



# TULSA 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, 2023

**Cindy Byrd, CPA**  
State Auditor & Inspector

**TULSA 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, 2023**

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January 16, 2025

TO THE CITIZENS OF  
TULSA 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 Tulsa County, Oklahoma for the fiscal year ended June 30, 2023. 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  
TULSA 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 Tulsa County, Oklahoma, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Tulsa County's basic financial statements, and have issued our report thereon dated November 27, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Tulsa County Industrial Authority, the Tulsa County Criminal Justice Authority, the Tulsa County Home Finance Authority, the Tulsa County Employees' Retirement System, the Tulsa County Public Facilities Authority, the Tulsa County Juvenile Justice Trust Authority, and the Tulsa City/County Health Department, as described in our report on Tulsa 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 Tulsa 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 Tulsa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulsa County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 described in the accompanying schedule of findings and responses as items 2023-001 and 2023-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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 described in the accompanying schedule of findings and responses as items 2023-013, 2023-014, and 2023-015 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tulsa 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 item 2023-003.

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

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Tulsa County's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Tulsa County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 27, 2024

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**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 2023-001 – Lack of Internal Controls Over the Reconciliation of the County Clerk’s Financial Records to the County Treasurer’s General Ledger – Fund Balances (Repeat Finding – 2022-002)**

**Condition:** During our review of the reconciliations between the County Clerk’s financial records to the County Treasurer’s General Ledger, we noted the following:

- The County Clerk is not performing reconciliations in a timely manner. Monthly reconciliations for fiscal year 2023 were not made available to the Oklahoma State Auditor and Inspector (OSAI) until March of 2024.
- Reconciliations are not reviewed and approved in a timely manner. The reconciliations were completed in March of 2024; however, the review and approval of the reconciliations by someone other than the preparer did not take place until between July 2024 and October 2024.
- The County Clerk provided the County Treasurer with inaccurate payment information related to payroll and vendor payments during fiscal year 2023, which resulted in the County Treasurer’s fund balances being incorrect on June 30<sup>th</sup>.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the accuracy of cash balances and to ensure reconciliations between the County Clerk’s financial records and County Treasurer’s General Ledger are performed timely and accurately.

**Effect of Condition:** These conditions resulted in unrecorded transactions, misstated financial reports, and undetected errors. Further these conditions could have resulted in the misappropriation of funds.

**Recommendation:** OSAI recommends the County Clerk design and implement internal controls to ensure:

- Reconciliations between the County Clerk’s financial records and the County Treasurer’s General Ledger are performed and completed timely.
- Reconciliations are reviewed and approved timely by someone other than the preparer.
- Errors are identified and corrected in a timely manner.

**Management Response:**

**Chairman of the Board of County Commissioners:** The conditions impacting this finding are rooted in the County Clerk’s migration to a new financial software system. During that process, the County Clerk’s office had to change multiple accounts. In the process of streamlining the chart of accounts and re-mapping their side of the county’s finances, the County Clerk’s office did not reconcile with the County Treasurer’s office in as timely a manner as they had planned. The County Clerk’s office has since worked out the changes in their financial software to allow for better and more timely reconciliations. The issue has been resolved.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**County Clerk:** Due to retirements and restructuring within our office, it was not fully decided who would double check the reconciliations and then it changed due to workload. We discovered during the reconciliation process that departments were canceling parts of Internal Service Delivery (ISD) within the accounting system, and our office was not being made aware of said change. During fiscal year 2024, a new business process was put into place, so our office is the last person to approve Internal Service Delivery activity. Some cash sale reports were also found to be incorrect; this took more time than expected to get through. These reports have also been corrected during fiscal year 2024 and have not had any issues since the corrections have been made.

**County Treasurer:** We will work with the Clerk and his office to ensure timely reconciliations.

**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 quasigovernmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Accurate and timely recording of transactions*

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Additionally, Principle 13 – Use Quality Information states:

*Data Processed into Quality Information*

13.05 - Management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary, so that the information is quality information.

