

TULSA COUNTY

SINGLE AUDIT

**FOR THE YEAR ENDED
JUNE 30, 2008**



COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
REPORTS ON INTERNAL CONTROL AND COMPLIANCE
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
REPORTS ON INTERNAL CONTROL AND COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2008**

This publication is printed and issued by the State Auditor and Inspector as authorized by 19 O.S. § 171. Pursuant to 74 O.S. § 3105.B, thirteen (13) copies have been prepared and distributed at a cost of \$39.16. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

July 2, 2009

TO THE CITIZENS OF
TULSA COUNTY, OKLAHOMA

Transmitted herewith are the Single Audit Reports and the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* of Tulsa County, Oklahoma for the fiscal year ended June 30, 2008. Our audit report on the financial statements was issued under separate cover. The audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Schedule of Expenditures of Federal Awards

TULSA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 28,222
National School Lunch Program	10.555	N/A	49,229
Total U.S. Department of Agriculture			<u>77,451</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through Oklahoma State Treasurer:			
Flood Control Projects	12.106	N/A	1,914
Total U.S. Department of Defense			<u>1,914</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct Grant:			
Payments in Lieu of Taxes (PILT)	15.226	N/A	4,223
Total U.S. Department of Interior			<u>4,223</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Oklahoma Department of Human Services:			
Foster Care Title IV-E (Drug Court)	93.658	N/A	98,730
Passed Through Oklahoma Department of Human Services, Passed Through Tulsa County Juvenile Trust Authority, Passed Through Community Service Council:			
Foster Care Title IV-E (Phoenix)	93.658	N/A	168,394
Total U.S. Department of Health and Human Services			<u>267,124</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Department of Civil Emergency Management:			
Disaster Grants - Public Assistance	97.036	PA-1735	1,938,384
Emergency Management Performance Grants	97.042	ID # 64336	76,926
Total U.S. Department of Homeland Security			<u>2,015,310</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant:			
HOME Investment Partnerships Program	14.239	N/A	1,478,095
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's Program	14.228	8681 CDBG 98	5,625
Community Development Block Grants/State's Program	14.228	8878 CDBGED 98	35,103
Total CFDA 14.228			<u>40,728</u>
Total U.S. Department of Housing and Urban Development			<u>1,518,823</u>

The accompanying notes are an integral part of this schedule.

TULSA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Grants to Encourage Arrest Policies & Enforcement of Protection Orders	16.590	N/A	30,998
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	29,320
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	61,977
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	20,335
Passed Through Oklahoma District Attorneys Council:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	J07-34	58,853
Total CFDA 16.738			170,485
Community Prosecution and Project Safe Neighborhoods	16.609	PSNN03-010	3,892
Community Prosecution and Project Safe Neighborhoods	16.609	PSNN03-007	11,752
Community Prosecution and Project Safe Neighborhoods	16.609	PSNN06-001	55,064
Total CFDA 16.609			70,708
Violence Against Women Formula Grants	16.588	V06-029	98,160
Total U.S. Department of Justice			370,351
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Oklahoma Department of Public Safety:			
State and Community Highway Safety	20.600	PT-07-03-29-07	33,205
State and Community Highway Safety	20.600	PT-08-03-29-07	58,698
State and Community Highway Safety	20.600	PT-08-03-32-00	3,000
Total CFDA 20.600			94,903
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-09-03-06-01	37,537
Total National Highway Traffic Safety Administration			132,440
Total Expenditures of Federal Awards			\$ 4,387,636

The accompanying notes are an integral part of this schedule.

TULSA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards 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 the 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 is the primary government of Tulsa County as presented in the Comprehensive Annual Financial Report (CAFR).

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of Tulsa County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Revenue and expenditures are reported using the modified accrual basis of accounting in the Comprehensive Annual Financial Report (CAFR). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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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*

TO THE OFFICERS OF
TULSA COUNTY, OKLAHOMA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tulsa County, Oklahoma as of and for the year ended June 30, 2008, which collectively comprise Tulsa County's basic financial statements and have issued our report thereon dated May 20, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Tulsa County Industrial Authority, Tulsa County Criminal Justice Authority, Tulsa County Home Finance Authority, Tulsa County Employees' Retirement System, Tulsa County Public Facilities Authority, and the Tulsa City/County Health as described in our report on Tulsa County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tulsa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or

detected by the entity's internal control. We consider the deficiencies 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-7, 2008-8, 2008-9, 2008-10, 2008-12, and 2008-14 as described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-8, 2008-10, and 2008-14 to be material weaknesses.

Compliance and Other Matters

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

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

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



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

May 20, 2009

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

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

TO THE OFFICERS OF
TULSA COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Tulsa County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Tulsa County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Tulsa County's management. Our responsibility is to express an opinion on Tulsa County's compliance based on our audit.

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

In our opinion, Tulsa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-18, 2008-19, 2008-22, and 2008-23.

Internal Control Over Compliance

The management of Tulsa County 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 Tulsa County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order

to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Tulsa County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-15, 2008-20, 2008-21, and 2008-24 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-20 to be a material weakness.

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

Schedule of Expenditures of Federal Awards

We have audited the accompanying 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 of Tulsa County, Oklahoma as of and for the year ended June 30, 2008, and have issued our report thereon dated May 20, 2009. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Tulsa County'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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 22, 2009, except for the Report on the Schedule of Expenditures of Federal Awards, as to which the date is May 20, 2009

Schedule of Findings and Questioned Costs

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
16.738	Edward Byrne Memorial Justice Assistance Grant Program
97.036	Disaster Grants – Public Assistance

TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

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

Auditee qualified as low-risk auditee? No

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2008-1—Encumbrances (Repeat Finding)

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Further, 19 O.S. § 1505.C.2 states, “The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.” Also, 19 O.S. § 1505.C.3 states in part, “...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.”

Condition: We noted 9 instances out of 201 purchase orders reviewed, where goods or services were either ordered and/or received prior to encumbering monies. These encumbrances made after the ordering and/or receiving of goods or services totaled \$1,174,915.50.

