

Oklahoma City-County Health Department

Auditor's Reports and Financial Statement

Year Ended June 30, 2014



Oklahoma City-County Health Department
Year Ended June 30, 2014

Contents

Independent Auditor’s Report	1
Financial Statement	
Statement of Cash Receipts and Disbursements.....	4
Notes to Statement of Cash Receipts and Disbursements	6
Supplementary Information	
Budgetary Comparison Schedule	10
Note to Budgetary Comparison Schedule	11
Schedule of Expenditures of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards	13
Schedule of Expenditures of State Awards	14
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance	17
Schedule of Findings and Questioned Costs	19
Summary Schedule of Prior Audit Findings	22

Independent Auditor's Report

Board of Health
The Oklahoma City-County Health Department
Oklahoma City, Oklahoma

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Oklahoma City-County Health Department (the Department) for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in *Note 2*; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Department, as of and for the year ended June 30, 2014, in accordance with the cash basis of accounting described in *Note 2*.

Emphasis of Matter

We draw attention to *Note 2* of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the notes to the schedule of expenditures of federal awards and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The budgetary comparison schedule and note to budgetary comparison schedule, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the Department'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* considering the Department's internal control over financial reporting and compliance.

BKD, LLP

Oklahoma City, Oklahoma
January 15, 2015

Oklahoma City-County Health Department
Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

Cash Receipts	
Property taxes	\$ 15,627,927
Intergovernmental revenues	8,420,765
Charges for services	1,152,028
Miscellaneous revenues	612,336
Interest income	<u>15,801</u>
Total cash receipts	<u>25,828,857</u>
Cash Disbursements	
Personnel services	17,703,161
Maintenance and operations	4,251,029
Capital outlay	749,019
Lease payments	577,298
Travel	<u>442,930</u>
Total cash disbursements	<u>23,723,437</u>
Excess Cash Receipts over Disbursements	2,105,420
Cash and Cash Equivalents, Beginning of Year	<u>14,940,545</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 17,045,965</u></u>

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

Note 1: Nature of Operations

The Oklahoma City-County Health Department (the Department) is a special unit of government, which does not possess political or governmental powers other than those necessary to carry out the specific purpose for which it was created. The Department was created pursuant to 63 O.S. § 1-214 and a 1956 operating agreement (revised in 1996) between Oklahoma County and Oklahoma City. The Department provides public health services to all citizens of Oklahoma County (the County). The Department is not subject to federal or state income taxes.

The governing board of the Department is the Board of Health, created in accordance with 63 O.S. § 1-210. The purpose of the Board is to preserve and promote public health and to assist in the formulation and adoption of uniform health ordinances, rules and regulations within the jurisdiction of the Board. The Board consists of nine members. Five members are appointed by the City Council of Oklahoma City, and four members are appointed by the Board of County Commissioners of Oklahoma County. The Board of Health's business meetings are open to the public.

The accompanying financial statement includes all of the Department's receipts and disbursements relating to funds, functions and activities for which the Board is accountable. The Department is not a component unit of another government and does not have any component units. The primary sources of funding for the Department are a county-wide ad valorem tax levy, charges for service and intergovernmental grants and contracts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Department uses the cash basis of accounting in recording transactions. Although the cash basis of accounting is not in accordance with accounting principles generally accepted in the United States of America for financial statement presentation, management has determined that using the cash basis is an acceptable basis for the preparation of the Department's financial statement.

If the Department prepared its financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, the following changes would be necessary:

- The Department would utilize both the full accrual and modified accrual basis of accounting, *i.e.*, expenses would be recorded when the obligation is incurred rather than when paid and revenues would be recorded when earned rather than when received (full accrual accounting), or expenses would be recorded when the liability is incurred, except for long-term debt and interest, which are reported in the year due and revenues are recognized when they are both measurable and available (modified accrual accounting).

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

- Financial statements normally identified with governmental funds would be presented. Such financial statements and required supplementary information would include:
 - Statement of net position
 - Statement of revenues, expenses and changes in net position
 - Statement of fund balance
 - Statement of changes in fund balance
 - Management’s discussion and analysis (MD&A)

Related Organization

The Board was responsible for the initial appointment of members of the board of a nonprofit corporation, but the Department’s accountability for this organization does not extend beyond making the appointments. The following organization is not included in the financial statements:

- Partners in Public Health, Inc., is a non-profit corporation organized for “charitable and educational” purposes.

