



TULSA COUNTY

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

For the year ended June 30, 2021

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, 2021**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

March 23, 2022

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, 2021. 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,



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, 2021, and the related notes to the financial statements, which collectively comprise Tulsa County's basic financial statements, and have issued our report thereon dated February 28, 2022.

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.

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 did identify 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 item 2021-001 to be a material weakness.

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 2021-004 and 2021-008 to be significant deficiencies.

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 2021-001.

Tulsa County's Response to Findings

Tulsa County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Tulsa 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 28, 2022

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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*

2021-001 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding - 2007-009, 2008-001, 2009-001, 2010-002, 2011-001, 2016-002, 2017-001, 2018-001, 2019-001, 2020-001)

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

- For our sample of fifty-three 53 of the 11,325 General Fund expenditures:
 - Two (2) expenditures totaling \$268,475 were not encumbered prior to receiving goods or services.
- For our sample of 54 of the 3,677 County Highway Fund expenditures:
 - One (1) expenditure in the amount of \$14,887 was not charged to the proper period.
 - Four (4) expenditures totaling \$268,887 were not encumbered prior to receiving goods or services.
- For our sample of 58 of the 944 Special Projects Fund expenditures reflected the following:
 - One (1) expenditure in the amount of \$3,345 was not charged to the proper period.
 - Four (4) expenditures totaling \$32,317 were not encumbered prior to receiving goods or services.
- For our sample of 61 of the 9,295 non-major governmental fund expenditures:
 - One (1) expenditure in the amount of \$29,669 was not charged to the proper period.
 - Nine (9) expenditures totaling \$1,393,821 were not encumbered prior to receiving goods or services.

Cause of Condition: Internal control policies and procedures have not been fully implemented with regard to the disbursement process to 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: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the County adhere to state purchasing guidelines to ensure encumbrances are made before goods or services are ordered and to ensure availability of funds. 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.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

Board of County Commissioners: The Board of County Commissioners (BOCC) will continue to work with departments across Tulsa County to reduce the number of errant disbursements. The County's new information technology system will help to address the lack of internal controls over disbursements.

The impacted elected officials and departments have been briefed on the findings and they are working on their internal compliance.

County Clerk: My office continues to work with departments across Tulsa County to reduce the number of errant disbursements. We have made significant progress in the last few years. The most significant area where we continue to have issues is related to federal grants. We are working on a future solution that may include encumbering off of award letters and/or additional coordination with our subrecipients and grant administrator. We anticipate that the layout of our new information technology system will also assist in this process.

County Sheriff: With respect to the finding of not encumbering funds prior to goods or services being received, it should be duly noted that in each and every event, sufficient and properly secured appropriations were on hand to satisfy all listed claims. Further explanation noted below:

- Expenditures for property insurance related to warrant 500030850 - The Tulsa County Sheriff's Office (TCSO) encumbered ahead of time for property insurance on David L. Moss Criminal Justice Center, based upon the previous year's amount. When we received the invoice, the amount exceeded 10%; therefore, we had to cancel and re-encumber the purchase order.
- Expenditures for bed licenses related to warrant 500037767 - TCSO will work on ensuring that all expenditures, especially known contractual payments, are encumbered properly.
- Expenditures for legal fees related to warrant 5000036600 - TCSO's Financial Unit is not privy to details regarding litigation; therefore, we do not know the amount that will be owed on a case until after receiving the invoice -which is a contract based upon the individual case. TCSO will do its best to encumber a blanket purchase order with the appropriate Clerk Miscellaneous File (CMF) # to get ahead of the invoice.
- Expenditures for commission reimbursement on the State Criminal Alien Assistance Program (SCAAP) grant contract related to warrant 500034913 - TCSO waited to receive a statement and/or the invoice to pay the commission on the SCAAP grant, not knowing what the amount would be. In the future, we will estimate the commission amount, based upon the previous year's amount, and encumber ahead of receiving the invoice.
- Expenditures for remodeling and construction related to warrant 500036236 - TCSO will work on ensuring that all expenditures, especially known contractual payments, are encumbered properly.

Court Clerk: The purchase order is for Tulsa County Administrative Services, which is basically an interoffice service for printing and office supplies. We would have no way of knowing what the purchase order should be encumbered for until we actually receive the invoice. Therefore, the purchase order will always come after the invoice on this vendor.

Auditor Response: Title 19 O.S. § 1505 requires encumbrances be made before the ordering of goods or services.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 – Section 2 – Establishing an Effective Internal Control System – 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.

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 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 2021-004 – Lack of Internal Controls and Noncompliance Over Consumable Inventories

Condition: On June 30, 2021, OSAI performed a consumable inventory count at each of the three (3) district barns governed by the individual County Commissioners of Tulsa County and at the Highway District Barn (District 4) which is governed by the Tulsa County BOCC as a whole. We selected a sample

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

of 20 inventory items to trace from the district barns to the consumable inventory listings and 20 inventory items to trace from the consumable inventory listings to the district barns.

Due to pervasive variances in the inventory count, fiscal year-end consumable inventory balances could not be determined at any of the four district barns.

Further, upon inquiry of County personnel and observation and review of consumable records, the Tulsa County Districts 1, 2, 3, and 4 had the following deficiencies in all four districts:

- One person, at each barn, is responsible for receiving consumable inventory items, maintaining consumable inventory records, performing physical inventory counts of consumable items, and has 24/7 access to consumable inventories.
- Individuals who are responsible for initiating the purchase and receiving of consumable items are not reflected on the Board of County Commissioners approved roster of requesting, requisitioning, and receiving officers.
- Fuel on hand is not reconciled to the fuel logs and is not adequately monitored and safeguarded.

