

OKLAHOMA COUNTY

SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 2007

**COUNTY
AUDIT**



Jeff A. McMahan

Oklahoma State Auditor
& Inspector

**OKLAHOMA 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, 2007**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

March 21, 2008

TO THE CITIZENS OF
OKLAHOMA 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 Oklahoma County, Oklahoma, for the fiscal year ended June 30, 2007. Our report on the audited 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 "Michelle R. Day".

MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

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Schedule of Expenditures of Federal Awards

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Oklahoma Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 43,154
National School Lunch Program	10.555	N/A	<u>67,464</u>
Total U.S. Department of Agriculture			<u>110,618</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma City Housing Authority:			
Resident Opportunity and Supportive Services - Homeownership & Family	14.870	N/A	<u>67,099</u>
Total U.S. Department of Housing and Urban Development			<u>67,099</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct:			
Payments in Lieu of Taxes	15.226	N/A	<u>7,844</u>
Total U.S. Department of Interior			<u>7,844</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
Buffer Zone Protection Program	97.078	OK-SHSP 11 #59.15	41,047
Local Law Enforcement Block Grants Program	16.592	2003-LBBX1917	54,936
State Domestic Preparedness Equipment Support Program	97.004	OK-SHSP 11 #23.07	199,642
Bulletproof Vest Partnership Program	16.607	2004BOBX04025671	8,674
Bulletproof Vest Partnership Program	16.607	2005D6B505027683	<u>16,495</u>
Total CFDA # 16.607			25,169
Passed Through Oklahoma Department of Corrections:			
Prisoner Reentry Initiative Demonstration	16.202	N/A	134,783
Passed Through Oklahoma Office of Juvenile Affairs:			
Juvenile Accountability Block Grants	16.523	2003-PV-09-14	4,755
Passed Through Oklahoma District Attorneys Council:			
Crime Victim Assistance	16.575	N/A	69,965
Total U.S. Department of Justice			<u>530,297</u>

The accompanying notes are an integral part of this schedule.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through City of Oklahoma City Office of Workforce Development:			
WIA Cluster			
WIA Adult Program	17.258	N/A	1,480,112
WIA Youth Activities	17.259	N/A	631,926
WIA Dislocated Workers	17.260	N/A	94,805
Total U.S. Department of Labor			<u>2,206,843</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-06-03-17-03	96,005
State and Community Highway Safety	20.600	PT-07-03-19-04	88,098
Total U.S. Department of Transportation			<u>184,103</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Oklahoma State Department of Civil			
Emergency Management Performance Grants	97.042	N/A	6,635
Disaster Grants-Public Assistance	97.036	N/A	166,844
Total Federal Emergency Management Agency			<u>173,479</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Oklahoma Department of Human Services:			
Food Donation	10.550	N/A	4,136
Total U.S. Department of Health and Human Services			<u>4,136</u>
Total Expenditures of Federal Awards			<u>\$ 3,284,419</u>

The accompanying notes are an integral part of this schedule.

OKLAHOMA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

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

**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 OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**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
OKLAHOMA 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 Oklahoma County, Oklahoma as of and for the year ended June 30, 2007, which collectively comprise Oklahoma County's basic financial statements and have issued our report thereon dated February 19, 2008. 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 Oklahoma County Public Buildings Authority, the Oklahoma County Finance Authority, and the defined benefit retirement plan of the Employees' Retirement System of Oklahoma County, as described in our report on Oklahoma 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 Oklahoma 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 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2007-2, 2007-4, 2007-5, 2007-6, 2007-7, 2007-10

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 item 2007-5 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2007-9.

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

This report is intended solely for the information and use of the management of the County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

February 19, 2008

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**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
OKLAHOMA COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Oklahoma County, Oklahoma with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Oklahoma County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oklahoma County's management. Our responsibility is to express an opinion on Oklahoma 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 Oklahoma County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide legal determination of Oklahoma County's compliance with those requirements.

In our opinion, Oklahoma 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, 2007.

Internal Control Over Compliance

The management of Oklahoma County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oklahoma County's internal control over compliance with the 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 Oklahoma County's internal control over compliance.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Oklahoma County as of and for the year ended June 30, 2007, and have issued our report thereon dated February 19, 2008. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Oklahoma 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 the County, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



MICHELLE R. DAY, Esq.
Deputy State Auditor and Inspector

February 19, 2008

Schedule of Findings and Questioned Costs

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

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 weaknesses? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? No

• Significant deficiency(ies) identified that are not considered to be material weakness(es)? None Reported

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? No

Identification of Major Programs

CFDA Number(s)

17.258
17.259
17.260

Name of Federal Program or Cluster

WIA Cluster:
WIA Adult Program
WIA Youth Activities
WIA Dislocated Workers

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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 2007-2 – Revenue-Register of Deeds

Criteria: An essential part of the internal controls established by the County Clerk is the performance of a daily reconciliation between the daily collections and the daily deposit, per each department. The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that all fees are properly charged. Supervisory review is an integral part of ensuring that established office policies and procedures are being followed.

