFDA No: 93.778, 93.767

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

Control Category: Cash Management

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

Finding Summary: We noted program and administrative draw amounts were calculated incorrectly.

Status: Partially Corrected – See current year finding #10-807-010. Concur. OHCA concurs with this finding. During the period of review, OHCA had begun implementation of additional internal control procedures regarding the adequate review over Federal draws. However, because the control procedures

Summary Schedule of Prior Findings

were new, some weaknesses in the controls were still in evidence. OHCA feels that in future periods, adequate controls will be in place.

Finding No: 08-807-006

CFDA No: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program for \$7,683 and State Children's Insurance Program for \$1,581 in FY '08 and Medical Assistance Program for \$853 in FY '09

Finding Summary: While performing analytical procedures on 83,174 MAP and 3,095 SCHIP physician service claims, we noted 82 MAP claims and 3 SCHIP claims that had an age specific procedure code and the recipient did not meet the age requirement. (MAP Questioned Costs \$7,683) (SCHIP Questioned Costs \$1,581)

Status: Corrected

Finding No: 09-807-004

CFDA No: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Reporting

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

Status: Partially Corrected – See current year finding #10-807-001. Concur. For future periods, the SEFA reports will be reviewed by both the Comptroller and the Director of General Accounting. In addition, further care will be given in the completion of the SEFA report, review of reporting instructions and preparer submission dates have been established in order to allow time for adequate supervisory review of all reports.

Finding No: 09-807-010

CFDA No: 93.778

Federal Agency: Department of Health and Human Services

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

Finding Summary: Based on review of the spreadsheet maintained by OHCA and review of the audit reports, it appears the contracted auditor only performed 37 Nursing Facility (40 were required) and 2 ICFs/MR audits (5 were required) for SFY 2009 on cost reports submitted for SFY 2008.

Status: Not Corrected – See current year finding #10-807-008. Contract was amended. The contract was amended as a result of the audit performed for SFY 2009, but it was not made in time to change the contract for 2010.

Finding No: 09-807-011

CFDA No: 93.767

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

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$472

Finding Summary: Based on a medical professional's review of One Hundred (100) claims containing 191 services provided to Children's Health Insurance Program recipients, we noted:

- One claim (including one (1) service) was not received from the service provider. (\$5.28)
- Nine claims (including ten (10) services) where the services provided were not supported by adequate documentation. (\$414.63)
- Two claims (including two (2) services) where the medical records support a procedure code different than the code billed by the provider (\$52.46).

Status: Corrected

Finding No: 09-807-012

CFDA No: 93.778

Summary Schedule of Prior Findings

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

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$853

Finding Summary: Based on a medical professional's review of 100 claims containing 204 services provided to Medicaid recipients, we noted:

- One claim (including one service) was not received from the service provider. (\$7.90)
- Ten claims (including fifteen services) where the services provided were not supported by adequate documentation. (\$782.26)
- Three claims (including three services) where the medical records support a procedure code different than the code billed by the provider. (\$62.37)

Status: Corrected

Department of Human Services

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012, 09-830-020

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,640 for FY '04, \$142 for FY '05, \$545 for FY '06, \$2,409 for FY '07, \$1,164 for FY '08, and \$480 for FY '09

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 did not have a copy of the bill filed in the case record; case files did not have a completed checklist for walk-in applications; 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: Not corrected, current year finding #10-830-024. Concur. FSSD will continue emphasizing the importance of maintaining applications and other supporting documentation in the case files. Documentation requirements are included in the annual training packets. As more counties begin using the imaging system, we expect there will be fewer misplaced applications.

Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012, 09-830-020, 09-830-031

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility/Activities Allowed or Unallowed/Reporting

Questioned Costs: \$8,864 for FY '04, \$11,848 for FY '05, \$400 for FY '06, \$1,164 for FY '08, and \$2,383 (\$480 for 09-830-020 and \$1,903 for 09-830-031) for FY '09

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; cases where there was no LIHEAP application to support the eligibility determination; cases where we did not find a copy of the bill filed in the case record; "N" type cases that did not have a LIHEAP checklist for walk-in applications and noted no documentation supporting the verification of income; case files were not provided to support the eligibility determination; cooling recipients appeared to have received payments for natural gas; and cooling recipients appeared to have received payments for firewood; 6 of 22 addresses appear to have received more than once heating benefit for the household; 1 out of 22 addresses appear to have received more than one cooling benefit for the household; and 3 out of 68 addresses appear to have received more than \$500 in ECAP benefits.

Status: Not corrected, current year finding #10-830-018. Concur. FSSD has requested DSD add additional online edits to prevent overpayments from being made to a given address. This enhancement should be available by March 1, 2012. We will also continue emphasizing the importance of cross referencing cases to existing reports listing possible duplicate addresses. This review is to be completed prior to certification of benefits. FSSD will request reimbursement from the vendors/households cited in this audit as receiving excess benefits by June 30, 2011.

Summary Schedule of Prior Findings

Finding No: 07-830-009, 08-830-003, 09-830-033

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,408 for FY '07, \$1,298 for FY '08, and \$7,731 for FY '09

Finding Summary: From the counties selected for testing, we identified the cases that received TANF benefits for more than 60 months. We sampled cases for testing and noted cases where the client received benefits for more than 60 months without applying for a hardship extension or an additional hardship extension. Also, we noted cases that did not contain documentation of an application for a hardship extension (Form TW-24) and cases that did not contain documentation of a review for an additional hardship extension (Form TW-25).

Status: Not corrected, current year finding #10-830-014. Concur. Documented approval for a hardship extension was lacking in both cases for the time periods in question. Field Operations Staff will be instructed to review policy and procedures for Diversion Assistance. In one of the cases we agree that overpayments were made for three months. Reimbursement will be requested by March 31, 2011. In the other case (questioned cost of \$584) a hardship extension was approved when the review, which was delinquent, was completed January 25, 2010. Therefore, reimbursement will not be pursued.

Finding No: 07-830-013, 08-830-007, 09-830-023

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$9,155 for FY '07, \$348 for FY '08, and \$8,994

Finding Summary: From areas selected for testing, we noted the following during eligibility testwork:

1. Cases in which no case file was provided by the county office.
2. Cases in which no TANF application or review was found for the time period tested in the case file provided by the county office.
3. Cases in which no TANF re-determination was found for the time period tested in the case file provided by the county office.
4. Cases in which no TANF eligibility review or re-determination was found for the time period tested in the case file provided by the county office.

Status: Not corrected, current year finding #10-830-021. Concur. This case is a child only (relative payee) case. The review was delinquent but when completed there were no changes to the case and the children remained eligible for TANF. This finding will be included during our discussion and policy review of TANF reviews and applications at the quarterly statewide training sessions in May 2011. Supervisors receiving such training are expected to train their staff with the same information and material used during quarterly training. This will assure all staff working with TANF cases receives updated training.

