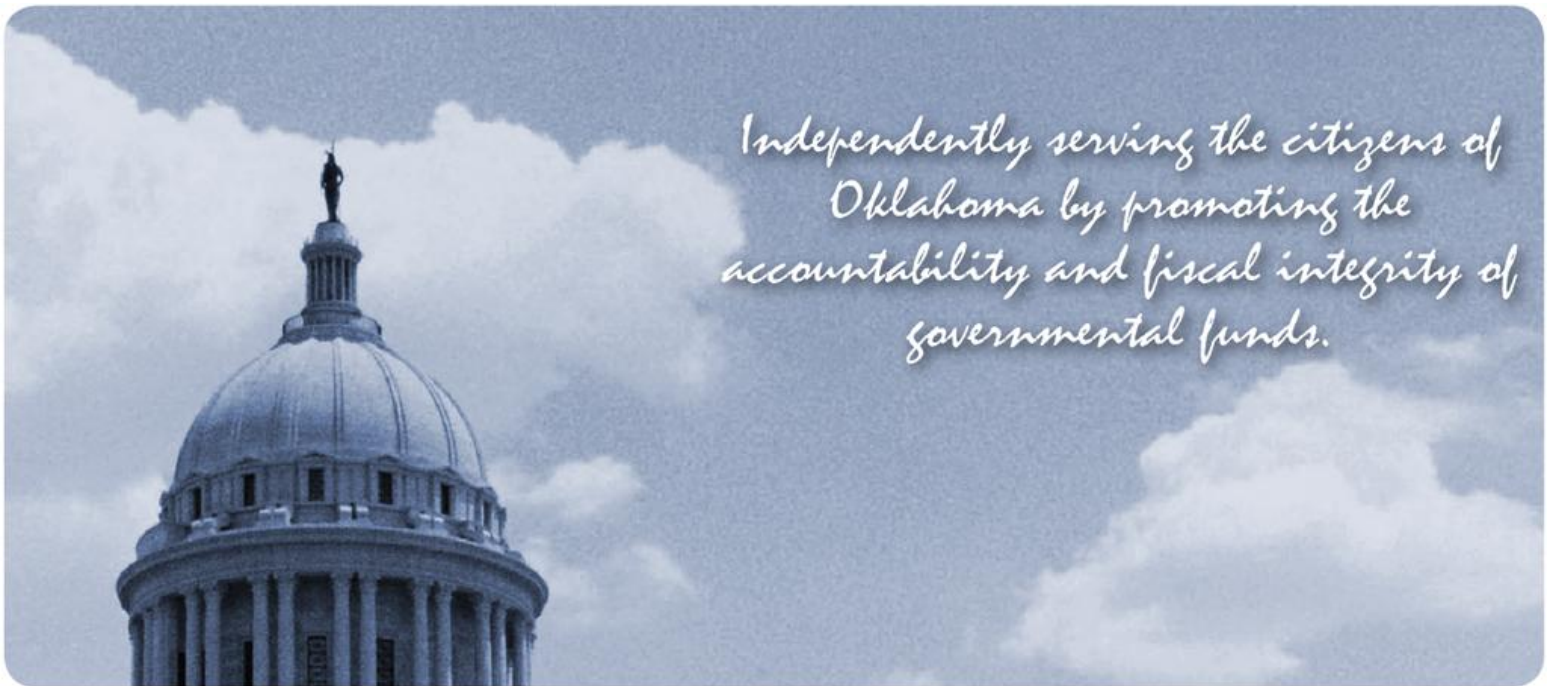


OKLAHOMA COUNTY, OKLAHOMA REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

For the year ended June 30, 2013



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**OKLAHOMA COUNTY, OKLAHOMA
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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April 24, 2014

TO THE CITIZENS OF
OKLAHOMA COUNTY, OKLAHOMA

Transmitted herewith is the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* of Oklahoma County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
OKLAHOMA COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Oklahoma County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises Oklahoma County's basic financial statements, and have issued our report thereon dated March 26, 2014. Our report includes a reference to other auditors who audited the financial statements of the Oklahoma County Public Buildings Authority, the Oklahoma County Finance Authority, and the Defined Benefit Retirement Plan of the Employees' Retirement System of Oklahoma County, as described in our report on Oklahoma County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma County's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 13-049-001IT, 13-049-002IT.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oklahoma County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Oklahoma County's responses and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also 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.



GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 26, 2014

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Finding 2013-1–Payroll Internal Controls (Repeat Finding)

Condition: During the examination of internal controls over processing of payroll, we noted certain weaknesses in that:

- 1) Each department submits a monthly payroll claim; however, controls are not in place to verify the accuracy of the payroll calculations that have been submitted by the individual department.
- 2) No controls are in place to check the accuracy of the leave balances submitted for payment by the individual department when an employee has been terminated.