Cash and Cash Equivalents

The Department adopted a formal investment policy in February 2014, as amended. State statutes authorize the Department to adopt a written investment policy directing the investment of the funds of the Department. The Director of Finance is allowed, by the investment policy, to invest in obligations of the U.S. Treasury, certificates of deposit, savings accounts of banks, savings and loans and trust companies, if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department carries commercial insurance for its physical plant, with a \$50,000 deductible; participates in the Oklahoma state health and dental plans for its health benefits coverage for employees; has coverage through CompSource Oklahoma for workers’ compensation coverage; and is self-insured for errors and omissions and for other general liability claims under \$175,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the *Governmental Tort Claims Act* in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2014 fiscal year.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

Compensated Absences

Annual Leave – Accrual rates vary in four stages from 15 days (10 hours/month) per year for less than 5 years to 25 days (16 2/3 hours/month) per year for 15 or more years. Any employee terminating from employment shall be paid for any unused, accrued annual leave up to an amount of 480 hours. All other accrued annual leave over this amount will not be paid to the employee.

Sick Leave – The accrual rate for sick leave is 15 days (10 hours/month) with no accumulation limit. The amount of sick leave that can be credited toward retirement will not exceed the amount in the most current retirement plan. Employees may convert up to 40 hours of sick leave to annual leave or pay each fiscal year, provided a minimum of 180 hours of sick leave is maintained. No accrued, unused sick leave will be paid upon termination from employment.

Note 3: Stewardship, Compliance and Accountability

Budgetary Compliance

Pursuant to 68 O.S. § 3002, on or before August 17 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is adopted for the general fund by object and submitted to the Oklahoma County Excise Board for approval. The Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Oklahoma County Excise Board.

Note 4: Deposits and Investments

At year-end, the cash and cash equivalents consisted of amounts in demand deposits and a money market fund. The reported amount of the Department's deposits was \$17,045,965 and the bank balance was \$17,292,984. Of the bank balance, 100% was covered by federal depository insurance or collateral held by the Department's agent in the Department's name.

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure the Department may not be able to recover its deposits. The Department policy requires banks to be 110 percent secured by collateral valued at market value less Federal Deposit Insurance Corporation (FDIC) insurance. As of June 30, 2014, the Department's bank balance of \$17,292,984 was FDIC-insured for \$250,000 and the bank had pledged securities of \$21,293,696.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department limited activity to interest-bearing government obligations money market funds totaling approximately \$58,000 demand deposits for the year ended June 30, 2014. This limited the possibility of interest rate risk affecting deposits of the Department.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

Note 5: Ad Valorem Tax

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the Department.

The assessed property value as of January 1, 2014, was \$6,011,682,126, net of homestead exemptions of \$123,306,706.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2014, were approximately 97 percent of the tax levy.

Note 6: Pension Plan

The Department sponsors a defined contribution plan for the benefit of its employees. The defined contribution plan is administered by Massachusetts Mutual Life Insurance Company. All employees are eligible to participate in the plan. The plan may be amended from time to time by action of the Department's Board of Health.

Eligible participants may choose to invest their individual retirement funds in a variety of mutual fund and other investment options available through the plan administrator.

Benefits under the defined contribution plan include entitlement to the amount in the individual employee's account upon retirement, or upon termination of employment due to total and permanent disability. A participant is credited with a year of service for each year that the participant works 1,000 hours or more. Partial vesting accrues after the second year at the rate of 20% per year, until 100% vesting is completed at the end of six years of service. Upon the death of a vested participant, his or her beneficiary(ies) is eligible to receive the participant's retirement benefits.

Retiring participants may choose from a variety of options from the distribution of benefits under the defined contribution plan. These options include immediate lump-sum distribution of the entire account balance, various installment-style distributions and/or various annuity options.

Oklahoma City-County Health Department
Notes to Statement of Cash Receipts and Disbursements
Year Ended June 30, 2014

The Department contributes 12% of each employee’s salary. Employees make no contributions. The Department’s cash contributions to the defined contribution plan for the year ended June 30, 2014, were \$1,458,136. A copy of the plan may be obtained from the Oklahoma City-County Health Department Finance Office at 2600 NE 63rd, Oklahoma City, OK 73111 or you may call 405.425.4349.

Note 7: Lease Obligations

The Department is paying on a 20-year lease renewable annually for the Northeast Health and Wellness Center Building. This building houses the Department’s administrative and emergency operations departments, as well as provides clinical services, community health educational presentations and meeting spaces for the public. The lease agreement was entered into on January 1, 2012, with the Oklahoma County Financing Authority (the Authority). Payments made by the Department will be used to pay the principal and interest on the Authority’s revenue bonds related to the building project.

During the year ended June 30, 2014, the Department paid \$567,825 in principal and interest on the building and \$9,473 in administrative fees. Future lease payments for the lease are as follows:

2015	\$ 569,825
2016	569,150
2017	570,850
2018	568,625
2019	567,088
2020–2024	2,848,994
2025–2029	2,842,741
2030–2032	<u>1,234,545</u>
	<u><u>\$ 9,771,818</u></u>

Note 8: Contingencies

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of cash receipts which may be disallowed by the grantor cannot be determined at this time, although, the Department expects such amounts, if any, to be immaterial.

Supplementary Information

Oklahoma City-County Health Department
Budgetary Comparison Schedule
Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning cash and cash equivalents, budgetary basis	\$ 14,940,545	\$ 14,940,545	\$ -
Less: prior year encumbrances	<u>(3,061,142)</u>	<u>(2,188,949)</u>	<u>872,193</u>
Beginning cash balances, budgetary basis	<u>11,879,403</u>	<u>12,751,596</u>	<u>872,193</u>
Receipts			
Property taxes	14,154,779	15,592,079	1,437,300
Intergovernmental revenues	7,500,563	8,818,961	1,318,398
Charges for services	679,147	771,782	92,635
Miscellaneous revenues	<u>238,516</u>	<u>646,035</u>	<u>407,519</u>
Total receipts, budgetary basis	<u>22,573,005</u>	<u>25,828,857</u>	<u>3,255,852</u>
Disbursements			
Personnel services	19,194,590	17,673,603	1,520,987
Maintenance and operations	5,262,466	4,633,756	628,710
Capital outlay	6,239,725	860,125	5,379,600
Future capital outlay (pursuant to 63 O.S. § 1-226)	3,000,000	-	3,000,000
Travel	<u>755,627</u>	<u>482,766</u>	<u>272,861</u>
Total disbursements, budgetary basis	<u>34,452,408</u>	<u>23,650,250</u>	<u>10,802,158</u>
Excess of receipts and beginning cash and cash equivalents over disbursements, budgetary basis	<u>\$ -</u>	14,930,203	<u>\$ 14,930,203</u>
Reconciliation to statement of receipts, disbursements and changes in fund balances			
Add: current year encumbrances		<u>2,115,762</u>	
Ending cash and cash equivalents		<u>\$ 17,045,965</u>	

The accompanying note to budgetary comparison schedule is an integral part of this schedule.

Oklahoma City-County Health Department
Note to Budgetary Comparison Schedule
Year Ended June 30, 2014

Note 1: Budgetary Comparison Schedule

The budgetary comparison schedule presents comparisons of the legally adopted budget with actual data. The “actual” data, as presented in the comparison of budget and actual, will differ from the data as presented in the statement of cash receipts and disbursements because the budgetary basis of accounting includes encumbrances related to the budget year.

Oklahoma Statutes require the Department to prepare a formal budget for the Board of Health.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration.

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute paid or outstanding warrants. At the end of the fiscal year, unencumbered appropriations are lapsed.

Oklahoma City-County Health Department
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
U.S. Department of Agriculture			
<i>Passed-through from the Oklahoma State Department of Health</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	PO3409014920	\$ 1,333,722
Total U.S. Department of Agriculture			<u>1,333,722</u>
U.S. Department of Health and Human Services			
<i>Passed-through from the National Association of County and City Officials</i>			
Medical Reserve Corps Small Grant Program	93.008	MRC 14-0335	3,500
<i>Passed-through from the Oklahoma State Department of Health</i>			
Public Health Emergency Preparedness	93.069	PO3409017114	876,095
Affordable Care Act Personal Responsibility Education Program	93.092	PO3409016841	339,914
Family Planning Services	93.217	PO3409017114	506,070
Immunization Cooperative Agreements	93.268	PO3409018681/ 3409016449	482,058
Immunization Cooperative Agreements – Noncash Assistance	93.268	PO3409018681/ 3409016449	<u>918,742</u>
Total CFDA No. 93.268			<u>1,400,800</u>
Affordable Care Act Maternal, Infant, and Early Childhood Visiting Program	93.505	PO3409016455	426,713
Community-Based Child Abuse Prevention Grants	93.590		156,701
Preventive Health Services – Sexually Transmitted Diseases Control Grants	93.977	PO3409015194	5,396
Maternal & Child Health Services Block Grant	93.994	PO3409017114	180,858
<i>Passed-through from Oklahoma Department of Mental Health and Substance Abuse Services</i>			
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243	PO4529045833	58,479
<i>Passed-through from the Oklahoma University Health Sciences Center</i>			
Affordable Care Act Public Health Training Centers Program	93.516	PO OUHSC- 0000063397	16,077
Direct Program			
PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds	93.531	1U58DP003712- 01	<u>626,822</u>
Total U.S. Department of Health and Human Services			<u>4,597,425</u>
U.S. Department of Homeland Security			
<i>Passed-through from the Oklahoma Office of Homeland Security</i>			
Citizens-Community Resilience Innovation Challenge	97.053	380.052	<u>20,806</u>
Total U.S. Department of Homeland Security			<u>20,806</u>
Total Expenditures of Federal Awards			<u>\$ 5,951,953</u>