Finding No: 07-830-015, 08-830-015, 09-830-027

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification Systems

Finding Summary: We performed testwork on the G1DX Exception Report. We noted the following exceptions that were not cleared within the allowable 30 days per OKDHS policy:

2007

	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%

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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%

2008

Error Type	G1DX TOTAL EXCEPTIONS	G1DX EXCEPTIONS OVER 30 DAYS	% OF EXCEPTIONS OVER 30 DAYS
BEN	1,453	150	10.32%
IEVDX	688	156	22.67%
OWGD	3,205	671	20.94%
SDX	8,365	1,010	12.07%
SNH	7,247	1,310	18.08%
UIB	972	101	10.39%
TOTAL	21,930	3,398	15.49%

2009

Error Type	G1DX TOTAL EXCEPTIONS	G1DX EXCEPTIONS OVER 30 DAYS	% OF EXCEPTIONS OVER 30 DAYS
BEN	18,162	1,354	7.46%
IEV	33,799	3,273	9.68%
OWG	15,617	1,784	11.42%
SDX	44,969	3,692	8.21%
SNH	64,237	6,077	9.46%
UIB	14,964	768	5.13%
TOTAL	191,748	16,948	8.84%

Status: Not corrected, current year finding #10-830-031. Concur. In August, 2009 FSSD initiated a G1DX process improvement project aligned with an agency wide “Lean/Six Sigma” initiative. The goal of this project is to increase the effectiveness and efficiency in clearing discrepancies by automating processes and filtering out irrelevant items. Our current process already utilizes the monitoring reports created for the G1DX discrepancies and are worked as promptly as workload allows. OKDHS policy is 50% more stringent than the federal policy and the agency is still accomplishing an 88% timeliness rate. Previously OKDHS decided not to change the related policy in order to give other process improvements a chance to become fully implemented. With caseloads increasing from 40% to 50%, staff priority has been given to certifying program eligibility and other case management tasks. At this time Family Support Services Division plans to move forward with aligning the state policy more closely with the federal policy on a schedule to be determined by local guidelines and the Administrative Procedures Act

Finding No: 07-830-016, 08-830-020, 09-830-016

CFDA No: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$12,967 for FY '07, \$390 for FY '08, and \$19,600 (\$3,224 (CHIP) and \$16,376 (MAP)) for FY '09

Finding Summary: During testwork of recipient case files (MAP and CHIP), we noted the following:

Summary Schedule of Prior Findings

- Recipient case files selected for testing where we were unable to obtain the case file supporting the eligibility determination.
- Recipient case files selected for testing where 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.
- Recipient case files selected where we were unable to conclude from the recipient case file documentation that the recipient was eligible to receive program benefits.
- Recipient case files were noted where the determination which covered the time period selected for testing was not found in the case file.
- One recipient case file we noted the redetermination was not performed in a timely manner based on information found in the cash file.

Status: Not corrected, current year finding #10-807-14. DHS is performing further research; DHS and OHCA will complete further action subsequent to research.

Finding No: 08-830-011, 09-830-035

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

Finding Summary: When testing the Penalty for Failure to Comply with Work Verification Plan requirements we noted two cases where the work participation hours recorded on the ACF-199 report did not agree with the average work participation hours per week that were documented in the case file and two cases where the work participation hours recorded on the ACF-199 report were not documented in the case file.

Status: Not corrected, current year finding #10-830-020. Concur. Policy requiring documentation of hours for TANF participation will be discussed during quarterly statewide training sessions in May 2011. Supervisors receiving such training are expected to train their staff with the same information and materials used during quarterly training. This will assure all staff working with TANF cases receives updated training.

Finding No: 08-830-013, 09-830-021

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$300 for FY '08 and \$0 for FY '09

Finding Summary: We noted 581 cooling cases where the cooling benefit payment detail indicated no vendor or fuel type and 446 cooling cases indicating no vendor and an "S" fuel type. After follow-up with agency personnel, we determined that these cooling benefit payments were sent directly to clients to purchase fans, air conditioning, or make repairs to cooling equipment. We selected cases for further review and noted the following:

- Case files selected had a completed application for cooling assistance with an indication of a desire to purchase fan/air conditioner equipment; however, there was no purchase documentation (receipt) indicating that the purchase of this equipment was made.
- Case files that had a completed application for cooling assistance with no indication of a desire to purchase fan/air conditioner equipment with the benefit funds and no purchase documentation (receipt) indicating that the purchase was made.
- For 2 of the 10 case files there was no FY08 LIHEAP cooling application included to support the eligibility determination. (Questioned Costs \$300)
- In addition to the above noted items, while looking in the selected case files, we also noted several instances where this type of benefit payment for the purchase of fan/air conditioner equipment was requested in different years by the same applicant. Although it is possible that the same person could need a replacement fan/air conditioner each year, this could also indicate that these direct payments to the client are being obtained and used for other purposes since purchase documentation is not required to obtain the benefit.

Summary Schedule of Prior Findings

Status: Not corrected, current year finding #10-830-022. Concur. FSSD will continue exploring alternatives to making direct payments to households. FSSD has researched the voucher system and found that the additional costs and time associated with a voucher system is excessive compared to the small number of households receiving such payments. Some of the barriers to implementing a voucher system are: 1) locating vendors willing to wait 30 days for payment, 2) the necessity for households to make two visits, and 3) the increase in administrative costs to implement and maintain a voucher system.

Finding No: 08-830-016, 09-830-013

CFDA No: 93.558, 93.568, 93.563, 93.658, 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Finding Summary: During testing of capital lease expenditures, we were unable to determine that The entire amount of the interest expense associated with the capital lease bond indebtedness was allowable.

Status: Corrected

Finding No: 09-830-001

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$2,239

Finding Summary: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2009, we noted the following:

- Three of the eight cases received TANF benefits in the same month or within three months of receiving Diversion assistance benefits. (Questioned Costs \$1,237)
- Two of the eight cases tested did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits. (Questioned Costs \$1,002)

Status: Not corrected, current year finding #10-830-010. Concur. The County Director was contacted and asked to review this case to determine why it was approved for TANF within twelve months following Diversion Assistance, without documented approval. The County Director indicated, based on his review, that the receipt of TANF before the end of the twelve month period would have been approved. Therefore reimbursement will not be requested. Field Operations staff have been notified of this finding and have been instructed to review policy and procedures on Diversion Assistance.

Finding No: 09-830-005

CFDA No: 93.659

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$44,386

Finding Summary: During our testing of IV-E Adoption Assistance cases, we noted that in sixteen of the twenty-one cases tested, the parents received assistance after the child attained the age of 18 and documentation was not provided which indicated the child had a mental or physical handicap that warranted the continuation of assistance to the age of 21. The documentation provided to support the continuation of benefits after the child had attained the age of 18 was not adequate.

Status: Not corrected, current year finding #10-830-017. Concur. Procedures are in place to review eligibility once a child reaches age 18. This review can take two to three months to complete. If a child is determined to be ineligible, identifying the non-IV-E expenditures would be a manual process. CFSD is working with its programmers to automate this process to ensure ineligible expenditures are identified and reclassified timely. Federal expenditures would then be adjusted on the next quarterly report. For the cases noted in this finding the ineligible expenditures will be reimbursed by September 30, 2011.

Summary Schedule of Prior Findings

Finding No: 09-830-006

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Activities Allowed and Unallowed/Allowable Costs/Cost Principles

Finding Summary: During our testing of SNAP administrative claims paid during SFY 2009, we noted payments to two different vendors for the same invoice. One payment was issued in error to an incorrect vendor, who deposited the funds into their banking institution, and then a second payment was issued to the correct vendor for the same invoice under a separate claim number. The overpayment to the incorrect vendor was eventually recouped by the Department.