This is a repeat finding from previous years and has not been corrected.

Cause of Condition: Procedures have not been designed to check the accuracy of the payroll claims and leave balances.

Effect of Condition: This condition could result in unrecorded transactions, misstated payroll records, or undetected errors.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends Oklahoma County implement internal controls that will ensure that all payroll calculations and/or transactions, which are submitted by each department, are properly checked for accuracy, completeness, and authorization. Our recommendation includes creating a centralized payroll department that has use of an automated, integrated payroll system. The accuracy of the time records can also be accomplished by independent oversight until an integrated resource information system is implemented.

Management Response:

Oklahoma County: Oklahoma County is in the process of implementing an application that will be used across the County to keep track of all employee work and leave activities. Once implemented, the rules of the system will prevent anyone from using leave time that has not been accrued. Management and employees will be able to review and track all work and leave activities via the application while allowing the County Clerk’s office to verify work activity and leave balances.

Criteria: A component objective of an effective internal control system is to provide accurate and reliable information. Internal controls are designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 13-049-001IT-IT System (Repeat Finding)

Condition: The Board of County Commissioners (BOCC) has not formalized IT operations policies or goals for the County as a whole. Under the current structure, the BOCC's management information system (MIS) technician is responsible for ensuring that information technology purchased will provide the IT services in a way that does not increase the security risk to the County offices. This structure also gives County offices operating under the BOCC authority and control over information systems in the county, and there are no prescribed methods to resolve conflicts between the County offices and the MIS technician.

The Treasurer's office has a segregation of duties issue that has not been mitigated. The County MIS department failed to review the logging mechanism that served as a mitigating control for the County Treasurer's office.

Cause of Condition: BOCC has not set formalized goals and policies for coordination of IT systems and IT goals.

Effect of Condition: The lack of a policy that ensures the MIS technician's involvement in the operational decision making process results in a fundamental lack of governance for MIS systems across the organization. The inability to establish a governance framework due to the existing structure poses significant risk across all systems in the organization, which has resulted in countywide outages of the network, county financial systems, county tax systems, county assessor systems, and county law enforcement systems.

Recommendation: OSAI recommends the County comply with the Oklahoma Attorney General Opinion 2004 OK AG 14, decided 4/20/2004, paragraph 15 and 2006 OK AG 8, decided 3/28/2006, paragraph 11 and ensure that the MIS technician is involved in all decisions regarding hardware, software and IT equipment to ensure that the proper items are purchased and to minimize the risk to the security of the County network.

We also recommend that the County comply with *CobiT Plan and Organize 4*, and form a steering committee with representatives of each of the Budget Board departments to work with the BOCC MIS department to ensure IT aligns its resources to meet business needs, as well as, formulate a strategic plan to meet the goals and objectives of the Budget Board departments. Under the guidance of the BOCC, County MIS should formulate a governance framework that establishes guidelines, policy, and procedures that meet or exceed each of the Budget Board department's minimum statutory requirements while still maintaining authority and control of MIS systems. The BOCC should provide oversight to ensure that each Budget Board department receives adequate technology resources from the County MIS department.

In order to comply with the Oklahoma Attorney General's Opinion stated above, and while remaining in compliance with Criminal Justice Information System (CJIS) regulations, we recommend that the Oklahoma County Sheriff's Office (OCSO) execute a Memorandum of Understanding with the BOCC to document the responsibilities of the OCSO and the County MIS division. The Sheriff's representative on the steering committee should provide the County MIS Director the following information: a listing of the

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

standards for the selection, supervision, and separation of personnel who have access to CJIS, a listing of the policy governing the operation of computers, circuits, and telecommunications terminals used to process, store, or transmit CJIS, a listing of requirements to guarantee the priority service needed by the criminal justice community. As outlined in CJIS 5.0 section 1.3, the CJIS Security Policy should be viewed as the minimum standard and the County IT Security Policy may augment, or increase the standards, but shall not detract from the CJIS Security Policy standards

Management Response:

BOCC: The BOCC has constructed a council (Oklahoma County Information Technology Council, OCITC) that is comprised of a member of each elected official's office that will meet for the function of formulating technology standards, policy, planning, and operations recommendations that will be passed on to the BOCC for consideration and approval.

Criteria: In relation to 19 O.S. 2001, §§376-377¹, the Oklahoma Attorney General Opinion 2004 OK AG 14, dated 4/20/2004 paragraph 15 states "The computer-related management information systems of a county electing to operate within County Budget Act, 19 O.S. 2001, §§ 1401-1421 are under the authority and control of the Board of County Commissioners, not the County Budget Board. The purchasing agent, appointed by and answerable to the county budget board, has the duty of purchasing the necessary computers and data processing equipment, and providing related advisory services to county officials."

