LONG-TERM CARE MANAGEMENT
AUTHORITY OF TULSA

FINANCIAL STATEMENTS

JUNE 30, 2011

LONG-TERM CARE MANAGEMENT
AUTHORITY OF TULSA

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MORSE & CO.
A Professional Limited Liability Company
Consultants & Certified Public Accountants

The Board of Trustees
Long-Term Care Management Authority of Tulsa
Tulsa, Oklahoma

Independent Auditor's Report

We have audited the accompanying statement of net assets of Long-Term Care Management Authority of Tulsa (the Authority) as of June 30, 2011 and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our report.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information; however, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Long-Term Care Management Authority of Tulsa, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying statement of activities by function and funding source is also presented for purposes of additional analysis 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, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 9 to the financial statements, the Authority has been unable to secure adequate funding through government and other contracts to fund ongoing operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Because of the significance of the uncertainty described in the preceding paragraph, we are unable to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Morse & Co., PLLC

February 27, 2012

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

The discussion and analysis of Long-Term Care Management Authority of Tulsa's financial performance provides an overview of Long-Term Care Management Authority of Tulsa's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements, which begin on page 7. Management has prepared this discussion and analysis.

FINANCIAL HIGHLIGHTS:

- The assets of Long-Term Care Management Authority of Tulsa exceeded its liabilities at the close of fiscal year 2011 by $102,830 which represents a 29 percent decrease from last fiscal year.
- Long-Term Care Management Authority of Tulsa's unrestricted cash balance at June 30, 2011, was $8,767 representing a decrease of $151,623 from last fiscal year end.
- Long-Term Care Management Authority of Tulsa had total revenues from operations of $1,957,800 and total expenses from operations of $1,998,140. The Authority had net non-operating expenses of $2,660.

OVERVIEW OF THE FINANCIAL STATEMENTS:

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

BASIC FINANCIAL STATEMENTS:

The basic financial statements present information for Long-Term Care Management Authority of Tulsa's funds as a whole in a format designed to make the statements easy for the reader to understand. The statements in this section include the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows.

The statement of net assets (page 7) presents the assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of Long-Term Care Management Authority of Tulsa is improving or deteriorating.

The statement of revenues, expenses and changes in net assets (page 8) presents information showing how Long-Term Care Management Authority of Tulsa's net assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The statement of cash flows (page 9) presents information showing how Long-Term Care Management Authority of Tulsa's cash changed as a result of current year operations. The statement of cash flows is prepared using the direct method and includes the reconciliation of operating income to net cash provided by operating activities (indirect method) as required by GASB 34.

(continued on next page)

FINANCIAL ANALYSIS OF THE ENTITY:

Statement of Net Assets
June 30, 2011 and 2010

	2011	2010
Current and other assets	$ 167,036	$ 335,709
Accrued liabilities	64,205	43,849
Line of credit	-	146,000
Total liabilities	64,205	189,849
Total net assets	$ 102,831	$ 145,860

The net assets of Long-Term Care Management Authority of Tulsa ("the Authority") decreased $43,029 as a result of net loss for the year ending 2011. Total assets were less than last year's assets by $168,673. The decrease was primarily due to reductions in operating cash and accounts receivable associated with the Living Choice project, which ended in March 2011. Total liabilities decreased by $125,644. This change was due to the payment of amounts due to the Authority's funding source, net repayments on the Authority's line of credit and a decrease in accrued payroll costs as of June 30, 2011.

Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2011 and 2010

	2011	2010
Operating revenue	$ 1,957,800	$ 2,064,173
Operating expense	(1,998,169)	(2,029,380)
Net non-operating expense	(2,660)	(9,538)
Change in net assets	$ (43,029)	$ 25,255

Long-Term Care Management Authority of Tulsa's revenues were received primarily from federal funding sources administered through state agencies.

CAPITAL ASSETS:

As of June 30, 2011, Long-Term Care Management Authority of Tulsa had no investment in capital assets. Capital assets employed in prior years were transferred to a State agency upon termination of the Living Choice Project. All capital assets currently utilized by the Authority are the property of the State of Oklahoma.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

Long Term Care Management Authority of Tulsa has a long history of contracting with Oklahoma's state agencies which has comprised the majority of the organization's budget. However, due to economic factors that have negatively impacted the state's budget, the state agencies have discontinued much of the outsourcing that has been standard for the past 20 years. As a result, the Long Term Care Management Authority of Tulsa experienced a significant loss in revenue that has led to uncertainty with regard to the Authority's future.