Status: Corrected

Finding No: 09-830-007

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Special Tests and Provisions - Issuance Document Security

Finding Summary: During interviews with management regarding the procedures for issuance document security we noted a lack of segregation of duties for all offices that receive lost activated EBT cards. This segregation of duties deficiency is due to only one person receiving the active cards for destruction. At the OKDHS EBT Office, as well as the county offices, the same employee receives the mail, logs the cards, and destroys the cards. This control deficiency provides an opportunity for the employee receiving, logging, and destroying the cards to take the returned activated cards and use them for personal gain.

Status: Not corrected, current year finding #10-830-016. In January 2010 the following procedures were implemented:

(1) Upon receipt of cards in the mail, two staff members (one of which is supervisory personnel) will make a count of the cards received.

(2) One staffer will log all cards and status as "lost" if any is received as "active".

(3) The log and cards will be provided to the supervisor for audit purposes to ensure cards are logged and deactivated if they were received as active.

(4) The two staff members will conduct the destruction of the cards received and each sign the log confirming the count, status change (if active) and destruction.

(5) Cards are to be destroyed immediately upon receipt by mail and not stored. Backup personnel will be designated in case of absence of regularly assigned individuals.

These procedures were added to the 2010 EBT Specialist Guide and mailed to each EBT specialist. New specialists are provided a copy of the Guide when they are given access to the system.

Finding No: 09-830-008

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Test and Provisions – Penalty for Refusal to Work

Finding Summary: From a sample of 45 cases that had been closed with closure code 52A (TANF Work Sanction), we noted three cases that were closed with no documentation of the efforts to contact the individual and no documentation of the individual's refusal or failure to participate without good cause.

Status: Corrected

Finding No: 09-830-009

CFDA No: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$3,822

Finding Summary: We analyzed the Department's records and determined there were 52 IV-E Foster Care recipients over the age of 18 receiving benefits during SFY09. We tested 26 of those cases and noted the following:

- 4 case files did not contain the Voluntary Placement Request signed by the youth or other documentation verifying the youth was attending school and expected to graduate before reaching the age of 19. (Questioned Costs \$3,324)

Summary Schedule of Prior Findings

- In addition to the 26 case files tested, 1 IV-E recipient was 19 years of age and older when they received benefits. (Questioned Costs \$498)

Status: Not corrected, current year finding #10-830-019. Concur. The importance of maintaining adequate documentation has been discussed with the case worker involved. Payments made on the remaining four cases appear to be a system issue. These cases are being researched and corrective action will be taken once the cause is identified. Ineligible expenditures will be reimbursed by offsetting eligible expenditures reported quarterly. Reimbursement will be completed by September 30, 2011.

Finding No: 09-830-010

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: The four quarterly TANF Data Reports (ACF-199 Reports) were not filed within 45 days of the end of the quarter.

Reporting Quarter	Due Date	Date Filed
07/01/08 – 09/30/08	11/15/08	07/29/09
10/01/08 – 12/31/08	02/15/09	08/29/09
01/01/09 – 03/31/09	05/15/09	09/21/09
04/01/09 – 06/30/09	08/15/09	09/28/09

Status: Corrected

Finding No: 09-830-011

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Reporting

Finding Summary: During our testing of 45 payment collections included on the 9/30/08 and 12/31/08 FNS-209 reports, we noted the following:

- The case associated with one collection had a voluntary payment amount that was less than the \$10.00 or 10% minimum required;
- The case associated with one collection was coded incorrectly based on the supporting documentation;
- The case associated with one collection could not be located.

Status: Corrected

Finding No: 09-830-012

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Special Tests and Provisions – EBT Reconciliation

Finding Summary: During our testing of the daily reconciliation process, we noted that the reconciliation for total SNAP issuances involves a daily comparison of the System Accounting Report from the EBT contractor's EPPIC system and the Food Stamp Balancing by Date screen, (EBTHDDT1) on the Department's DSD Mainframe. Based on discussion with DSD personnel, we noted that the Food Stamp Balancing by Date screen (EBTHDDT1) is being populated with data provided daily by the EBT contractor. Therefore, the reconciliation being performed compares EBT contractor information through the EPPIC System Accounting Report to EBT contractor information through the DSD Mainframe and is not considered a valid reconciliation comparing the State's SNAP issuance files to those of the EBT contractor.

Status: Corrected

Finding No: 09-830-014

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Cash Management/Matching/Reporting

Summary Schedule of Prior Findings

Questioned Costs: \$123,499

Finding Summary: During our testing of the FY09 SNAP Financial Status Report (SF-269) for the quarters ending 12/31/08 and 3/31/09, we noted the following:

- Total outlays reported for the two quarters selected did not trace to supporting agency documentation.
- Inaccurate expenditure calculations, which led to the inaccurate reporting, also led to federal funds being overdrawn by \$123,499 for the time period tested.
- Due to the inaccuracies in the expenditure amounts reported and drawn, we were unable to determine the state matching amounts were being monitored to ensure the state match was met.

Status: Corrected

Finding No: 09-830-015

CFDA No: 10.561, 93.558, 93.563, 93.568, 93.658, 93.659, 93.667

Federal Agency: Department of Health and Human Services; Department of Agriculture

Control Category: Cash Management

Finding Summary: During our testing of Cash Management, we selected 59 non-EBT draws from the Adoption Assistance, IV-E Foster Care, TANF, Child Support Enforcement, Social Services Block Grant, LIHEAP and SNAP programs. We noted there is not a process in place to review the draw calculations and methodology before the non-EBT draws are made. It appears that each of the program accountants for the above noted programs have the ability to both prepare the draw calculations and make the draws without a review of the calculations being performed to ensure draw accuracy.

Status: Partially corrected, current year finding #10-830-001. Concur. Procedures addressing this issue were put in place January 1, 2010. Since that date Non-EBT draws are being reviewed by a program accountant other than the accountant making the draw calculation. The reviewer signs and dates the draw backup at which time the draw is ready for the request of funds.

Finding No: 09-830-017

CFDA No: 10.551

Federal Agency: Department of Agriculture

Control Category: Special Tests and Provisions - Document Issuance Security

Finding Summary: During interviews with the EBT specialist in the Tulsa County office (72B), we noted that the daily reconciliation of EBT cards was not being performed properly. The reconciliation for EBT cards is not performed on a daily basis. The tally of cards is maintained on a box lid and transferred into a monthly total spreadsheet created for the county director. There is no formal daily reconciliation of the cards to that of the master issuance file reconciliation to ensure that all cards assigned to the EBT specialist in charge of printing the EBT cards are accounted for.

Status: Not corrected, current year finding #10-830-029. Concur. An updated version of the EBT handbook will be provided to the EBT Specialists and County Directors via email. Starting in April, 2011 EPS will conduct monthly "Back to Basics" training/refreshers courses via email. We will initially focus on the issues cited in this finding and then continue monthly with other sections of the handbook. EPS staff, in cooperation with Field Operations, will make random visits to the field offices for training and auditing purposes.

Finding No: 09-830-019

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Period of Availability

Questioned Costs: \$43,036

Finding Summary: During our testing of the period of availability, we selected 43 administrative claims from the 01/01/09 through 03/31/09 time period and performed procedures to determine when the underlying obligation for each of the claims occurred. Since funds must be liquidated no later than 90 days after the end of the funding period, any claims with an obligation date prior to 9/30/08 should have been liquidated by 12/31/08 using FFY08 grant funds. We noted that 1 of the 43 claims selected appeared to have an obligation date prior to 9/30/08 which indicated they had been obligated during FFY08 but had been liquidated using FFY09 funds.

