

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

For the fiscal year ended June 30, 2016



*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  
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, 2016**

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# Oklahoma State Auditor & Inspector

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March 30, 2017

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, 2016. 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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



# Oklahoma State Auditor & Inspector

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## **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 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, 2016, 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 1, 2017. 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 a significant deficiency. 2016-1.

## **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

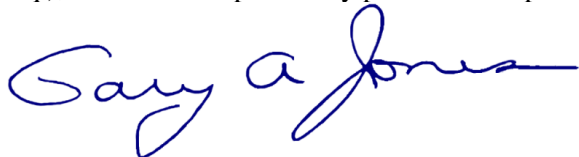
## **Oklahoma County's Response to Findings**

Oklahoma County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Oklahoma County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



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

March 1, 2017

**OKLAHOMA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

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**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 2016-1 – Inadequate Internal Controls Over Payroll Disbursements (Repeat Finding)**

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

- The centralized payroll process approved by the Budget Board and Board of County Commissioners is not being properly utilized.
- To date, the Oklahoma County Employee Handbook has not been approved to ensure the Fair Labor Standards Act (FLSA) guidelines are properly documented to assure non-exempt/exempt status and the calculations of overtime and holiday leave are consistent throughout all County Departments.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the approved centralized payroll process and the Employee Handbook guidelines are being followed.

**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 departments utilize the centralized payroll system, all employees enter time worked, and supervisors review and approve timesheets. Further, we recommend the County approve the Employee Handbook to ensure the Fair Labor Standards (FLSA) is being utilized and consistent throughout all County Departments.

**Management Response:**

**Chairman of the BOCC:** The Oklahoma County Handbook Committee has completed their review and the revised handbook should be presented to the Board of County Commissioners in the next few months which will assure the calculations of overtime, holiday leave, and non-exempt/exempt are consistent throughout all County Departments. With the implementation of the revised Oklahoma County Employee Handbook, all departments will utilize the centralized payroll process.

**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 and to be in compliance with the Fair Labor Standards Act (FLSA) regarding the non-exempt/exempt status and the calculations of overtime and holiday leave be consistent throughout all County Departments.



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