

OKLAHOMA COUNTY

SINGLE AUDIT

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



COUNTY AUDIT



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, 2008**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

March 30, 2009

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, 2008. 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 "Steve Burrage". The signature is written in a cursive, flowing style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Schedule of Expenditures of Federal Awards

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

<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	\$ 39,845
National School Lunch Program	10.555	N/A	62,298
Passed Through Oklahoma Department of Human Services:			
Food Donation	10.550	N/A	4,767
Total U.S. Department of Agriculture			<u>106,910</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma City Housing Authority:			
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	50,337
Total U.S. Department of Housing and Urban Development			<u>50,337</u>
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Direct:			
Payments in Lieu of Taxes	15.226	N/A	7,747
Total U.S. Department of Interior			<u>7,747</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
Passed Through Oklahoma District Attorneys Council:			
Crime Victim Assistance	16.575	N/A	65,473
Total U.S. Department of Justice			<u>65,473</u>
<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	706,072
WIA Youth Activities	17.259	N/A	774,423
WIA Dislocated Workers	17.260	N/A	706,072
Total U.S. Department of Labor			<u>2,186,567</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-07-03-19-04	55,220
State and Community Highway Safety	20.600	K8-08-03-04-01	2,369
State and Community Highway Safety	20.600	PT-08-03-20-05	127,074
Total U.S. Department of Transportation			<u>184,663</u>

The accompanying notes are an integral part of this schedule.

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

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct:			
State Homeland Security Program	97.073	N/A	20,358
Law Enforcement Terrorism Prevention Program	97.074	N/A	26,000
Buffer Zone Protection Program	97.078	N/A	8,917
Passed Through Oklahoma Office of Homeland Security:			
State Homeland Security Program	97.073	N/A	8,432
Urban Areas Security Initiative	97.008	N/A	59,968
Disaster Grants-Public Assistance	97.036	N/A	1,404,126
Total U.S. Department of Homeland Security			<u>1,527,801</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Oklahoma Department of Human Services:			
Foster Care-Title IV- E	93.658	N/A	210,997
Total U.S. Department of Health and Human Services			<u>210,997</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,340,495</u></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, 2008

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of 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 AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

TO THE OFFICERS OF
OKLAHOMA COUNTY, OKLAHOMA

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, Oklahoma as of and for the year ended June 30, 2008, which collectively comprise Oklahoma County's basic financial statements and have issued our report thereon dated February 26, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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 2008-1, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, and 2008-7 as described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is 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* and which is described in the accompanying schedule of findings and questioned costs as item 2008-8.

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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

February 26, 2009

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

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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

TO THE OFFICERS OF
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, 2008. 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, 2008.

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, 2008, and have issued our report thereon dated February 26, 2009. 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 30, 2009, except for the Report on the Schedule of Expenditures of Federal Awards, as to which the date is February 26, 2009.

Schedule of Findings and Questioned Costs

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

SECTION 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:..... Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- 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)

97.036

17.258

17.259

17.260

Name of Federal Program or Cluster

Disaster Grants—Public Assistance

WIA Cluster:

WIA Adult Program

WIA Youth Activities

WIA Dislocated Workers

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

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

Auditee qualified as low-risk auditee? No

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

Finding 2008-1—Revenue-Revaluation Cities/Schools—County Clerk

Criteria: Title 68 O.S. § 2823.A states,

For each fiscal year, the cost of the comprehensive program of visual inspections for real property and the cost of physical inspections of personal property shall be paid by appropriate warrants from those who receive the revenues of the mill rates levied on the property of the county as prescribed by this section... B. The county excise board or county budget board shall apportion such cost among the various recipients of revenues from the mill rates levied, including the county, all cities and towns, all school districts, all sinking funds of such recipients, and all jurisdictions specified in subsection D of this section, in the ratio which each recipient's total tax collection authorized from its mill rates levied for the preceding year bears to the total tax collection authorized of all recipients from all their mill rates levied for the preceding year...

The 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 control, such as independent review of calculations of invoice amounts may result in inaccurate billing.

Condition: During our examination of the Revaluation Billing Report for Cities and Schools, we identified eight exceptions in the calculation of the billing process that determines the amount billed to each city or school in Oklahoma County. Since the total amount to be collected is pro-rated out to all cities and schools in the County, if one calculation is incorrect it affects the billing amount of all the cities and schools in Oklahoma County. Therefore, all 38 invoices sent to the cities and schools for the fiscal year ended June 30, 2008, were incorrect. We were not able to verify that the billing report was reviewed by an independent individual before the invoices were issued.