- A) One was noted in the County Assessor’s office for a total of \$190,693.40.
- B) Three were noted in the Highway Department for a total of \$203,396.35.
- C) Five were noted in the Sheriff’s Department for a total of \$780,825.75.

Effect: When the official does not properly encumber funds, purchasing controls are not effective with regard to the determination of funds being available for expenditure.

Recommendation: OSAI recommends funds be encumbered prior to the ordering and/or receiving of goods and services as set forth in 19 O.S. § 1505.C, and to ensure funds are available for all purchases made.

Views of responsible officials and planned corrective actions:

Tulsa County Assessor

The payment related to the referenced purchase order was the “second payment” of several payments due under the terms of the agreement between the Tulsa County Assessor and its vendor. No “single” delivery of products or services was associated with this payment, though for the purpose of processing the vendor invoice

TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

for payment, a service (one of several received to that date) was indicated on the receiving report. This was a unique circumstance, and the Assessor's office encumbered the funds and processed the invoice according to the terms of its agreement with the vendor.

If in the future a similar circumstance should arise, our office will consult with the County purchasing office for guidance.

Tulsa County Engineer

This office is responding to your request for comments concerning the findings from the State Auditor & Inspector on three purchase orders from the Highway Department. This office has reviewed each purchase order in question and would have the following comment:

1. Purchase order number 815549 was encumbered in the amount of \$203,105.86 for utility relocation on the 193rd E. Ave roadway project. The Board of County Commissioners approved a relocation agreement on March 7, 2007, in the estimated amount of \$234,099.00. We did not encumber the purchase order at that time because the estimated date of completion would have taken the project in to a new fiscal year. In addition, past experience with utility type relocation agreements have always been less than the estimate. This office encumbered the purchase order when we received the cost for this project. We can encumber this, but in this case we would have tied up approximately \$31,000.00 in local funds for more than 1 year. This project was completed April 3, 2008.
2. Purchase order number 812223 was encumbered 1/24/08; our information shows that Brian Malone picked up the hose on 1/28/08, and the invoice was dated 1/28/08. I do not understand why this purchase order was flagged.

OSAI Response: Items were ordered on purchase order #812223 on 1/22/08, but were encumbered on 1/24/08.

3. Purchase order number 806139 was encumbered on 9/25/07, in the amount of \$148.85. The product was picked up on 10/1/07, and the delivery ticket was the invoice. The only reason I could find was the fact that Enlow Tractor has an open date of 9/19/07, but with the correct purchase order number which was not encumbered until 9/25/07. I would have to assume that Enlow made a mistake with the open date because they did use the correct purchase order number and we did not pick up the part until 10/1/07.

The Highway Department will work hard to eliminate any future encumbrances. We will need to discuss the issues like purchase order number 815549 where we have large estimates that could take several months to complete and are based upon approved agreements.

Tulsa County Sheriff's Office Fiscal Officer

Regarding the letter from your office dated April 10, 2009, we are responding to your findings on encumbrances:

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

- P.O. #808497, the purchase order was typed and in place prior to the order. This P.O. is consistent with Purchasing policies, procedures, and statutes.
- P.O. #811512, the purchase order was typed and in place prior to the order. This P.O. is consistent with Purchasing policies, procedures, and statutes.
- P.O. #800627, we could not encumber the monies until our new fiscal year budget was reopened on July 10. In addition, the vendor had some invoice oversights that were not received by our office until after the books had already closed.
- P.O. #809686, the Sheriff's Office types purchase orders to monthly service vendors each month in advance to ensure the funds are encumbered and in place prior to receiving the invoice. In this case, we inadvertently used the December's P.O., encumbered on November 30, to pay November's invoice.
- P.O. #814531, the Sheriff's Office types purchase orders to monthly service vendors each month in advance to ensure the funds are encumbered and in place prior to receiving the invoice. In this case, we inadvertently used the wrong P.O. to pay the invoices. In addition, at this time, we were having difficulties with getting the invoices on time from Arrow Exterminators. Therefore, we received a single invoice with both January and February's service fees.

OSAI Response: The invoice date for purchase order #808497 was 10/12/07, but was encumbered on 10/31/07. The invoice date for purchase order #811512 was 1/4/08, but was encumbered on 1/10/08. The invoice date for purchase order #800627 was 7/1/07, but was encumbered 7/12/07.

Tulsa County Clerk

Steps will be taken to eliminate ordering goods or services until after the items are encumbered. In case of a situation where goods or services were ordered prior to encumbering, a form could be developed that would attach to the purchase order. The form would explain why the purchase order was issued after goods or services were ordered.

Finding 2008-2—Inmate Trust Account—Deposits (Repeat Finding)

Criteria: Statutory control requirements have been established for the depositing of funds. Title 19 O.S. §531.A. states in part, "...The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Condition: We found that the money received from various sources such as booking, daily mail deposits, and money received from visitors is not being deposited on a daily basis. Twelve out of 15 deposits tested were not made daily.

TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Effect: Monies received are not being safeguarded from possible impropriety.

Recommendation: OSAI recommends the Sheriff's office deposit all money received on a daily basis.

Views of responsible officials and planned corrective actions:

Tulsa County Sheriff's Office

Daily deposits are made for intake, mail, and visitation deposits; with the exception of weekends and holidays.

Finding 2008-3—Inmate Trust Records—Reconciliations

Criteria: An essential part of internal controls in maintaining an accurate inmate trust account ledger is the performance of a reconciliation of accounting records to bank records. Maintaining an accurate inmate trust account ledger and performing a monthly reconciliation is an important process in ensuring the accuracy of accounting records and ensuring that all monies are accounted for. Supervisory review is an integral part of ensuring that established office policies and procedures are being followed.

Condition: We found the following control weaknesses in accounting for the Sheriff's Inmate Trust Account:

1. An Inmate Trust Account Ledger is not being maintained on a monthly basis that can be printed and reconciled to bank records. We were unable to determine that these records are properly retained, accounted for and support daily deposits.
2. Reconciliations are not being performed by the Sheriff's office

Effect: Without monthly reconciliations and proper records, the Sheriff's office is unable to have a complete and accurate assessment of the monies on hand in the Inmate Trust Account. This may also result in undetected errors and/or misappropriation of Inmate Trust funds.

