



DEPARTMENT OF CONSUMER CREDIT

Operational Audit

For the period July 1, 2021 through June 30, 2024

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Department of Consumer Credit**

**For the Period
July 1, 2021 through June 30, 2024**



October 28, 2024

TO THE DEPARTMENT OF CONSUMER CREDIT

We present the audit report of the Department of Consumer Credit for the period July 1, 2021 through June 30, 2024. 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 Department of Consumer Credit (the Department or the Agency) is a state regulatory agency originally created in 1969 to regulate the consumer lending business in Oklahoma through the newly adopted Oklahoma Uniform Consumer Credit Code. The Code represented the first body of law in Oklahoma comprehensively regulating noncommercial credit, small loans, installment sales and usury. The Code also exempts Oklahoma from federal regulation, although Oklahoma's rules must be substantially similar to Federal Truth in Lending requirements.

The Department is also responsible for the licensing and regulation of mortgage brokers, mortgage lenders, mortgage loan originators, deferred deposit lenders, pawnshops, rental purchase lessors, health spa contracts, credit service organizations, consumer litigation funders, and precious metal and gem dealers.

The Department is governed by the Commission on Consumer Credit, which consists of nine members appointed by the Governor with the consent of the Senate. The tenth commissioner is the Oklahoma Banking Commissioner, who is an ex officio member of the commission. Members as of October 2024 are:

- Bob Moses Chairman
- Joe Wilbanks Vice-Chairman
- Marcel Walther Commissioner
- Tim Morris Commissioner
- Alfredo Madrid Commissioner
- Barry Anderson Commissioner
- Shari Martin Commissioner
- Rodney Owens Commissioner
- Blake Hollingsworth Commissioner
- Mick Thompson Commissioner

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The following table summarizes the Agency's sources and uses of funds for July 1, 2022 through June 30, 2024.

Sources and Uses of Funds for FY 2023 and FY 2024

	2023	2024
Sources:		
Licenses, Fees and Other Charges	\$ 6,968,494	\$ 6,937,191
Reimbursement for Fds Expended	6,638	23,126
Refunded Money and Other Fees	2,479	3,517
Total Sources	\$ 6,977,611	\$ 6,963,834
Uses:		
Personnel Services	\$ 4,620,312	\$ 5,194,110
Professional Services	313,312	158,917
Travel	231,980	253,453
Administrative Expenses	216,091	218,509
Property, Furniture, Equipment	22,009	7,009
Total Uses	\$ 5,403,704	\$ 5,831,998

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 July 1, 2021 through June 30, 2024. In assessing risk and developing our audit objective, we held discussions with management, distributed surveys to Agency personnel, reviewed documentation, and performed data analysis. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the Statewide Accounting System and assessing the trends for any notable risks.
- Reviewing the Department’s HR actions from the state accounting system and the Workday system to assess personnel changes with a financial impact during the audit period and reviewing a selection of payroll approval documentation for such changes.
- Reviewing the Agency’s commission meeting minutes and pertinent statutes, regulations, and assessing related risks.
- Reviewing transfers to the State’s general fund to ensure they were in line with 14A O.S. § 6-303.

One objective related to inventory was developed as a result of the procedures, as discussed in the next section. 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*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 inventory counts were conducted and reviewed by personnel independent of maintaining inventory records, in accordance with *GAO Standards for Internal Control* and the *Statewide Accounting Manual*.

Conclusion The Agency's internal control system is not operating effectively in line with *GAO Standards for Internal Control* and the *Statewide Accounting Manual* to ensure inventory counts are conducted and reviewed by personnel independent of maintaining inventory records.

Scope & Methodology To accomplish our objective, we performed the following:

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

FINDINGS AND RECOMMENDATIONS

Inventory Counts Require Formal, Independent Review Two Administrative Technicians are responsible for maintaining the office inventory records and performing the physical inventory count. Management and staff indicated in our discussions that the results of the inventory count for FY 22 were reviewed by the Chief of Staff and the FY 24 inventory count results were reviewed by the Administrative Programs Officer. However, these reviews were not formally documented. According to management, the inventory count was not conducted in FY23.

Items assigned to teleworking employees and telecommunication items such as tablets and smart watches are not formally counted and reviewed; these lists are updated as changes occur.

Items could be lost or stolen without detection when inventory counts and reviews are not performed and formally documented for all inventory items.

According to the Oklahoma Statewide Accounting Manual:

- Individuals performing physical inventory counts should not be involved in maintaining inventory records.
- In an environment with limited numbers of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations.

According to GAO *Standards for Internal Control*:

- Management should design control activities to achieve objectives and respond to risks.
- 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 risk.

Recommendation

We recommend someone independent from maintaining inventory records and performing the counts review the results of the inventory counts and any resulting changes to the inventory records. The reviewer should have knowledge of Agency inventory purchases and disposals, and formal documentation of the inventory count review should be retained.

If management feels certain inventory categories such as telework items and handheld electronics are lower risk due to regular listing updates, they could consider performing these counts less often, such as biannually.

Views of Responsible Officials

Pursuant to the suggestion of the auditor, handheld electronics and telework items will be counted on a bi-annual basis. Other inventory will be counted on an annual basis and reviewed by Chief of Staff and/or other personnel not associated with performing or maintaining the office inventory records. Said personnel will have knowledge of Agency inventory purchases and disposals. Personnel will formally document the review and a log will be kept for documentation purposes.

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S·A·I
STATE AUDITOR & INSPECTOR



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