

*Single Audit Reports*

**THE CITY OF NORMAN,  
OKLAHOMA**

**June 30, 2010**

Single Audit Reports

THE CITY OF NORMAN, OKLAHOMA

June 30, 2010

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' 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* ..... 1

REPORTS REQUIRED BY OMB CIRCULAR A-133

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Independent Auditors' 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

Honorable Mayor and Members of City Council  
The City of Norman, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Norman, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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



Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 16, 2010

Independent Auditors' Report on Compliance with  
Requirements Applicable to each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133  
and the Schedule of Expenditures of Federal Awards

Honorable Mayor and Members of City Council  
The City of Norman, Oklahoma

Compliance

We have audited the compliance of the City of Norman, Oklahoma (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 of America 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-01 and 2010-02.



### Internal Control Over Compliance

Management of the City 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 the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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 basic financial statements of the City as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 City Council and management of the City and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
December 16, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor<br>Program Title                          | CFDA<br>Number | Pass-Thru<br>Grantors Number | Federal<br>Expenditures |
|--|----------------|------------------------------|-------------------------|
| U.S. Department of HUD   |                |                              |                         |
| Direct Programs:   |                |                              |                         |
| Community Development Block Grant #B-08 MC-40-0002                             | 14.218         | n/a                          | \$ 661,734              |
| Community Development Block Grant #B-09 MC-40-0002                             | 14.218         | n/a                          | 168,877                 |
| ARRA-Community Development Block Grant#B-09 MY-40-0002                         | 14.253         | n/a                          | <u>229,233</u>          |
| Total Community Development Block Grant Cluster                                |                |                              | 1,059,844               |
| HOME Investment Partnership Program  |                |                              |                         |
| #M-06 MC-40-0204 Home 06 (1)   | 14.239         | n/a                          | 49,520                  |
| #M-07 MC-40-0204 Home 07 (1)   | 14.239         | n/a                          | 139,083                 |
| #M-08 MC-40-0204 Home 08 (1)   | 14.239         | n/a                          | 306,100                 |
| #M-09 MC-40-0204 Home 09 (1)   | 14.239         | n/a                          | <u>474,796</u>          |
|  |                |                              | 969,499                 |
| Emergency Shelter 09   | 14.231         | 13878 ESG 09                 | 48,750                  |
| Emergency Shelter 09   | 14.231         | 13879 ESG 09                 | <u>48,750</u>           |
|  |                |                              | 97,500                  |
| ARRA-Homelessness Prevention and Rapid Re-housing Program                      | 14.257         | 13986 SHPRP                  | 56,430                  |
| U.S. Department of Defense   |                |                              |                         |
| Direct Program:  |                |                              |                         |
| Office of Economic Adjustment for Smalley ARC                                  | 12.607         | CL0714-09-01                 | 22,000                  |
| U.S. Department of Energy  |                |                              |                         |
| Direct Program:  |                |                              |                         |
| ARRA-Energy Efficiency and Conservation Block Grant                            | 81.128         | DE-SC0001368                 | 64,043                  |
| U.S. Department of Interior  |                |                              |                         |
| Pass-Through Oklahoma State Historic Preservation Office                       |                |                              |                         |
| Certified Local Government   | 15.904         | 08-612                       | 12,293                  |
| U.S. Department of Justice   |                |                              |                         |
| Direct Programs:   |                |                              |                         |
| Edward Byrne Memorial Justice Assistance Grant (JAG)                           | 16.738         | 2007-DJ-BX-0792              | 1,825                   |
| Edward Byrne Memorial Justice Assistance Grant (JAG)                           | 16.738         | 2009-DJ-BX-1396              | <u>32,967</u>           |
|  |                |                              | 34,792                  |
| Bullet Proof Vest Partnership Grant  | 16.607         | n/a                          | 4,567                   |
| ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)                      | 16.804         | 2009-SB-B9-0453              | 125,298                 |
| U.S. Department of Homeland Security   |                |                              |                         |
| Pass-Through Oklahoma State Office of Homeland Security                        |                |                              |                         |
| Citizen CORPS - Formal Volunteer Process                                       | 97.067-1000    | 89.005                       | 2,592                   |
| Law Enforcement Terrorism Prevention Program                                   | 97.074         | 102.007                      | 63,464                  |
| U.S. Department of Health and Human Services                                   |                |                              |                         |
| Pass-Through National Association of County & City Health Officials ("NACCHO") |                |                              |                         |
| Medical Reserve Corps  | 93.008         | MRC 090333                   | 2,026                   |
| Medical Reserve Corps  | 93.008         | MRC 10 333                   | <u>2,296</u>            |
|  |                |                              | 4,322                   |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