Recommendation: OSAI recommends steps be taken to ensure that records are retained and that records support daily deposits and disbursements. OSAI also recommends the Sheriff's office perform a monthly reconciliation of the Inmate Trust Accounts. This reconciliation should be performed by personnel who are separate from the receipting and disbursement functions of the Inmate Trust Account.

Views of responsible officials and planned corrective actions:

Tulsa County Sheriff's Office

A new accounting system (ACTFAS) was installed after this audit. The new system allows for a bank book of all checks written and for deposits made into the trust account at the Bank of Oklahoma. A daily reconciliation log is kept.

The account must be reconciled by an employee that is not associated with the inmate trust account office. A part of the Data Management Clerk's responsibility will be the reconciliation of the bank statements.

TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Finding 2008-4—Inmate Trust Fund—Checking Account

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To ensure proper accounting of funds, receipts should be issued in sequential order and adequate documentation for receipts should be maintained.

Condition: When inmates arrive at the county jail, the booking officer uses any available receipt book. The receipt books are pre-numbered, but they are not issued in numerical order because multiple receipt books are used. Therefore, not all of the receipts can be accounted for. Receipt number sequences cannot be traced to deposit slips ensuring accuracy of deposits. There was no evidence that receipts are being voided or retained when an officer decides not to issue a receipt.

Effect: This does not allow for proper accountability of all receipts. This may also lead to the misappropriation of funds.

Recommendation: OSAI recommends the Sheriff's office maintain control of the sequential order of which receipt books are used for inmate monies deposited in the Inmate Trust Fund Account. Due to the different areas receiving monies for the Inmate Trust Fund Account and the difficulty in using one receipt book, we recommend each area/department (Visitation, Booking, and Mail Room) use an independent set of receipt books and only issue receipts in sequential order. OSAI further recommends that one copy of the receipt be placed in the sealed envelope with the monies received. When the envelopes are opened and the deposit is prepared, receipts are placed in numerical order by area/department. This will aid in accounting for all receipts. OSAI also recommends a copy of any voided receipt be placed in the envelope of monies to be deposited. This will ensure all receipt numbers are accounted for and the accuracy of deposited monies.

Views of responsible officials and planned corrective actions:

Tulsa County Sheriff's Office

The arresting agency is responsible for verifying the inmate's money and for completing the money receipt. At this time, only using one receipt book is not a feasible option as it would cause a back log of officers waiting in pre-booking to complete the booking process. However, receipt books are issued in groups of five and are reconciled by the Inmate Trust Account Sergeant.

Finding 2008-5—Inmate Trust Account—Vouchers

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To ensure proper accounting of funds, vouchers should contain a pre-printed number and be issued in numerical order.

Condition: During test work it was noted:

1. Of the 20 vouchers tested for sequential ordering, 3 were not issued in sequential order, and 4 vouchers were not issued nor cancelled.
2. The voucher register had several gaps in the numerical sequence of vouchers issued.

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3. In several instances, the pre-printed voucher number has been overridden by a new number sequence.

Effect: We were unable to account for all vouchers issued due to the varying sequences of vouchers issued and the overriding of voucher numbers.

Recommendation: OSAI recommends the Tulsa County Sheriff's Office only issue pre-numbered vouchers for the Inmate Trust Account in sequential order.

Views of responsible officials and planned corrective actions:

Tulsa County Sheriff's Office

Beginning April 13, 2009, the use of debit cards will be the normal practice for releasing inmate monies. The only vouchers/checks that are issued will originate from the inmate trust account office.

Finding 2008-7—Recording Revenue

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To ensure proper accounting of funds, all departments should submit their proper paperwork to the County Treasurer's office in order to ensure that revenue is recorded in a timely manner and in the proper period.

Condition: We noted the Parks Department is not submitting their transmittal sheets and daily paperwork to the County Treasurer's office in a timely manner.

Effect: Proper documentation not being submitted in a timely manner to the County Treasurer's office could result in revenue not being recorded in a timely manner and/or in the proper period.

Recommendation: OSAI recommends the Parks Department submit the proper paperwork to the Tulsa County Treasurer's Office on a daily basis.

Views of responsible officials and planned corrective actions:

Tulsa County Parks Division Director

Plan of action in response to State Auditor:

Step 1-Stress again to current staff the importance of the need to complete the revenue recording process on a daily basis.

Step 2-Train an additional administrative office staff person as a back-up to insure field revenue reports are consistently recorded and information sent to the Treasurer's office in a timely manner.

Step 3-Coordinate with Treasurer's office any possible alternatives to allow for a smoother, more consistent reporting of daily revenue.

Finding 2008-8—Segregation of Duties—Payroll

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll

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calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Condition: Based on inquiries of County personnel, it was noted the Payroll Director authorizes, processes, and distributes payroll checks.

Effect: The payroll process is not properly segregated to assure adequate internal control. This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view.

Views of responsible officials and planned corrective actions:

Tulsa County Clerk

As part of the conversion to MUNIS, the implementation of the payroll module is planned for July 1. The implementation of the new payroll software will result in a greater segregation of duties and additional approval levels over payroll processing.

Finding 2008-9—Segregation of Duties—Inmate Trust

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within the Inmate Trust Account were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions:

Tulsa County Sheriff's Office

All inmate trust account duties are divided between four individuals in the trust account office. The reconciliation of bank statements is handled independently from the trust account office.

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Finding 2008-10—Segregation of Duties—Court Clerk

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization in the Tulsa County Court Clerk's Office were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view.

Views of responsible officials and planned corrective actions:

Tulsa County Court Clerk

Your finding 2008-10, segregation of duties was critical of my accounting functions being split between six individuals. Actually one person was left out of the loop. Your report makes no recommendations about how these functions could be separated nor how many people it would take to satisfy this recommendation. Further your report states, "The most effective controls lie in management's knowledge of office operations and a periodic review of operations."

