



OKLAHOMA COUNTY INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE

For the year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**OKLAHOMA COUNTY, OKLAHOMA
INDEPENDENT AUDITOR'S 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, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

February 15, 2019

TO THE CITIZENS OF
OKLAHOMA COUNTY, OKLAHOMA

Transmitted herewith is the Independent Auditor's 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, 2018. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Independent Auditor's 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, the business-type activities, the 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, 2018, and the related notes to the financial statements, which collectively comprise Oklahoma County's basic financial statements, and have issued our report thereon dated February 7, 2019. 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.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies



in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2018-005 and 2018-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-005.

We noted a certain matter regarding statutory compliance that we reported to the management of Oklahoma County, which is included in Section 2 of the schedule of findings and responses contained in this report.

Oklahoma County's Responses to Findings

Oklahoma County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Oklahoma County's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 7, 2019

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION 1 - 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 2018-005 - Inadequate Internal Controls and Noncompliance Over the SHINE Fund 1290 for Equipment Usage

Condition: The Oklahoma County Board of County Commissioners (BOCC) approved a County policy dated August 15, 2012, regarding the usage of county equipment for the SHINE program. The policy required that all equipment charges related to projects for the SHINE program be reimbursed from the SHINE Fund 1290. While reviewing the SHINE Fund 1290 transactions, the following was noted:

- For the fiscal year ending June 30, 2018, the Highway Cash Fund 1110 was not reimbursed for equipment charges incurred on behalf of the SHINE program in the amount of \$40,281.42. Charges are normally reimbursed on a monthly basis; however, reimbursements were not made for eleven of the twelve months.
- Further, from July 2018 through current date, the Highway Cash Fund 1110 has not been reimbursed for SHINE projects in the amount of \$11,241.95.

The total amount of equipment usage not reimbursed to Highway Cash Fund 1110 over the two fiscal year periods is \$51,523.37.

Cause of Condition: Internal control procedures have not been designed and implemented to ensure the Highway Cash Fund 1110 is reimbursed by the SHINE Fund 1290 as stated in the BOCC approved County policy.

Effect of Conditions: This condition appears to have resulted in misappropriation of funds, and violation of County policy and state statute. This condition could also result in unrecorded transactions, misstated financial reports and misuse of county equipment.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that controls be designed and implemented to ensure the Highway Cash Fund 1110 is reimbursed from the SHINE Fund 1290 for equipment usage. We further recommend District 2 contact the District Attorney's office for legal guidance on properly reimbursing the Highway Cash Fund 1110.

Management Response:

County Commissioner District 2: Corrective action will be implemented.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure proper accounting of funds, reimbursements should be timely submitted for equipment usage.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

BOCC Policy approved on August 15, 2012, states:

“...Equipment will be provided by, but not limited to, Oklahoma County Highway Departments. Equipment will be paid for, to reimburse highway funds, at the rates established by the office of the Oklahoma State Auditor and Inspector and/or by rates established by the Federal Emergency Management Agency (FEMA)...”

Title 69 O.S. § 1503(a) states: All monies raised for use on the county highways in each county, or apportioned to each county for road purposes, from any source, including all funds and monies derived by law, levy, taxation, or apportionment shall, unless otherwise provided by law, be placed in the county treasury in a fund to be known as the county highway fund, to be expended on order of the board of county commissioners on county highways as defined herein, or on state highways within their respective counties including the lighting thereof, if, in the judgment of the board of county commissioners, such expenditure would be just and equitable and for the best interest of the county.

Finding 2018-009 – Inadequate Internal Controls Over Business Continuity Plan

Condition: Upon review of the County’s Business Continuity Plan (BCP), we noted it does not appear that adequate controls are in place to ensure, in the event of a disaster, the County would not have delays in the recovery of operations. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County reviews and updates its BCP regularly.

Effect of Condition: This condition could result in increased delays in the recovery of critical business functions of the County.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioner’s Departments will interface with other elected officials’ Departments to update the current continuity plans.

Criteria: According to CobiT, Deliver and Support 4 Ensure Continuous Service, management must develop an IT continuity plan designed to reduce the impact of a major disruption in critical business functions. This process includes periodic testing and monitoring of the IT continuity/disaster recovery plan to keep the plan relevant, documenting and reporting test results, and addressing weakness.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION 2 - This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2018-003 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and the Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund reflected the following;

- The inmate ledger was not reconciled to the bank statements.
- Expenditures made from the Inmate Trust Fund are for purposes other than allowable payments to the Sheriff Commissary Fund for inmate purchases or refunds to inmates.
- An annual Commissary Fund report was not filed with the Board of County Commissioners by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Additionally, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following;

- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A).
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff:

1. The Sheriff's office continues to work with the Inmate Trust Fund software vendor, Jail Tracker, to create a separate electronic check ledger and cash ledger. These are both still in development. We are also requesting the creation of a report for inmate trust balances, on the recommendation of the Auditor's office.
2. We conclude this condition to be corrected.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

3. The annual reports have historically been the responsibility of an individual. This will now become a team responsibility, with multiple members having the knowledge and ability to present these reports by the deadline, so as not to be hampered by unforeseen circumstances. We will continue to work with the Auditor's office on format and content for future reports.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

Title 19 O.S. § 531(A) states in part, "...the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account."... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sherriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43(D) states in part, "...the sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year..."

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