

The City of Oklahoma City, Oklahoma

Single Audit Reports

June 30, 2012



The City of Oklahoma City, Oklahoma
Year Ended June 30, 2012

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

The Honorable Mayor and City Council
The City of Oklahoma City, Oklahoma
Oklahoma City, 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 the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements. We have also audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service, fiduciary fund and the discretely presented component units of the City as of and for the year ended June 30, 2012, which collectively comprise the City's combining and individual fund statements and have issued our report thereon dated December 18, 2012, which contained a reference to the reports of other accountants and an explanatory paragraph disclosing that the prior year financial statements have been restated. 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 accountants audited the financial statements of the Oklahoma City Redevelopment Authority and The Combined Operations of The Cox Convention Center and the Chesapeake Energy Arena (formerly The Ford Center), as Managed by SMG, as described in our report on the City's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants. The financial statements of The Combined Operations of The Cox Convention Center and the Chesapeake Energy Arena, which are reported within the City's governmental activities, aggregate remaining fund information and nonmajor governmental funds financial statements, were not audited in accordance with *Government Auditing Standards*.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 12-01 through 12-07 to be material weaknesses.

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*.

We also noted certain matters that we reported to the City's management in a separate letter dated December 18, 2012.

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.

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

BKD, LLP

December 18, 2012

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal and State Awards

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

Compliance

We have audited the compliance of the City of Oklahoma City, 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City'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 the City's management. Our responsibility is to express an opinion on the compliance of the City based on our audit.

As indicated in our audit report on the basic financial statements of the City as of and for the year ended June 30, 2012, dated December 18, 2012, we did not audit the financial statements of the Oklahoma City Redevelopment Authority (the Authority) and The Combined Operations of The Cox Convention Center and the Chesapeake Energy Arena (the Arena), as Managed by SMG. Federal awards, if any, received by the Authority and Center are, therefore, outside the scope of the single audit activities which we were engaged to conduct and our reference to the City in our independent accountants' report on compliance and internal control over compliance that could have a direct and material effect on each major federal program does not encompass the financial or compliance activities, if any, conducted by the components noted above, which were audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2012.

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

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 and State Awards

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 the City as of and for the year ended June 30, 2012. We have also audited the financial statements of each nonmajor governmental, nonmajor enterprise, internal service, fiduciary fund and the discretely presented component units of the City as of and for the year ended June 30, 2012. We have issued our report on the above mentioned financial statements and schedules dated December 18, 2012, which contained a reference to the reports of other accountants and an explanatory paragraph disclosing that the prior year financial statements have been restated. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and combining and individual fund statements and schedules. The accompanying schedule of expenditures of federal and state 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

This report is intended solely for the information and use of the audit committee, the City Council, 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.

BKD, LLP

December 28, 2012, except for paragraph on Schedule of Expenditures of Federal Awards, which is
December 18, 2012