If this is the most effective control, can you respond to me why I was not asked one question on the subject?

Further, I have asked employees in the Auditor's office since 1993 to please have a class or workshop on embezzlement issues. This request has never been addressed by your office. There will be an embezzlement class in this month's Court Clerk's school. This class was directed to be taught by the Justice of the Supreme Court after the Muskogee County scandal.

I think your criticism is a political tactic giving your office the appearance that it has addressed this issue, when in fact, it has been ignored.

It is for these reasons I request the segregation of duties findings be dropped against this office.

OSAI Response: It is management's responsibility to be fiscally accountable to the citizens of the County. Key duties and responsibilities need to be divided or segregated by management among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

During the audit, two deputies were interviewed which outlined the duties assigned within the office. Based on the interview, we noted the following issues with employees' assigned duties:

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For the Court Fund Account, two employees calculate the amount of cash disbursements to other funds or agencies; review the cash disbursements to other funds or agencies; prepare the disbursements; post the disbursements to the financial records; mail checks; authorize purchases; prepare claims; and certify receipt of goods. Of the two employees, one employee reconciles the official depository account to the treasurer.

For the Official Account, three employees have the ability to prepare the deposit slips; take deposits to the treasurer; post receipts to the financial records; reconcile to the treasurer; calculate the disbursements to other funds or agencies; prepare, sign, and mail checks; and post the disbursements to the financial records.

Finding 2008-12—Negative Leave (Repeat Finding)

Criteria: Title 19 O.S. § 1301 states, “Each county may develop and maintain a formal plan for vacation and sick leave for all regular employees. Any leave plan adopted by a county shall not extend benefits to any employee in excess of leave benefits available to a regular state employee in the classified service.”

According to Tulsa County Policy FTCP 105 F:

3. On the employee’s anniversary month, the number of hours provided each year is placed in advance of entitlement in a descending balance account.
4. Vacation hours in the employee’s descending balance account normally may not be used until accrued.

Condition: We noted 23 employees with negative annual leave balances in Court Clerk's (Fund 10), for a total cost of \$8,840.48.

Effect: Employees with negative leave balances have received leave payments in advance of accrual. This policy is in conflict with leave benefits available to a regular state employee in the classified service.

Recommendation: OSAI recommends the Court Clerk’s office follow the County Personnel Policy for leave and ensure employees are not receiving leave benefits until accrued.

Views of responsible officials and planned corrective actions:

Tulsa County Court Clerk

We are calculating the vacation time of my employees based upon their service time and the calendar year.

The office incurs no financial loss due to the fact that any negative leave balances are subtracted from the final check should that employee leave this office. It is important to note that all final financial transactions are done by check and not by automatic deposit.

There has been no loss of funds since the audit of 2008.

Tulsa County Clerk

The new time management system with MUNIS, when implemented by the various departments, will require an employee to check available time before putting in a leave request.

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Finding 2008-14—Internal Control Over Financial Reporting

Criteria: The County's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes. Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition: We noted the following misstatements concerning the financial statements prepared by the County:

- On the Statement of Activities, program revenues were all classified as Charges for Services (\$14,495,715) and Operating Grants and Contributions (\$20,755,128) in the General Government function. This resulted in the following:
 - Charges for Services Program Revenue – General Government was overstated by \$6,700,468
 - Charges for Services Program Revenue – Roads and Highways were understated by \$2,698,726
 - Charges for Services Program Revenue – Culture and Recreation were understated by \$2,545,798
 - Charges for Services Program Revenue – Public Safety was understated by \$1,452,714
 - Charges for Services Program Revenue – Health and Welfare were understated by \$3,230
 - Operating Grants and Contributions – General Government was overstated by \$11,059,889
 - Operating Grants and Contributions – Roads and Highways were understated by \$6,472,225
 - Operating Grants and Contributions – Health and Welfare were understated by \$3,067,828
 - Operating Grants and Contributions – Public Safety was understated by \$1,213,661
 - Operating Grants and Contributions – Culture and Recreation were understated by \$306,175

- De-annexed CIP assets were removed as assets, with no corresponding loss recorded. Therefore, on the Statement of Activities, Roads and Highways Expenses were overstated by \$3,205,012 and the Special item – Property transferred through annexation of \$3,205,012 was not reflected on the Statement of Activities.

- Expenditures and Expenses were incorrectly recorded on the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and the Statement of Activities, respectively. Health and Welfare expenditures (expenses) were overstated by \$1,164,793 and General Government expenditures (expenses) were understated by \$1,164,793.

- Concerning the Governmental Funds Balance Sheet, we noted Ad Valorem taxes receivable (net of allowance for uncollectible) were not recorded in accordance with GASB Statement 33. This resulted in an understatement of the General Fund and Other Governmental Funds for the following:

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- Ad Valorem Tax Receivable by \$1,502,823; Deferred Revenue \$1,477,850, for an aggregate misstatement for the General Fund of \$2,980,673.
- Ad Valorem Tax Receivable by \$18,877; Deferred Revenue \$18,877, for an aggregate misstatement for the Other Governmental Funds of \$37,754.
- Concerning Depreciation Expense, we noted the amount recorded for Accumulated Depreciation for Equipment was actually the depreciated value of Equipment. This resulted in an understatement of Accumulated Depreciation (Equipment) of \$696,769.79 and an overstatement of Capital Assets (Equipment) by \$696,769.79.

Effect: As a result of this condition, the County lacks the necessary internal controls over the preparation of financial statements in accordance with GAAP.

Recommendation: OSAI recommends management strengthen the internal control system over financial reporting to prevent and/or detect misstatements to the financial statements.

Views of responsible officials and planned corrective actions:

Tulsa County Clerk

In reviewing this finding, Tulsa County believes that the items listed are better categorized as reclassifications instead of misstatements. Except for the last item listed, there was no overall financial impact on the underlying financial statements. Individual line items were instead reclassified. In some cases there was a difference of opinion in the manner of presentation, which led to contacting GASB for their opinion and eventually recording the transaction according to GASB's interpretation. Tulsa County has now initiated a review process of the supporting schedules of the capital assets and the related accumulated depreciation.