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Currently, Long Term Care Management Authority of Tulsa continues administering two contracts for the Oklahoma State Department of Health. The Authority has prepared a budget through June 30, 2012 but expects changes in the budget as the Long Term Care Management Authority of Tulsa heads in its new direction and secures other funding.

Long Term Care Management Authority of Tulsa has continued its long standing relationship with the Oklahoma State Department of Health through the two contracts administering the HIV Insurance Assistance Program and the HIV Home Health Program, and both Programs have grown this past year in utilization and budget.

For the first time The Authority entered into the community level market by pursuing and successfully receiving a contract with the Tulsa Community Foundation for the development of a case management system for Tulsa's homeless service provider network. By utilizing its expertise in the development of systems, the Authority facilitated the establishment of the system's governance structure, established operating protocols and policies, developed an integrated case management system and recommended implementation. The Authority developed a training and mentoring program, quality assurance program, and analyzed and made recommendations for the homeless management information system. As a value added dimension of the contract, the Authority completed a federal grant application on behalf of the homeless service provider collaborative to fund the implementation of the case management system.

Through a contract with the Oklahoma Health Care Authority, the state's Medicaid agency, the Authority developed and implemented the federal "Money Follows the Person" system change grant. The program design and information technology infrastructure the Authority developed improves the state's position for balancing the options for long term care.

Presently, with significant healthcare system changes on the horizon, issues related to the economic downturn and the uncertainty related to funding, the Authority is exploring new directions and partnerships for the organization. Since state agencies administer Medicaid, the primary funding source for long term care, the Authority must be open to state government contracts. However, the Authority recognizes the risks associated with limiting its work to state government contracts and is developing partnerships with non-governmental organizations and is pursuing new business opportunities in Tulsa and across the state.

Related to state contract opportunities, the Authority has been encouraged by stakeholders to bid on the recently released RFPs for the ADvantage Program and four other Medicaid long term care programs and the Authority's Management and Board have taken this under consideration. With the elevated concern the state's Executive and Legislative branches are demonstrating related to the administrative performance of Oklahoma's Department of Human Services and Health Care Authority, intent to outsource as much as possible, and current changes in state agency leadership, opportunities for the Authority to resume partnerships with both agencies could become a reality. In addition, the federal government is expanding its practices for funding Medicaid and Medicare related initiatives by no longer limiting federal contracts to only state agencies. Community Based Organizations (CBOs) are being encouraged to apply for grants and contracts directly with the federal government and facilitate partnerships with the private and public sector.

The Authority has been encouraged by the Oklahoma Foundation for Medical Quality (OFMQ), the state's Quality Improvement Organization (QIO) for Medicare, to consider applying for the Community Based Care Transitions Program. As the CBO for the Program, the Authority would partner with multiple hospitals and develop and implement care transition models aimed at reducing and preventing hospital readmissions. The Authority has been meeting with hospitals and health systems across the state to initiate activities related to this Program as well as determine additional opportunities for partnerships and consulting.

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Additional new business at the community level is in the works. The Authority is in the process of developing a relationship with the Tulsa County Court for "wards" with guardianship in need of care and treatment at home. The Authority is proposing to use the standards, processes and trained Providers to deliver case management and in-home services to those under guardianship with oversight and reporting performed by the Authority. Not only can this service be replicated in counties across the state, but this will lay the foundation for the service offered to the public for private payment.

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 8,767
Accounts receivable	158,269
Total assets	$ 167,036
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	64,205
Total liabilities	64,205
NET ASSETS	
Unrestricted net assets	102,831
Total liabilities and net assets	$ 167,036

See notes to financial statements.

