

OKLAHOMA COUNTY, OKLAHOMA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

For the year ended June 30, 2012



*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, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

March 11, 2013

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, 2012. 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 the financial statements of the governmental activities, the 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, 2012, which collectively comprise Oklahoma County's basic financial statements and have issued our report thereon dated January 29, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with 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. Other auditors 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, we considered Oklahoma County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oklahoma County's internal control over financial reporting.

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. 30-049-001IT, 30-049-002IT.

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 deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-1.

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 response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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

January 29, 2013

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

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 2012-1–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: We recommend 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: We are 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, 2012**

Finding 30-049-001IT-IT System

Condition: Various Budget Board departments have authority and control of MIS systems. The MIS technician is responsible for ensuring that hardware/software/equipment purchased will provide the data/information to the county agencies and will not increase the security risk to the county network.

Cause of Condition: A formalized procedure has not been designed for the separate offices within Oklahoma County to utilize a centralized IT Department.

Effect of Condition: Without the MIS technician involvement in the decision making process, the result is a fundamental lack of governance for MIS systems across the organization. The inability to establish a governance framework due to this structure poses significant risk across all systems in the organization, which has resulted in county wide outages of the network, county financial systems, county tax systems, county assessor systems, and county law enforcement systems.

Recommendation: We recommend the County comply with the Oklahoma Attorney General Opinion 2004 OK AG 14, dated 4/20/2004 ¶15 and 2006 OK AG 8, dated 3/28/2006 ¶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 CJIS regulations, we recommend that the Sheriff's office 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 county MIS Director the following information: a listing of the standards for the selection, supervision, and separation of personnel who have access to CJI, a listing of the policy governing the operation of computers, circuits, and telecommunications terminals used to process, store, or transmit CJI, 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: The BOCC will discuss a policy that will bring the BOCC into compliance with the AG opinion stated in the finding and take appropriate action.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Criteria: Oklahoma Attorney General Opinion 2004 OK AG 14, dated 4/20/2004 ¶15 It is, the Official Opinion of the Attorney General that: “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.” 19 O.S. 2001, §§ 366-367

Oklahoma Attorney General Opinion 2006 OK AG 8, dated 3/28/2006 ¶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 CJA. Security control includes the authority to enforce the standards for the selection, supervision, and separation of personnel who have access to CJI; set and enforce policy governing the operation of computers, circuits, and telecommunications terminals used to process, store, or transmit CJI; and to guarantee the priority service needed by the criminal justice community.
- b. Responsibility for the management control of network security shall remain with the CJA. Management control of network security includes the authority to enforce the standards for the selection, supervision, and separation of personnel who have access to CJI; 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

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: A formalized procedure has not been designed for the separate offices within Oklahoma County to utilize a centralized IT Department.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Effect of Condition: 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.

Recommendation: We recommend the BOCC develop guidelines for IT purchasing that involve 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 purchased by the BOCC.

Management Response: County MIS will work with the County purchasing agent and the BOCC to implement a new process that includes technology purchasing guidelines and the BOCC MIS director approval of all county technology purchases.

Criteria: The County Purchasing Act, 19 O.S. 2001, § 376 states the following,

B. 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, 15 states the following,

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. 19 O.S. 2001, §§ 366 - 367.

The Oklahoma Attorney General Opinion: 2006 OK AG 8, 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

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

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.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV