



OKLAHOMA DEPARTMENT OF LABOR

Operational Audit

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

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Department of Labor**

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



October 4, 2023

TO THE OKLAHOMA DEPARTMENT OF LABOR

We present the audit report of the Oklahoma Department of Labor 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 Department of Labor (the Agency) was created by the Oklahoma Constitution (Constitution, Article 6 § 20) in 1907. The Commissioner of Labor is charged with preserving, protecting, and promoting the welfare of the wage earner. The Oklahoma Department of Labor serves as an advocate for employees, employers, and the public. Their services include the necessary relief, regulation, and resolution for employees, employers, and the public. They provide consultation, regulation, enforcement, and education information for employers.

The Commissioner of Labor shares the responsibility of protecting the health, safety, and welfare of the citizens of Oklahoma. The Oklahoma Department of Labor enforces statutes relating to wages and working hours; child labor; asbestos; licensing; alternative fuels; amusement rides; boilers; welders; the alarm and locksmithing industry; elevator inspections; and safety and health in the workplace.

The Commissioner of Labor is also advised by the following bodies:

- Alarm, Locksmith, Fire Sprinkler Advisory Committee
- Alternative Fuels Advisory Committee
- Occupational Licensing and Advisory Commission

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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
Sources:		
Appropriations	\$ 4,647,125	\$ 4,578,549
Licenses, Permits, Fees	2,885,911	3,196,575
Federal Reimbursements	1,437,154	1,713,629
CNG Conversion Fund	177,387	228,533
Fines, Forfeits, Penalties	11,500	7,600
Other Revenues	2,021	55,056
Total Sources	\$ 9,161,098	\$ 9,779,942
Uses:		
Personnel Services	\$ 6,338,531	\$ 6,685,332
Administrative Expenses	517,028	549,019
Professional Services	409,428	266,809
Property, Furniture, Equipment	299,406	85,122
Travel	53,346	70,638
Payments and Transfers	17,296	14,701
Total Uses	\$ 7,635,035	\$ 7,671,621

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

Regarding the source CNG Conversion Fund listed above, the Department of Labor receives a percentage of the tax credit from the Oklahoma Tax Commission for those who convert to Compressed Natural Gas (CNG) or purchase cars that use CNG.

**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, 2019 through July 30, 2022. 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 state accounting system and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Discussing the expenditure processes with staff, analyzing top vendors and payments, and reviewing evidence of detailed expenditure reports reviewed by management.
- Reviewing the Agency's HR All Actions Report from the state 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. The Agency is making ongoing improvements to its inventory process, which may be examined in a future engagement.
- Reviewing pertinent statutes and regulations and assessing related risks. Including assessing the transfers to the general revenue fund required by statutes.

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

We utilized sampling of transactions to achieve our objectives. 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 the Agency's internal control system is operating effectively in line with GAO *Standards for Internal Control* to ensure all revenues received are deposited.

Conclusion Effective internal control activities are in place in line with GAO *Standards for Internal Control* to ensure the revenues received by the Agency are deposited.

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 42 daily deposit documentation packets (5% of 930 audit period physical deposits; 7% of audit period dollars or \$1,021,030 of \$15,343,957) for evidence of appropriate reconciliation by the Chief Financial Officer.

No findings were identified as a result of these procedures.

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S·A·I
STATE AUDITOR & INSPECTOR



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