Oklahoma City-County Health Department
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1: Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Department, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Federal CFDA Numbers

Federal CFDA numbers or other identifying numbers listed on this schedule were obtained from the respective grant/contract agreement.

Note 3: Immunization Grants CFDA #93.268

Noncash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The fair value of \$918,742 in non-cash assistance received is included in the schedule of expenditures of federal awards.

Note 4: Subrecipients

Of the federal expenditures presented in this Schedule, the Department provided federal awards to subrecipients of the PPHF – Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by Prevention and Public Health Funds Program, CFDA #93.531, in the amount of \$194,204 for the year ended June 30, 2014.

Oklahoma City-County Health Department
Schedule of Expenditures of State Awards
Year Ended June 30, 2014

State Grantor/Grant Program Title	State PO Number	State Expenditures
Oklahoma State Department of Health		
Child Guidance Program	H016798	\$ 294,772
Maternal & Child Health Services	H016841	531,915
Special Perinatal Pediatrics	H015063	75,000
Children First Program	H016836	1,114,793
HIV Testing & Consulting	H015194	57
State Omnibus	H016918	<u>757,695</u>
Oklahoma State Department of Health		<u><u>\$ 2,774,232</u></u>

Note 1: Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Department and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Health
Oklahoma City-County Health Department
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the accompanying statement of cash receipts and disbursements of the Oklahoma City-County Health Department (the Department), for the year ended June 30, 2014, and have issued our report thereon dated January 15, 2015, which contained an *Emphasis of Matter* paragraph regarding the use of an accounting basis other than the accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Health
Oklahoma City-County Health Department

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

BKD, LLP

Oklahoma City, Oklahoma
January 15, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Board of Health
Oklahoma City-County Health Department
Oklahoma City, Oklahoma

Report on Compliance for Each Major Program

We have audited the compliance of Oklahoma City-County Health Department (the Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB), *Circular A-133 Compliance Supplement* that could have a direct and material effect on the Department's major federal programs for the year ended June 30, 2014. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the *Oklahoma Open Records Act* (51 O.S., § 24A.1 et seq.), and shall be open to any person for inspection and copying.

BKD, LLP

Oklahoma City, Oklahoma
January 15, 2015

Oklahoma City-County Health Department
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Oklahoma City-County Health Department
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Known Questioned Costs
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No matters are reportable.

Oklahoma City-County Health Department
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Finding – 2013 – Community Transformation Grants

Ref No: 2013–155–010

Federal Agency: Department of Health and Human Services

CFDA No: 93.531

Federal Program Name: PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds

Federal Award Year: 2012–2013

Control Category: Suspension and Debarment

Questioned Costs: \$0

Condition: The Department monitors the suspension and debarment of all of its employees who work under federal grants. The Department is the direct recipient of the PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds. It must also monitor the suspension and debarment status of all subrecipients contracted under federal grants. The Department does not have any documentation showing that it checked the suspension and debarment of all subrecipients used in its administration of the Community Transformation Grants – CFDA # 93.531.

Cause of Condition: In these instances with subrecipients, the Department did not follow proper procedures as outlined in federal compliance requirements regarding suspension and debarment.

Effect of Condition: Existing policies and procedures regarding the documentation of suspension and debarment of subrecipients of federal grants were not followed in these instances resulting in noncompliance with suspension and debarment procedures.

Recommendation: The Oklahoma State Auditor and Inspector recommend the Department maintain documentation of subrecipients who are contracted to receive money from federal grants.

Management Response: Management is reviewing current suspension and debarment procedures and will make changes to the procedures as necessary to ensure compliance in the future. Also, all subrecipient statuses have since been checked and it was confirmed that none were on the suspension and debarment list.

Criteria: The *Circular A-133 Compliance Supplement* states, “Non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.”

Current Status: The Department has taken corrective action in regards to this finding.