

Oklahoma Department of Commerce

Internal Audit Report on Design and Operating
Effectiveness of Internal Controls over CDBG-DR
Transactions

June 2018

I. Executive Overview

Introduction

I recently completed a review of functions outlined below with a primary objective of evaluating the process and significant control points for effectiveness, adequacy, and efficiency of operations for the CDBG-DR processes performed by the Oklahoma Department of Commerce (the “Department”). This report is intended solely for the information and use of management and should not be used for any other purpose. The Department’s oversight authorities may be provided with a copy of this report in connection with fulfilling their respective responsibilities.

Audit Scope

I completed an audit of several audit procedures of the Department’s CDBG-DR functions. The audit period covered April 1, 2018 through June 30, 2018. The functions covered in this audit for the period are outlined, as follows:

- Follow-up on last quarter’s Internal Audit report
- Program policies and procedures
- HUD monitoring reports reviewed along with ODOC responses

My procedures were performed to:

- Evaluate the ODOC CDBG-DR policies and procedures following the HUD monitoring
- Evaluate the documentation uploaded onto the website
- Evaluate the supporting documentation uploaded onto the OKGrants computer system

To accomplish this, I reviewed the following documents:

- CDBG-DR Action Plan
- CDBG-DR Monitoring Handbook
- OK CDBG-DR Policy & Procedure Manual –Updated 6-7-2018
- CDBG Disaster Recovery Monitoring Document
- DR Contracts to be Monitored
- CDBG Disaster Recovery website
- HUD monitoring reports
- ODOC’s monitoring responses
- DRGR B-13-DS-40-001 Budget Rounds as of May 7, 2017
- CDBG-DR Monitoring Status Report 5-30-18
- Interviewed key personnel in DR area
- Reviewed OKGrants Disaster Recovery

It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management’s intentions. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of controls. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Control procedures can be circumvented intentionally by management with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the processing of data.

Further, the projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

Overview of Issues

During the course of my work, I discussed my findings with ODOC management. The detailed findings and recommendations for improving controls and operations are described in Section II of this report. A summary of key issues is provided below:

- ODOC is waiting on HUD to provide information
 - To return interest to HUD that sub-recipients have earned
 - Revised spreadsheets that reflect all the voucher adjustments
- Status on the issues in the March 2018 Internal Audit Report

II. Observations and Recommendations

1. ODOC awaits HUD's directions on returning the interest that sub-recipients have earned. As internal auditor, I requested directions ten (10) months ago and the program division has been requesting this information much longer. ODOC was told during the exit conference that these directions would be provided by May 15.
2. ODOC needs to update the CDBG-DR website to include the last quarter of 2017 and the first two quarters of 2018 for both:
 - A. CDBG Disaster Recovery Quarterly Reports and
 - B. CDBG Disaster Recovery Quarterly Contractor Reports
3. Status on the issues in the March 2018 Internal Audit Report:
Issue 1. Uploads to OKGrants of supporting documentation are not all available, consistent, complete, or all signed.

Current Status is that the Internal Auditor now has access for new information entered after April 2018 but not prior.

Issue 2. Payments are made without all supporting documentation being uploaded.

Current Status is a Monitoring Review spreadsheets have been prepared on the 22 fire truck CDBG-DR contracts but have not been reviewed to date.

Recommendation. The Monitoring Review spreadsheets on the 22 fire truck CDBG-DR contracts should be reviewed as soon as possible.

Issue 3. Documentation not consistently available indicating ODOC staff verified or reviewed the uploads before payment made or expenditures processed.

Current Status appears documentation is verified and reviewed.

Issue 4. Coordinate with HUD the differences that occurred as a result of voucher modifications.

Current Status is that ODOC is on hold waiting for HUD to concur and provide the updated spreadsheet.

Program division comments

The program division did not have any comments to add to this report.

Updates

1. ODOC has met with Deloitte and Touche on the monitoring contract.
2. ODOC has received a draft of the monitoring issues found in the May monitoring visit.
3. The monitoring status report has been updated on the website as of 5-30-18. Reference okcommerce.gov CDBG Disaster Recovery website.