Condition: During our examination of the Register of Deeds Daily Financial Reports, it was noted that the daily reconciliations, which were not reviewed and approved by management, excluded a fee for microfilm or compact discs to the abstractors. This omission from the reconciliation has been occurring since fiscal year 2003.

Effect: The Register of Deeds financial information was incomplete and errors were undetected for over five years.

Recommendation: We recommend that all reconciliations be reviewed and signed by management to ensure the accuracy of the report.

Views of responsible officials and planned corrective actions: County ClerkCarolynn Caudill provides the additional response that follows.

The County Clerk contacted the State Auditor’s Office, District Attorney’s Office, and Sheriff’s Department upon discovering invoices had not been mailed to customers receiving microfilm and compact discs from the Recorder of Deeds Department (ROD).

The person responsible for monthly invoicing was a long time county employee who did not follow established office policy and procedures. The problem came to light when the employee retired. Although microfilm and compact discs were being made and charges recorded the employee neglected to prepare and forward invoices to the customers.

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

The Clerk has made some personnel and procedural changes within the ROD department to correct the situation. MIS (Management Information Systems Department) has made changes to the program where ACH (Automated Clearing House) payments can now be made. Services are paid for at the time microfilm and cds are delivered to the customers.

SA&I response: The County Clerk identified this problem during our audit and implemented several corrective actions; they performed the following:

- 1) Performed an internal audit that identified fees not charged.
- 2) Billed the uncharged fees to the responsible parties.
- 3) As of 6/20/07 collected \$119,434.78 of the \$132,695.67 of uncharged fees.
- 4) Made personnel changes to improve the efficiency of the Register of Deeds Department.

Finding 2007-4 - Revenue-Boarding of Prisoners

Criteria: A primary objective of a sound system of internal controls is to provide timely, accurate, and complete financial information. Failure to perform tasks that are part of internal controls, such as updating records that properly reflect the number of days a contract prisoner is housed and reconciling to prisoner board billing sheets are operational deficiencies in internal control.

Condition: The Sheriff did not properly update records to reflect the number of days a contract prisoner was housed and was not reconciling amounts billed to the prisoner board billing sheets. We selected prisoner board billing sheets over a six-month period and recalculated the number of days boarded times the contract rate. There were 29 exceptions where the Sheriff's Office either over-billed or under-billed the contracting entities. The Sheriff's Office re-billed the contracting entities as variances were brought to their attention by the contracting entity.

Effect: This condition could result in unrecorded transactions, misstated financial records, undetected errors, lost or misappropriated revenue.

Recommendation: We recommend that the Sheriff's Office maintain adequate records to ensure that proper amounts are adequately billed.

Views of responsible officials and planned corrective actions: Oklahoma County intends to accurately bill all entities for all amounts due as those amounts are determined.

Oklahoma County Sheriff John Whetsel provides the additional response that follows.

The Sheriff's Office has implemented procedural changes and personnel changes within Detention Updates and is currently reviewing data from EJIS (Electronic Justice Information System) with respective agencies as it pertains to either J&S (Judgment and Sentencing) certifications for DOC (Department of Corrections) or 203 form for INS (Immigration and Naturalization Service). The Sheriff's Office has also purchased and is in the testing phase of an EJIS enhancement that allows for entry of

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

corrected billable days without affecting the original book-in and release dates. This enhancement will allow for a more accurate billing to the respective agencies due to the many procedural processes.

Finding 2007-5 - Revenue-Boarding of Prisoners

Criteria: A primary objective of a sound system of internal controls is to provide timely, accurate, and complete financial information. Failure to perform tasks that are part of internal controls, such as updating records that properly reflect the number of days a contract prisoner is housed and reconciling to prisoner board billing sheets are operational deficiencies in internal controls.

The contract with Oklahoma City states in part, "In addition after the City has used fifty four thousand seven hundred fifty (54,750) prisoner days annually, the City agrees to pay to the County Sheriff the sum of thirty nine dollars and twenty four cents (\$39.24) per day per prisoner for each additional prisoner incarcerated."

Condition: The Sheriff did not properly update records to reflect the number of days a contract prisoner was housed and was not reconciling amounts billed to the prisoner board billing sheets. We noted the Oklahoma City annual prisoner days exceeded the maximum 54,750 days by 18,181 days. The Sheriff's Office had not billed Oklahoma City for the additional prisoner days totaling \$713,422.44

Effect: This condition results in unrecorded transactions, misstated financial records, undetected errors, lost or misappropriated revenues.