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
U.S. Department of Commerce			
<i>Economic Development Cluster</i>			
Direct Programs			
Economic Adjustment Assistance	11.307	08-86-04550 DOC	\$ 33,499
<i>Total Economic Development Cluster</i>			<u>33,499</u>
<i>National Telecommunications and Information Administration</i>			
Pass-Through Oklahoma State Office of Homeland Security			
Public Safety Interoperable Communications Grant Program	11.555	116.002	<u>282,986</u>
Total U.S. Department of Commerce			<u>316,485</u>
U.S. Department of Housing and Urban Development			
<i>CDBG – Entitlement Grants Cluster</i>			
Direct Programs			
Community Development Block Grant/Entitlement Grant	14.218	B-08-MC-40-0003	31,844
Community Development Block Grant/Entitlement Grant	14.218	B-08-MN-40-0001	202,913
Community Development Block Grant/Entitlement Grant	14.218	B-09-MC-40-0003	68,539
Community Development Block Grant/Entitlement Grant	14.218	B-10-MC-40-0003 CDBG	1,404,950
Community Development Block Grant/Entitlement Grant	14.218	CDBG-CPD-FY11	2,111,010
ARRA – Community Development Block Grant/Entitlement Grant			
Recovery Funded	14.253	B-09-MY-40-0003	<u>324,625</u>
<i>Total CDBG – Entitlement Grants Cluster</i>			<u>4,143,881</u>
<i>CDBG – State-Administered CDBG Cluster</i>			
Pass-Through Oklahoma Department of Commerce			
Community Development Block Grant/State’s Program and			
Nonentitlement Grants in Hawaii	14.228	14003 NSP 08	436,475
Community Development Block Grant/State’s Program and			
Nonentitlement Grants in Hawaii	14.228	13555 NSP 08	<u>437,229</u>
<i>Total CDBG – State-Administered CDBG Cluster</i>			<u>873,704</u>
<i>Emergency Shelter Grants Program</i>			
Direct Programs			
Emergency Shelter Grants Program	14.231	S-10-MC-40-0003 ESG	<u>230,222</u>
<i>Total Emergency Shelter Grants Program</i>			<u>230,222</u>

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
<i><u>Supportive Housing Program</u></i>			
Supportive Housing Program	14.235	OK56B702001	\$ 70,914
Supportive Housing Program	14.235	OK0068B6I021000	48,374
Supportive Housing Program	14.235	OK-0019-B6I020800	351,360
Supportive Housing Program	14.235	OK-0020-B6I020800	93,948
Supportive Housing Program	14.235	OK-0026-B6I020801	100,780
Supportive Housing Program	14.235	OK-0027-B6I020801	130,080
Supportive Housing Program	14.235	OK0022B6I020802	4,450
Supportive Housing Program	14.235	OK0044B6I020901	151,278
Supportive Housing Program	14.235	OK-0052B6I020900	187,601
Supportive Housing Program	14.235	OK-0053-B6I020900	253,090
Supportive Housing Program	14.235	OK0019B6I021001	161,966
Supportive Housing Program	14.235	OK0061B6I021001	79,300
Supportive Housing Program	14.235	OK-0021-B6I021003	64,419
Supportive Housing Program	14.235	OK0022B6I021003	67,867
Supportive Housing Program	14.235	OK044B6I021002	77,778
Supportive Housing Program	14.235	OK026B6I021002	94,888
Supportive Housing Program	14.235	OK045B6I021002	44,256
Supportive Housing Program	14.235	OK04B6I021002	124,999
Supportive Housing Program	14.235	OK027B6I021002	209,711
Supportive Housing Program	14.235	OK027B6I021002	185,762
Supportive Housing Program	14.235	OK063B6I021001	36,863
Supportive Housing Program	14.235	OK0045B6I021103	19,881
<i>Total Supportive Housing Program</i>			2,559,565
<i><u>Shelter Plus Care Program</u></i>			
Shelter Plus Care	14.238	OK-56-C60-2009	22,306
Shelter Plus Care	14.238	OK-0025-C6I120802	3,972
Shelter Plus Care	14.238	OK0054C6I020900	52,865
Shelter Plus Care	14.238	OK0067B6I021000	40,025
Shelter Plus Care	14.238	OK0020B6I021001	52,473
Shelter Plus Care	14.238	OK0024C6I021003	210,155
Shelter Plus Care	14.238	OK0025C6I021001	12,618
Shelter Plus Care	14.238	OK0024C6I021104	34,276
<i>Total Shelter Plus Care Program</i>			428,690
<i><u>HOME Investment Partnerships Act</u></i>			
HOME Investment Partnerships Program	14.239	M-07-MC-40-0203	348,333
HOME Investment Partnerships Program	14.239	M-08-MC-40-0203	674,698
HOME Investment Partnerships Program	14.239	M-09-MC-40-0203	254,458
HOME Investment Partnerships Program	14.239	M-10-MC-40-0203	838,716
HOME Investment Partnerships Program	14.239	M-11-MC-40-0203	44,310
<i>Total HOME Investment Partnerships Act Program</i>			2,160,515
<i><u>Housing Opportunities for Persons with AIDS</u></i>			
Housing Opportunities for Persons with AIDS	14.241	OK-H10-F001	201,779
Housing Opportunities for Persons with AIDS	14.241	OK-H11-F001	143,530
<i>Total Housing Opportunities for Persons with AIDS</i>			345,309

