



# OKLAHOMA AERONAUTICS COMMISSION

Operational Audit

For the period January 1, 2019 through June 30, 2022

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Aeronautics Commission**

**For the Period  
January 1, 2019 through June 30, 2022**



June 21, 2023

**TO THE OKLAHOMA AERONAUTICS COMMISSION**

We present the audit report of the Oklahoma Aeronautics Commission for the period January 1, 2019 through June 30, 2022. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**Background**

The Oklahoma Aeronautics Commission (the Agency) serves as the lead government agency to support, promote, and advocate for the state’s second largest industry, aviation and aerospace. This includes providing funding, planning, programming, and engineering expertise for Oklahoma’s airports and aviation infrastructure as well as ensuring the viability of the aerospace industry. The Agency is responsible for the administration and/or coordination of a statewide system of airports, cooperating with and assisting local, state, and federal authorities in the development of aviation infrastructure and facilities, acting as the central resource point in state government for the up-and-coming Unmanned and Advanced Air Mobility sector, and fostering the success of the state’s overall aerospace industry.

The Aeronautics Commission administers a robust aerospace and aviation education grant program to help the aviation and aerospace industry with their workforce challenges by introducing Oklahoma students to the available STEM careers that the industry has to offer. They also partner with Oklahoma’s Department of Commerce in the delivery of the Aerospace Commerce Economic Services program, which seeks to grow and develop the aviation and aerospace industry.

The Agency is overseen by a commission (the Commission) comprising seven members serving six-year terms, each appointed by the Governor. Five members are appointed from among Oklahoma’s five congressional districts with the remaining two appointed at-large. The Commission is responsible for appointing the State Director of Aeronautics to serve at its pleasure.

Commission members as of May 2023 are:

Lindy Ritz.....	Chair
Charles Ortega.....	Vice-Chair
Blake Raney .....	Secretary
Jim Putnam .....	Member
Kevin Potter .....	Member
Jerry Hunter .....	Member
Seth Phillips .....	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022).

**Sources and Uses of Funds for FY 2021 and FY 2022**

	2021	2022
<b>Sources:</b>		
Taxes	\$ 4,035,891	\$ 4,414,695
Sales & Services	3,020,295	11
Appropriations	15,203	2,000,000
Grants, Refunds & Reimbursements	1,120,502	1,159,892
Licenses, Permits & Fees	929,996	827,173
<b>Total Sources</b>	<b>\$ 9,121,887</b>	<b>\$ 8,401,771</b>
<b>Uses:</b>		
Assistance & Payments to Local Governments	\$ 5,730,939	\$ 4,049,064
Personnel Services	986,461	1,106,797
Professional Services	319,236	441,412
Administrative Expenses	163,573	216,837
Property, Furniture, Equipment & Related Debt	89,923	5,491
Travel Expenses and Other Disbursements	7,549	39,059
Transfers & Other Disbursements	-	25
<b>Total Uses</b>	<b>\$ 7,297,681</b>	<b>\$ 5,858,685</b>

*Source: Oklahoma State Accounting System (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period of January 1, 2019 through June 30, 2022. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the State Accounting System and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks
- Reviewing a selection of payroll approval documentation for payroll changes that occurred during the audit period and gathering information regarding the payroll approval processes.
- Reviewing the Agency's revenue processes, number of monthly deposits, and the types of deposits made during the audit period.
- Reviewing the inventory listings and gathering information regarding the inventory processes.
- Reviewing the Agency's commission meeting minutes and pertinent statutes and regulations and assessing related risks.

One objective was developed as a result of the procedures performed, as discussed in the body of the report. No other significant risks or findings were identified.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

### Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE** Determine whether non-payroll expenditures are independently reviewed and approved in line with the previous audit recommendation and Government Accountability Office *Standards for Internal Control*.

**Conclusion** Non-payroll expenditures are not independently reviewed and approved in line with the previous audit recommendation and Government Accountability Office *Standards for Internal Control*.

**Scope and Methodology** To accomplish our objective, we performed the following.

- Documented our understanding of the expenditure processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

**FINDINGS AND RECOMMENDATIONS**

**Independent, Documented Review of Expenditures Needed** The Purchasing & Finance Specialist is responsible for processing vouchers in the State Accounting System. The Chief Financial Officer is responsible for approving invoices and approving the vouchers in the State Accounting System.

*Repeat Finding* The Chief Financial Officer is also responsible for creating monthly financial reports that are reviewed by the Director. Reports from the State Accounting System, such as the Miscellaneous Warrant Report, are reviewed by the Chief Financial Officer. However, the monthly financial reports that are reviewed by the Director do not include a line-item detailed expenditure report. Without an independent, detailed review of expenditures, the Chief Financial Officer could make inappropriate payments without detection.

According to GAO *Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address risks.
- Management should remediate identified internal control deficiencies on a timely basis.



### **Recommendation**

As recommended in the previous audit, we suggest a knowledgeable person independent of the expenditure processes, such as the Director, review an unedited line-item detailed expenditure report. This review could be regular or random, and documentation of the review should be retained for audit purposes.

### **Views of Responsible Officials**

The Director currently receives and reviews several line-item reports on a monthly basis that are created using PeopleSoft line-item expenditure reports. The reports referred to by SAI provide the account code, vendor name, payment date and amount whereas the reports provided to the Director each month contain information on what specific expenses fall under each account code and detailed updates for construction projects. It is the agency's belief that the reports the Director currently receives are more informative than the expense reports that PeopleSoft provides given the Director will be unfamiliar with what an account code means or what each vendor provides. However, to satisfy this concern we will begin sending the Director the SAI preferred PeopleSoft report periodically for his review.

### **Auditor Response**

The purpose of the recommended review is to ensure payments approved by the CFO are appropriate. This independent review requires the expenditure data to come from a reliable source not manually prepared by the CFO. The reviewer should have an adequate understanding of Agency finances to perform the review; if no one with authority over the CFO has a detailed understanding of agency expenditures, the Agency could consider limiting the CFO's role in expenditure processing so that his review is independent.

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S·A·I  
STATE AUDITOR & INSPECTOR



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