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Status: Corrected

Finding No: 09-830-022

CFDA No: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$4,816

Finding Summary: During testing procedures of forty case files of foster care children and their providers who received title IV-E foster care maintenance payments during SFY 2009; we noted one Child Custody Specialist file did not contain the necessary eligibility determination/redetermination documentation. Upon further follow-up, we determined that the child was determined to be ineligible for IV-E Foster Care; however, the IV-E Foster Care maintenance payments for SFY09 had not been recouped.

Status: Corrected

Finding No: 09-830-024

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

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

Finding Summary: From our population of 15,965 cases, we selected 60 cases for Child Support Non-Cooperation testing and noted four cases in which no TANF review or re-determination was found for the time period tested in the case file provided by the county office; therefore, a determination could not be made regarding the recipients cooperation with the State concerning child support.

Status: Not corrected, current year finding #10-830-021. Concur. This case is a child only (relative payee) case. The review was delinquent but when completed there were no changes to the case and the children remained eligible for TANF. This finding will be included during our discussion and policy review of TANF reviews and applications at the quarterly statewide training sessions in May 2011. Supervisors receiving such training are expected to train their staff with the same information and material used during quarterly training. This will assure all staff working with TANF cases receives updated training.

Finding No: 09-830-025

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification System

Finding Summary: From our population of 15,965 cases, we selected 60 TANF cases to determine that income verification occurred and noted two cases in which no application or income verification documentation was found for the time period tested.

Status: Corrected

Finding No: 09-830-026

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Refusal to Work

Finding Summary: From our population of 15,965 cases, we selected 60 TANF cases for testing of Penalty for Refusal to Work and noted the following:

- One case where no TANF application was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.
- Five cases where no TANF re-determination was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.

Status: Not corrected, current year finding #10-830-021. Concur. This case is a child only (relative payee) case. The review was delinquent but when completed there were no changes to the case and the children remained eligible for TANF. This finding will be included during our discussion and policy review of TANF reviews and applications at the quarterly statewide training sessions in May 2011. Supervisors

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receiving such training are expected to train their staff with the same information and material used during quarterly training. This will assure all staff working with TANF cases receives updated training.

Finding No: 09-830-032

CFDA No: 10.561

Federal Agency: Department of Agriculture

Control Category: Procurement and Suspension and Debarment

Finding Summary: During our testing of the SNAP related procurement files, we noted that the IAPD for competitive contracts exceeding \$5 million dollars could not be produced. The particular file was for ACS which is a 10 year contract award. The Contracts and Purchasing Unit was unable to provide the file containing the IAPD. Department personnel explained that this file has been subject to many purchase order number changes, and the record of PO numbers related to the ACS file did not include the initial file PO number. This resulted in the initial file, which contained the IAPD documentation, to be unavailable. Therefore, it appears the proper documents, papers, and records were not maintained for an active contract award.

Status: Not corrected, current year finding #10-830-030. The contract in question is the only multi year contract over \$5 million requiring an IAPD. We have requested a copy of the IAPD from the federal government.

Department of Mental Health and Substance Abuse Services

Finding No: 02-452-009, 04-452-006IT, 05-452-002IT, 06-452-002IT, 07-452-001IT, 08-452-001IT, 09-452-001IT

CFDA No: 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: Corrected

Finding No: 07-452-001, 08-452-002, 09-452-001

CFDA No: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testwork of the Annual SYNAR Report for FFY2007, FFY 2008, and FFY 2009, 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
- For 28 of the 110 sample stratum, the counts reported in the 'Outlet Sample Size', 'Number of Eligible Outlets in Sample', 'Number of Sample Outlets Inspected' and/or 'Number of Sample Outlets in Violation' columns do not trace to the supporting Synar Compliance Sample List.
- For 2 of the 38 inspections selected for testing, the supporting Synar Survey Inspection Form indicates that the outlet could not be inspected at the time of the visits. However, the outlets are reflected as having been inspected in the SSES Table 2 of the FY 2008 Annual Synar Report.
- For 2 of the 40 inspections selected for testing, the supporting Synar Survey Inspection Forms indicate that the outlets were 'out of business.' However, the outlets are reflected as having been inspected in the Synar Compliance Sample List.
- For 1 of the 40 inspections selected for testing, the supporting Synar Survey Inspection Form indicates that the inspection was complete and did not indicate whether or not the buy had

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been successful. However, both the Synar Compliance Sample List and the SSES Table 2 indicate this was a non-successful buy.

- The errors noted in bullets 3-6 above caused the SSES Table 2 Totals and Retailer Violation Rates to be incorrect.

Status: Corrected

Finding No: 07-452-004IT, 08-452-003IT, 09-452-002IT

CFDA No: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

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

Status: Not corrected. See current year finding 10-452-014IT. ODMHSAS will establish a general project management framework using a new application that we are currently building to assist in defining the project including approvals, deliverables and sign offs at each phase of the project development including the final sign off by the customer. The system will also document for future reference all decisions and other information used on the project.

Finding No: 09-452-004

CFDA No: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Federal Summary: During our testing of 40 treatment and prevention contracts, we noted that 2 of the contracts did not include the CFDA number and title; therefore, it appears the recipient was not made aware of these required items.

Status: Not Corrected, see current year finding #10-452-004. All Agency CPOs were notified via email that they are required to use the Contract Quality Review Checklist to ensure that each contract packet is reviewed for completeness before being mailed to the Contractor; particularly to ensure that federal funding is identified to the Contractor. The checklist ensures that a quality assurance is in place and creates a system of checks and balances.

Finding No: 09-452-005

CFDA No: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Subrecipient Monitoring

Finding Summary: During our testwork of fourteen Prevention Services provider on-site review reports/files, we noted one provider did not submit a corrective action plan for deficiencies noted during the on-site review to ODMHSAS within the required time frame. We also noted the financial review section was not completed for three of the on-site review reports; therefore, we were unable to verify invoices for services reported to ICIS by the provider for reimbursement were reviewed.

Status: Corrected

Department Of Rehabilitation Services

Finding No: 07-805-003, 08-805-004, 09-805-004

CFDA No: 84.126

Federal Agency: US Department of Education

Control Category: Allowable Costs/Cost Principles

Finding Summary: During testing of the direct payroll certifications, we noted the following:

- We were unable to obtain the payroll certifications for SFY07 for 4 of the 45 direct employees selected for testing.
- We were unable to obtain the payroll certifications for the 7/1/06-12/31/06 period for 11 of the 45 direct employees selected for testing.
- The payroll certifications for 1/1/08 to 6/30/08 were not completed in a timely manner for 13 of the 60 direct employees selected for testing.

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- Eighteen (18) of 60 employees selected only had one of the two required certifications completed during SFY 2009. Also, nineteen (19) out of 60 employees selected did not have any certifications completed during SFY 2009 and one (1) out of 60 employees selected did not have a certification completed in a timely manner.

