



OKLAHOMA STATE ELECTION BOARD

Operational Audit

For the Period of July 1, 2014 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma State Election Board**

**For the Period
July 1, 2014 through June 30, 2021**

November 8, 2021

TO THE OKLAHOMA STATE ELECTION BOARD

We present the audit report of the Oklahoma State Election Board for the period July 1, 2014 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,



OKLAHOMA STATE AUDITOR & INSPECTOR



Background

Established under the Oklahoma Constitution in 1907, the Oklahoma State Election Board is the administrative agency for the conduct of state elections and the oversight of the state’s seventy-seven county election boards.

Governance of the agency is the statutory responsibility of the secretary of the State Election Board, who is the chief state election official and secretary of the Oklahoma Senate. The secretary’s responsibilities include accepting candidate filings for state, federal and judicial offices; printing ballots for federal and state elections; distributing election supplies to county election boards; providing training to county election board officials and poll workers; promulgating rules and procedures for the conduct and administration of elections; and providing general supervision and support to county election boards.

A board consisting of three members and two alternate members is appointed by the governor, with the advice and consent of the Oklahoma Senate, from lists provided by the state’s two largest political parties. Although the board does not govern the agency, its many important responsibilities include certifying election results, hearing contests of candidacy, and appointing county election board secretaries and members.

Board members as of October 2021 are:

Tom Montgomery	Chairman
Dr. Tim Mauldin	Vice-Chairman
Heather Mahieu Cline	Member
Jerry Buchanan	Alternate Member
Debi Thompson.....	Alternate Member
Paul Ziriak.....	Secretary

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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:		
Appropriations	\$ 8,601,035	\$ 9,737,617
Federal Grants-in-Aid	6,662,703	-
CARES Grants-in-Aid	2,730,486	-
Other Fines, Forfeits, Penalties	303,000	109,500
Income from Money and Property	245,549	263,818
Other Revenues	54,371	58,243
Total Sources	18,597,144	\$ 10,169,178
Uses:		
Assistance, Payments to Local Govn'ts	\$ 4,957,769	\$ 6,810,565
Administrative Expenses	2,833,049	2,833,093
Personnel Services	1,940,277	2,053,548
Professional Services	1,054,990	917,136
Property, Furniture, Equipment	384,187	828,562
Travel	75,065	18,475
Total Uses	\$ 11,245,337	\$ 13,461,379

Source: Oklahoma Statewide 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 an assessment of materiality and risk for the period July 1, 2014 through June 30, 2021.

Our audit procedures included inquiries of appropriate personnel, data analysis, and inspections of documents and records. Further details regarding our methodology are included in Appendix A.

To assess risk and develop our audit objective, we held discussions with personnel, inspected documentation, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue 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 the changes that had a financial impact during the audit period.

Two objectives were developed, and their related methodologies are detailed in the body of the report. No other significant risks or findings were identified as a result of these procedures.

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

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>

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.

OBJECTIVE I Determine whether a knowledgeable, independent party is regularly reviewing a line-item detailed listing of expenditures, in line with GAO *Standards for Internal Control* and our previous audit recommendation.

Conclusion A knowledgeable, independent party is not currently regularly reviewing a line-item detailed listing of expenditures, in line with GAO *Standards for Internal Control* and our previous audit recommendation.

Methodology To accomplish our objective, we performed the following:

- Documented significant internal controls and processes related to non-payroll expenditures.
- Compared the Agency’s process to governmental internal control standards outlined in the GAO *Standards for Internal Control* and developed recommendations, keeping in mind related recommendations in our prior audit.

FINDINGS AND RECOMMENDATIONS

**Independent,
Detailed
Expenditure
Review
Needed**

The Business Manager is responsible for sending the Agency’s invoices to the Office of Management and Enterprise Services, Agency Business Services (ABS) for payment. She also has the combined duties of reviewing and reconciling expenditures along with access to process payments. Detailed expenditure reports are available to review on the Agency’s Finance drive for those who have access, including the Assistant Secretary and Secretary, but they do not perform a formal, documented review.

While the Agency has made steps to correct the previous audit finding and no evidence of inappropriate expenditures came to our attention, an independent, documented review is key to guarding against inappropriate expenditures. The Business Manager or ABS could initiate an unauthorized expenditure, or make an error, without detection.

According to GAO *Standards for Internal Control*, “Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.” The Standards further specify that “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 the risk.”

Recommendation

We recommend a knowledgeable person independent of the expenditure process (such as the Assistant Secretary) regularly or randomly review a

detailed expenditure report to ensure all payments are appropriate and retain documentation of the review. The report used for review should be line-item detailed and provided or accessed in a format not subject to potential manipulation (such as a PDF copy directly from the Statewide Accounting System).

Views of Responsible Officials

State Election Board agency management appreciates the recognition of the considerable work and the steps made to strengthen internal controls following the previous audit recommendations. The management team acknowledges the importance of performing a formal, documented review and reconciliation of the agency's detailed expense reports. As the audit team suggests, the Assistant Secretary will perform a formal, documented reconciliation of the agency's expenditures on a quarterly basis. Additionally, the management team will explore the possibility of contracting with an outside financial analyst to assist with budgeting and further examine the agency financial processes to find more efficient operational processes for the agency's limited financial personnel.

OBJECTIVE II

Determine whether the Agency's inventory controls are operating effectively, in line with *GAO Standards for Internal Control* and our previous audit recommendation.

Conclusion

The Agency's inventory controls are operating effectively as of fiscal year 2021, in line with *GAO Standards for Internal Control* and our previous audit recommendation.

Methodology

To accomplish our objective, we performed the following:

- Documented significant internal controls and process factors related to inventory and tested those controls:
 - Reviewed the available (FY2019 and FY2021) annual inventory count reports to ensure the Agency was properly monitoring inventory. No formal count was conducted in FY 2020 due to the pandemic, and documentation was not retained for years previous to 2019 due to the file sizes. The Agency only keeps paper files for two years; since 2019 these records are retained digitally.
 - While upper management's review of the inventory count results was not documented for FY 2019, it was for 2021. We discussed our recommendation with management that inventory counts should continue to be performed and documented annually.

No findings were identified as a result of the procedures performed.

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