Recommendation: We recommend the Sheriff's Office maintain a perpetual count of prisoner days to ensure any additional days over the contract minimum are properly billed.

Views of responsible officials and planned corrective actions: Oklahoma County will bill the City of Oklahoma City for all amounts due under the contract as those amounts are determined. Prior to contract renewal or extension, Oklahoma County will ensure that it is ready and able to fulfill its responsibilities under all contract provisions, including the accurate calculation and billing of amounts due.

Oklahoma County Sheriff John Whetsel provides the additional response that follows.

The Sheriff's Office has worked with MIS (Management Information Systems Department) towards internal enhancements that will now calculate a portion of the billing with Oklahoma City in regards to the terms and conditions of the current contract. The Sheriff's Office has also purchased an EJIS enhancement that is currently in testing and once implemented will allow for adjustment of beginning and ending dates and times for calculation in regards to the terms of the Oklahoma City contract. The Sheriff's Office has also purchased and implemented time/date stamp machines at the OCPD (Oklahoma City Police Department) desk and within Detention Receiving and Releasing to ensure accurate times for billing purposes. As for maintaining a perpetual count, that is done on a monthly basis and will be billed as to the terms of the contract. Once all enhancements are in place, billing for FY06-07 will be recalculated and FY07-08 will be adjusted. The contract with Oklahoma City is currently under review

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

with expectations of simplifying the terms and conditions. Note: the stated additional billable days and amount due are believed to be inaccurate, non-verifiable and overstated due to current or past EJIS software issues.

SA&I response: Per discussion with management of the Sheriff's Office, they have billed Oklahoma City for the additional days and have purchased a software package that will help capture the needed information to properly bill and automatically pick up the additional days to bill. The receivable amount was properly recorded on the financial statements of Oklahoma County.

Finding 2007-6 - Controls-Commissary

Criteria: Safeguarding controls are an aspect of internal controls. Effective internal controls would include of an accurate inventory count being maintained and proper documentation to support changes in inventory.

Condition: During testwork it was noted that the Sheriff's Office did not adequately maintain the commissary inventory. We were unable to reconcile 23 of the 25 items selected for testwork relating to the June 30, 2007, commissary inventory account.

Effect: Without an accurate inventory tracking, improprieties and errors in the inventory may occur and not be detected.

Recommendation: We recommend the Sheriff's Office implement controls over their commissary inventory, including the maintaining of inventory documentation, monthly reconciliations, and a continuous tracking of total items on hand.

Views of responsible officials and planned corrective actions: Oklahoma County intends to ensure that adequate internal controls are in place for all supply stocks, including any controls that are necessary to detect or prevent fraudulent activity or errors.

Oklahoma County Sheriff John Whetsel provides the additional response that follows.

The Sheriff's Office has purchased an inventory tracking system from Lockwood/GTSI that will incorporate both bar coding and RFID (Radio Frequency Identification) for both consumables and fixed assets. This inventory system will be implemented throughout the various division of the Sheriff's Office where applicable beginning March 3, 2008. In regards to Commissary, effective February 1, 2008, Commissary was moved into a new Division, Inmate Services Division, along with Inmate Trust so as to have a direct link with day to day operations. Commissary is also being relocated to one central location for all operations to ensure tighter inventory controls and better observation of day to day activities. All inventories will be monitored on either a weekly or monthly basis where needed.

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Finding 2007-7 – MIS Inventory

Criteria: Title 19 O.S. § 178.1 states in part, “The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record ...”

Condition: Of the 114 capital asset items listed on the MIS inventory, we tested 100% and noted 15 items with a net book value of zero that we were unable to physically confirm.

Effect: Without proper maintenance of inventory records, the inventory may be misstated or misappropriated.

Recommendation: We recommend the items not found be removed from the County Clerk’s Inventory Report.

Views of responsible officials and planned corrective actions: Management took corrective action after the inventory items were identified as missing per procedures performed, and the items have been removed from the County Clerk’s Inventory Report.

Finding 2007-9 – Capital Assets-Infrastructure Projects

Criteria: Title 69 O.S. § 633 states, “When any culvert or bridge is to be constructed at an estimated cost of Seventy-five Thousand Dollars (\$75,000.00) or more, or any culvert or bridge reconstruction is to be accomplished at an estimated cost of Seventy-five Thousand Dollars (\$75,000.00) or more, or grade-and-drainage project is to be developed, or reconstruction, replacement or major repairs are to be accomplished by the board of county commissioners acting alone or in cooperation with the state or federal government, at an estimated cost of One Hundred Fifty Thousand Dollars (\$150,000.00) or more, in either event, engineering plans and specifications shall be prepared by the county engineer to insure sound engineering practices. The project shall be advertised for bids pursuant to Section 1101 of this title, and the contract shall be let only after notice at a public letting. If the construction work can be completed for a cost below or equal to the estimate of the engineer or below any bid submitted at a public letting and so entered in its journal, nothing in this title shall prevent the board from causing the same to be built by day labor, force account, and purchase by the county of materials as provided by law.”