13.06 - Management processes relevant data from reliable sources into quality information within the entity's information system. An information system is the people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Further, Principle 16 – Perform Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

**Finding 2023-003 – Lack of Internal Controls and Noncompliance Over Expenditures (Repeat Finding – 2016-002, 2017-001, 2018-001, 2019-001, 2020-001, 2021-001, 2022-003)**

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

- Receiving processes of the County and the receiving documentation maintained within accounting system does not comply with the requirements of 19 O.S. § 1505(E). The review of two hundred eighty-seven (287) expenditures across all funds reflected the following:
  - The County is not completing receiving reports for each delivery/receipt of goods or services.
  - Receiving documentation within the accounting system does not always agree with the delivery or invoice documents, does not accurately indicate the quantity of the goods received, and does not indicate the quality of the goods received.
  - Sixty-one (61) expenditures totaling \$966,841 or 21% of the two hundred eighty-seven (287) expenditures tested were not in compliance with statutorily required receiving practices or documentation.
- The review of a sample of fifty-four (54) of the thirteen thousand one hundred eighty (13,180) General Fund expenditures reflected the following:
  - Three (3) expenditures totaling \$51,135 were not supported by a fuel quote.
  - Four (4) expenditures totaling \$74,869 were not encumbered prior to receiving goods or services.
  - One (1) expenditure totaling \$2,835 was not charged to the proper period.
  - Additionally, it appears the County had an outstanding balance of \$112,448 on utility payments from fiscal year 2021 and funds were not encumbered for the full amount owed.
- The review of a sample of fifty-nine (59) of the four thousand five hundred fifty-two (4,552) Highway Fund expenditures reflected the following:
  - Six (6) expenditures totaling \$98,487 were not supported by a fuel quote.
  - Three (3) expenditures totaling \$84,678 were not encumbered prior to receiving goods or services.



**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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- The review of a sample of fifty-four (54) of the five hundred thirty-eight (538) Special Projects Fund expenditures reflected the following:
  - Ten (10) expenditures totaling \$410,636 were not encumbered prior to receiving goods or services.
- The review of a sample of one hundred twenty (120) of the twelve thousand nine hundred twenty-two (12,922) Other Governmental Fund expenditures reflected the following:
  - Twenty-one (21) expenditures totaling \$3,011,380 were not encumbered prior to receiving goods or services.
  - Three (3) expenditure totaling \$110,083 were not charged to the proper period.
  - Additionally, it appears the County had an outstanding balance of \$499,035 on utility payments and funds were not encumbered for the full amount owed.

**Cause of Condition:** Policies and procedures have not been fully implemented with regard to the expenditure process in order to strengthen internal controls and ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and a financial burden on the County.

**Recommendation:** OSAI recommends the County adhere to state purchasing guidelines to ensure:

- Expenditures are supported by adequate documentation including statutorily required receiving documentation and itemized invoices and fuel quotes.
- The availability of funds by encumbering prior to goods or services being ordered or received.

Additionally, OSAI recommends goods or services be paid for from funds designated for use during the fiscal year from which the goods or services were obtained.

**Management Response:**

**County Commissioner – District 1/Chairman of the Board of County Commissioners:** Regarding the issues with the fuel quotes, prior to fiscal year 2024, the Procurement Department obtained a weekly fuel quote on behalf of the entire County and did not require departments to attach that quote to requisitions. In early 2024, as a result of the fiscal year 2022 audit finding, the Procurement Department changed the process and so from February 2024 forward, the fuel quote is now attached to each fuel requisition/purchase order, so this issue should now be resolved.

With regards to the County being behind on utility payments, we were contesting the price of the utilities for the winter storm of 2021 and were only paying for current usage as was our practice at the time.

As for the three (3) highway expenditures and the three (3) Parks Department expenditures, that fall under the authority of the BOCC or District 1, that were not encumbered properly:

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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- We agree that the bookkeepers did not encumber Highway purchase orders PO109657, PO101685, PO102629; which totaled \$84,678, prior to the receipt of these goods. The bookkeepers have either received additional training or are no longer an employee of Tulsa County.
- We agree that the bookkeepers did not encumber General Fund - Parks purchase order PO110799 in the amount of \$27,213 and Parks Fund purchase orders PO109435 and PO112790 totaling \$21,065 prior to the receipt of these goods and that not encumbering properly resulted in the items purchased on the Parks Fund purchase order PO109435 being paid for out of the wrong year's monies. The bookkeepers have either received additional training or are no longer an employee of Tulsa County.