Effect: Inaccurate invoices were sent to all of the cities and schools in Oklahoma County; therefore, all of the payments received from the cities and schools were incorrect.

Recommendation: OSAI recommends that all billing reports for cities and schools be reviewed and approved by an independent individual to ensure the accuracy of the Revaluation Billing Report for Cities and Schools.

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

Views of responsible officials and planned corrective actions: Views of responsible officials and planned corrective actions: The total amount collected of \$2,556,656.90 was correct, but the pro-rate portion charged to each entity was incorrect. The 08-09 Revaluation Billing sent to the cities and schools was adjusted to correct the amount charged in 07-08. Corrective action has been taken and future calculations will be reviewed by management prior to being billed.

Finding 2008-2—Revenue-Boarding of Prisoners—Sheriff

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as not updating records that show the number of days a prisoner is housed prevent the timely detection of unauthorized transactions and access.

Condition: During our procedures performed, we selected six months of prisoner boarding billing sheets and noted 18 instances where there was no supporting documentation for the agency being re-billed for corrections that needed to be made.

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

Recommendation: OSAI recommends that the Sheriff's office maintain adequate records to ensure the proper amount is adequately billed.

Views of responsible officials and planned corrective actions: The Sheriff's Office has implemented procedural changes along with personnel changes within Finance and Detention Updates and is currently reviewing data from ENS with respective Agencies as it pertains to either J&S certifications for DOC or 203 forms for INS. The Sheriff's office, along with MIS and Crime Cog, has implemented an EJIS enhancement that allows for entry of 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. In addition, the Oklahoma County Sheriff's Office has made revisions and implemented changes to the previous contract for municipalities which simplify the calculation of prisoner days billed thus eliminating billing discrepancies.

Finding 2008-3—Sheriff Consumable Inventory

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

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

Condition:

Dry Storage

We were unable to reconcile 20 of the 26 items selected for test work to the June 30, 2008, inventory amount.

Fleet

We were unable to reconcile 5 of the 29 items selected for test work to the June 30, 2008, inventory amount.

Training Center

We were unable to reconcile 9 of the 10 items selected for test work to the June 30, 2008, inventory amount.

Commissary

We were unable to reconcile 19 of the 25 items selected for test work to the June 30, 2008, inventory amount.

Effect: Without accurate inventory tracking the department personnel would not be able to detect improprieties and/or errors in the inventory.

Recommendation: OSAI recommends the Sheriff's office implement adequate controls, in all inventory areas, that include the maintaining of proper inventory documentation, the reconciling of inventory items each month, and a continual tracking total of items on hand.

Views of responsible officials and planned corrective actions: The Sheriff's office has just recently implemented a new inventory system by Lockwood, which will also receive and issue consumables, plus, will track on hand levels. Other consumable areas are being reviewed for special inventory software that is compatible with EJIS for enhanced accountability. Internal controls are also being reviewed for compliance.

Finding 2008-4—Revenue-Highway Cash—Commissioners

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 transactions.

Condition: While reviewing the miscellaneous receipt report for Highway Cash accounts to determine Intergovernmental Revenues/Receivables, it was noted that two deposits were made into Highway Cash. County Treasurer's Receipt Code 9240-018 and 9240-019 for \$294,000 and \$115,036.50, respectively. Then on July 30, 2008, check number 111066022 was written from Highway Cash Fund Cost Centers 9101 for \$141,815.08 and 9102 for \$99,750.00, and deposited into Highway Cash Account 9240-020 for the total amount of \$241,565.08. This amount was then recorded as a deposit on the miscellaneous receipt report resulting in Intergovernmental Revenue Receivables to be overstated by

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

\$241,565.08. There was no indication that this was basically a transfer instead of a true deposit of funds. A Budget Board approved transfer of funds versus a check written to Highway Cash would have solved this issue.

Effect: Intergovernmental Receivables could have been overstated by \$241,565.08.

Recommendation: OSAI recommends Oklahoma County develop a method of properly recording transfers so those preparing the financial statements will know how to properly report items obtained from the County Treasurer's Miscellaneous Receipt Report.