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
Community Planning and Development	14.246	B-98-ED-40-0006	\$ 125,500
Community Development Block Grants – Section 108 Loans	14.248	B-04-MC-40-0003-B	500,000
ARRA – Homelessness Prevention and Rapid Rehousing Program	14.257	ARRA-S-09-MY-40-0002	802,743
Community Challenge Planning Grants	14.704	CCPOK-0020-10	<u>168,695</u>
Total U.S. Department of Housing and Urban Development			<u>12,338,824</u>
U.S. Department of the Interior			
Pass-Through Oklahoma Historical Society Historic Preservation Fund Grants-In-Aid	15.904	10-607	27,844
Historic Preservation Fund Grants-In-Aid	15.904	10-803	7,950
Historic Preservation Fund Grants-In-Aid	15.904	11-607	<u>16,880</u>
Total U.S. Department of the Interior			<u>52,674</u>
U.S. Department of Justice			
Direct Programs			
Community Capacity Development Office	16.595	2006-WS-Q6-0083	16,668
Community Capacity Development Office	16.595	2008-WS-QX-0189	729
Community Capacity Development Office	16.595	2009-WS-QX-0117	35,990
Community Capacity Development Office	16.595	2005-WS-Q5-0302	(107)
Community Capacity Development Office	16.595	2006-WS-Q6-0084	15,442
Community Capacity Development Office	16.595	2007-WS-Q7-0113	(5,798)
Community Capacity Development Office	16.595	2007-WS-Q7-0042	<u>(8,219)</u>
<i>Total Community Capacity Development Office</i>			54,705
<i>JAG Program Cluster</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0514	263,787
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0819	1,482
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3149	20,145
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2007-DD-BX-0631	<u>207,526</u>
<i>Total JAG Program Cluster</i>			492,940
ARRA – Public Safety Partnership and Community Policing Grant (Recovery Act Funded)	16.710	2009RJWX0072(CHRP)	462,987
DNA Backlog Reduction Program	16.741	2011-DN-BX-K405	121,386
Pass-Through District Attorney’s Training Council Project Safe Neighborhoods	16.609	2005-WS-Q5-0064	(11,272)
Pass-Through Oklahoma State Department of Corrections Anti-Gang Initiative	16.744	2008-PG-BX-0005	<u>614,103</u>
Total U.S. Department of Justice			<u>1,734,849</u>