**County Commissioner – District 2:** This Commissioner agrees with the County Clerk's analysis and the processes his office applies for pass-through grants and will support County Clerk and the Information Technology Department's solutions that comply with state statutes. Additionally, this Commissioner will work with all our departments to ensure funds for goods and services are properly encumbered according to state statute prior to receiving them, including proper supporting invoices and fuel quotes.

**County Commissioner – District 3:** We are making adjustments to have secondary controls and also for proper support materials for fuel quotes. Proper encumbrance safeguards are being addressed prior to receiving goods or services. The Commissioner agrees with the County Clerk's review and the process that they are working under.

**County Clerk:** Regarding receiving processes, the Clerks' office is working toward a solution with IT that will comply with the state statute.

Regarding the encumbrances of purchase orders for HOME and CDBG Grants, it is not feasible to encumber the purchase orders prior to receiving the draw requests, based solely on an award letter. Tulsa County considers these to be pass-through grants as the County does not receive any goods or services in relation to these grants. Further, it would become an unreasonable administrative burden to open, close, and reconcile purchase orders and accounting for multiple grants for multiple ledger years for multiple vendors per project. The risk of accounting and reconciliation errors is enormous. Our current procedure is one that Tulsa County has followed for at least two decades. It ensures that all grants and their respective accounting, reconciliation, and reporting remain clear and concise.

**Auditor Response:** State law allows for the encumbering of federal grant funds utilizing a letter of commitment, which is a binding commitment of federal funding the recipient will receive.

**County Sheriff:** The payments, totaling \$622,289, for the monthly coolant system at David L. Moss Criminal Justice Center and were only encumbered/paid for the current charges as we were disputing \$108,099.40 in charges related to the 2021 ice storm. These items were finally resolved in August 2023.

The following purchase orders for the roof replacement at David L. Moss Criminal Justice Center were encumbered while the County was transitioning from one accounting system to another. Through this process, there were lock-out times along with a lack of understanding as to how to encumber/receipt/pay for this capital expenditure; therefore, they were not encumbered properly.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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- PO 102759 was encumbered June 28, 2022, for \$1,154,475, the amount of the first progress payment due for the roofing project.
- PO 103859 was encumbered July 18, 2022, for \$3,520,393 after funds were appropriated by the County Clerk for cash funds.
- PO 103859 was subsequently closed because it was initially encumbered as “goods” and should have been encumbered as a “service” per the County Clerk.
- PO 106050 was encumbered for \$3,437,125, to replace PO 103859 encumbered as a service and subsequently paid as such.

The purchase orders for legal fees (PO 108968 and PO104063), and custody protect system (PO 119045, PO 118607, PO 118608) were not encumbered until the charges were authorized by our General Counsel. This process was updated for fiscal year 2024 and fiscal year 2025 to ensure funds are encumbered properly and partial payments made against the purchase orders after the General Counsels authorization.

Of the remaining purchase orders identified as either not encumbered timely, not charged to the proper period, or encumbered after receiving goods and services, they have been researched and agreed that they should have been encumbered prior to services rendered or goods ordered. The transition to the new accounting system coupled with not knowing how to make partial payments in the new system created an environment that made it difficult to ensure these purchases were fully encumbered prior to services rendered.

The following preventative measures were implemented:

- In March 2022, Tulsa County Sheriff’s Office (TCSO) conducted supervisory training which included sessions on the purchasing process.
- In early 2023, TCSO Purchasing met to update the encumbrance process which included encumbering utilities and other services prior to the service dates.
- A monthly, quarterly, and annual encumbrance checklist was developed and has been instrumental in ensuring all purchase orders are encumbered timely.
- At end of year, an open purchase order report was developed and has been helpful with open purchase orders that should be closed by September 30.
- The TCSO Purchasing Supervisor took the County Training Program’s Introduction to Purchasing Procedures in November 2023. The remaining TCSO purchasing/accounts payable staff completed the course by March 31, 2024.

**Court Clerk:** Regarding the lack of internal controls, the pass-through grants and payments are processed between the Court Administrator’s office and the County Clerk’s fiscal office. The Court Clerk does not have any process with these actions.

