

Single Audit Reports

**THE CITY OF NORMAN,
OKLAHOMA**

June 30, 2011

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REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2011. Our report contained an explanatory paragraph describing the City's adoption of GASB Statement No. 54 in the year ended June 30, 2011. 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

Management of the City is responsible for establishing and maintaining effective 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 opinions 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 9, 2011

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, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

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, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City'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 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 9, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Thru Grantors Number	Federal Expenditures
U.S. Department of HUD			
Direct Programs:			
Community Development Block Grant #B-09 MC-40-0002	14.218	n/a	\$ 691,799
Community Development Block Grant #B-10 MC-40-0002	14.218	n/a	65,793
HOME Investment Partnership Program			
#M-08 MC-40-0204 Home 08 (1)	14.239	n/a	97,444
#M-09 MC-40-0204 Home 09 (1)	14.239	n/a	102,496
#M-10 MC-40-0204 Home 09 (1)	14.239	n/a	386,906
Pass-Through Oklahoma State Department of Commerce:			
Emergency Shelter 10	14.231	14200 ESG 10	49,983
Emergency Shelter 10	14.231	14201 ESG 10	50,000
Emergency Shelter 10	14.231	14202 ESG 10	20,000
Emergency Shelter 10	14.231	14203 ESG 10	20,000
Emergency Shelter 10	14.231	14219 ESG 10	75,000
ARRA - Homelessness Prevention and Rapid Re-housing Program	14.257	13986 SHPRP	254,492
ARRA - Neighborhood Stabilization Program	14.228	13570-1-NSP	134,506
Total U.S. Department of HUD			<u>1,948,419</u>
U.S. Department of Energy			
Direct Program:			
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-SC0001368	541,865
Pass-Through Oklahoma State Department of Commerce:			
ARRA-State Energy Grant - CNG Fast Fill Station	81.041	14220 SSEP 09	393,138
Total U.S. Department of Energy			<u>935,003</u>
U.S. Department of Interior			
Pass-Through Oklahoma State Historic Preservation Office			
Certified Local Government	15.904	08-612	7,680
Certified Local Government	15.904	10-612	7,100
Total U.S. Department of Interior			<u>14,780</u>
U.S. Department of Justice			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2010-DJ-BX-1234	33,311
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	2009-SB-B9-0453	42,361
Total Department of Justice			<u>75,672</u>
U.S. Department of Homeland Security			
Pass-Through Oklahoma State Office of Homeland Security			
Citizen CORPS	97.053	130.005	4,879
Citizen CORPS	97.053	130.011	737
Law Enforcement Terrorism Prevention Program	97.074	102.007	61,379
Firefighter Assistance	97.044	EMW-2009-FO-01454	230,847
Total U.S. Department of Homeland Security			<u>297,842</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor Program Title	CFDA Number	Pass-Thru Grantors Number	Federal Expenditures
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	2,704
Medical Reserve Corps	93.008	MRC 10 333	3,068
Total U.S. Department of Health and Human Services			<u>5,772</u>
U.S. Department of Transportation			
Pass-Through Oklahoma State Highway Safety Office			
DRE Training	20.600	AL-09-02-03-09	3,598
DRE Training	20.600	AL-11-02-03-11	21,532
Traffic and Alcohol Enforcement	20.600	K8-09-03-06-01	8,746
Traffic and Alcohol Enforcement	20.600	PT-10-03-28-02	1,377
Traffic and Alcohol Enforcement	20.600	K8-10-03-03-02	63,187
Pass-Through State Dept. of Transportation			
Highway Tree Program - High Meadows	20.205	SAFETEALU-10-08	10,213
Highway Tree Program - West Main Street	20.205	SAFETEALU-08-02	316
Highway Tree Program - Griffin Park	20.205	SAFETEALU-09-17	19,096
Safe Routes to School	20.205	SRS-155F(709)(710)	131
New Freedom	20.521	OK-57-X009-00	103,920
Pass-Through Association of Central Oklahoma Governments			
Public Fleet Conversion Grant	20.205	09-03	27,946
Congestion Mitigation & Air Quality - CNG Slow Fill Station	20.205	2010-r7-1109-03	99,739
Unified Planning Work Program - Traffic Counts	20.205	J/P 11767(25)	10,560
Total U.S. Department of Transportation			<u>370,361</u>
U.S. Department of Agriculture Forestry Service			
Pass-Through Oklahoma Dept. of Agriculture Food & Forestry			
Urban & Community Forestry Staffing	10.664	U&CF-10-01	10,000
Environmental Protection Agency			
Pass-Through Oklahoma Water Resources Board			
Safe Drinking Water State Revolving Fund	66.468	ORF-09-0021-DW	5,404,220
ARRA-Safe Drinking Water State Revolving Fund	66.468	ORF-09-0021-DW	-
Clean Water State Revolving Fund	66.458	ORF-09-0021-CW	3,177,848
ARRA Clean Water State Revolving Fund	66.458	ORF-09-0021-CW	719,254
Pass-Through Oklahoma Conservation Commission			
Wetlands Program Development Grant	66.461	CD 966400-01-0	108,463
Total Environmental Protection Agency			<u>9,409,785</u>
U.S. Department of Federal Emergency Management			
Pass-Through Department of Civil Emergency Management			
FEMA - Disaster Grant - Public Assistance May 10 Storm	97.036	FEMA-1917-DR-OK	165,152
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,232,786</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, 2011

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, 2011, the outstanding balance of these loans was \$15,627,208, however, the amount not received in the current year are not presented as federal awards as the only continuing compliance requirement is to repay the loans. During the year ended June 30, 2011, the City received \$9,301,322 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 \$14,990 in federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2011

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>
ARRA- Community Development Block Grants	14.228
ARRA- Clean Drinking Water State Revolving Fund	66.458
Clean Drinking Water State Revolving Fund	66.458
Safe Drinking Water State Revolving fund	66.468
ARRA- State Energy Program	81.041
ARRA- Energy Efficiency and Conservation Block Grant	81.128

Dollar threshold used to distinguish between type A and type B programs: \$396,984

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2011

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

None to report for the June 30, 2011 period.

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

None to report for the June 30, 2011 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2011

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.

Current Status:

The City implemented a policy in which grant managers now forward to the Accounting Department their reports for review prior to submission. The Accounting department checks to make sure they are accurate and agree with the underlying accounting records.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

THE CITY OF NORMAN, OKLAHOMA

Year Ended June 30, 2011

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.

Current Status:

The City created an additional control process requiring that the grant managers sign-off on applicable invoices before they are paid.



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