



# OKLAHOMA DEPARTMENT OF LIBRARIES

## Operational Audit

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

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

**Audit Report of the  
Oklahoma Department of Libraries**

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



**OKLAHOMA**  
Office of the State Auditor & Inspector

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

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August 15, 2022

**TO THE OKLAHOMA DEPARTMENT OF LIBRARIES BOARD**

We present the audit report of the Oklahoma Department of Libraries 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,

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

## Oklahoma Department of Libraries Operational Audit

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### Background

The Oklahoma Department of Libraries (ODL or the Department) is the official state library of Oklahoma. They serve the information and records management needs of state government, assist with public library development, coordinate library and information technology projects for the state, and serve the general public through specialized collections.

The Department is governed by a seven-member board of directors (the Board) appointed by the Governor and confirmed by the State Senate. The Director also serves as Secretary and ex officio member of the Board.

Board members as of May 2022 are:

Cynthia Vogel.....	Chair
Annabeth Robin .....	Vice Chair
Robert Dace.....	Member
Lee Denney .....	Member
Steven Gray.....	Member
James Robison .....	Member
Ronda Smith .....	Member

The following table summarizes the Department'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
<b>Sources:</b>		
Appropriations	\$ 4,527,411	\$ 4,346,315
Income from Money and Property	1,856,159	2,254,128
Other Revenues	312,061	310,529
Licenses, Permits, Fees	115,078	110,744
Taxes	30,605	28,825
Fines, Forfeits, Penalties	10,783	10,577
<b>Total Sources</b>	<b>\$ 6,852,097</b>	<b>\$ 7,061,118</b>
<b>Uses:</b>		
Personnel Services	\$ 2,397,127	\$ 2,474,040
Assistance, Payments to Local Govn'ts	2,383,093	2,952,309
Administrative Expenses	1,385,511	1,349,518
Professional Services	448,187	327,646
Travel	45,178	26,952
Property, Furniture, Equipment	173,099	240,887
<b>Total Uses</b>	<b>\$ 6,832,195</b>	<b>\$ 7,371,352</b>

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

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### **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 made inquiries of management, surveyed appropriate personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Review of revenue, expenditure, and asset-related data from the statewide accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risk.
- Review of a comprehensive list of personnel actions from the statewide accounting system to assess the changes that had a financial impact during the audit period.
- Discussion of management's process for library book inventory.

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

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

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*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>.

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<b>OBJECTIVE</b>	Determine whether the Department's non-payroll expenditures were independently reviewed and approved in line with Government Accountability Office (GAO) <i>Standards for Internal Control</i> , including ensuring the invoices were paid timely and from the correct fund.
<b>Conclusion</b>	<p>The Department's non-payroll expenditures were not consistently independently reviewed and approved throughout the full audit period, in line with GAO <i>Standards for Internal Control</i>.</p> <p>However, as discussed in our finding, the Department has improved its approval process since our last audit and primarily needs to fine-tune its documentation practices.</p>
<b>Methodology</b>	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the expenditure processes through discussion with management and review of documentation.</li><li>• Evaluated those processes and identified and assessed significant internal controls related to our objective.</li><li>• Selected a random sample of 21 invoices (out of 6,249 invoices for the audit period) to ensure the invoice was signed/initialed by management indicating approval, the invoice was paid from an appropriate fund, and the invoice was paid within 45 days of the invoice date as required per the Statewide Accounting Manual.</li><li>• We selected a random sample of eleven months (out of 42 months in the audit period) of reconciliation reports with support, including a statewide accounting system line-item detailed expenditure report, and reviewed to ensure they were reviewed and approved by the Director, as indicated by her signature and date on the reconciliation.</li></ul>

### FINDINGS AND RECOMMENDATIONS

<b>Director's Expenditure Review Should Be Consistently Documented</b>	<p>As recommended in our previous audit report, the Agency has updated its expenditure process to ensure a detailed expenditure report is reviewed by the Director. This review mitigates the risk of conflicting duties in invoice approval and payment process by other staff.</p> <p>We reviewed 21 randomly selected invoices and confirmed they were signed by management indicating approval, paid from an appropriate fund, and paid within 45 days of the invoice date as required by the Statewide Accounting Manual. No exceptions were identified as a result of this testwork.</p>
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We then randomly selected 11 months from the audit period to test for the Director's overall review of detailed expenditures. While our procedures showed this newly implemented control to be generally successful, we did identify three exceptions. Two were during months before the previous report was released and under the tenure of the previous Director, and one was during the current Director's tenure; in the latter case the agency could not provide evidence of the detailed report, reflecting its review.

The Director's independent review is key to ensuring employees performing purchasing and invoice approvals make only authorized and accurate payments.

According to GAO *Standards for Internal Control*:

Management may design a variety of transaction control activities for operational processes. . . . 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 of fraud, waste, or abuse in the operational process.

### **Recommendation**

The Department should ensure the Director's monthly review of the detailed expenditure report continues consistently and that documentation of the review is retained.

### **Views of Responsible Officials**

Having completed this process has given ODL leadership a new understanding and appreciation of not only completing the monthly review as recommended but retaining documentation of the same. Procedures are already in place to ensure compliance with the recommendation. Thank you!



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