OSAI Response: As described in AU Section 312.7, misstatements can result from errors or fraud and may consist of any of the following:

- a. An inaccuracy in gathering or processing data from which financial statements are prepared
- b. A difference between the amount, classification, or presentation of a reported financial statement element, account, or item and the amount, classification, or presentation that would have been reported under generally accepted accounting principles
- c. The omission of a financial statement element, account, or item
- d. A financial statement disclosure that is not presented in conformity with generally accepted accounting principles
- e. The omission of information required to be disclosed in conformity with generally accepted accounting principles
- f. An incorrect accounting estimate arising, for example, from an oversight or misinterpretation of facts; and
- g. Management's judgments concerning an accounting estimate or the selection or application of accounting policies that the auditor may consider unreasonable or inappropriate.

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As described in AU Section 325.19, the following is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control:

- Identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control. This includes misstatements involving estimation and judgment for which the auditor identifies likely material adjustments and corrections of the recorded amounts. (This is a strong indicator of a material weakness even if management subsequently corrects the misstatement.)

Further, of the misstatement identified in the condition of the finding, GASB interpretations concurred with the OSAI recommended adjustments.

SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2008-15

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.239

FEDERAL PROGRAM NAME: Home Investment Partnerships Program

FEDERAL AWARD NUMBER: M-07-DC-40-0205

FEDERAL AWARD YEAR: Various Years

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: *OMB A-133, Subpart C, §___ .300(b)* reads as follows:

Subpart C—Auditees

§___ .300 Auditee responsibilities.

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.

A goal of effective internal controls as related to governmental entities is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, subsidiary ledgers should be reconciled to the County's ARMS accounting system.

Condition: Subsidiary ledgers maintained by INCOG and the Tulsa County Fiscal Office were not reconciled to each other or to the County's ARMS accounting system to ensure all federal expenditures were properly accounted for.

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Effect: Subsidiary ledgers do not accurately reflect the HOME expenditures.

Recommendation: OSAI recommends the ledger maintained by the fiscal office be reconciled to INCOG's records and the County's ARMS accounting system.

Views of responsible officials and planned corrective actions:

HOME Administrator

The subsidiary ledger maintained by INCOG is an in-house recordkeeping method used to track balances in line item budgets. Discrepancies between the subsidiary ledgers, Tulsa County's fiscal office and the County's ARMS system could be the result of inaccurate coding of expenditures. To ensure reconciliation between the three systems and proper accounting of expenditures, the subsidiary ledger is now attached to each draw request sent to the fiscal office so that the fiscal office can see which line item INCOG has charged the draw to.

Finding 2008-18

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public–Assistance

FEDERAL AWARD NUMBER: PA-1735

FEDERAL AWARD YEAR: Awarded during state fiscal year 2008

CONTROL CATEGORY: Period of Availability

QUESTIONED COSTS: \$-0-

Criteria: The FEMA 322 Public Assistance Guide establishes time limits for the completion of eligible work. The established time limit for debris clearance is six months.

Condition: It appears that work was performed subsequent to the period of availability for highway projects #544, #574, and #575. Each of these projects extended beyond the period of availability by fourteen (14) days.

Effect: The FEMA public assistance grant is not in compliance with the FEMA 322 Public Assistance Guide.

Recommendation: OSAI recommends extensions be filed for projects which may exceed the six-month time limit for debris clearance.

Views of responsible officials and planned corrective actions:

County Engineer

This office has reviewed your letter of April 13, 2009, concerning the State Auditor and Inspectors' finding the Tulsa County FEMA audit. Based upon our review, it would appear that a date of 12/18/2007 was used as the starting date for the 6 month period. We would agree that this is the date that a disaster was declared. Based upon our briefing meeting with FEMA and Oklahoma Emergency Management Department we were under the impression that the 6 month period began after the briefing meeting was conducted. The briefing meeting was conducted 1/11/2008, which should have set the completion date as 7/11/2008. I believe all of our projects were completed prior to the 7/11/2008 date.

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In addition, our estimates were not completed by FEMA and the State until March 2008, which at that time we had to agree or decline participation in the pilot program. There is some question in our mind about a completion date established until we had the necessary information in regards to the FEMA estimates to make a decision.

If we are in error about the dates then we will do what is necessary, but I believe it was clear that the 6 month completion date was from the briefing meeting and not the date of the declaration.

OSAI Response: OSAI reaffirmed the time limit requirement with a representative from the field office of Oklahoma Emergency Management, which was consistent with the guidance in FEMA 322 Public Assistance Guide. The date of the disaster declaration is the beginning of the time limit established for the completion of eligible work. This would not change if the program was a pilot program. The disaster was declared on 12/18/07. Six months from that date would be 6/18/08.

Finding 2008-19

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.239

FEDERAL PROGRAM NAME: Home Investment Partnerships Program

FEDERAL AWARD NUMBER: M-07-DC-40-0205

FEDERAL AWARD YEAR: Various Years

CONTROL CATEGORY: Cash Management and Program Income (**Repeat Finding**)

QUESTIONED COSTS: \$-0-

Criteria: A-102 Common Rule states that program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorized otherwise. Program income, which the grantee did not anticipate at the time of the award, shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project.

Condition: Per review of the HOME Returned Funds Ledger, it appears that income was held throughout the year and was not disbursed prior to the request of additional cash payments.

Effect: The HOME grant is not in compliance with A-102 Common Rule.

Recommendation: OSAI recommends all program income be disbursed before requests for additional cash payments are made.

Views of responsible officials and planned corrective actions:

HOME Administrator

Attention to the disbursement program income was given during the audited period, resulting in the disbursement of \$13,936.13. The balance in the program income account (Fund 523) was zero at 6/30/2008.

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Program Income (PI) draws were reflected on the IDIS Voucher Report. INCOG's HOME Returned Funds Ledger was reconciled to Tulsa County's Fund 523 ledger on a periodic basis.