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE			
Federal grants and contracts	$ 1,690,297	-	$ 1,690,297
Other grants and contracts	-	267,500	267,500
Miscellaneous income	3	-	3
Net assets released from restriction	267,500	(267,500)	-
Total operating revenue	1,957,800	-	1,957,800
OPERATING EXPENSES			
Personnel services	1,116,909	-	1,116,909
Insurance assistance payments	743,008	-	743,008
Occupancy	53,731	-	53,731
Contractual services	60,575	-	60,575
Operational expense	12,895	-	12,895
Travel	4,010	-	4,010
Other	7,041	-	7,041
Total operating expenses	1,998,169	-	1,998,169
OPERATING INCOME (LOSS)	(40,369)	-	(40,369)
NON-OPERATING REVENUE (EXPENSE)			
Interest (expense)	(2,660)	-	(2,660)
Net non-operating expense	(2,660)	-	(2,660)
CHANGE IN NET ASSETS	(43,029)	-	(43,029)
NET ASSETS, BEGINNING OF YEAR	145,860	-	145,860
NET ASSETS, END OF YEAR	$ 102,831	-	$ 102,831

See notes to financial statements.

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

OPERATING ACTIVITIES	
Cash from federal contracts	$ 1,974,847
Cash from training fees	3
Cash paid to employees	(1,160,791)
Cash paid to others	(817,022)
NET CASH USED BY OPERATING ACTIVITIES	(2,963)
NON-CAPITAL FINANCING ACTIVITY	
Borrowing on line of credit	185,000
Repayments on line of credit	(331,000)
Cash paid for interest	(2,660)
NET CASH USED FOR FINANCING ACTIVITIES	(148,660)
NET CHANGE IN CASH	(151,623)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	160,390
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,767

RECONCILIATION OF OPERATING ACTIVITIES	
Operating income (loss)	$ (40,369)
Changes in assets and liabilities	
Accounts receivable	17,050
Accounts payable	20,356
NET CASH USED BY OPERATING ACTIVITIES	$ (2,963)

See notes to financial statements.

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activity

Long-Term Care Management Authority of Tulsa (the Authority) is a public trust established on December 14, 1987, under the Oklahoma Public Trust Act for the benefit of the City and County of Tulsa, Oklahoma. The purpose of the Authority is to assure the accessibility and quality of care and cost effectiveness of long-term care services in the greater Tulsa metropolitan area.

The basic financial statements of the Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

Basis of Accounting

The Authority accounts for its activities within a proprietary fund. The Authority's activities meet the definition of a proprietary fund because it is the intent to recover the costs of providing services through grant revenue.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The accrual basis of accounting is utilized by the proprietary fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As required by the GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless FASB and/or APB pronouncements conflict with or contradict GASB pronouncements.

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Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable represents program revenue earned that was uncollected at June 30, 2011. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Accounts receivable are short-term, noninterest bearing, and uncollateralized.

Capital Assets

As of June 30, 2011, all capital assets utilized by the Authority were the property of a grantor agency.

Grant Revenue

The Authority relies on a government agency which supplies a significant portion of the Authority's revenues. The Authority records income from contracts in the period in which contract expenses are earned and become measurable.

Income Taxes

The Authority is a public trust under the laws of the State of Oklahoma and is also exempt from income taxes under Title 60, Oklahoma Statutes, 1981, Sections 176 et. seq. Accordingly, no provision for federal or state income taxes is necessary.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Priority of Net Assets

When an expense is incurred for a purpose, for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted assets first.

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NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

The Authority maintains its cash balances at one financial institution. Their deposits are entirely covered by federal depository insurance (FDIC) or are collateralized by securities held by the financial institution. The FDIC insures the first $250,000 of the Authority's deposits. Deposit balances over $250,000 are insured by these securities. As of year-end, the carrying amount of the Authority's demand deposits and bank balances did not exceed the insured amount. The Authority has a formal deposit policy for custodial credit risk.

NOTE 3 - OPERATING LEASES

The Authority occupies office space under a lease agreement which expired June 30, 2011. Total rent expense for the year ended June 30, 2011 was $42,540. The Authority is currently renting on a month to month basis.