Oklahoma Attorney General Opinion 2006 OK AG 8, decided 3/28/2006, paragraph 11 restates that the county purchasing agent has primary responsibility to see that appropriate hardware, software and services are selected in an orderly and cost effective manner. The MIS technician focuses on how well or whether the equipment will provide information and data to the county agencies that need it and do so in a secure manner.

According to *CobiT Plan and Organize 4*, an IT organization is defined by considering requirements for staff, skills, functions, accountability, authority, roles and responsibilities, and supervision. This organization is embedded into an IT process framework that ensures transparency and control. One or more steering committees in which business and IT participate determine the prioritization of IT resources in line with business needs. Processes, administrative policies and procedures are in place for all functions, with specific attention to control, quality assurance, risk management, information security, data and systems ownership, and segregation of duties. To ensure timely support of business requirements, IT is to be involved in relevant decision processes.

According to CJIS 5.0 section 3.2.2.3 *Outsourcing of Criminal Justice Functions*:

a. Responsibility for the management of the approved security requirements shall remain with the CJIS. Security control includes the authority to enforce the standards for the selection, supervision, and separation of personnel who have access to CJIS; set and enforce policy governing the operation of computers, circuits, and telecommunications terminals used to process, store, or transmit CJIS; and to guarantee the priority service needed by the criminal justice community.

¹ Correct statute was misstated in opinion as §§366, 367.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

b. Responsibility for the management control of network security shall remain with the Criminal Justice Administration. Management control of network security includes the authority to enforce the standards for the selection, supervision, and separation of personnel who have access to CJIS; set and enforce policy governing the operation of circuits and network equipment used to transmit CJIS data; and to guarantee the priority service as determined by the criminal justice community.

Finding 30-049-002IT-IT Purchasing (Repeat Finding)

Condition: The Board of County Commissioners (BOCC) has approved county technology purchases without consulting their IT Technician in the decision making process.

Cause of Condition: BOCC has not enforced that all IT purchases and contracts need to be reviewed by the IT Technician to assure they are in line with the County's goals.

Effect of Condition: Under the current practice, purchases may cause unforeseen issues with the existing IT systems, or be incompatible with the current IT systems. In addition, purchases may incur ongoing expenses that may not be in line with the County's needs or resources.

Recommendation: We recommend the BOCC develop requirements for IT purchasing that involves the inclusion of input from the BOCC's IT Technician. Further, we recommend that the County's MIS department have a role in the approval of all county technology purchases.

Management Response:

BOCC: The BOCC has adopted a policy to have the County's MIS Director review all technology purchases and contracts.

Criteria: Title 19 O.S. 2001, § 376 (B) states, "Beginning January 1, 1983, each county purchasing agent may acquire electronic data processing equipment by purchase, lease or transfer, and may provide for the operation, maintenance, repair and utilization of such electronic data processing equipment as shall be necessary to conduct the county's business, or may enter into a contract for computer services with a capable data processing company, to provide systems designs and analysis for all county officials upon approval of the board of county commissioners.

The county purchasing agent shall determine the most effective manner of handling the County's data processing needs, either by outright purchase or lease of equipment or entering into a contract for computer services, and shall offer data processing advisory service to all county elected officials."

The Oklahoma Attorney General Opinion: 2004 OK AG 14 decided 4/20/2004, paragraph 15 states, "The computer-related management information systems of a county electing to operate within the County Budget Act, 19 O.S. 2001, §§ 1401 - 1421 are under the authority and control of the Board of County Commissioners, not the County Budget Board. The purchasing agent, appointed by and answerable to the county budget board, has the duty of purchasing the necessary computers and data processing equipment, and providing related advisory services to county officials.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

The Oklahoma Attorney General Opinion: 2006 OK AG 8, decided 3/28/2006, paragraph 15 (3) states the following, “The board of county commissioners may employ a data processing technician to assist and advise the board of county commissioners in making decisions on contracts to purchase computer equipment and computer-related services. 19 O.S. 2001, § 377. The board of county commissioners may accept recommendations from such technician and from the county purchasing agent pursuant to 19 O.S. 2001, § 376(B), but such recommendations are not binding on the board of county commissioners, which retains discretion over such purchasing decisions. 19 O.S. Supp.2005, § 1505(B)(4).

According to *CobiT Plan and Organize 4*, management should form a strategy committee to ensure board oversight of IT, and one or more steering committees in which business and IT participate to determine the prioritization of IT resources in line with business needs. Processes, administrative policies and procedures are in place for all functions, with specific attention to control, quality assurance, risk management, information security, data and systems ownership, and segregation of duties. To ensure timely support of business requirements, IT is to be involved in relevant decision processes.



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