However, it appears that program income was held periodically throughout the year and not disbursed prior to requesting additional grant funds. In the future, Tulsa County will disburse all program income before requests for additional federal HOME cash payments are made.

Finding 2008-20

FEDERAL AGENCY: U.S. Department of Justice

CFDA NO: 16.738

FEDERAL PROGRAM NAME: Edward Byrne Memorial Justice Assistance Grant Program

FEDERAL AWARD NUMBER: 2005-DJ-BC-0697, 2006-DJ-BX-0562, 2007-DJ-BX-0794, J07-34

FEDERAL AWARD YEAR: Various Years

CONTROL CATEGORY: Reporting (**Repeat Finding**)

QUESTIONED COSTS: \$-0-

Criteria: *OMB A-133, Subpart C, §__.300(b)* reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

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.

A goal of effective internal controls as related to governmental entities is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, subsidiary ledgers should be reconciled to the County's ARMS accounting system. Segregation of duties over federal funds is an important element of effective internal control over government assets and resources.

Condition: During our audit of the Edward Byrne Memorial Justice Assistance Grant Program it was noted that the grant coordinator prepares all the primary accounting and disbursements of the federal award. It was further noted that budget and actual numbers as well as quarterly and annual reports are all prepared by the grant coordinator without any form of review.

Effect: Lack of segregation of duties could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends management be aware of this condition and realize the concentration of duties and responsibilities in only one individual is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

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Views of responsible officials and planned corrective actions:

Grant Coordinator

In response to your finding input sheet on grant accounting duties, many of the duties outlined cannot be separated due to manpower issues. However, we do have a chain of command structure to oversee all grant activities and duties. Furthermore, a federal audit was conducted in December 2007. We have since restructured duties concerning grant management. I have attached the Tulsa County Sheriff's Office policy which incorporates the recommendations of the federal auditors.

Finding 2008-21

FEDERAL AGENCY: U.S. Department of Justice

CFDA NO: 16.738

FEDERAL PROGRAM NAME: Edward Byrne Memorial Justice Assistance Grant Program

FEDERAL AWARD NUMBER: 2005-DJ-BC-0697, 2006-DJ-BX-0562, 2007-DJ-BX-0794, J07-34

FEDERAL AWARD YEAR: Various Years

CONTROL CATEGORY: REPORTING

QUESTIONED COSTS: \$-0-

Criteria: Internal control pertaining to the compliance requirements for Federal programs (Internal control over Federal programs) means a process-effected by an entity's management and other personnel--designed to provide reasonable assurance regarding the achievement of the following objectives for Federal programs:

- (1) Transactions are properly recorded and accounted for to:
 - (i) Permit the preparation of reliable financial statements and Federal reports;
 - (ii) Maintain accountability over assets; and
 - (iii) Demonstrate compliance with laws, regulations, and other compliance requirements.

Condition: Tulsa County received four Edward Byrne Memorial Justice Assistance Grant Programs that reflected expenditures during the fiscal year ending June 30, 2008. Those four grants were:

- 2005 Edward Byrne Memorial Justice Assistance Grant Program, 2005-DJ-BC-0697
- 2006 Edward Byrne Memorial Justice Assistance Grant Program, 2006-DJ-BX-0562
- 2007 Edward Byrne Memorial Justice Assistance Grant Program, 2007-DJ-BX-0794
- Edward Byrne Memorial Justice Assistance Grant Program, J07-34.

Of the four federal Edward Byrne Memorial Justice Assistance Grant Programs, grant number J07-34 was the only reimbursement grant. OSAI examined the reimbursement requests for this grant and subsequently traced the costs for which the reimbursement was requested. In the process of tracing these requests and expenditures, we noted several drafts of each Quarterly Expenditures and Financial Status Report, Form A-7, and the Request for Funds, Form A-3 filed with the Oklahoma District Attorneys Council. The District Attorneys Council is the pass-through entity for this federal grant.

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Conversations with the Oklahoma District Attorneys Council financial analyst revealed all of the Quarterly Expenditures and Financial Status Reports and the Request for Funds were completely reconstructed by the District Attorneys Council.

We examined the reports submitted to the District Attorneys Council and compared those reports to the reports submitted by the Sheriff's office. There were significant differences between the submitted reports and the reconstructed reports. Many of the reports were filed past the required due date for the reports.

During the course of our audit engagement, OSAI examined several supporting documents for the Edward Byrne Memorial Justice Assistance Grant Programs. The documents included:

- Sheriff's ledgers,
- Tulsa County ARMS accounting system,
- Quarterly Expenditure Reports (hereafter known as FSR 269s)
- Confirmations from applicable pass-through entities.

The amounts from the documents noted above differed for the Edward Byrne Memorial Justice Assistance Grant Program J07-34 budget categories, in some instances, by month, by quarter and in total. There was no evidence of reconciliations between these four documents to explain those differences.

The Sheriff's ledgers maintained for each federal grant include interest earned for that grant. The Treasurer's office sends the miscellaneous receipt to the Sheriff's office monthly for documentation of the interest income received for the particular grant. We were unable to obtain the supporting documentation for interest for Justice Assistance Grant 2005-DJ-BX-0697. The Sheriff's office received the information, but the information was not retained.

Effect: Part of the responsibility for application and acceptance of a grant award is to abide by the terms of the federal compliance requirements set forth in OMB Circular A-133, the appropriate cost principles, requirements of the federal awarding agency, and the pass-through entity. In this instance for these federal grants, it appears the Edward Byrne Memorial Justice Assistance Grant Program J07-34 is not in compliance with the cash management compliance requirements.

Recommendation: OSAI recommends that all ledgers prepared by the Sheriff's office be reconciled to the ARMS system monthly. All supporting documentation should be maintained to support the ledgers and the reconciliation between the ARMS accounting system. The Quarterly Expenditures and Financial Status Report and the Request for Funds (FSR 269) should appropriately and accurately reflect the amount of expenditures spent per the Sheriff's office as reconciled to the Tulsa County ARMS accounting system.