Based on a previous conversation with the County Clerk’s fiscal office, in terms of the pass-through grant payments, the procedure is similar to what is done for all pass-through grants where Tulsa County is the pass-through entity. In this case, the District Court is responsible for the administration of those grants and deals with the day-to-day operations. As such, when they receive bills for services (typically from Family Safety Center and Court Services among others) they will gather the documents and complete a draw down from the Federal system where they are awarded the grant funds. The Feds will send an Electronic Funds Transfer which comes to the Budget Division of the County to deposit. The County Clerk’s fiscal office

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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makes the deposit into Fund 380 – Court Clerk Revolving Fund and then enters an appropriation journal to move the funds to the corresponding spend category. Once the funds are available, the County Clerk’s fiscal office will encumber a purchase order to the vendor as noted by the District Courts in the paperwork they receive after initiating the draw. The purchase orders are requisitioned after the dates on the invoices because the funds become available after the District Court initiates the draw. The County Clerk’s fiscal office has nothing to do with the administration of these grants, they are awarded to the District Courts, and we function as the pass-through entity only. We do not know who the vendors will be until we are sent the paperwork along with the draw information.

The County Clerk and Treasurer office are “renaming” the Court Clerk Revolving Fund to Court Administrative Grant Fund so that it does not imply that it is a Court Clerk matter.

**Auditor Response:** State law allows for the encumbering of federal grant funds utilizing a letter of commitment, which is a binding commitment of federal funding the recipient will receive.

**Criteria:** The GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

*Objectives of an Entity - 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.

Therefore, effective internal controls require management properly implement procedures to ensure that expenditures are made in compliance with state statutes:

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

Title 19 O.S. 1505(E) states,

“The procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department;
2. Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered;
3. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item;
4. If a purchase order is on file, the receiving officer shall obtain a delivery ticket, bill of lading, or other delivery document and compare it with the purchase order. If any item is back-ordered, the back order and estimated date of delivery shall be noted in the receiving report;

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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5. The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered. The receiving report form shall be prescribed by the State Auditor and Inspector. The person delivering the goods shall acknowledge the delivery by signature, noting the date and time;"

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 68 O.S. § 3003 states in part, ... The recipient government may encumber funds in an amount not to exceed the sum of the total letter of commitment, which is a binding commitment of funding which the recipient government will receive for the project or projects eligible for such federal funding. The encumbrance of funds authorized by this section shall be made in accordance with procedures prescribed by the State Auditor and Inspector and shall be administered in accordance with rules and regulations concerning such distribution adopted by the federal government and the state agency, board, or commission. Any expenditure incurred by the recipient government using the letter of commitment appropriation process and disallowed by the federal government or state agency, board, or commission administering the funds shall be paid by the recipient government.

**Finding 2023-013 – Remediation of Identified National Institute of Standards and Technology Findings**

**Condition:** Tulsa County has remediated twenty-four (24) out of forty-five (45) previously identified National Institute of Standards and Technology (NIST) findings from the 2022 assessment. There are twenty (21) open NIST findings that are in the process of being remediated. 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:** The County has not designed and implemented formal plans for User Access Review, Risk Assessment, and Risk Management.

**Effect of Condition:** Users in the County may have inappropriate access and segregation of duties may be compromised in the County offices. Additionally, threats may not be identified leaving the County, its data, and/or its Information Technology (IT) systems vulnerable.

**Recommendation:** OSAI recommends County officers work with the IT Department to implement the recommendations from the NIST assessment. 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 Commissioners will work with the IT Department to ensure compliance with any state statute and other procedures.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**IT Department:** In the executive summary of Tulsa County's 2022 NIST risk assessment, it was noted that the County has a "moderately strong information security program and is committed to continuous improvement." At that time, Tulsa County received a qualitative risk score of 37, a figure consistent with the average risk levels of similar organizations in our industry. Furthermore, our security consultant set a goal to reduce this score to 25 over the next five years. Recent findings indicate that Tulsa County has successfully remediated 24 of the 45 identified issues, positioning us ahead of the targets set by the audit firm that originally performed the NIST audit on our information security program. These results suggest that we are on track to achieve a "desired state," with a risk score below 15.

While we recognize that there is still room for improvement in our cybersecurity posture, we would like to emphasize the significant strides that have been made. Our program continues to evolve, and we believe the evidence clearly demonstrates our commitment to reducing organizational risk.

