

City of Tulsa, Oklahoma

Compliance Report
Year Ended June 30, 2019

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RSM US LLP

**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***

Independent Auditor's Report

To the Honorable Mayor, City Council and
Audit Committee
City of Tulsa, Oklahoma

We have audited, in accordance with the 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, 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 Tulsa, Oklahoma (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2019. Our report includes a reference to other auditors who audited the financial statements of the Tulsa Industrial Authority, a discretely presented component unit of the City, and the Tulsa Stadium Trust, a blended component unit of the City, as described in our report on the City's financial statements. In addition, other auditors audited the Operations of the BOK Center, as managed by SMG, and the Operations of the Cox Business Center, as managed by SMG, which are included within the Arena and Convention Center major enterprise fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Kansas City, Missouri
December 19, 2019



RSM US LLP

**Report on Compliance for Each Major Federal Program,
Report on Internal Control Over Compliance, and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

To the Honorable Mayor, City Council and
Audit Committee
City of Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Tulsa, Oklahoma's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. 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.

Scope

The City of Tulsa, Oklahoma's basic financial statements include the operations of the Tulsa Airports Improvement Trust (TAIT), Tulsa Development Authority (TDA) and Tulsa Industrial Authority (TIA), discretely presented component units, and Tulsa Stadium Trust (TST), a blended component unit. Our audit, described below, did not include the operations of TST or TIA because these component units engaged other auditors to perform their June 30, 2019 audit. Our audit, described below, did not include the operations of TDA because they were not required to have a separate audit in accordance with the Uniform Guidance as their federal expenditures for the year ending June 30, 2019 were less than \$750,000. Our audit, described below, did not include the operations of TAIT because they issued a separate compliance report in accordance with the Uniform Guidance for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2019, which contained unmodified opinions on those financial statements. Our audit report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Kansas City, Missouri
December 19, 2019

CITY OF TULSA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures Federal	Amounts Provided to Subrecipients FYE June 30, 2019
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Community Development Block Grants/Entitlement Grants Cluster	14.218	B-16-MC-40-0004 B-17-MC-40-0004 B-18-MC-40-0004	\$ 6,090,378	\$ 3,603,796
Emergency Solutions Grant Program	14.231	E-16-MC-40-0004 E-17-MC-40-0004 E-18-MC-40-0004	392,165	371,589
Home Investment Partnerships Program	14.239	M-15-MC-40-0202 M-16-MC-40-0202 M-17-MC-40-0202 M-18-MC-40-0202	1,427,702	1,140,517
Housing Opportunities for Persons with AIDS	14.241	OK-H17-F002 OK-H18-F002	444,712	435,346
Total U.S. Department of Housing and Urban Development			8,354,957	5,551,248
U.S. DEPARTMENT OF THE INTERIOR				
<u>Pass-Through Oklahoma Historical Society</u>				
Historic Preservation Fund Grants-In Aid	15.904	18-608	2,320	-
U.S. DEPARTMENT OF JUSTICE				
<u>Pass-Through State District Attorney Council</u>				
National Criminal History Improvement Program	16.554	N17-001	13,869	-
Crime Victim Assistance	16.575	2017-VOCA-TULSA-CI-095	26,332	-
Violence Against Women Formula Grants	16.588	2017-VAWA-Tulsa PD-00034	3,598	-
Violence Against Women Formula Grants	16.588	2017-VAWA-Tulsa PD-00035	26,904	-
Total Violence Against Women Formula Grants			30,502	-
Project Safe Neighborhoods (PSN)	16.609	PSNN18-001	5,543	-
Direct Programs:				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2017-WE-AX-0045	308,211	194,010
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX-K024	1,566	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0886	110,551	16,940
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0929	9,554	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0831	162,715	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0765	24,854	-
Total Edward Byrne Memorial Justice Assistance Grant Program			309,240	16,940
DNA Backlog Reduction Program	16.741	2016-DN-BX-0057	57,086	-
DNA Backlog Reduction Program	16.741	2017-DN-BX-0026	104,048	-
Total DNA Backlog Reduction Program			161,134	-
<u>Pass-Through State District Attorney Council</u>				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	FSF17-005	3,350	-

(Continued)

