OKLAHOMA DEPARTMENT OF COMMERCE – CDBG-DR 2013 INTERNAL AUDIT FOR QUARTER ENDING September 30, 2021

OKLAHOMA DEPARTMENT OF COMMERCE
CDBG-DR 2013 INTERNAL AUDIT REPORT – September 30, 2021

August 19, 2022

Brent Kisling, Executive Director
Oklahoma Department of Commerce
900 N. Stiles Ave
Oklahoma City, OK 73104

Mr. Kisling:

We are pleased to provide the attached Internal Audit Report for the period July 1, 2021 through September 30, 2021 with respect to the Housing and Urban Development (HUD) Community Development Block Grant - Disaster Recovery (CDBG-DR) program funding the Oklahoma Department of Commerce (ODOC) received.

Our services were performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA). However, our services did not constitute an engagement to provide audit, compilation, review, or attestation services as described in the pronouncements on professional standards issued by the AICPA, and, therefore, we will not express an opinion or other form of assurance with respect to our services.

In addition, our services did not constitute an examination or compilation of prospective financial information in accordance with standards established by the AICPA. We did not provide any assurance regarding the outcome of any future audit or regulatory examination or other regulatory action; nor did we provide any legal advice regarding our services; the responsibility for all regulatory and legal issues with respect to these matters resides with ODOC. It is further understood that ODOC is responsible for, among other things, identifying and ensuring compliance with laws and regulations applicable to ODOC's financial statement activities.

This report is intended solely for the information and use of ODOC and is not intended to be, and should not be, used by any other party, with the exception of oversight agencies for the performance of their oversight responsibilities.

The accompanying pages of our report include an executive summary as well as detailed observations, recommendations, and management's responses. Although we have included management's responses to our findings and recommendations, we take no responsibility for their sufficiency or the effective implementation of any corrective action. We appreciate the cooperation received from management and staff of ODOC during the performance of this internal audit.

Sincerely,

Arledge & Associates, P.C.

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Scope and Objectives of Our Services

The areas of focus for this internal audit included:

- Program policies and procedures
- Review and follow-up on the June 30, 2021 quarterly internal audit report
- CDBG-DR expenditures
- Review of project closeouts
- Review of HUD communications

In order to evaluate the internal controls in relation to CDBG-DR requirements, the following were reviewed along with the procedures noted below:

- CDBG-DR Action Plan (including revisions)
- Prior CDBG-DR Quarterly Reports
- CDBG-DR Monitoring Handbook
- OK CDBG-DR Policy and Procedure Manual Updated March 18, 2019
- CDBG-DR Monitoring Document
- DR Contracts to be Monitored
- Previous Internal Audit Reports

The objectives of our services were to obtain information and review selected accounting records as applicable to determine whether any recommendations are warranted regarding the design and the effectiveness of established internal control policies and procedures.

Program Policies and Procedures

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Conducted interviews with appropriate management and personnel to gain an understanding of the internal controls and processes surrounding the CDBG-DR program, focusing on any control or processes that have changed from the last quarter that was subjected to internal audit, quarter ending June 30, 2021, through the date of this report.
- Obtained and reviewed policy and procedure manuals and documents as noted in the Scope and Objectives section above, noting whether they appeared to set out appropriate policies and procedures in relation to HUD CDBG-DR and State of Oklahoma guidelines.
- Reviewed the ODOC CDBG-DR website https://www.okcommerce.gov/reporting-compliance/cdbg-disaster-recovery/ to determine that policy and procedure documents are posted to the website for public transparency.
- Obtained and reviewed the HUD Monitoring Review Report dated September 28, 2018, July 7, 2020, and August 26, 2021.

Findings:

Based on our discussions with key ODOC CDBG-DR personnel, review of policy and procedure documents as listed above, review of ODOC CDBG-DR website and review of the August 26, 2021 HUD Monitoring Review Report, it appears as though ODOC has proper internal control policies and procedures in place related to the CDBG-DR program. It is further noted that ODOC appears to be properly posting their policy and procedure documents to a website open to the public to meet the transparency requirements.

Recommendations:

We have no recommendations at this time.

Review and Follow-up on June 30, 2021 Quarterly Internal Audit Report

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Obtained and reviewed the June 30, 2021 Quarterly Internal Audit Report noting if there were any open issues and/or recommendations:
    - There were no open issues and/or recommendations.

Findings:

ODOC has received a HUD Monitoring Report and Cover Letter on August 26, 2021 for the onsite monitoring performed by HUD during the week of June 7 – June 18, 2021. The letter contained no Findings or Concerns.

Recommendations:

We have no recommendations at this time.

CDBG-DR Expenditures

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Obtained and reviewed policies and procedures related to expenditures/procurement.
- Discussed expenditures with key ODOC CDBG-DR personnel.
- Reviewed a sample of expenditures

Findings:

- All expenditures tested appear to be appropriately supported and in compliance with the applicable policies and procedures as understood through our procedures performed as noted above.

Recommendations:

We have no recommendations at this time.

Project Closeouts

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Obtained a listing of projects closed out during the 3rd Quarter of 2021.
- Discussed project closeout policies and procedures with key ODOC CDBG-DR personnel.
- Utilized OKGrants system to review a sample of projects closed out during the 3rd Quarter of 2021.

Findings:

- For the current quarter, there were no project closeouts to be tested.

Recommendations:

We have no recommendations at this time.

HUD Communications

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Obtained and reviewed the most recent HUD Monitoring Review Report dated August 26, 2021.
- Obtained and reviewed ODOC's response to the HUD Monitoring Report.
- Obtained and reviewed ODOC's communications with HUD since the prior quarterly report as deemed appropriate.
- Inquired of management personnel regarding potential comments or resolution of prior comments resulting from the monitoring visits performed by HUD.

Findings:

During the review of the HUD Monitoring Review Report dated August 26, 2021 there were no findings noted and all prior findings had been closed.

- **Recommendations:**

  We have no recommendations at this time.

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Summary Status of Recommendations

This internal audit report is presented in a narrative format that addresses the procedures performed and recommendations made in the previous quarters along with the results of procedures performed in the current quarter with any unresolved recommendations from the previous quarters and any new recommendations from the current quarter being presented together. As recommendations are resolved, they are noted as such in the applicable quarterly report and the associated recommendation is removed and no longer carried forward.

The following is a summary of all pending recommendations, by procedure area, not yet resolved as of September 30, 2021:

Review and Follow-up on June 30, 2021 Quarterly Internal Audit Report:

No pending recommendations at this time.

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