Condition: During our examination of Oklahoma County’s infrastructure projects we noted the following:

- Twelve (12) projects for District Two did not have cost estimates performed.
- Twenty (20) projects from District Two were not reviewed by a County Engineer.
- Three (3) projects from District One, five (5) projects from District Two and four (4) projects from District Three exceeded the \$75,000 threshold and were not competitively bid.

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Effect: This condition could result in improprieties in the letting of contracts.

Recommendation: We recommend that project cost estimates, including labor, machine and material costs be performed on all infrastructure projects. We recommend that the County Engineer review and approve all infrastructure projects, and competitive bids be obtained for all infrastructure projects estimated to be over \$150,000 for grade and drainage projects and \$75,000 for culvert and bridge projects, whenever applicable.

Views of responsible officials and planned corrective actions: Oklahoma County intends to fully comply with this and other state statutes. Procedures will be followed to ensure plans and specifications are prepared by the county engineer for all infrastructure projects subject to this requirement. The statute authorizes the county to construct these projects if its cost is below or equal to the county engineer's estimate or below any bid submitted. The statute does not require competitive bidding if the cost is below or equal to the county engineer's estimate.

SA&I response: Without the preparation and review of project cost estimates, competitive bidding requirements cannot be determined or substantiated.

Finding 2007-10 – Payroll-Internal Controls (Repeat Finding)

Criteria: A component objective of an effective internal control system is to provide accurate and reliable information. Internal controls are designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions.

Condition: During the examination of internal controls over processing of payroll, we noted certain weaknesses in that:

- 1) Each department submits a monthly payroll claim; however, controls are not in place to verify the accuracy of the payroll calculations that have been submitted by the individual department.
- 2) No controls are in place to check the accuracy of the leave balances submitted for payment by the individual department when an employee has been terminated.

Effect: This condition could result in unrecorded transactions, misstated payroll records, or undetected errors.

Recommendation: We recommend Oklahoma County implement internal controls that will ensure that all payroll calculations and/or transactions which are submitted by each department are properly checked for accuracy, completeness, and authorization. Our recommendation includes creating a centralized payroll department that has use of an automated, integrated payroll system.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

Views of responsible officials and planned corrective actions: Current payroll and leave balance calculations are subject to review by the approving officer in each department before submission of the monthly payroll claim and are available for audit at any time. Oklahoma County intends to implement an automated and centralized human resource information system that will include payroll calculation and execution.

County ClerkCarolynn Caudill provides the additional response that follows.

We agree with the auditor's recommendation we need to have an integrated payroll system. We have performed studies and are working towards implementation.

SA&I response: This is a repeat finding from previous years and has not been corrected. The accuracy of the time records can also be accomplished by independent oversight until an integrated resource information system is implemented.

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

None reported.

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Finding 2006-6 – Inventory MIS Department

Federal Program: WIA Adult Program, CFDA #17.258; WIA Youth Activities, CFDA #17.259; WIA Dislocated Workers, CFDA #17.260

Funding Agency: Department of Labor passed through City of Oklahoma City Office of Workforce Development

Condition: During testwork we were unable to physically locate eight items totaling (\$12,402.00).

Category	Description	Tag Number	Serial Number	Date Purchased	Cost
Data Processing Equipment	AST Bravo Notebook Computer W/Case	CE236-00198	HFSL43AD	11/4/1994	\$ 3,792.00
Data Processing Equipment	Compaq Pentium 133 Desktop	CE236-00282	S6709HVT5P147	5/27/1997	\$ 1,538.00
Data Processing Equipment	Gateway 2000 Computer/Monitor	CE236-00412	14422536	9/7/1999	\$ 874.00
Data Processing Equipment	Gateway 2000 466 MHZ	CE236-00459	18692579	6/30/2000	\$ 1,168.00
Data Processing Equipment	Gateway Computer	CE236-00510	22442834	9/24/2001	\$ 1,436.00
Data Processing Equipment	Gateway PC Professional Computer	CE236-00516	22442834	5/25/2001	\$ 1,436.00
Data Processing Equipment	Gateway 500L PC W/Pentium 4 Processor	CE236-00541	27164132	7/15/2001	\$ 1,461.00
Data Processing Equipment	Baynetwork ISD N Line Router	CE236-00262		12/18/1996	\$ 697.00

Corrective Action Plan: Corrective action has been taken. No findings of this nature were noted for the fiscal year ending June 30, 2007.



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