NOTE 4 - LINE OF CREDIT

During 2010, the Authority opened a new line of credit with maximum borrowings of $750,000 at 1.5% over the prime rate (4.75% at June 30, 2010). The line is collateralized by substantially all the Authority's assets and was scheduled to mature on August 15, 2010. The balance on the line of credit was paid in full by December 31, 2010 and was not renewed. There was no outstanding balance on the note at June 30, 2011 and a balance of 146,000 at June 30, 2010. For the year ended June 30, 2011, the Authority borrowed $185,000 and repaid $331,000 under debt agreements. The line of credit is subject to certain debt covenants. The Authority was in compliance with all such covenants as of June 30, 2011.

NOTE 5 - CONTRACT REVENUES

The following is a summary of contract revenues for the year ended June 30, 2011:

A Way Home for Tulsa	$ 267,500
Living Choice Project	834,374
Health Insurance Assistance Program	844,080
HIV Home Health Services	11,843
Total	$ 1,957,797

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NOTE 6 - ECONOMIC DEPENDENCY

The Authority receives significant support from federal contracts. The loss of these sources of support could have an adverse effect on the Authority's financial stability.

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority carried insurance through commercial insurance carriers to cover all risks of losses. The Authority had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three years.

NOTE 8 - SUBSEQUENT EVENTS

As of February 27, 2012, the date the financial statements were available to be issued, no subsequent events or transactions had occurred that would have materially impacted the financial statements.

NOTE 9 - GOING CONCERN

Certain of the Authority's funding contracts expired during the fiscal year with the remaining expiring after year end. Management has been unable to secure additional funding through Federal, state, or other contracts. These condition raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SUPPLEMENTARY INFORMATION

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
STATEMENT OF ACTIVITIES BY FUNCTION AND FUNDING SOURCE
YEAR ENDED JUNE 30, 2011

	Health Insurance Assistance Program	Living Choice Project	HIV Home Health Services	LTCA Fund	A Way Home for Tulsa	Total
REVENUE						
Federal grants and contracts	844,080	834,374	11,843	-	-	1,690,297
Other grants and contracts	-	-	-	-	267,500	267,500
Miscellaneous income	-	-	-	-	3	3
Total revenue	844,080	834,374	11,843	-	267,503	1,957,800
EXPENSES						
Personnel services	55,935	735,809	6,094	85,618	233,453	1,116,909
Insurance assistance payments	743,008	-	-	-	-	743,008
Occupancy	3,632	37,917	164	1	12,017	53,731
Contractual services	7,813	45,629	4,995	226	1,912	60,575
Operational expense	1,657	8,434	4	1,256	1,544	12,895
Travel	-	3,277	-	529	204	4,010
Interest expense	-	-	-	2,660	-	2,660
Other	-	923	3,599	555	1,964	7,041
Interfund transfers	-	-	-	-	-	-
Total expenses	812,045	831,989	14,856	90,845	251,094	2,000,829
CHANGE IN NET ASSETS	$ 32,035	$ 2,385	$ (3,013)	$ (90,845)	$ 16,409	$ (43,029)

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Program Period	Federal CFDA Number	Agency or Pass-Through Number	Program or Award Amount	Federal Award Expended
U.S. Department of Health and Human Services:					
Passed through Oklahoma Health Care Authority:					
Money Follows the Person Rebalancing Demonstration:					
Living Choice Project	07/01/2010 to 03/31/2011	93.791	20090289	$ 987,000	$ 834,374
Health Resources and Services Administration:					
Passed through State Department of Health:					
HIV Care Formula Grants:					
Health Insurance Assistance Program	06/01/2010 to 03/31/2011	93.917 *	3409014783	$ 895,000	618,244
	04/01/2011 to 03/31/2012	93.917 *	3409014783	$ 895,000	225,836
HIV Home Health Services	06/01/2010 to 03/31/2011	93.917 *	3409014782	$ 25,000	8,616
	04/01/2011 to 03/31/2012	93.917 *	3409014782	$ 25,000	3,227
Total HIV Care Formula Grants					855,923
Total					$ 1,690,297

* Denotes a major program cluster

See notes to Schedule of Expenditures of Federal Awards.

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Long-Term Care Management Authority of Tulsa under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Long-Term Care Management Authority of Tulsa, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Long-Term Care Management Authority of Tulsa.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

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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*

The Board of Trustees
Long-Term Care Management Authority of Tulsa
Tulsa, Oklahoma

We have audited the financial statements of Long-Term Care Management Authority of Tulsa (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above; however, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting [2011-1]. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the Authority, and 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.