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
U.S. Department of Transportation			
<i>Federal Aviation Administration</i>			
Direct Programs			
Airport Improvement Program	20.106	AIP3-40-0072-058-2009	\$ 70,590
Airport Improvement Program	20.106	AIP3-40-0072-060-2011	3,896,434
<i>Total Airport Improvement Program</i>			3,967,024
<i>Highway Planning and Construction Cluster</i>			
Direct Programs			
Highway Planning and Construction	20.205	OK-70-X002	5,831
Pass-Through Association of Central Oklahoma Governments			
Highway Planning and Construction	20.205	ACOG Grant	18,505
Highway Planning and Construction	20.205	2012 ACOG Traffic Management	65,985
			84,490
Pass-Through Oklahoma Department of Transportation			
Highway Planning and Construction	20.205	22589 (04) STP-155E(500)EH	113,390
Highway Planning and Construction	20.205	24562(04)STP-155E (622) EH	407,649
Highway Planning and Construction	20.205	24563(04) STP-155E(623)EH	447,990
Highway Planning and Construction	20.205	26888 (04) STP-155E(745)EH	129,140
			1,098,169
<i>Total Highway Planning and Construction Cluster</i>			1,188,490
<i>Federal Transit Cluster</i>			
Direct Programs			
Federal Transit – Capital Assistance	20.500	OK-03-0007	(56)
Federal Transit – Capital Assistance	20.500	OK-03-0029	34,322
Federal Transit – Capital Assistance	20.500	OK-03-0037	477,716
Federal Transit – Formula Grants	20.507	OK-04-0015	1,336
Federal Transit – Formula Grants	20.507	OK-90-X067	1,217
Federal Transit – Formula Grants	20.507	OK-90-X073	69,868
Federal Transit – Formula Grants	20.507	OK-90-X085	4,178
Federal Transit – Formula Grants	20.507	OK-90-X094	16,296
Federal Transit – Formula Grants	20.507	OK-90-X098	184,903
Federal Transit – Formula Grants	20.507	OK-90-X102	1,908,298
Federal Transit – Formula Grants	20.507	OK-90-X107	5,463,978
Federal Transit – Formula Grants	20.507	OK-95-X001	80,132
ARRA – Federal Transit – Formula Grants	20.507	OK-96-X004	183,505
<i>Total Federal Transit Cluster</i>			8,425,693

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
<i><u>Transit Services Programs Cluster</u></i>			
Direct Programs			
Job Access – Reverse Commute	20.516	OK-37-X012	\$ 78,957
Job Access – Reverse Commute	20.516	OK-37-X018	76,565
Job Access – Reverse Commute	20.516	OK-37-X021	3,648
Job Access – Reverse Commute	20.516	OK-37-X036	6,433
Job Access – Reverse Commute	20.516	OK-37-X042	494,097
New Freedom Program	20.521	OK-57-X006	100,384
New Freedom Program	20.521	OK-57-X010	98,478
New Freedom Program	20.521	OK-57-X015	20,338
New Freedom Program	20.521	OK-57-X017	<u>120,516</u>
<i>Total Transit Services Programs Cluster</i>			999,416
<i><u>Highway Safety Cluster</u></i>			
Direct Programs			
Alcohol-Impaired Driving Countermeasures Incentive Grants I	20.601	OP-11-03-11-07	108,661
Alcohol-Impaired Driving Countermeasures Incentive Grants I	20.601	OP-12-03-05-08	<u>100,839</u>
<i>Total Highway Safety Cluster</i>			209,500
TIGER Discretionary Grants	20.933	OK-79-1000	<u>80,910</u>
Total U.S. Department of Transportation			<u>14,871,033</u>
<u>National Endowment for the Humanities</u>			
Pass-Through Oklahoma Humanities Council			
National Endowment for the Humanities	45.168	Y10.108	<u>5,000</u>
Total National Endowment for the Humanities			<u>5,000</u>
<u>Environmental Protection Agency</u>			
Direct Programs			
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96636801-0	18,407
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96679801-0	53,917
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-96679701-0	48,204
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	BF-00F24401-0	119,907
ARRA – Brownsfield Assessment and Cleanup Cooperative Agreements (Recovery Act Funded)	66.818	2B-96695601-0	23,854
ARRA – Brownsfield Assessment and Cleanup Cooperative Agreements (Recovery Act Funded)	66.818	2B-96695701-0	38,349
ARRA – Brownsfield Assessment and Cleanup Cooperative Agreements (Recovery Act Funded)	66.818	2B-00F07901-0 ARRA	<u>230,400</u>
<i>Total Brownsfield Assessment and Cleanup</i>			533,038
Pass-Through Oklahoma Water Resources Board			
Capital Grants for State Revolving Fund	66.458	ORF-10-0010-CW	3,113,588
Safe Drinking Water State Revolving Fund	66.468	ORF-10-0010-DW	<u>2,056,154</u>
<i>Total Oklahoma Water Resources Board</i>			5,169,742
Total Environmental Protection Agency			<u>5,702,780</u>