| Federal Grantor/Pass-Through Grantor<br>Program Title    | CFDA<br>Number | Pass-Thru<br>Grantors Number | Federal<br>Expenditures |
|--|----------------|------------------------------|-------------------------|
| U.S. Department of Transportation                        |                |                              |                         |
| Pass-Through Oklahoma State Highway Safety Office        |                |                              |                         |
| DRE Training   | 20.600         | AL-09-02-03-09               | 23,935                  |
| Traffic and Alcohol Enforcement                          | 20.600         | K8-09-03-06-01               | 16,120                  |
| Traffic and Alcohol Enforcement                          | 20.600         | PT-10-03-28-02               | 34,891                  |
| Traffic and Alcohol Enforcement                          | 20.600         | K8-10-03-03-02               | 18,623                  |
| Traffic and Alcohol Enforcement                          | 20.600         | K4PT-10-03-02-02             | 10,500                  |
|  |                |                              | <u>104,069</u>          |
| Pass-Through State Dept. of Transportation               |                |                              |                         |
| SAFETEALU - Legacy Trail                                 | 20.205         | STP-114E(199)EH              | 20,865                  |
| Highway Tree Program - West Main Street                  | 20.205         | SAFETEALU-08-02              | 917                     |
| Highway Tree Program - Griffin Park                      | 20.205         | SAFETEALU-09-17              | 38                      |
| Safe Routes to School                                    | 20.205         | SRS-155F(709)(710)           | 1,602                   |
| Pass-Through Association of Central Oklahoma Governments |                |                              |                         |
| Public Fleet Conversion Grant                            | 20.205         | 09-03                        | 114,000                 |
| Unified Planning Work Program - Traffic Counts           | 20.205         | J/P 11767(23)                | 7,840                   |
|  |                |                              | <u>145,262</u>          |
| Environmental Protection Agency                          |                |                              |                         |
| Pass-Through Oklahoma Water Resources Board              |                |                              |                         |
| Safe Drinking Water State Revolving Fund                 | 66.468         | ORF-09-0021-DW               | 5,398,669               |
| ARRA-Safe Drinking Water State Revolving Fund            | 66.468         | ORF-09-0021-DW               | 2,000,000               |
|  |                |                              | <u>7,398,669</u>        |
| Clean Water State Revolving Fund                         | 66.458         | ORF-09-0017-CW               | 824,542                 |
| ARRA-Clean Water State Revolving Fund Loan               | 66.458         | ORF-09-0017-CW               | 1,280,746               |
|  |                |                              | <u>2,105,288</u>        |
| Pass-Through Oklahoma Conservation Commission            |                |                              |                         |
| Wetlands Program Development Grant                       | 66.461         | CD 966400-01-0               | 60,000                  |
| U.S. Department of Federal Emergency Management          |                |                              |                         |
| Pass-Through Department of Civil Emergency Management    |                |                              |                         |
| FEMA - Disaster Grant - Public Assistance Dec 09 Storm   | 97.036         | FEMA-1876-DR-OK              | 222,451                 |
| FEMA - Disaster Grant - Public Assistance Jan 10 Storm   | 97.036         | FEMA-1883-DR-OK              | 198,155                 |
| FEMA - Disaster Grant - Public Assistance May 10 Storm   | 97.036         | FEMA-1917-DR-OK              | 242,458                 |
|  |                |                              | <u>663,064</u>          |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                     |                |                              | <u>\$ 12,992,996</u>    |