Views of responsible officials and planned corrective actions:

Grant Coordinator

The Justice Assistance Grant J07-034 is a pass-through with the Oklahoma District Attorneys Council. Their accounting program, which is used for the quarterly reports, automatically adds and subtracts. Due to a budget change in the program, the program had to be "backed out of" to make it correct. In August of 2007, I met with the fiscal officer, at which time I understood the program was fixed and I kept a new copy on a memory key. The DAC disagreed with my reports and asked for my ledgers to 'recreate' the quarterly reports. I sent my

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ledgers and that is where the information for the recreated reports came from. My ledgers are correct. There were no indiscretions regarding the monies in this grant. All expenditures and differences can be accounted for. Please remove this finding from your final report.

OSAI Response: OSAI had frequent discussions with the District Attorneys Council's financial analyst regarding the quarterly reports. The District Attorneys Council is required as a pass-through grantor to monitor all subrecipients of grant monies under their jurisdiction. Per the District Attorneys Council, we were advised the reports were incorrect, which was the reason the District Attorneys Council had to reconstruct the quarterly reports. Based on examination of the initial reports filed with the District Attorneys Council and the reconstructed reports the District Attorney's Council prepared from the Tulsa County Sheriff's Office records, we noted the reports had different amounts reported.

There may have been problems with the computer submission process and the way the reports were designed to show the expenditures; however, the amounts expended should not differ.

Finding 2008-22

FEDERAL AGENCY: U.S. Department of Justice

CFDA NO: 16.738

FEDERAL PROGRAM NAME: Edward Byrne Memorial Justice Assistance Grant Program

FEDERAL AWARD NUMBER: J07-34

FEDERAL AWARD YEAR: July 1, 2007 to August 31, 2008

CONTROL CATEGORY: Matching

QUESTIONED COSTS: \$-0-

Criteria: OMB A-133 Compliance Supplement lists basic criteria for acceptable costs and contributions for matching.

Condition: Tulsa County received one Edward Byrne Memorial Justice Assistance Grant Program in the amount of \$120,000. Acceptance of the federal grant included a matching requirement of \$40,000.

- Edward Byrne Memorial Justice Assistance Grant Program, J07-34.

The match requirement of \$40,000 was used for payment of one employees' base wages and fringe benefits for drug enforcement. The match was paid out of an account entitled "Drug Task Force Grant" with an Organization number of 1902. All expenditures for the Drug Task Force Grant are paid out of this fund.

The following is a summary of the activity of receipts for Organization number 1902:

Transfer from LLEB Grant	\$2,749.98
Transfer from COPS Grant	\$15,761.47
Transfer from U21 Grant	\$22,491.49

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Advanced for Salaries from Contingency	\$34,000.00
Appropriation (grant receipts)	\$49,548.06

Prior to receipt of grant reimbursements, it is necessary for the County to “front” or “advance” monies from other funds for the initial expenditure. As noted here, \$34,000 was advanced to this fund to pay for grant expenditures; however, \$41,002.94 was transferred from other grant accounts, with the origin of the monies in the three grant accounts unknown. There does not appear to be an effective tracking system to determine the amount of monies advanced versus the amount of monies paid back to the originating fund for the advance. In addition, it is a violation of the criteria for acceptable contributions for matching if federal funds are used to pay for another award. It appears, based on the information, the \$41,002.94 were from other grant award funds. It is unknown if this was advanced money for the three grants listed; nevertheless, the money, if advanced, should be paid back to the originating fund. If the \$34,000 was advanced for purposes of the matching requirement, it would still leave the matching amount, \$6,000, in the negative to cover the match.

It appears evidence of advance monies being paid back to the originating fund is not clear. We also noted the grant fund in use for the Drug Task Force Grant was used for another grant prior to the receipt of the Drug Task Force Grant.

Effect: The effect of monies transferred from fund to fund to cover the grant award leads to extra accounting work, which should be documented and tracked, if transfers are necessary. We were unable to determine if grant funds are being commingled together under one fund heading and the matching amount is being supplemented with federal funds from other federal grants.

Recommendation: OSAI recommends the County establish funds for each separate federal grant. OSAI also recommends the County only receipt and disburse monies associated with the particular federal grant in the established fund. If deemed necessary to advance monies from other funds, these amounts should be tracked with dates, amounts, and funding origin. After the grant fund becomes self-sustaining the monies advanced to the grant fund should be transferred back to the originating fund. Any match monies used to meet the federal compliance requirements should originate from County funds and be tracked by date, amount, and funding origin and purpose.

Views of responsible officials and planned corrective actions:

TCSO Fiscal Officer

Regarding the origin of the “fronted” monies for JAG, your Finding Input Sheet states, “It appears that the grant funds are being commingled together under one fund heading and the matching amount is being supplemented with federal funds from other federal grants.”

The monies used to front the JAG funds were not funds awarded by other grants, but rather funds reimbursed by the grant to pay back the fronted monies from the Sheriff’s Cash Fee Account. Chief Dee Burch transferred these funds that were to return to the Cash Fee Account to the new grant as fronted monies from the Cash Fee Account. In place of transferring the funds back to the Cash Fee then to the new grant, she transferred the funds straight to the new grant as fronted monies. The fronted monies for the new grant were not grant funds. These grant funds were in no manner comingled with another grant. Therefore, please remove this finding from your final report.

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In the future, we will ensure that reimbursed funds are transferred back into the Sheriff's Cash Fee Account before they can be used as fronted monies for new grants. Should you require additional information, please feel free to contact me at 596-5640.

OSAI Response: In many instances it may be necessary to front monies to a fund for an initial expenditure prior to receipt of grant monies. OSAI continues to recommend that all grants are accounted for in separate funds. All start up monies should be tracked as to source of the funds and use of the funds for both the originating fund and the grant fund receiving these monies. This will enable all "front" monies to be paid back in the same amount to the originating fund, rather than lose its identity or be paid to another fund as front money.