The City of Oklahoma City, Oklahoma
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures
U.S. Department of Energy			
Direct Programs			
State Energy Program	81.041	14917 SEP 11	\$ 136,000
ARRA – Energy Efficiency and Conservation Block Grant Program (Recovery Act Funded)	81.128	DE-EE0000920	2,339,701
Pass-Through Oklahoma Department of Commerce			
ARRA – Energy Efficiency and Conservation Block Grant Program (Recovery Act Funded)	81.128	13975-SEECBG-09	239,071
Total U.S. Department of Energy			2,714,772
U.S. Department of Homeland Security			
Pass-Through Oklahoma Department of Emergency Management Law Enforcement Officer Reimbursement Agreement Program	97.090	HST0208HSLR333	407,871
ARRA – Advanced Surveillance Program (ASP) (Recovery Act Funded)	97.118	HSTS04-09-H-REC307	2,524,041
Advanced Surveillance Program	97.118	HSTS04-10-H-CT1190	437,463
<i>Total Advanced Surveillance Program</i>			3,369,375
Direct Programs			
Assistance to Firefighters Grant	97.044	EMW-2010-FH-01081	1,631,109
Pass-Through Oklahoma Office of Homeland Security			
Non-Profit Security Program	97.008	150.001	172,612
Non-Profit Security Program	97.008	150.008	77,309
Non-Profit Security Program	97.008	131.014	247,917
Non-Profit Security Program	97.008	131.028	328,519
Non-Profit Security Program	97.008	150.005	79,555
Non-Profit Security Program	97.008	150-004	11,264
<i>Total Non-Profit Security Program</i>			917,176
State Homeland Security Program (SHSP)	97.073	144.003	78,315
State Homeland Security Program (SHSP)	97.073	240.012	698
<i>Total State Homeland Security Program</i>			79,013
Total U.S. Department of Homeland Security			5,996,673
Total Federal Assistance			43,733,090
<u>Oklahoma Department of Corrections</u>			
FY2010 Second Chance Interlocal Cooperative Agreement		Interlocal Coop Agreement	101,387
<u>Oklahoma Office of Juvenile Affairs</u>			
Community Intervention Center Interlocal Agreement		PO 4009017686	238,644
FY2012 Contract for Community Intervention Center: an Interlocal Agreement		PO 4009018584	241,880
<u>Oklahoma Aeronautics Commission</u>			
Install ILS for RW 17L/35R		PWA-10-S	302,355
Total State Assistance			884,266
Total Federal and State Assistance			\$ 44,617,356

The City of Oklahoma City, Oklahoma
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Note 1: Basis of Presentation and Accounting Policies

General

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state award programs of the City of Oklahoma City, Oklahoma (the City), for the year ended June 30, 2012. The City's reporting entity is described in *Note 1* in the City's Consolidated Annual Financial Report (CAFR). Federal financial awards received directly from federal agencies as well as federal financial awards, if any, passed through other government agencies are included on the Schedule. Required matching contributions, program income (except certain revolving loan fund program expenditures), state and private grants and other nonfederal grants and awards are not included in the Schedule.

Basis of Accounting

In prior years, the accompanying Schedule was presented using the same basis of accounting as the related funds in which the grant activity was reported in the basic financial statements. During the current year the basis of accounting was changed and is now presented using the following methods:

- a. For governmental funds presented in the basic financial statements, expenditures in this schedule are reported based on federal funds paid during the year, less expenditures accrued in the previous year, and expenditures that were paid within 90 days of the fiscal year-end that were accrued in the basic financial statements.
- b. For the Oklahoma City Airport Trust (OCAT), the Central Oklahoma Transportation and Parking Authority (COTPA) and the Oklahoma City Water Utilities Trust (OCWUT), expenditures of federal funds are now reported using the cash basis of accounting. As a result of the change in accounting basis for these funds, certain expenditures included in the current year schedule were also included in the prior year's schedule.

