



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

For the fiscal year ended June 30, 2022

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, 2022**

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February 21, 2024

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, 2022. 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. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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



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 units, each major fund, and the aggregate remaining fund information of Oklahoma County, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Oklahoma County's basic financial statements, and have issued our report thereon dated November 14, 2023.

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, Oklahoma County Criminal Justice 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.

Report on 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) as a basis for designing 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. We identified certain deficiencies in internal control, described in the

accompanying schedule of findings and responses as items 2022-002, 2022-006, and 2022-008 that we consider to be material weaknesses.

Report on 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 financial statements. 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 items 2022-002 and 2022-008.

Oklahoma County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Oklahoma County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Oklahoma County's responses were not subjected to the other 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 14, 2023

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 2022-002 – Lack of Internal Controls and Noncompliance Over Expenditures

Condition: Upon inquiry and observation of the County’s expenditure process and the testwork performed, the following was noted:

General Fund: For our sample of 83 of the 5,244 expenditures:

- Three (3) expenditures totaling \$122,914 were not timely encumbered.
- One (1) additional expenditure totaling \$55,911 was not charged to the proper account, was not timely encumbered, and was not charged to the proper period.

Highway Cash Fund: For our sample of 50 of the 3,982 expenditures:

- Three (3) expenditures totaling \$340,398 were not timely encumbered.

Special Projects Fund: For our sample of 30 of the 30 expenditures:

- One (1) expenditure totaling \$870 was not charged to the proper period and was not timely encumbered.
- Three (3) additional expenditures totaling \$51,390 were not timely encumbered.

Non-Major Funds: For our sample of 126 of the 2,779 expenditures:

- Eleven (11) expenditures totaling \$538,520 were not timely encumbered.
- Four (4) additional expenditures totaling \$61,919 were not timely encumbered and were not charged to the proper period.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the expenditure process to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate records, incomplete information, and/or misappropriation of assets.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County adhere to state statutes that govern expenditure processes. Purchase orders should be encumbered before goods or services are ordered. All purchases should be properly requisitioned, encumbered, approved, and reviewed with proper supporting documentation attached.

Additionally, OSAI recommends goods or services be paid for from funds designated for use in fiscal year during which the goods or services were obtained and from the proper fund designated for such expenditure purpose.

**OKLAHOMA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Management Response:

Chairman of the Board of County Commissioners: Oklahoma County will adhere to the state purchasing guidelines and design and implement policies and procedures to provide adequate internal controls and compliance with established purchasing procedures.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Title 62 O.S. § 310.4 states in part, “All unencumbered balances, if any, ... on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next[...] Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.”

Finding 2022-006 – Lack of Internal Controls Over Business Continuity Plan (Repeat Finding – 2018-009, 2019-010, 2020-007 and 2021-003)

Condition: Upon review of the County’s Business Continuity Plan (BCP), we noted the County’s plan needs to be updated and reviewed 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.

**OKLAHOMA COUNTY, OKLAHOMA
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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: At the September 5, 2023, Board of County Commissioners (BOCC) meeting, BOCC Chairman and District 2 Commissioner, Brian Maughan led discussion and possible action regarding the Oklahoma County Business Continuity Plan. Commissioner Blumert moved, and Commissioner Davidson seconded, to direct department heads to submit their Business Continuity Plans to Mr. Barnes, Emergency Management Director, as soon as possible. The motion carried by the following vote: Aye:3 – Maughan, Blumert and Davidson. In addition, Commissioner Maughan contacted each county elected official and requested their Business Continuity Plan to be shared with Mr. Barnes in Emergency Management.

Criteria: According to *CobiT, Deliver, Service and Support 4.05 Review, maintain and improve the continuity plans*, management should conduct a management review of the continuity capability at regular intervals to ensure its continued suitability, adequacy, and effectiveness. Manage changes to the plans in accordance with the change control process to ensure that continuity plans are kept up to date and continually reflect actual business requirements.

Finding 2022-008 -Noncompliance of Management Override of Controls - Disbursement Process

Condition: Oklahoma state statutes require a purchase order or blanket purchase order to be used at the time of purchase, and funds must be encumbered from a pre-determined fund/account to pay a vendor for a specific purpose. If it is determined that more funds were encumbered than necessary, a change order can be performed to decrease the balance to zero. The remaining balance will then be unencumbered and available for other needs within that fund/account. At the end of the year, if the funds are from a budgeted account, the unencumbered funds will no longer be available. The funds will be included in the available budget for the next fiscal year.

On July 2, 2019, blanket purchase order (PO) # 22000485 was encumbered from the Information and Technology account within the General Fund for \$522,655 to pay Vendor 1 for maintenance and support for the financial system for FY20. The County determined that there was an excess of funds encumbered on this blanket PO, so on July 1, 2021, following executive session of the BOCC meeting, the board unanimously voted to "direct the County Clerk to pay [Vendor 2] from an outstanding PO to [Vendor 1] from FY2020." On the same day as the BOCC meeting, the vendor's name was *manually changed* in the Oklahoma County financial software system along with a note saying, "Vendor name change approved by BOCC 07-01-21."

On July 13, 2021, an invoice for Vendor 2, in the amount of \$55,911 for attorney fees, was posted to the Oklahoma County financial software system to blanket PO # 22000485 on the Information and Technology account within the General Fund. This invoice was dated July 20, 2020, but services on the invoice dated back to January 2, 2020. The invoice was paid on July 19, 2021. Invoices from Vendor 2 have historically

**OKLAHOMA COUNTY, OKLAHOMA
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been paid from the General Government account within General Fund; however, as noted blanket PO #22000485 was originally encumbered from the Information Technology account.

Based on this information it appears:

- The BOCC directed the County Clerk to override controls within the County’s financial software system as provided for in state statutes.
- The funds used to pay for services rendered by Vendor 2 were not encumbered in a timely manner.
- The funds used to pay Vendor 2 for Non-Information Technology purposes were paid from prior year funds and from an account within the General Fund budgeted for Information Technology expenditures.

Cause of Condition: Management overrode established policies and procedures over expenditures, and contrary to governing statutes, changed the vendor on the original blanket purchase order, paid invoices from a prior year and for a different budgeted expenditure account purpose. Policies and procedures have not been designed and implemented to provide adequate internal controls to ensure that encumbered funds are being used as originally intended and in compliance with governing statutes.

Effect of Condition: These conditions resulted in noncompliance of state statutes. Further, these conditions could also result in inaccurate records, incomplete information, misappropriation of assets and/or fraud.

Recommendation: OSAI recommends that the County adhere to established policies and procedures to ensure state statutes are being followed. All purchases should be paid to the correct vendor, for the correct year and from the correct budgeted expenditure account.

Further, in order to ensure an adequate system of internal controls it is necessary management not override established controls.

Management Response:

Chairman of the Board of County Commissioners: Oklahoma County will design and implement policies and procedures to provide adequate internal controls to ensure that purchase orders are being paid to the correct vendor, in the correct year and from the correct department account.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

The GAO Standards – Principle 10 – Design Control Activities at Various Levels – Section 10.09 states:

Entity-level controls are controls that have a pervasive effect on an entity’s internal control system and may pertain to multiple components. Entity-level controls may include controls

**OKLAHOMA COUNTY, OKLAHOMA
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related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

Title 62 O.S. § 310.4 states in part, "All unencumbered balances, if any, ... on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next[...] Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year."

Title 62 O.S. § 310.8 (B), which requires blanket purchase orders to be prepared, filed, and encumbered in the manner provided for purchase orders and as authorized by law or regulation, except no written requisition shall be required for a blanket purchase order.

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.

No matters were noted.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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