Status: Partially corrected, current year finding #10-805-002. Concur. The Agency concurs that documentation of certifications has been problematic. Responsibility for the completion of the certifications was transferred to align the certifications with other payroll oversight mechanisms already in place. Procedures will be forthcoming once system modifications and an efficient workflow has been developed, trained and adequately tested. DRS does review all Agency personnel transactions to establish funding regarding FTE. This review allows for the assignment of funding prior to new assignments taking place based on the reporting structure and assigned duties. It is recognized that an efficient certification process will complete and fully document the effectiveness of the controls already in place.

Finding No: 07-805-004, 08-805-002, 09-805-005

CFDA No: 84.126 & 84.390

Federal Agency: US Department of Education

Questioned Costs: \$21,986 for FY '07 and \$1,691 for FY '08

Control Category: Eligibility and Activities Allowed or Unallowed

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

- In seven (four were 2007 and three were 2009) of the eighty five 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 in 2007, an award letter was not obtained for the client receiving Social Security Disability benefits. Lastly, the three cases in 2009 did not contain documentation of an approved agreement to extend the eligibility period.
- 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.
- In three out of sixty case files tested the file did not contain a copy of the specified claim/authorization number and supporting documentation.

Status: Corrected

Finding No: 09-805-001

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Reporting; Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

Finding Summary: During our review of the fiscal year (FY) 2009 SEFA, we noted the following:

1. The Department reported \$9,455.62 in expenditures on CFDA #84.126, Rehabilitation Services - Vocational Rehabilitation Grants to States, which should have been reported on CFDA #84.390, Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act.
2. A \$1,938,493 correction to the prior year accounts receivable amount for CFDA #84.126, Rehabilitation Services – Vocational Rehabilitation Grants to States.

Status: Corrected

Finding No: 09-805-002

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

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Control Category: Allowable Costs/Cost Principles

Finding Summary: During our documenting of the agency's internal controls over allowable costs/cost principles, we noted that the agency does not review charges made to the Vocational Rehabilitation program to determine if they are allowable under OMB Circular A-87. The agency stated that they ensure costs charged to the program are allowable by ensuring that no unallowable items are included in the agency's budget. However, we reviewed the agency's budget and noted that it was too general to identify unallowable costs that might be charged to the program.

Status: Partially Corrected, current year finding #10-805-001. Concur. While there are no specific procedures in place to review for A-87 allowability, there are safeguards in place that prevent the lapse in internal controls described. The items listed as unallowable in A-87 are also identified as unallowable in the Central Purchasing Rules, Office of State Finance Procedures and the p-card training identifies unallowable purchases consistent with A-87, but does not link the reason for disallowance back to A-87. Staff that were questioned do review for allowance, but may be unable to point to A-87 as the document used if in fact they are more readily familiar with the DCS Rules or OSF Procedures. A-87 compliance takes place at many levels and is not, nor should it be limited to the procurement process. In a proactive usage, A-87 is as much a guide as a compliance document and in that vein is referred to during budgeting or program planning discussions to determine how to structure a particular function so that it is compliant with all regulations. The Agency concurs with the need for an internal process document that identifies the workflow and compliance reviews regarding costs charged to the programs. This document will encompass all the regulatory oversight for the program, the existing workflow and document at what point a compliance review is performed regarding a potential cost.

Finding No: 09-805-003

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Procurement and Suspension and Debarment

Finding Summary: During the process of documenting the agency's internal controls over procurement, we noted that the agency does not check the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collect a certification from the entity, or add a clause or condition to the covered transaction with that entity to verify that its procurement vendors are not suspended or debarred by the Federal government.

Status: Partially Corrected, current year finding #10-805-011. Concur. The Agency will document through EPLS the status of 9 lease agreement providers and 19 medical provider contracts. A clause specific to suspension and debarment will be added to all medical provider contracts as an addendum on existing contracts, and added as standard contract language on future contracts. Assurance that providers have not been debarred or suspended is verified through EPLS website and is the current practice on all medical providers before contract is initiated. The 19 providers were rechecked.

Finding No: 09-805-006

CFDA No: 84.126 and 84.390

Federal Agency: U.S. Department of Education

Control Category: Eligibility

Questioned Costs: \$13,830.17

Finding Summary: During testing of client case files, we noted that six out of 45 client case files reviewed did not document independent verification of the client's income or Social Security Disability benefits, whichever is applicable.

Status: Corrected

Department Of Transportation

Finding No: 09-345-004

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Real Property Acquisition and Relocation Assistance

Finding Summary: During our review of 90 real property acquisition parcel files, we noted one instance where the Acquisition Branch Manager signed review and approval of the Negotiated Amount Adjustment

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(Pinkie) form as Acquisition Branch Manager, and also signed the same form for the Right-of-Way Division Chief. The Department could not provide documentation to support a delegation of signing authority from the Right-of-Way Division Chief to the Acquisition Branch Manager during this time. Delegating signing authority to another individual that also signs off on the form in another capacity contradicts the purpose of the multiple levels of review and approval.

Status: Corrected

Finding No: 09-345-005

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Real Property Acquisition and Relocation Assistance

Finding Summary: During our review of 90 real property acquisition parcel files, we noted one instance where the waiver valuation was not properly approved by the Acquisition Branch Manager, and the Right-of-Way Division Chief.

Status: Corrected

Finding No: 09-345-007

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment

Questioned Costs: \$0

Finding Summary: During our review of 45 procurements, we noted four instances where the first publication date was not at least twenty (20) days prior to the date set for opening bids.

Status: Partially corrected, current year finding #10-345-018. The Department is making every effort not to repeat this event.

Finding No: 09-345-009

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment – Contract Engineers

Questioned Costs: \$0

Finding Summary: Of the 42 consultant engineering firms tested, 27 did not have a FAR indirect cost rate reviewed and accepted by the Department's OR&E.

Status: Partially corrected, current year finding #10-345-006. The Department is working with FHWA to resolve the issue.

Finding No: 09-345-010

CFDA No: 20.205

Federal Agency: United States Department of Transportation

Control Category: Procurement, Suspension, and Debarment – Contract Engineers

Finding Summary: Of the 85 consultant engineering contracts tested, we noted one instance in which proper approval of short-list was not made by the Chief Engineer and one instance in which proper approval of the Committee's recommendation letter was not made by the Director and Chief Engineer.

Status: Corrected

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Attorney General

16.582 Crime Victim Assistance/Discretionary Grants
 16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program
 16.740 Statewide Automated Victim Information Notification (SAVIN) Program
 93.671 Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes
 93.775 State Medicaid Fraud Control Units

Agriculture, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
 10.069 Conservation Reserve Program
 10.086 ARRA - Aquaculture Grants Program (AGP)
 10.163 Market Protection and Promotion
 10.169 Specialty Crop Block Grant
 10.170 Specialty Crop Block Grant - Farm Bill
 10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
 10.652 Forestry Research
 10.664 Cooperative Forestry Assistance
 10.676 Forest Legacy Program
 10.677 Cooperative Forest Land Enhancement Program
 10.912 Environmental Quality Incentives Program
 66.608 Environmental Information Exchange Network Grant Program and Related Assistance
 66.700 Consolidated Pesticide Enforcement Cooperative Agreements
 66.709 Multi-Media Capacity Building Grants for States and Tribes
 66.714 Pesticide Environmental Stewardship Regional Grants
 93.103 Food and Drug Administration Research

Boll Weevil Eradication Organization

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

Career and Technology Education, Department of

12.002 Procurement for Technical Assistance for Business Firms
 84.048 Career and Technical Education - Basic Grants to States
 84.243 Tech-Prep Education