In addition, the accompanying schedule reflects certain adjustments resulting from transfers of funds between grants and probable repayment of questioned costs to federal agencies reported in prior years. As a result, certain grants show negative expenditures.

Note 2: Federal CFDA Numbers

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

The City of Oklahoma City, Oklahoma
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Note 3: Outstanding Loan Balance

The City participates in the Community Development Block Grant Section 108 Loan Guarantee Program (CFDA No. 14.248). The activity of the City's Section 108 loans guaranteed by the U.S. Department of Housing and Urban Development are as follows:

Project	Balance at Beginning of Year	Increases During Year	Decreases During Year	Balance at End of Year
Climate Craft	\$ 1,925,000	\$ -	\$ 1,925,000	\$ -
Micro-Enterprise and Small Business Loan Program	\$ 3,750,000	\$ -	\$ 125,000	\$ 3,625,000

Current year expenditures in the amount of \$500,000 as shown in the schedule of expenditures of federal and state awards Community Development Block Grant – Section 108 Loans were disbursed from program income as part of the City's Revolving Loan Fund Program established in 2006 and were not separately guaranteed by HUD as part of the Section 108 Loan Guarantee Program and are not included in the activity above.

The City also participates in the Environmental Protection Agency's (EPA) Brownfields Assessment and Cleanup Cooperative Agreements (CFDA No. 66.818). The activity of the loans issued as part of that program is as follows:

Project	Balance at Beginning of Year	Increases During Year	Decreases During Year	Balance at End of Year
Dowell Properties	\$ 1,308,667	\$ -	\$ 119,516	\$ 1,189,151
First National	\$ 1,485,475	\$ -	\$ 1,485,475	\$ -
Dowell Properties – ARRA	\$ 429,440	\$ -	\$ -	\$ 429,440
Shepherd Manor	\$ -	\$ 50,000	\$ -	\$ 50,000

During the year ended June 30, 2012, the outstanding balance of the loan with First National was determined by the City to be uncollectible and has been fully reserved for in the City's financial statements.

The City of Oklahoma City, Oklahoma
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2012

Note 4: Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided to Subrecipients
14.218	Community Development Block Grant/Entitlement Grant	\$ 1,096,930
14.231	Emergency Shelter Grants	219,701
14.235	Supportive Housing Program	2,158,102
14.238	Shelter Plus Care	89,288
14.241	Housing Opportunities for Persons with AIDS	329,498
15.904	Historical Preservation Fund	14,311
16.738	Edward Byrne Memorial Justice Assistance Grant Program	12,510
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	17,239
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)	<u>500,000</u>
	Total federal awards provided to subrecipients	<u>\$ 4,437,579</u>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Auditor's Results

1. The opinions expressed in the independent accountants' report were:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
Significant deficiencies noted considered material weaknesses? Yes No
Significant deficiencies noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
Significant deficiency(ies) noted considered material weakness(es)? Yes No
Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinions expressed in the independent accountants' report on compliance with requirements applicable to major federal awards were:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

7. The City's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program	20.106
<i>Federal Transit Cluster</i>	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
ARRA – Federal Transit – Formula Grants	20.507
<i>Transit Service Programs Cluster</i>	
Job Access – Reverse Commute	20.516
New Freedom Program	20.521
Capitalization Grants for Clean Water State Revolving Funds	66.458
<i>Brownfield Assessment and Cleanup Cooperative Agreements</i>	
Brownfield Assessment and Cleanup Cooperative Agreements	66.818
ARRA – Brownfield Assessment and Cleanup Cooperative Agreements	66.818
ARRA – Energy Efficiency and Conservation Block Grant Program (Recovery Act Funded)	81.128
Assistance to Firefighters Grants	97.044
Advanced Surveillance Program (ASP)	97.118