Morse & Co., PLLC

February 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Long-Term Care Management Authority of Tulsa
Tulsa, Oklahoma

Compliance

We have audited Long-Term Care Management Authority of Tulsa's (the Authority) compliance with the types of compliance requirements described in the 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, 2011. The Authority'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 Authority's management. Our responsibility is to express an opinion on the Authority'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. 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 Authority'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 of the Authority's compliance with those requirements.

In our opinion, the Authority 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, 2011.

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Internal Control Over Compliance

Management of the Authority 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 Authority's internal control over compliance with 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 the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design of 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.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the Authority, and 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.

Morse & Co., PLLC

February 27, 2012

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

1. The independent auditor's report on the financial statements was disclaimed.

2. One significant deficiency relating to the audit of the financial statements is reported in 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.

3. No instances of noncompliance considered material to the financial statements of Long-Term Care Management Authority were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on internal control over financial reporting and on compliance and other matters.

5. The independent auditor's report on compliance for the major federal award programs expressed an unqualified opinion on all major federal programs.

6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs include:

Program	CFDA Number
Money Follows the Person Rebalancing Demonstration	93.791
HIV Care Formula Grants	93.917

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs, as those terms are defined in OMB Circular A-I33.

9. The Authority did not qualify as a low-risk auditee, as that term is defined in OMB Circular A-133.

(continued on next page)

Section II - Findings Required to be Reported by Government Auditing Standards

Findings Relating to the Financial Statements

2011-1 *Condition:* Long-Term Care Management Authority of Tulsa's internal controls require bank reconciliations and journal entries to be reviewed and approved by another member of management; however, no evidence of such review was found.

Criteria: Documents should be initialed by the preparer and the individual reviewing and approving them in order to attribute responsibility to the appropriate individuals.

Cause: No sign-offs were evident on bank reconciliations or journal entries.

Effect: Due to lack of sign-offs, no evidence exists that review and approval was performed.

Recommendation: Individuals assigned to prepare, review, and approve journal entries and bank reconciliations should initial the documents when complete.

Response: Long Term Care Management Authority of Tulsa responds that it is standard practice for the CFO to review the bank reconciliation and the journal entries when they are prepared. After the tasks are completed the CFO reviews the documents and signs off indicating management approval. The procedures of Long Term Care Management Authority of Tulsa require that the bank reconciliation is reviewed and initialed by the reviewer. Although it is standard practice for journal entries to be reviewed after they are prepared, there is no procedure in place for the review of journal entries. A procedure will be developed to require that all journal entries be reviewed and initialed by the reviewer. In addition the Executive Director will begin receiving the monthly bank statements unopened and review the statement for unusual items.

Section III - Finding Required to be Reported by OMB Circular A-133

None noted.

LONG-TERM CARE MANAGEMENT AUTHORITY OF TULSA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section II - Findings Required to be Reported by Government Auditing Standards

Findings Relating to the Financial Statements

2010-1 *Condition:* Long-Term Care Management Authority of Tulsa's internal controls require bank reconciliations and journal entries to be reviewed and approved by another member of management; however, no evidence of such review was found.

Criteria: Documents should be initialed by the preparer and the individual reviewing and approving them in order to attribute responsibility to the appropriate individuals.

Cause: No sign-offs were evident on bank reconciliations or journal entries.

Effect: Due to lack of sign-offs, no evidence exists that review and approval was performed.

Recommendation: Individuals assigned to prepare, review, and approve journal entries and bank reconciliations should initial the documents when complete.

Response: Long Term Care Management Authority of Tulsa responds that it is standard practice for the CFO to review the bank reconciliation and the journal entries when they are prepared. After the tasks are completed the CFO reviews the documents and signs off indicating management approval. The procedures of Long Term Care Management Authority of Tulsa require that the bank reconciliation is reviewed and initialed by the reviewer. Although it is standard practice for journal entries to be reviewed after they are prepared, there is no procedure in place for the review of journal entries. A procedure will be developed to require that all journal entries be reviewed and initialed by the reviewer.

Section III - Finding Required to be Reported by OMB Circular A-133

None noted.