CITY OF TULSA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Current Year Expenditures Federal	Amounts Provided to Subrecipients FYE June 30, 2019
Direct Programs:				
Innovations in Community-Based Crime Reduction	16.817	2016-AJ-BX-0007	190,217	-
2018 National Sexual Assault Kit Initiative	16.833	2018-AK-BX-0015	29,660	-
Equitable Sharing Program	16.922	OK0720500	436,322	-
Equitable Sharing Program	16.922	OK0721600	8,105	-
Total Equitable Sharing Program			444,427	-
Total U.S. Department of Justice			1,522,485	210,950
U.S. DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction Cluster				
<u>Pass-Through Oklahoma Department of Transportation</u>				
Highway Planning and Construction	20.205	STP-172A(335)JG	788,160	-
Highway Planning and Construction	20.205	SEC1934-172E(404)TI	480,222	-
Highway Planning and Construction	20.205	STP-172E(292)EH	590,490	-
Total Highway Planning and Construction Cluster			1,858,872	-
Federal Transit Cluster				
Direct Programs:				
Federal Transit Formula Grants	20.507	OK-95-X008-00	44,883	-
Federal Transit Formula Grants	20.507	OK-90-X117-00	24,919	-
Federal Transit Formula Grants	20.507	OK-2016-001-00	52,141	-
Federal Transit Formula Grants	20.507	OK-2016-016-00	108	-
Federal Transit Formula Grants	20.507	OK-2017-009-00	2,041,264	-
Federal Transit Formula Grants	20.507	OK-2017-025-00	433,007	-
Federal Transit Formula Grants	20.507	OK-2017-026-00	327,881	-
Federal Transit Formula Grants	20.507	OK-2018-007-00	221,468	-
Federal Transit Formula Grants	20.507	OK-2018-011-00	4,205,610	-
Total Federal Transit Cluster			7,351,281	-
Highway Safety Cluster				
<u>Pass-Through State of Oklahoma Highway Safety Office</u>				
State and Community Highway Safety	20.600	SE-18-03-07-11	20,095	-
State and Community Highway Safety	20.600	SE-19-03-12-12	43,937	-
National Priority Safety Programs	20.616	F5-OT-18-03-07-11	3,742	-
Total Highway Safety Cluster			67,774	-
Total U.S. Department of Transportation			9,277,927	-

(Continued)

CITY OF TULSA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number or Pass- Through Entity Identifying Number	Current Year Expenditures Federal	Amounts Provided to Subrecipients FYE June 30, 2019
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Programs:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00F71001-0	333,501	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00F70901-0	8,790	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-01F48401-0	25,524	-
Total Brownfields Program			367,815	-
Total U.S. Environmental Protection Agency			367,815	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Pass-Through The University of North Carolina at Chapel Hill</u>				
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	5100907	6,000	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	5109559	11,323	-
Total Pass-Through UNC Chapel Hill			17,323	-
<u>Pass-Through The Oklahoma Department of Mental Health</u>				
SAMHSA Projects of Regional and National Significance	93.243	SP022127-01	8,413	-
Assisted Outpatient Treatment	93.997	1H79SM063532	85,000	-
Total U.S. Department of Health and Human Services			110,736	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
<u>Pass-Through State of Oklahoma Dept. of Civil Emergency Management</u>				
Hazard Mitigation Grant	97.039	FEMA-4247-DR-OK-14	112,469	-
Hazard Mitigation Grant	97.039	FEMA -4274-0007-OK	184,537	-
Hazard Mitigation Grant	97.039	FEMA -4256-0018-OK	193,375	-
Total Hazard Mitigation Grants			490,381	-
Direct Program:				
Assistance to Firefighters Grant	97.044	EMW-2016-FO-06195	364,255	-
<u>Pass-Through State of Oklahoma Office of Homeland Security</u>				
State Homeland Security Grant Program (SHSP)	97.067	860.011	52,254	-
State Homeland Security Grant Program (SHSP)	97.067	860.023	10,469	-
State Homeland Security Grant Program (SHSP)	97.067	860.055	7,499	-
State Homeland Security Grant Program (SHSP)	97.067	960.064	60,950	-
Total State Homeland Security Grant Program			131,172	-
Direct Program:				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	2015 SAFER	310,480	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	2016 SAFER	2,493,672	-
Total SAFER Grant Program			2,804,152	-
Total U.S. Department of Homeland Security			3,789,960	-
Total Federal Expenditures			\$ 23,426,200	\$ 5,762,198

See notes to schedule of expenditures of federal awards

City of Tulsa, Oklahoma

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Tulsa, Oklahoma (the City) and some of the City's component units for the year ended June 30, 2019. The schedule of expenditures of federal awards does not include the federal grant activity of the Tulsa Development Authority, the Tulsa Airport Improvement Trust and the Tulsa Industrial Authority, discretely presented component units of the City, and the Tulsa Stadium Trust, a blended component unit of the City. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from the amounts presented in or used in the preparation of the basic financial statements.

Note 2. Significant Accounting Policies

The accompanying schedule of federal awards is presented on the accrual basis of accounting in the proprietary funds and the modified accrual basis of accounting in the governmental funds. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are reported following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Identifying Number: 2018-001

Criteria: City personnel should reconcile all cash and investment accounts on a timely basis. These account balances are material to the financial statements, as well as the process of timely cash reconciliations serving as a key control over significant transactions cycles including cash disbursements and cash receipts.

Condition: City personnel were approximately six months delinquent on reconciling cash and investment accounts during fiscal year 2018, including the primary operating cash account.

Cause: The City implemented a new general ledger system during the current fiscal year, which caused significant delays in performing timely bank reconciliations.

Effect or potential effect: As of June 30, 2018, there was an unreconciled variance between the cash reconciliation and the financial statements of approximately \$180,000. The potential effect is also the increased risk of material misstatement of the financial statements of misappropriation of cash.

Recommendation: We recommend City personnel perform procedures and controls in a timely manner so that cash and investment accounts are reconciled on a timely basis.

View of responsible officials: Management agrees with this finding.