Central Services, Department of

39.003 Donation of Federal Surplus Personal Property

Commerce, Department of

11.307 Economic Adjustment Assistance
 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 14.231 Emergency Shelter Grant Program
 14.238 Shelter Plus Care
 14.255 ARRA-Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 14.257 ARRA- Homeless Prevention
 17.258 WIA Adult Program
 17.258 ARRA - WIA Adult Program
 17.259 WIA Youth Activities
 17.259 ARRA - WIA Youth Activities
 17.260 WIA Dislocated Workers
 17.260 ARRA - WIA Dislocated Workers
 17.260 WIA Heroes at Home/Military Spouse Initiative
 17.261 WIA Pilots, Demonstrations, and Research Projects
 17.268 H-1B Job Training Grants
 17.275 ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
 45.312 National Leadership Grants
 81.041 State Energy Program
 81.041 ARRA - State Energy Program
 81.042 Weatherization Assistance for Low-Income Persons
 81.042 ARRA - Weatherization Assistance for Low-Income Persons
 81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis
 81.122 ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis
 81.127 ARRA-Energy Efficient Appliance Rebate Program
 81.128 ARRA-Energy Efficiency and Conservation Block Grant Program
 93.569 Community Services Block Grant
 93.600 Head Start
 93.710 ARRA-Community Services Block Grant

Conservation Commission

10.902 Soil and Water Conservation
 10.916 ARRA - Watershed Rehabilitation Program
 15.252 Abandoned Mine Land Reclamation (AMLR) Program
 15.631 Partners for Fish and Wildlife
 15.656 ARRA - Habitat Enhancement, Restoration and Improvement

Schedule of Federal Programs by State Agency

Corporation Commission

20.237	Commercial Vehicle Information System and Networks
20.700	Pipeline Safety Program Base Grants
66.433	State Underground Water Source Protection
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program
66.805	ARRA-Leaking Underground Storage Tank Trust Fund Corrective Action Program
66.817	State and Tribal Response Grants
81.122	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis

Corrections, Department of

16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)
16.606	State Criminal Alien Assistance Program
16.812	Second Chance Act Prisoner Reentry Initiative
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals

District Attorneys Council

16.017	Sexual Assault Services Formula Program
16.554	National Criminal History Improvement Program (NCHIP)
16.575	Crime Victim Assistance
16.576	Crime Victim Compensation
16.588	Violence Against Women Formula Grants
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.593	Residential Substance Abuse Treatment for State Prisoners
16.609	Project Safe Neighborhoods
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program
16.744	Anti-Gang Initiative
16.801	ARRA - State Victim Assistance Formula Grant Program
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories

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
10.579	Child Nutrition Discretionary Grants Limited Availability
10.579	ARRA - Child Nutrition Discretionary Grants Limited Availability
10.582	Fresh Fruit and Vegetable Program
12.404	National Guard Challenge Program
84.002	Adult Education - Basic Grants to States
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education-Basic State Grant Program
84.013	Title I State Agency Program for Neglected and Delinquent Children
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act
84.027	Special Education-Grants to States
84.391	ARRA - Special Education Grants to States, Recovery Act
84.173	Special Education - Preschool Grants
84.392	ARRA - Special Education Preschool Grants, Recovery Act
84.181	Special Education-Grants for Infants and Families
84.393	ARRA - Special Education Grants for Infants and Families, Recovery Act
84.185	Byrd Honors Scholarships
84.186	Safe and Drug-Free Schools and Communities - State Grants
84.196	Education for Homeless Children and Youth
84.213	Even Start - State Educational Agencies
84.287	Twenty-First Century Community Learning Centers
84.298	Innovative Education Program Strategies
84.318	Education Technology State Grants
84.323	Special Education - State Personnel Development
84.348	Title I Accountability Grants
84.357	Reading First
84.358	Rural Education
84.365	English Language Acquisition Grants
84.366	Math and Science Partnerships
84.367	Improving Teacher Quality State Grants
84.369	Grants for State Assessments and Related Activities
84.377	School Improvement Grants
84.386	ARRA-Education Technology State Grants, Recovery Act
84.387	ARRA-Education for Homeless Children and Youth, Recovery Act
84.389	ARRA-Title I Grants to Local Educational Agencies, Recovery Act
84.391	ARRA-Special Education Grants to States, Recovery
84.392	ARRA-Special Education - Preschool Grants, Recovery Act
84.393	ARRA-Special Education Grants for Infants and Families, Recovery Act
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
94.005	Learn and Serve America - Higher Education
94.013	Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems

Schedule of Federal Programs by State Agency

Election Board, State

39.011 Election Reform Payments
90.401 Help America Vote Act Requirement Payments
93.617 Voter Access for Individuals with Disabilities

Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
97.023 Community Assistance Program State Support Services Element (CAP-SSSE)
97.027 Emergency Management Institute (EMI) Independent Study Program
97.029 Flood Mitigation Assistance
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.046 Fire Management Assistance Grant
97.042 Emergency Management Performance Grant
97.047 Pre-Disaster Mitigation
97.070 Map Modernization Management Support
97.092 Repetitive Floods Claims

Employment Security Commission

17.002 Labor Force Statistics
17.207 Employment Service/Wagner-Peyser Funded Activities
17.207 ARRA - Employment Service/Wagner-Peyser Funded Activities
17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
17.235 Senior Community Service Employment Program
17.235 ARRA - Senior Community Service Employment Program
17.271 Work Opportunity Tax Credit
17.273 Temporary Labor Certifications for Foreign Workers
17.245 Trade Adjustment Assistance
17.801 Disabled Veterans' Outreach Program (DVOP)
17.804 Local Veterans' Employment Representative Program

Environmental Quality, Department of

12.113 State Memorandum of Agreement Program for the Reimbursement of Technical Services
14.218 Community Development Block Grants/Entitlement Grants
15.616 Clean Vessel Program
66.034 Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
66.039 ARRA - National Clean Diesel Emissions Reduction Program
66.040 State Clean Diesel Grant Program
66.040 ARRA-Clean Diesel Grant Program
66.468 Capitalization Grants for Drinking Water State Revolving Fund
66.468 ARRA-Capitalization Grants for Drinking Water State Revolving Fund
66.474 Water Protection Grants to the States
66.605 Performance Partnership Grants
66.608 Environmental Information Exchange Network Grant Program and Related Assistance
66.708 Pollution Prevention Grants Program
66.802 Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.802 ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.817 State and Tribal Response Program Grants
66.818 Brownfields Assessments and Cleanup Cooperative Agreement
66.818 ARRA-Brownfields Assessment and Cleanup Cooperative Agreement

Governor, Office of

84.394 State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397 State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

Health, Department of

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
66.716 Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies
93.069 Public Health Emergency Preparedness
93.070 Environmental Public Health and Emergency Response
93.110 Maternal and Child Health Federal Consolidated Programs
93.116 Project Grants and Cooperative Agreements for Tuberculosis Control Programs
93.130 Cooperative Agreements to States/Territories for the Coordination and Development of 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 of Blood Lead Levels in Children
93.217 Family Planning Services
93.234 Traumatic Brain Injury State Demonstration Grant Program
93.235 Abstinence Education Program
93.238 Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement
93.251 Universal Newborn Hearing Screening
93.262 Occupational Safety and Health Program
93.268 Immunization Grants
93.268 ARRA - Immunization Grants
93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.296 State Partnership Grant to Improve Minority Health
93.414 ARRA - State Primary Care Offices
93.590 Community-Based Child Abuse Prevention Grants
93.712 ARRA - Immunization
93.717 ARRA - Preventing Healthcare-Associated Infections
93.720 ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative

Schedule of Federal Programs by State Agency

Health, Department of,

93.723 ARRA - Prevention and Wellness-State, Territories and Pacific
93.773 Medicare - Hospital Insurance
93.889 National Bioterrorism Hospital Preparedness Program
93.917 HIV Care Formula Grants
93.918 Grants to Provide Outpatient Early Intervention Services
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
93.991 Preventive Health and Health Services Block Grant
93.994 Maternal and Child Health Services Block Grant to the States
- X-Ray Inspections
- Clinical Laboratory Improvement Amendments

Historical Society

15.904 Historic Preservation Fund Grants-In-Aid
45.024 Promotion of the Arts - Grants to Organizations and Individual
45.149 Promotion of the Humanities-Division of Preservation and Access

Human Rights Commission

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

Human Services, Department of

10.551 Supplemental Nutrition Assistance Program
10.555 National School Lunch Program
10.560 State Administrative Expenses for Child Nutrition
10.558 Child and Adult Care Food Program
10.559 Summer Food Service Program for Children
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561 ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.565 Commodity Supplemental Food Program
10.568 Emergency Food Assistance Program (Administrative Costs)
10.568 ARRA - Emergency Food Assistance Program (Administrative Costs)
10.569 Emergency Food Assistance Program (Food Commodities)
10.569 ARRA - Emergency Food Assistance Program (Food Commodities)
10.576 Senior Farmers Market Nutrition Program
10.580 Supplemental Nutrition Assistance Program/Outreach Participation Program
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
93.041 Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation
93.042 Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals
93.043 Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services
93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services
93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
93.051 Alzheimer's Disease Demonstration Grants to States
93.052 National Family Caregiver Support, Title III, Part E
93.053 Nutrition Services Incentive Program
93.071 Medicare Enrollment Assistance Program
93.086 Healthy Marriage Promotion and Responsible Fatherhood Grants
93.550 Transitional Living for Homeless Youth
93.556 Promoting Safe and Stable Families
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.563 ARRA - Child Support Enforcement
93.564 Child Support Enforcement Research
93.566 Refugee and Entrant Assistance - State Administered Programs
93.568 Low-Income Home Energy Assistance
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.597 Grants to States for Access and Visitation Programs
93.599 Chafee Education and Training Vouchers Program
93.601 Child Support Enforcement Demonstrations and Special Projects
93.603 Adoption Incentive Payments
93.605 Family Connection Grants
93.630 Developmental Disabilities Basic Support and Advocacy Grants
93.643 Children's Justice Grants to States
93.645 Child Welfare Services - State Grants
93.652 Adoption Opportunities
93.658 Foster Care - Title IV - E
93.658 ARRA - Foster Care - Title IV-E
93.659 Adoption Assistance
93.659 ARRA - Adoption Assistance
93.667 Social Services Block Grant
93.669 Child Abuse and Neglect State Grants
93.674 Chafee Foster Care Independence Program
93.705 ARRA - Aging Home-Delivered Nutrition Services for States
93.707 ARRA - Aging Congregate Nutrition Service for States
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.725 ARRA - Communities Putting Prevention to Work Chronic Disease Self - Management Program
93.994 Maternal and Child Health Services Block Grant to the States
94.011 Foster Grandparent Program

Schedule of Federal Programs by State Agency

Indigent Defense System

- 16.746 Capital Case Litigation
- 16.751 Edward Byrne Memorial Competitive Grant Program

Insurance Department

- 93.048 Special Programs for the Aging - Title IV and Title II Discretionary Projects

Labor, Department of

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

Libraries, Department of

- 45.310 Grants of the States
- 45.312 National Leadership Grant
- 45.313 Laura Bush 21st Century Librarian Program
- 89.003 National Historical Publications and Records Grants

Mental Health and Substance Abuse, Department of

- 14.238 Shelter Plus Care
- 16.727 Enforcing Underage Drinking Laws Program
- 16.745 Criminal and Juvenile Justice and Mental Health Collaboration
- 84.186 Safe and Drug-Free Schools and Communities - State Grants
- 93.087 Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse
- 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances
- 93.150 Projects for Assistance in Transition from Homelessness (PATH)
- 93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
- 93.275 Substance Abuse and Mental Health Services - Access to Recovery
- 93.958 Block Grants for Community Mental Health Services
- 93.959 Block Grants for Prevention and Treatment of Substance Abuse
- Implementation Alcohol/Drug Data Collection
- State Outcome Measurement & Management System
- State Epidemiological Outcomes Workgroup
- CSAP Prevention Fellowship
- Client Level Projects

Military Department

- 12.400 Military Construction, National Guard
- 12.401 National Guard Military Operations and Maintenance (O&M) Projects
- 12.401 ARRA - National Guard Military Operations and Maintenance (O&M) Projects
- 12.404 National Guard Challenge Program

Mines, Department of

- 15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
- 17.600 Mine Health and Safety Grants

Narcotics/Dangerous Drugs Control

- 16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
- 16.710 Public Safety Partnership and Community Policing Grants
- 16.754 Harold Rogers Prescription Drug Monitoring Program
- 94.006 AmeriCorps
- High Intensity Drug Trafficking Area
- Marijuana Eradication Suppression Program

Office of Disability Concerns

- 84.161 Rehabilitation Services-Client Assistance Program

Office of Juvenile Affairs

- 16.523 Juvenile Accountability Block Grants
- 16.540 Juvenile Justice and Delinquency Prevention - Allocation to States
- 16.548 Title V - Delinquency Prevention Program

Oklahoma Aeronautics Commission

- 20.106 Airport Improvement Program

Oklahoma Health Care Authority

- 93.719 ARRA - State Grants to Promote Health Information Technology
- 93.767 Children's Health Insurance Program
- 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
- 93.778 Medical Assistance Program
- 93.778 ARRA - Medical Assistance Program
- 93.790 Alternate Non-Emergency Service Providers or Networks
- 93.791 Money Follows the Person Rebalancing Demonstration
- 97.793 Medicaid Transformation Grant

Oklahoma Space Industry Development Authority

- 20.106 Airport Improvement Program

Schedule of Federal Programs by State Agency

Public Safety, Department of

11.555 Public Safety Interoperable Communications Grant Program
16.710 Public Safety Partnership and Community Policing Grants
16.727 Enforcing Underage Drinking Laws Program
20.218 National Motor Carrier Safety
20.232 Commercial Driver's License Program Improvement Grant
20.600 State and Community Highway Safety
20.601 Alcohol Impaired Driving Countermeasures Incentive Grants I
20.609 Safety Belt Performance Grant
20.610 State Traffic Safety Information System Improvement Grants
20.612 Incentive Grant Program to Increase Motorcyclist Safety
97.001 Interoperable Communications Equipment Grant
97.008 Non-Profit Security Program
97.012 Boating Safety Financial Assistance
97.042 Emergency Management Performance Grants
97.053 Citizen Corps
97.055 Interoperable Emergency Communications Grants
97.071 Metropolitan Medical Response System
97.073 State Homeland Security Program (SHSP)
97.074 Law Enforcement Terrorism Prevention Program (LETPP)
97.078 Buffer Zone Protection Program