**Criteria:** *NIST 800-53 Revision 5*, provides guidance for the direction and implementation of IT controls to safeguard the County's data and IT system.

**Finding 2023-014 – Lack of Controls Over the Designing, Updating, and Approving of IT Policies and Procedures**

**Condition:** Upon review of critical IT policies and procedures, the following was noted:

- The Information Security Policy has not been reviewed and approved since November 9, 1998.
- The County has not established a formal policy or procedures regarding data transmission and interfaces between systems/applications.

**Cause of Condition:** The County has not established a process to ensure critical IT policies and procedures are in place and for the regular review and acceptance of IT policies and procedures.

**Effect of Condition:** Without updated and approved policies and procedures, there is an increased risk that the IT Department would not have the authority to implement controls to safeguard and protect the County's data and IT systems.

**Recommendation:** OSAI recommends that all policy and procedure documentation be reviewed, updated as needed, and approved on an annual basis by the Board of County Commissioners (BOCC).

**Management Response:**

**Chairman of the Board of County Commissioners:** The Commissioners will work with the IT Department to ensure compliance with any state statute and other procedures.

**IT Department:** We acknowledge the policy needs to be reviewed and potentially updated and have put it on our project list. We will work on developing a standard for needed policies.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Criteria:** *NIST 800-53 Revision 5*, 2.2 Control Structure and Organization defines information security policy as an aggregate of directives, regulations, rules, and practices that prescribes how an organization manages, protects, and distributes information.

Additionally, *NIST 800-53 Revision 5*, (AC-1, AT-1, AU-1, CA-1, CM-1, CP-1, IA-1, IR-1, MA-1, MP-1, PE-1, PL-1, PM-1, PS-1, PT-1, RA-1, SA-1, SC-1, SI-1, SR-1) states in part, management should:

- a. Develop, document, and disseminate to appropriate personnel or roles:
  1. Policies that:
    - (a) Addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and
    - (b) Is consistent with applicable laws, executive orders, directives, regulations, policies, standards, and guidelines; and
  2. Procedures to facilitate the implementation of the policy and the associated controls;
- b. Designate an individual or department to manage the development, documentation, and dissemination of these policy and procedures; and
- c. Review and update the current control:
  1. Policy regularly and following defined events; and
  2. Procedures regularly and following defined events.

Further, *NIST 800-53 Revision 5*, SC-8 Transmission Confidentiality and Integrity states in part that management should protect the confidentiality and integrity of transmitted information.

**Finding 2023-015 – Lack of Internal Controls Over the Use of Service Organization Controls Reports**

**Condition:** Tulsa County does not have a formal documented process for reviewing third-party Service/System Organization Controls (SOC) reports.

**Cause of Condition:** The County has not designed and implemented a formal process for requiring the review of third-party SOC reports.

**Effect of Condition:** Without reviewing the SOC reports, IT may not implement required complementary user controls that are necessary to protect Tulsa County's data and IT systems. Additionally, the County may not be aware of other risks associated with the use of the third-party.

**Recommendation:** OSAI recommends the County perform documented reviews for vendors of key applications and systems. The reviews should evaluate the report opinion, complementary user entity controls, complementary sub-service organization controls, and any applicable findings.

**Management Response:**

**Chairman of the Board of County Commissioners:** The Commissioners will work with the IT Department to ensure compliance with any state statute and other procedures.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**IT Department:** We will work on developing a standard.

**Criteria:** *NIST 800-53 Revision 5, SR-6 Supplier Assessments and Reviews* states in part that management should assess and review the supply chain-related risks associated with suppliers or contractors and the system, system component, or system service they provide on a regular basis.

**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 2023-012 – Inadequate Internal Controls Over Budget Amendments and Noncompliance with State Statutes**

**Condition:** Title 19 O.S. § 1420 requires the budget to be amended when making supplemental appropriations, reducing appropriations, or transferring money from one fund to another. During our review of the County’s General Fund Budget, we noted the following:

- The County did not amend the General Fund budget to account for the \$6,896,811 in prior year obligated appropriations that were added to the current year approved appropriations.
- The County reduced the General Fund budget by \$53,000. The budget amendment was approved by the Budget Board on December 19, 2022, and by the Excise Board on December 20, 2022. However, this amendment was not filed with OSAI.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statutes that govern the budget procedures for county government.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and funds being appropriated without prior Budget Board approval.

