



OKLAHOMA COMMISSION ON CHILDREN AND YOUTH

Operational Audit

For the period January 1, 2018 through June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Commission on Children and Youth**

**For the Period
January 1, 2018 through June 30, 2022**



September 15, 2022

TO THE OKLAHOMA COMMISSION ON CHILDREN AND YOUTH

We present the audit report of the Oklahoma Commission on Children and Youth for the period of January 1, 2018 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

**Oklahoma Commission on Children and Youth
Operational Audit**

Background

Since 1982, the Oklahoma Commission on Children and Youth (the Agency) has helped create quality systems for children, youth, and families by bringing accountability and independent oversight into Oklahoma’s child and youth service system. Its mission is to improve services to Oklahoma’s children by planning, coordinating, and communicating with communities as well as between public and private agencies.

Oversight is provided by 19 commissioners (the Commission). As of August 2022 they are:

John Schneider.....	Chairperson
Jacqueline Aaron.....	Commissioner
Samantha Galloway.....	Commissioner
Kevin Corbett	Commissioner
Melinda Fruendt	Commissioner
Keith Reed.....	Commissioner
Jonathan Hall.....	Commissioner
Ginarie Harrington.....	Commissioner
Joy Hofmeister.....	Commissioner
Rachel Holt.....	Commissioner
Dr. Kalie Kerth.....	Commissioner
Jason M. Hicks.....	Commissioner
Brenda Myers	Commissioner
Lindsay Laird	Commissioner
Carrie Slatton-Hodges.....	Commissioner
Judge W. Mike Warren.....	Commissioner
Bradley Wilson	Commissioner
Vacant.....	Commissioner
Vacant.....	Commissioner

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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	\$ 2,298,448	\$ 2,509,414
Reimb for Admin Expenses	770,206	934,421
Refunded Money Previously Disbursed	356,835	136,496
Federal Grants	140,062	95,463
Other Sources	100	-
Total Sources	\$ 3,565,651	\$ 3,675,794
Uses:		
Program Reimb., Litigation Costs	\$ 1,118,111	\$ 1,202,988
Personnel Services	1,880,964	2,036,623
Professional Services	300,040	781,461
Administrative Expenses	171,682	180,170
Property, Furniture, Equipment	73,890	10,684
Travel	30,000	6,270
Other Disbursements	4,704	25,412
Total Uses	\$ 3,579,391	\$ 4,243,608

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

Oklahoma Commission on Children and Youth Operational Audit

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, 2022. To assess risk and develop our audit objectives, 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.
- Analyzing top vendors and expenditures by dollar amount and reviewing a selection of miscellaneous expenditure claims and supporting documents in detail.
- Reviewing the Agency's HR All Actions report from the Statewide Accounting System to assess 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 Commission meeting minutes and pertinent statutes and regulations and assessing related risks.
- Gaining an understanding of the Agency's review and approval processes for Child Abuse Multidisciplinary Team Account expenditures and reviewing supporting documentation.

Two objectives were developed as a result of the procedures performed, as discussed in the body of the report. 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 I Determine whether the Agency's non-payroll expenditures were independently reviewed and approved in line with Government Accountability Office *Standards for Internal Control*.

Conclusion Non-payroll expenditures were generally reviewed and approved in line with GAO *Standards*. While the consistency of documentation of this review was impacted by teleworking arrangements during the audit period, expenditure analysis showed low risk for the related expenditures.

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

- Documented our understanding of the expenditure processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.
- Analyzed audit period expenditures by dollar value and by vendor (by number of payments and total amounts) to ensure all items reviewed appeared reasonable given our understanding of the Agency and similar agencies.

No findings were identified as a result of these procedures.

OBJECTIVE II

Determine whether inventory counts are conducted and reviewed by personnel independent of maintaining inventory records, in accordance with GAO *Standards for Internal Control* and the *Statewide Accounting Manual*, and whether inventory records have been submitted annually to the office of Capital Asset Management as required by 260:110-1-3.

Conclusion

Inventory counts are not conducted and reviewed by personnel independent of maintaining inventory records, in accordance with GAO *Standards for Internal Control* and the *Statewide Accounting Manual*, and inventory records have not been submitted annually to the office of Capital Asset Management as required by 260:110-1-3.

Objective Methodology

To accomplish our objective, we performed the following:

- Documented our understanding of the inventory processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.
- Discussed the submission of inventory listings with both Agency management and Capital Asset Management staff.

FINDINGS AND RECOMMENDATIONS

Inventory Count Results Require Independent Review

The Agency’s inventory counts are performed by the Executive Secretary. The Assistant Director is responsible for maintaining the inventory records and for reviewing the inventory count results, although the review is not formally documented. The Assistant Director has taken on these multiple inventory roles due to turnover, and as a result there is no independent review of inventory count results to ensure errors have not occurred. Management intends to hire a new employee to help segregate inventory duties.

Inventory Listings Not Submitted to Capital Asset Management as Required

The GAO *Standards for Internal Control* state that “management should design control activities to achieve objectives and respond to risks,” and “management should remediate identified internal control deficiencies on a timely basis.” The *Statewide Accounting Manual* states that “individuals performing physical inventory counts should not be involved in maintaining inventory records.”

Repeat Finding

In addition, the agency did not submit their annual inventory listings to Capital Asset Management for FY 2019, 2020, or 2021. Oklahoma Administrative Code section 260:110-1-3 states in part that “all agencies must submit an annual report of current inventory of tangible assets owned by the agency as of June 30 of the preceding fiscal year to the Office by August 15.”

Recommendation

If possible, management should assign a separate individual to be responsible for maintaining the inventory listing from the individual who is responsible for reviewing and approving the count results.

Alternatively, a different authority at the Agency, such as the Director, could review and approve count results.

The review of the count results should be formally documented, and the documentation should be retained for audit purposes. The Agency should resolve any issues noted in the count and annually submit their inventory listing to Capital Asset Management as required by 260:110-1-3.

Views of Responsible Officials

The Oklahoma Commission on Children and Youth (OCCY) is in agreement with the findings and recommendations of the State Auditor & Inspector's Operational Audit Report. In response, OCCY created an Asset Management policy. The new policy formally creates a separation of duties in the counting and recording process of tangible assets. The agency Office Coordinator is designated to conduct the physical inventory count each year. The designated agency Inventory Control Officer is responsible for an independent review of the inventory count and for submitting the annual inventory listing to Capital Asset Management by August 15 of each year.

The annual inventory lists were not submitted to Capital Assessment Management from FY2019-FY2021. This is in part due to agency personnel changes and a variety of issues resulting from the pandemic. The most noteworthy cause was the lack of a written process for the agency. With the implementation of the Asset Management policy, the process is now documented and will be reviewed by staff annually.

OCCY is appreciative of the courtesy and professionalism demonstrated by the staff of the Office of State Auditor and Inspector during this audit.

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S·A·I
STATE AUDITOR & INSPECTOR



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