Rehabilitation Services, Department of

84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
84.399 ARRA - Independent Living Services for Older Individuals Who are Blind
84.390 ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act
84.169 Independent Living - State Grants
84.177 Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind
84.187 Supported Employment Services for Individuals with the Most Significant Disabilities
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training
96.001 Social Security - Disability Insurance

State Arts Council

45.025 Promotion of the Arts-Partnership Agreements
45.025 ARRA - Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

15.222 Cooperative Inspection Agreements with States and Tribes

State Bureau of Investigation

16.543 Missing Children's Assistance
16.550 State Justice Statistics Program for Statistical Analysis Centers
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.741 Forensic DNA Backlog Reduction Program
16.753 Congressionally Recommended Awards
16.800 ARRA - Internet Crimes against Children Task Force Program
16.803 Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories

Supreme Court

93.586 State Court Improvement Program

Tourism & Recreation, Department of

15.622 Sporting and Boating Safety Act
15.916 Outdoor Recreation-Acquisition, Development and Planning
20.219 Recreational Trails Program

Transportation, Department of

20.200 Highway Research Development Program
20.205 Highway Planning and Construction
20.205 ARRA - Highway Planning and Construction
20.215 Highway Training and Education
20.237 Commercial Vehicle Information Systems and Networks
20.509 Formula Grants for Other Than Urbanized Areas
20.509 ARRA - Formula Grants for Other Than Urbanized Areas

Veterans Affairs, Department of

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

Schedule of Federal Programs by State Agency

Water Resources Board

15.507 Water SMART (Sustaining and Manage America's Resources for Tomorrow)
66.419 Water Pollution Control State, Interstate, and Tribal Program Support
66.436 Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act
66.454 Water Quality Management Planning
66.454 ARRA - Water Quality Management Planning
66.458 Capitalization Grants for Clean Water State Revolving Funds
66.458 ARRA - Capitalization grants for Clean Water State Revolving Funds
66.460 Nonpoint Source Implementation Grants
66.461 Regional Wetland Program - Development Grants
66.463 Water Quality Cooperative Agreements
66.512 Regional Environment Monitoring and Assessment Program (REMAP) Research Projects
66.606 Surveys, Studies, Investigations, Special Purpose Grants
97.041 National Dam Safety Program

Wildlife, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
10.028 Wildlife Services
10.902 Soil and Water Conservation
15.605 Sport Fish Restoration
15.608 Fish and Wildlife Management Assistance
15.611 Wildlife Restoration
15.615 Cooperative Endangered Species Conservation Fund
15.626 Firearm and Bow Hunter Education and Safety Program
15.631 Partners for Fish and Wildlife
15.633 Landowner Incentive Program
15.634 State Wildlife Grants
15.656 ARRA - Habitat Enhancement, Restoration and Improvement
- McGee Creek Project
- Cibola National Forest and Grasslands

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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, 2010

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 8,944,675	\$ 120,486,454	\$ 26,936,319	\$ 48,321,028	\$ 204,688,476
Total Expenditures	11,057,255	224,360,747	15,834,002	51,864,887	303,116,891
Revenues Over (Under) Expenditures	(2,112,580)	(103,874,293)	11,102,317	(3,543,859)	(98,428,415)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	36,457,377	36,457,377
Operating Transfers Out	-	-	-	(35,911,898)	(35,911,898)
Bond Proceeds	-	148,080,000	-	-	148,080,000
Premium from Bond Issue	-	2,670,948	-	-	2,670,948
Discount on Bond Issue	-	-	-	-	-
Total Other Financing Sources (Uses)	-	150,750,948	-	545,479	151,296,427
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,112,580)	46,876,655	11,102,317	(2,998,380)	52,868,012
Fund Balances - Beginning of Year	5,169,272	612,061,167	8,698,398	74,969,037	700,897,874
Fund Balances - End of Year	\$ 3,056,692	\$ 658,937,822	\$ 19,800,715	\$ 71,970,657	\$ 753,765,886

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2010

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2009					
Ending Fund Balance	\$ 5,169,272	612,061,180	8,698,389	74,969,026	700,897,867
July 1, 2009					
Beginning Fund Balance	\$ 5,169,272	612,061,167	8,698,398	74,969,037	700,897,874
Cash Basis Data -					
FY 2010 Revenues	\$ 8,944,675	\$ 120,486,454	\$ 26,936,319	\$ 48,321,028	\$ 204,688,476
FY 2010 Expenditures	11,057,255	224,360,747	15,834,002	51,864,887	303,116,891
FY 2009 Revenues	\$ 8,894,799	\$ 108,061,528	\$ 29,480,394	\$ 55,255,882	\$ 201,692,603
FY 2009 Expenditures	11,627,053	212,531,116	30,446,485	48,649,719	303,254,373
FY 2008 Revenues	\$ 7,541,485	\$ 143,248,377	\$ 24,886,304	\$ 51,693,664	\$ 227,369,830
FY 2008 Expenditures	7,473,315	226,944,763	25,059,214	48,623,628	308,100,920
FY 2007 Revenues	\$ 7,110,338	\$ 169,458,810	\$ 26,719,523	\$ 40,221,164	\$ 243,509,835
FY 2007 Expenditures	7,623,130	223,020,868	26,436,002	18,162,879	275,242,879
FY 2006 Revenues	\$ 6,914,726	\$ 149,239,048	\$ 19,178,018	\$ 40,108,467	\$ 215,440,259
FY 2006 Expenditures	6,200,696	149,008,027	22,251,178	34,872,080	212,331,981
FY 2005 Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
FY 2005 Expenditures	6,058,374	61,086,111	20,778,987	58,099,105	146,022,577
FY 2004 Revenues	\$ 6,681,226	\$ 34,588,139	\$ 16,696,278	\$ 43,158,953	\$ 101,124,596
FY 2004 Expenditures	5,376,259	93,923,582	19,092,697	16,974,235	135,366,773
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	\$ 159,831,531
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	252,614,951
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

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2010

Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2010 Revenue to Prior Years'				
FY09	100.56%	111.50%	91.37%	87.45%
FY08	118.61%	84.11%	108.24%	93.48%
FY07	125.80%	71.10%	100.81%	120.14%
FY06	129.36%	80.73%	140.45%	120.48%
FY05	143.77%	247.47%	120.35%	122.58%
Comparison of FY 2010 Expenditures to Prior Years'				
FY09	95.10%	105.57%	52.01%	106.61%
FY08	147.96%	98.86%	63.19%	106.67%
FY07	145.05%	100.60%	59.90%	285.55%
FY06	178.32%	150.57%	71.16%	148.73%
FY05	182.51%	367.29%	76.20%	89.27%
Revenues expressed as a percent of expenditures				
FY 10	80.89%	53.70%	170.12%	93.17%
FY09	76.50%	50.85%	96.83%	113.58%
FY08	100.91%	63.12%	99.31%	106.31%
FY07	93.27%	75.98%	101.07%	221.45%
FY06	111.52%	100.16%	86.19%	115.02%
FY05	102.70%	79.70%	107.71%	67.85%
FY04	124.27%	36.83%	87.45%	254.26%
FY03	122.74%	78.69%	100.85%	118.28%
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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