**Recommendation:** OSAI recommends the County Budget Board design and implement policies and procedures to ensure the budget is prepared, amended, and adopted in accordance with the County Budget Act and all other relative statutes that govern the preparation and amendment of the budget. The budget should be amended when making supplemental appropriations, reducing appropriations, or transferring money from one fund to another. The budget should then be filed with the County Excise Board, County Clerk and OSAI.

OSAI also recommends that current and prior year appropriations be maintained separately in the County’s accounting system, with each year having its own appropriation ledger to track each year’s approved appropriations.



**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Management Response:**

**County Commissioner – District 1/Chairman of the Board of County Commissioners:** The Commissioner continues to work with the other Budget Board members to ensure compliance with state statutes and county accounting practices. The Budget Board members are very proactive in reviewing and correcting any needed procedures. The Commissioner will continue to review and discuss any needed changes.

**County Commissioner – District 2:** The Commissioner continues to work with the County Clerk and other Budget Board members to ensure compliance with the County Budget Act and all other statutes related to the preparation and amendment of the County budget.

**County Commissioner – District 3:** The Commissioner continues to work with the other Budget Board members to ensure compliance with state statutes and county accounting practices. The Budget Board members are very proactive in reviewing and correcting any needed procedures. The Commissioner will continue to review and discuss any needed changes.

**County Clerk:** Prior year obligated appropriations and the accounting thereof are under discussion with the state auditor's office. They will determine whether prior year obligated appropriation can be manually tracked and acceptable without filing an amendment. We will diligently work with the state auditor's office to follow the policy and procedures for the County Budget Act and related statutes. Budget Division will work and communicate with office personnel to ensure the completion of the entire budget amendment process.

**County Treasurer:** We will endeavor to have timely and accurate budget amendments as needed.

**County Assessor:** I believe the public has an expectation of confidence that the public officials are stewarding over the public financial responsibilities with integrity, transparency and prudently. To illustrate a clear picture from fiscal year to year "closing the books" on one year and not intertwining the budgeted funds from one year to the next accomplishes that objective.

The Assessor's office places a lot of confidence in the County Clerk's fiscal staff to prepare and present monthly the information to the Budget Board for us to have proper involvement through our oversight responsibilities. Clearly delineating each fiscal year would help that goal. It is not practical to methodically vet each of the hundreds of line-item appropriations each month be questioned, but I do try to communicate that I am not rubberstamping the actions each month.

As to amending the budget adjustments in a manner as expected in law, again there is a firm reliance when issues are brought to the Budget Board for our decision; that no intentional effort to evade the lawful requirements have been taken.

**County Sheriff:** The Tulsa County Sheriff will work with Budget Board members to comply with state statutes and County policies.

**Court Clerk:** The Court Clerk will work closer with the Budget Board members in an effort to correct the concerns of the auditor.

**TULSA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Criteria:** The GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

*Objectives of an Entity - 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. § 1420 states,

“A. The county budget board may amend the budget to make supplemental appropriations to any fund up to the amount of revenues in excess of the total estimated in the latest budget, which are available for current expenses due to:

1. Revenues received from sources not anticipated in the budget for that year;
2. Revenues received from anticipated sources but in excess of the budget estimates therefor; or
3. An unexpended and unencumbered fund balance on hand at the end of the preceding fiscal year which had not been anticipated in the budget. Any appropriation authorizing the creation of an indebtedness shall be governed by the applicable provisions of Article X of the Oklahoma Constitution.

B. If at any time during the budget year it appears probable that revenues available will be insufficient to meet the amount appropriated, or that due to unforeseen emergencies there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the county budget board shall take such action as it deems necessary. For that purpose, it may amend the budget to reduce one or more appropriations, or it may amend the budget to transfer money from one fund to another fund, but no appropriation for debt service may be reduced and no appropriation may be reduced by more than the amount of the unexpended and unencumbered balance thereof. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law.

C. A budget amendment as provided in this section authorizing supplemental appropriations or a decrease or change in appropriation of funds shall be adopted at a meeting of the county budget board and filed with the county clerk, the county excise board and the State Auditor and Inspector.”

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.”



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