See notes to Schedule of Expenditures of Federal Awards.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

### NOTE A--BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of the City of Norman, Oklahoma (the "City"), and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### NOTE B--LOANS

The City has received loans in prior years through the Oklahoma Water Resources Board ("OWRB") that were presented as federal awards in the year the funds were received. At June 30, 2010, the outstanding balance of these loans was \$3,123,606, however, they are not presented as federal awards in the current year as the only continuing compliance requirement is to repay the loans. During the year ended June 30, 2010, the City received \$2,882,014 in additional loans through the OWRB which are presented as federal awards in the Schedule.

### NOTE C--SUBRECIPIENTS

Of the Federal expenditures presented in the Schedule, the City provided \$85,076 in federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

| <u>Program</u>                                       | <u>CFDA Number</u> |
|--|--------------------|
| Community Development Block Grant Cluster            | 14.218 & 14.253    |
| Edward Byrne Memorial Justice Assistance Grant (JAG) | 16.804             |
| ARRA-Safe Drinking Water State Revolving Fund        | 66.468             |
| Safe Drinking Water State Revolving Fund             | 66.468             |
| ARRA-Clean Water State Revolving Fund Loan           | 66.458             |
| Clean Water State Revolving Fund                     | 66.458             |
| Highway Planning and Construction                    | 20.205             |

Dollar threshold used to distinguish between type A and type B programs: \$389,790

Auditee qualified as low-risk auditee?  yes  no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

None to report for the June 30, 2010 period.

**Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:**

See Findings 2010-01 and 2010-02.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

**Findings Required to be Reported in Accordance with OMB Circular A-133**

**FINDING 2010-01**

CFDA: 16.804

Deficiency:

Expenditures reported per the June 30, 2010 Standard Form 245 Federal Financial Report do not agree to the underlying accounting records.

Requirement:

Reports of Federal awards submitted to the Federal awarding agency should include all activity of the reporting period and be supported by underlying accounting records, and fairly presented in accordance with program requirements.

Potential Effects:

Accurate, current, and complete financial results are crucial for the proper administration of grant activities in accordance with the requirements of the grant. As the quarterly financial reports do not properly reflect the activities of the grant the possibility exist for available funds to either be exceeded or not fully utilized.

Cause of the Condition:

There is currently no reconciliation or review process for the filing of the required financial reports. The Grant Director completes and files the reports based on his internally maintained records and does not reconcile the reports to the underlying accounting records maintained by the Finance Department.

Recommendation:

We recommend that the City develop a quarterly reconciliation process between the financial reports and the underlying accounting records. In addition, the financial reports should be reviewed for accuracy by the Finance Department prior to submission.

City's Response:

The City will implement procedures to ensure the quarterly reporting matches the underlying accounting records.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

**FINDING 2010-02**

CFDA: 16.804

Deficiency:

The internal controls over expenditure approval for federal awards does not require the Grant Director's authorization prior to payment or expenditure.

Requirement:

OMB Circular A-133 requires the auditee too develop necessary internal controls to ensure only allowable activities and cost are funded by federal awards.

Potential Effects:

The current internal controls could allow unallowable cost and activities to be paid with federal funds without the approval or knowledge of the Grant Director.

Cause of the Condition:

The various local Captains are authorized to create purchase orders and approve expenditures without any additional review or approval. The City uses the same purchasing procedures for general purchases as for federally funded programs.

Recommendation:

Controls should be implemented to ensure that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. We recommend that the City consider implementing additional internal control procedures related to authorization and approval of federally funded expenditures. As such, the federally funded expenditures should be reviewed and authorized by a second individual, preferably someone with knowledge of the use of allowable funds in accordance with the related grant.

City's Response:

The City will implement procedures to ensure all grant managers sign-off on expenditures before payment.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

No matters are reportable.