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,578,950.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
12-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Interfund reimbursements were not properly recorded within the City and related trusts and authorities’ financial statements to reflect the fund responsible for the particular expense. As a result, the City and related trusts and authorities had not historically reported a liability for expenses incurred on their behalf which had not yet been reimbursed as of year-end. This matter required a restatement of the prior year’s financial statements to properly reflect this liability, including a prior period adjustment to reflect the City is legally responsible to fund the estimated workers’ compensation claims liability reported by the Oklahoma City Municipal Finance Authority.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of prior year’s financial statements.</p> <p>Cause – Previously issued accounting guidance was not properly implemented and the accruals recorded by the City and related trusts and authorities were not properly monitored.</p> <p>Recommendation – We recommend management increase monitoring of activity/transactions of the trusts and authorities to ensure proper year-end accruals and proper presentation in accordance with prescribed guidance.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the change in treatment of these transactions and have recorded these transactions in the current year and will record the appropriate amounts in the future.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The City and related trusts and authorities continued to make material adjustments, in response to audit inquiries, to correct capital assets and related depreciation account balances. These adjustments included the correction of errors that had been made with respect to capitalization of interest on capital asset projects and errors in prior year depreciation restatement adjustments. The correction of these errors required a restatement of the 2011 financial statements of the Oklahoma Public Property Authority.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors not detected and/or corrected in a timely manner which resulted in material adjustments to current year’s financial statements and a restatement of the 2011 financial statements.</p> <p>Cause – Current control processes and procedures did not timely identify the need to make adjustments to capital asset accounts and, due to the volume of completed projects identified in 2011, the completion dates of construction in progress assets provided by City departments to the Finance Department were not validated by the Finance Department.</p> <p>Recommendation – We recommend the continued review of asset accounting procedures and processes to identify enhancements which can be implemented to strengthen these processes and procedures as well as developing additional procedures to ensure the Finance Department that the information received from other departments has been properly validated.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree the asset management system and related accounting procedures need revision. We will revise the asset management system and develop extensive procedures to ensure the system properly tracks capital assets.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-03	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting and regulatory compliance.</p> <p>Condition – On December 12, 2012, the Oklahoma City Post-Employment Benefits Trust (the Trust) was notified by the Internal Revenue Service (IRS) that the tax-exempt status of the Trust was revoked for failure to file annual information return Form 990 – Return of Organization Exempt from Income Tax for the previous three years.</p> <p>Context – Maintaining compliance with applicable laws and regulations is critical to safeguarding the Trust’s and the City’s assets. The Trust was formed in 2008. A Form 990 – Return of Organization Exempt from Income Tax was required to be filed for the period ended June 30, 2009, and each year thereafter. These returns were not filed by the Trust. We understand that correspondence regarding this matter received by the Trust from the IRS was forwarded to legal counsel by Trust management. We also understand the Trust did not receive guidance from legal counsel regarding such correspondence and Trust management did not follow up with legal counsel regarding such correspondence. This resulted in the Trust’s failure to file the Form 990 – Return of Organization Exempt from Income Tax for three successive years, which resulted in automatic revocation of the Trust’s tax-exempt status.</p> <p>Effect – The failure to timely file Form 990 – Return of Organization Exempt from Income Tax results in monetary penalties to the Trust. In addition, the impact to the Trust for having its tax-exempt status revoked could result in a requirement to pay income taxes on the net income of the Trust.</p> <p>Cause – Proper internal controls were not implemented to ensure the required tax filings were timely submitted by the Trust.</p> <p>Recommendation – We recommend management file all delinquent IRS Form 990s and apply for reinstatement of the Trust’s tax-exempt status as instructed by the IRS and request abatement of all interest, penalties and taxes as soon as administratively possible. In addition, we recommend management implement internal controls for maintaining compliance with required regulatory filings of the Trust.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We have begun the process of filing the required annual tax returns and will file as soon as possible. We have also begun the process of requesting reinstatement of the Trust’s tax-exempt status. Since annual returns must be made public and must be reviewed by the Trustees, we believe this annual filing with the Trustees will ensure proper filing.