Views of responsible officials and planned corrective actions: The funds referenced in finding 08-04 were deposited into Highway Cash, County Treasurer's Receipt Code 9240-018 and 9240-019 for \$294,000 and \$115,036.50. These funds were received from the Federal Emergency Management Administration (FEMA) as a pilot grant for projects in response to the December 2007 Ice Storm. The receipt of these grant funds by Oklahoma County is the first time such a program has been utilized in the disaster recovery process. As part of the grant requirements, the funds could be used for FEMA approved expenditures. In an effort to properly account for the use of the funds, two cost centers were created. As stated in the audit, the reimbursement from these segregated funds back to Highway Cash would better have been accomplished by transfer, rather than by writing a check. In the future, Oklahoma County will follow the advice of the auditor and established policy by transferring funds via Budget Board resolution.

Finding 2008-5—Payroll/Compensated Absences-Internal Control

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.

Furthermore, the Oklahoma County Employee Handbook states in part:

"...The dollar value of the leave is converted from the donor to the recipient. The leave received will be designated as shared leave and be maintained separately from all other leave balances..."

Condition: We noted as of June 30, 2008, that an employee with 1,205.65 hours of shared leave time was reported as accrued sick leave. Shared leave should be maintained separately from accrued sick leave. When brought to the attention of management, benefit hours were adjusted appropriately and accurately.

Effect: Compensated absences could be over/understated.

Recommendation: OSAI recommends that each department review the Shared Leave Policy to ensure they accurately record and maintain all benefit hours.

Views of responsible officials and planned corrective actions: The Leave Balance spreadsheet provided to departments was revised with a Shared Leave Balance column added. The Oklahoma County Leave

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Sharing Program policy wording should be revised to be clear as to how many hours may be accumulated by the recipient.

Oklahoma County is currently working toward implementing the human resources information system that will include automated tracking of all employee leave balances, which will eliminate the improper tracking of leave time.

Finding 2008-6—Controls—MIS

Criteria: Control Objectives for Information and related Technology (COBIT) recommends that business, risk, and compliance requirements be translated into an overall IT security plan, taking into consideration the IT infrastructure and the security culture. It also recommends ensuring that the plan is implemented in security policies and procedures together with appropriate investments in services, personnel, software and hardware. Communicate security policies and procedures to users.

Condition: The current policy requires an 8 digit password, but the procedures being used only require a 7 digit password. This allows the data to be less secure.

Cause: It has been explained that this is an effect of having multiple departments with one MIS division.

Effect: Procedures in effect are inconsistent with the stated policy.

Recommendation: At the next policy meeting it is recommended that one of the issues be that the policy as it is written be enforced.

Views of responsible officials and planned corrective actions: In response to this finding, Oklahoma County MIS plans on changing the password length requirement from 7 characters to 8 characters. This change will be made on 12/31/2008.

Finding 2008-7—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.

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

- 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.

This is a repeat finding from previous years and has not been corrected.

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

Recommendation: OSAI recommends 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. The accuracy of the time records can also be accomplished by independent oversight until an integrated resource information system is implemented.

Views of responsible officials and planned corrective actions: We agree with the auditor's recommendation that Oklahoma County needs to centralize all payroll/leave information with an automated, integrated system. MIS and the County Clerk are now in the process of implementing appropriate Oracle module(s) to provide stronger internal controls and centralized time records.

Finding 2008-8—Capital Assets-Infrastructure Projects—Commissioners (Repeat Finding)

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 for additions and construction in progress, we noted 13 projects that were not reviewed or approved by the County Engineer: three from District 1, two from District 2, and eight from District 3. Since our audit period ended, the County Engineer has begun to have projects sent to him for prior approval, and he is continuing to work with the Districts to submit all projects that may need his approval.

OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Effect: This condition could result in improprieties in the letting of contracts.

Recommendation: OSAI recommends 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 roads and \$75,000 for bridges, if applicable.

Views of responsible officials and planned corrective actions: This has been an ongoing audit issue. However, in 2008 the County Engineer made significant progress in addressing the issue by reviewing several projects in compliance with 69 O.S. § 633. The County Engineer continues to work with the districts to obtain complete compliance. In addition, there are two bills being considered by the State Legislature that would modify the statutory dollar amounts so they will be consistent with the intended purpose of the law; that is, to ensure sound engineering practices, reconstruction, replacement, and major repairs require sound engineering practices. The law was not intended to review routine maintenance such as pavement overlays; however, pavement overlays should be reviewed until such time as the law is modified.

OSAI Response: Without the preparation and review of project cost estimates, bidding requirements cannot be determined or substantiated in accordance with 69 O.S. § 633.

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

No matters were reported.



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