Finding 2008-23

FEDERAL AGENCY: U.S. Department of Justice

CFDA NO: 16.738

FEDERAL PROGRAM NAME: Edward Byrne Memorial Justice Assistance Grant Program

FEDERAL AWARD NUMBER: J07-34

FEDERAL AWARD YEAR: July 1, 2007 to August 31, 2008

CONTROL CATEGORY: Subrecipient Monitoring (**Repeat Finding**)

QUESTIONED COSTS: \$-0-

Criteria: Compliance requirements in OMB Circular A-133 state that a pass-through entity is responsible for:

- *Award Identification* - At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.

- *During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

- *Subrecipient Audits* - (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised 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.

- *Pass-Through Entity Impact* - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

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Per the State Policy Advisor from the Bureau of Justice Assistance for the Edward Byrne Memorial Justice Assistance Grant, the City of Tulsa is considered a subrecipient of the Edward Byrne Memorial Justice Assistance Grant and should be monitored by Tulsa County.

Condition: Tulsa County was not monitoring their subrecipient's use of Federal awards. Tulsa County was not aware that the City of Tulsa was a subrecipient.

Effect: By not monitoring the subrecipient's use of federal funds, the Justice Assistance Grant is not in compliance with the requirements of OMB Circular A-133.

Recommendation: OSAI recommends Tulsa County identify the City of Tulsa as a subrecipient and begin monitoring their use of federal funds through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. This may not be a problem in the future, due to the justice assistance grant awards are now given to the City of Tulsa and Tulsa County is now the subrecipient to the City of Tulsa.

Views of responsible officials and planned corrective actions:

Grant Coordinator

When the Federal Auditors ruled in 2008 that the Tulsa Police Department was a subrecipient of the JAG Grant, Chief Burch, Christina Belda, and I met with the Tulsa Police Department Chief Deputy Webster. At that time, we advised him of the auditor's findings and recommendation to manage the grant on a reimbursement basis only. Chief Webster informed us that would be unacceptable. The Tulsa Police Department Grant Coordinator, Cpl. Surratt, has been very cooperative in sending us quarterly expenditure reports. Also, we will continue to request the opportunity to monitor the grants within the Tulsa Police Department on a regular basis, as required by grant conditions. Since these JAG Grants last for several years, this is a finding that will continue until all of the monies are spent.

Finding 2008-24

FEDERAL AGENCY: All

CFDA NO: All

FEDERAL PROGRAM NAME: All

FEDERAL AWARD NUMBER: All

FEDERAL AWARD YEAR: All

CONTROL CATEGORY: Reporting (**Repeat Finding**)

QUESTIONED COSTS: \$-0-

Criteria: *OMB A-133, Subpart C, §___.300* reads as follows:

Subpart C—Auditees

§___.300 Auditee responsibilities.

The auditee shall:

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(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.

Condition: The Schedule of Expenditures of Federal Awards as initially prepared by Tulsa County was understated by \$777,953.19 prior to rounding.

Effect: Coordination of Federal Awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements.

Recommendation: OSAI recommends Tulsa County consider coordinating all federal grants that are either direct grants or pass-through grants under Tulsa County's jurisdiction. Tulsa County should also have a policy for handling all federal grants within the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

Views of responsible officials and planned corrective actions:

Tulsa County Clerk

The Tulsa County Clerk's Office continues to be the collector and organizer of federal grant information presented from other departments and agencies. Additional procedures have been adopted to include tracking Board of County Commissioner's minutes that indicate the receipt or applications for federal grants, accumulating federal grant award documents, and helping prepare reconciliations between internally generated ledgers and the financial accounting system. Quarterly reports will also be reconciled to the financial accounting system. It is expected that implementing the new accounting system will strengthen the monitoring of federal grants.

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Finding 2007-19 – Cash Management and Program Income

CFDA: 14.239

Federal Program: Home Investment Partnerships Program (HOME)

Funding Agency: U.S. Department of Housing and Urban Development

Finding Summary: Program income is held from year to year and is not disbursed prior to the request of additional cash payments.

Status: Not corrected.

Finding 2007-20 – Subrecipient Monitoring

CFDA: 14.239

Federal Program: Home Investment Partnerships Program (HOME)

Funding Agency: U.S. Department of Housing and Urban Development

Finding Summary: The examination of subrecipient monitoring requirements for the Home Investment Partnership (HOME) Program disclosed the following:

The Indian Nations Council of Government (INCOG) is the contractor administering Tulsa County's HOME Consortium grant. Tulsa County has three active subrecipients of HOME grant funds that INCOG is required to review at least annually. The review schedule of each of the subrecipients is listed as follows:

Community Action Resource & Development	Last Review: April 12, 2006
Community Action Project	Last Review: December 15, 2006
Vintage Housing	Last Review: June 29, 2007

Both Community Action Project and Vintage Housing had review during fiscal year 2007. Community Action Resource and Development has not had a monitoring site visit during fiscal year 2007.

Status: Corrected.

Finding 2007-21 – Subrecipient Monitoring

CFDA: 16.738

Federal Program: Edward Byrne Memorial Justice Assistance Grant Program

Funding Agency: U.S. Department of Justice

Finding Summary: Tulsa County has not monitored their subrecipient's use of Federal awards. Per the State Policy Advisor from the Bureau of Justice for the Justice Assistance Grant, the City of Tulsa is considered a subrecipient of the Justice Assistance Grant and should be monitored by Tulsa County.

Status: Not corrected.

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Finding 2007-23 – Reporting, Allowable Costs/Cost Principles, Activities Allowed or Unallowed, Cash Management

CFDA: 16.738

Federal Program: Edward Byrne Memorial Justice Assistance Grant Program

Funding Agency: U.S. Department of Justice

Finding Summary: The grant coordinator prepares all the primary accounting and disbursements of the federal award. Its budget and actual numbers as well as quarterly and annual reports are all prepared by the grant coordinator without any form of review.

Status: Not corrected.

Finding 2007-24 – Reporting

Federal Program: All

Funding Agency: All

Finding Summary: The Schedule of Expenditures of Federal Awards originally prepared by Tulsa County was understated by \$422,405.52

Status: Not corrected.



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