



OKLAHOMA STATE BANKING DEPARTMENT

Operational Audit

For the period January 1, 2018 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma State Banking Department**

**For the Period
January 1, 2018 through June 30, 2021**



September 27, 2022

TO THE OKLAHOMA STATE BANKING DEPARTMENT

We present the audit report of the Oklahoma State Banking Department for the period January 1, 2018 through June 30, 2021. 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 State Banking Department was authorized by the Oklahoma Constitution in 1907. The Banking Department supervises 138 state-chartered banks, 11 state-chartered credit unions, six trust companies, and one savings association. It also licenses five money order companies and 170 money transmission companies. The principal effort of the Banking Department is directed toward the examination of banks, credit unions, trust companies, and savings associations. The Department is also responsible for determining whether new institutions are approved to operate in Oklahoma – and whether existing institutions are allowed to expand operations. The Department shares supervision of depository institutions with the following federal bank regulators: the Federal Deposit Insurance Corporation, Federal Reserve Bank of Kansas City, and National Credit Union Administration.

The Oklahoma Banking Department Board consist of seven members appointed by the governor. The State Banking Commissioner is the Chairman and votes only in case of a tie on any question requiring action by the Board.

Members as of August 2022:

- Mick Thompson Chairman
- Sandy Bracken Member
- Dennis Brand Member
- Wade Huckabay Member
- Brad Krieger Member
- Bob Newcomb Member
- Tom J. Thompson Lay Member

The Oklahoma State Credit Union Board consists of five members appointed by the Governor. The State Banking Commissioner is Chairman of the State Credit Union Board.

Members as of August 2022:

- Mick Thompson Chairman
- Eric Jones Member
- Steve Rasmussen Lay Member
- Luann Schmiedel Member
- Cindy White Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Annual Assessment State Bank	\$ 6,970,975	\$ 7,793,967
Fees and Exams	1,148,214	1,296,815
Other Revenues	2,116	17,566
Total Sources	\$ 8,121,305	\$ 9,108,348
Uses:		
Personnel Services	\$ 6,670,692	\$ 6,232,404
Assistance, Payments to Local Govn'ts	-	1,505,765
Administrative Expenses	391,712	384,032
Property, Furniture, Equipment	381,518	750,599
Travel	362,283	41,897
Professional Services	147,513	164,751
Total Uses	\$ 7,953,718	\$ 9,079,448

Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)

Assistance payments in 2021 were to the Department of Public Safety to support their Highway Patrol training academy.

**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 January 1, 2018 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to the Agency’s personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the Statewide Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing the Agency’s HR All Actions Report from the Statewide Accounting System to assess personnel changes that had a financial impact during the audit period.
- Reviewing a selection of payroll approval documentation for payroll changes that occurred during the audit period.
- Reviewing inventory listings and discussing the inventory count process with staff.
- Reviewing meeting minutes for the Banking and Credit Union Boards.
- Reviewing 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.

We utilized sampling of transactions to achieve our objective. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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*¹ 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.

¹ *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 effective internal control activities are in place to ensure the revenues from Annual Assessments from Banks and Trusts are deposited, in line with Government Accountability Office *Standards for Internal Control*.

Conclusion Effective internal control activities are in place to ensure the revenues from Annual Assessments from Banks and Trusts are deposited, in line with Government Accountability Office *Standards for Internal Control*.

Objective Methodology To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.
- Reviewed a random sample of 18 monthly deposit reconciliations (43% of audit period months) for evidence of appropriate deposit review by the Director of Finance and Administration and/or Agency Deputies.

No findings were identified as a result of these procedures.

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SAI
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