Corrective Action Taken: During fiscal year 2019, the City focused efforts on reconciling cash and is now current with cash reconciliations and has remediated the deficiency of delinquent cash reconciliations identified in prior year audit. Further, all unlocated differences between the cash reconciliation and the financial statements were resolved and there were no unlocated differences as of June 30, 2019.

Identifying Number: 2018-002

Criteria: The Uniform Guidance stipulates that when a nonfederal entity enters into a contract or purchase order with an entity (vendor or subrecipient), the nonfederal entity must verify the entity is not suspended or debarred from participation in federal programs/grants when expending \$25,000 or more in a year.

Finding: The City did not comply with the suspension and debarment requirement of the Uniform Guidance for the Oklahoma Water Resources Board (OWRB) Revolving Loan Grant Program, nor for the Edward Byrne Memorial Justice Assistance Grant (JAG) Grant Program. City personnel did not verify vendors were not suspended or debarred prior to providing them with federal funds.

Cause: City personnel do not have a process in place to verify suspension and debarment consistently for all types of contracts. City personnel have a process in place for construction contracts but had not considered contracts for all types of work being performed by third parties.

Effect or potential effect: The City is not in compliance with suspension and debarment requirements of the Uniform Guidance. The potential effect is submitting unallowable costs, or loss of federal funding.

Questioned costs: None

Context: Four of the seven vendors tested in both grant programs were not reviewed by City personnel for suspension or debarment. Subsequent testing verified that none of the vendors selected for review were suspended or debarred.

Repeat finding: Not a repeat finding.

Recommendation: We recommend City personnel follow procedures to determine whether vendors and subrecipients have been suspended or debarred prior to entering into contracts or purchase orders for all transactions, and maintain documentation supporting this verification.

View of responsible officials: Management agrees with this finding.

Corrective Action Taken: Effective August 1, 2019 for purchases of supplies, equipment, and services costing \$25,000 or more, where Federal Grant Funding is used, Purchasing division staff of the City will obtain a SAM certification showing the company being recommended for award is not currently suspended or debarred.

City of Tulsa, Oklahoma

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

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?

Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516(a)?

Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

II. Financial Statement Findings

A. Internal Control

2019-001

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting which should be designed to prevent or detect and correct misstatements on a timely basis. In accordance with US GAAP, donated (contributed) capital assets should be reported at acquisition value at the date of contribution.

Condition: The City did not properly record donated infrastructure capital assets in the financial statements of the stormwater management fund. On an annual basis, the engineering department provides the finance department with the detailed listing of donated infrastructure capital assets received by the City from developers. An error was identified on one of the capital asset projects. Specifically, the acquisition value was overstated because the entire project cost had been capitalized by the City (including the improvements owned by the private developer), versus the correct value of the stormwater assets to be owned and maintained by the City.

Cause: City personnel did not have an adequate process in place to review the donated infrastructure assets for accuracy and properly report these capital contributions in the financial statements.

Effect or potential effect: An audit adjustment was proposed in the stormwater management fund to decrease capital assets and contributed revenue by approximately \$1.9 million to correct this error.

Recommendation: We recommend City personnel implement the necessary procedures to ensure the acquisition value of capital asset contributions is properly determined and recorded in the financial statements.

View of responsible officials: Management agrees with this finding.

B. Compliance Findings

No matters to report.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

No matters to report.

B. Instances of Noncompliance

2019-002

U.S. Department of Justice

Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738)

Federal Award Identification Number and Year: 2015-DE-BX-K024; 2015-DJ-BX-0886; 2016-DJ-BX-0929; 2017-DJ-BX-0831; and 2018-DJ-BX-0765

Criteria: The Uniform Guidance stipulates that when a nonfederal entity enters into a contract or purchase order with an entity (vendor or subrecipient), the nonfederal entity must verify the entity is not suspended or debarred from participation in federal programs/grants when expending \$25,000 or more in a year.

City of Tulsa, Oklahoma

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019**

Condition: The City did not comply with the suspension and debarment requirement of the Uniform Guidance for the Edward Byrne Memorial Justice Assistance Grant (JAG) Grant Program. City personnel did not verify vendors were not suspended or debarred prior to providing them with federal funds.

Cause: City personnel did not follow the process in place to verify suspension and debarment consistently for all types of contracts. City personnel have a process in place for construction contracts but had not considered contracts for all types of work being performed by third parties.

Effect or potential effect: The City is not in compliance with suspension and debarment requirements of the Uniform Guidance. The potential effect is submitting unallowable costs, or loss of federal funding.

Questioned costs: None

Context: Vendors were not reviewed by City personnel for suspension or debarment. Subsequent testing verified that none of the vendors selected for review were suspended or debarred.

Repeat finding: This was previously reported as finding 2018-002 in the Compliance Report for the year ended June 30, 2018.

Recommendation: We recommend City personnel follow procedures to determine whether vendors and subrecipients have been suspended or debarred prior to entering into contracts or purchase orders for all transactions, and maintain documentation supporting this verification.

View of responsible officials: Management agrees with this finding and effective August 1, 2019 has implemented procedures to search for System of Award Management Certificates for vendors working on federal grant funded projects.