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-04	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – In an effort to improve reporting of unrecorded payables, the City and related trusts and authorities changed the method used to identify certain payables to be accrued at year-end. The City and related trusts and authorities implemented a process whereby the department managers provided estimates of payables based on the progress on projects. The Accounting Services Division relied on the payable information provided by the department managers and did not validate the information. Based on our testing of payables, we identified certain instances where payables recorded under this new method were both overstated and understated.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potential material misstatements in the financial statements due to error could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause – Insufficient education of department managers regarding what information was actually needed and the testing of the new process methodology was not completed.</p> <p>Recommendation – We recommend that new processes implemented be clearly communicated and results tested to ensure the accuracy of the information being generated by the new process.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree the process needs improvement and will implement year-end training and a process that includes requiring documentation of amounts provided by departments in order to validate accuracy of information.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-05	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Payments made to suburban school districts were not properly recorded within the Oklahoma City Metropolitan Area Public Schools Trust’s (the Trust) financial statements to reflect unspent payments. Payments made to suburban school districts were being expensed when distributed rather than expensed when services were performed. This matter required a restatement of the prior year’s financial statements to properly reflect this asset.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of the 2011 financial statements.</p> <p>Cause – Misunderstanding of the facts surrounding how the payments to suburban schools were handled which resulted in improper accounting treatment.</p> <p>Recommendation – We recommend working closely with the Operations Department to track suburban school projects for which funds have been issued but not yet expended by suburban school districts to ensure proper year-end reporting of unspent payments.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the change in treatment and have recorded these transactions in the current year and will record the appropriate amounts in the future.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-06	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Unauthorized access to the City’s financial data may occur and not be prevented and/or detected in a timely manner.</p> <p>Programmers in the Information Technology (IT) Department have the ability to modify programming in the software used for financial reporting. This would allow programmers to make unauthorized changes to financial data.</p> <p>Application security reports and logs are only being reviewed upon request.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potential material misstatements in the financial statements or material misappropriation of assets due to error or fraud could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause – Resources available to the IT Department may not be sufficient to allow adequate monitoring of controls and duties may need to be reviewed and redesigned.</p> <p>Recommendation – We recommend the City’s management evaluate the internal controls in the IT Department and take necessary actions as considered necessary to provide adequate resources or redesign of the control environment to allow sufficient monitoring controls.</p> <p>Views of Responsible Officials and Planned Corrective Actions – This finding was also reported in the previous year. Due to requirements of obtaining and implementing the software to address this recommendation, controls to resolve this weakness were not implemented until the first quarter of fiscal year 2013.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Reference Number	Finding
12-07	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – It was determined during the current year, certain fixed assets had been recorded on the books of the Oklahoma City Riverfront Redevelopment Authority (the Authority) in previous years that the Authority did not own. These assets had been formally accepted by the Authority; however, an agreement between the City and the Authority specifically identified these as assets of the City. This matter required a restatement of the 2011 financial statements.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of the 2011 financial statements.</p> <p>Cause – The addition of capital assets was not properly monitored in prior years.</p> <p>Recommendation – We recommend management familiarize themselves with all legal agreements which may define or limit the ownership of capital assets before such assets are recorded in the Authority’s accounts.</p> <p>Views of Responsible Officials and Planned Corrective Actions – After review of the circumstances surrounding the original treatment of this transaction, we agree with the recommended treatment and have adjusted the accounting records. We have a process to review all contracts and agreements the Authority approves.</p>

The City of Oklahoma City, Oklahoma
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2012

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

The City of Oklahoma City, Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Reference Number	Finding	Questioned Costs
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No matters are reportable.