We also noted:

- An annual inventory was not performed for the fiscal year ended June 30, 2021, by District 1 and District 4. Additionally, for all districts, no one on-site is reviewing the inventories performed for accuracy.
- The fuel pumps at District 2 and District 4 are not marked “Property of Tulsa County”.
- The cameras and alarm are not operational at District 3.
- Employee pin numbers are not kept confidential at District 4.
- Fuel system lock-out is not working at District 4.
- The sign shop at District 4 does not have an accurate inventory of the signs on hand.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the accuracy of consumable inventory records and compliance with the state statutes regarding consumable inventories and requisitioning and receiving duties.

Effect of Condition: These conditions resulted in noncompliance with state statutes and misstated financial statements. Additionally, failure to maintain accurate records of and perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use, or misappropriation of consumable inventories.

Recommendation: OSAI recommends that management remain aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and management review and approval of accounting functions.

Additionally, OSAI recommends only individuals designated and approved by the BOCC perform the duties of requisitioning and receiving officers as prescribed by 19 O.S. § 1503.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OSAI also recommends management implement internal controls to ensure the accuracy of inventory records and compliance with 19 O.S. § 1502(B)(2)(b), 19 O.S. § 1504 and 19 O.S. § 1505(G).

Management Response:

County Commissioners District 1, 2, and 3: Upon reviewing this finding with the auditor, the BOCC understands the auditor will meet directly with the Tulsa County engineer to discuss the findings. However, below is the response from the Tulsa County Engineer to the BOCC.

We are currently in the process of updating the fueling system at all four locations. Once the upgrade is complete, all locations will be on the same cloud-based fuel system and will utilize their county badges to dispense fuel. This will result in a much more comprehensive audit trail of the fuel.

Districts 1 and 3 are currently obtaining quotes for alarm monitoring from a third-party vendor and our internal IT team is ensuring that identified staff at each location are setup and trained to access the camera feeds. We expect to have both these items addressed by month-end.

Engineering will review current processes for consumable inventory as well as identify appropriate staff at each location to receive, maintain, and perform physical inventory noting the need for segregation of duties. After which, staff will submit resolutions to the BOCC so that the appropriate individuals who are responsible for initiating and receiving consumable items are properly reflected on the approved roster.

The BOCC will ensure the Tulsa County Engineering Department continues to improve their internal controls as well as their consumable inventory, and signage processes

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

The GAO Standards – Section 2 – Establishing an Effective Internal Control System – Objectives of an Entity - OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Title 19 O.S. § 1502(B)(2)(b) requires the Board of County Commissioners “create and administer an inventory system for all supplies and materials of a county purchased in lots of Five Hundred Dollars (\$500.00) or more and not used in the construction and maintenance of roads and bridges.”

Title 19 O.S. § 1503 provides guidance for the designation of requisitioning and receiving officers.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.

Title 19 O.S. § 1505(G) provides guidance for the consumption and disposal of supplies and materials.

Finding 2021-008 – Lack of Internal Controls Over the Financial Statement – Fiduciary Funds – Custodial Funds

Condition: The County is responsible for preparing their annual financial statements, notes to the financial statements, and supplemental information in accordance with Generally Accepted Accounting Principles (GAAP).

In fiscal year 2021, the County implemented GASB Statement No. 84, *Fiduciary Activities*, (GASB 84) reporting requirements. According to the Governmental Accounting Standards Board – Summary of Statement 84, “The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.”

During our review of the Combining Statement of Changes in Fiduciary Net Position - Custodial Funds schedule, OSAI noted the following:

- The County had reported monies in both the clearing accounts they were initially deposited into and the custodial funds in which they were distributed.
- Originally the County reported \$924,641,692 in custodial fund additions and \$885,425,143 in custodial fund deductions, when custodial fund additions and deductions should have been reported as \$889,220,475 and \$850,003,926, respectively.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the custodial funds reported on the County’s financial statements are identified and reported accurately.

Effect of Condition: These conditions resulted in:

- Custodial fund additions and deductions both being initially overstated by \$35,421,217.
- The County presenting revised fiduciary schedules.
- Significant additional testwork performed by OSAI to ensure custodial funds were accurately identified and reported.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure all of the County’s fiduciary activities are properly identified, the type of fiduciary fund used to report each fiduciary activity is correct, and the amounts reported for the fiduciary funds are accurate.

Management Response:

Board of County Commissioners: The BOCC received, reviewed, and agreed with the response from the Tulsa County Clerk.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Clerk: Tulsa County implemented GASB 84 – Fiduciary Activities for the fiscal year 2021 financial report. Due to the nature of fiduciary accounts, the Clerk’s office does not control the use or accounting of these funds and thus does not receive detailed reporting throughout the year. Going forward, our office will review detailed transactions that occur within all depositories so we can eliminate transfers and mitigate overstating the fiduciary funds accounts.

Criteria: A basic objective of GAAP is to provide accurate and reliable information.

GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, paragraph 111 states, “Sometimes an agency fund is used as a *clearing account* to distribute financial resources to other funds of the government, as well as other entities. For example, county property tax collectors customarily collect and distribute property taxes to the county’s funds as well as to other governments within the county. When this occurs, the portion of the clearing account balance that pertains to other funds of the county should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds.”

GASB Statement No. 84, *Fiduciary Activities*, paragraph 1 states, “The principal objective of GASB Statement 84 is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.”

The GAO Standards – Section 2 – Establishing an Effective Internal Control System – Objectives of an Entity - OV2.16 states:

Management, with oversight by an oversight body, sets objectives to meet the entity’s mission, strategic plan, and goals and requirements of applicable laws and regulations. Management sets objectives before designing an entity’s internal control system. Management may include setting objectives as part of the strategic planning process.

Additionally, Principle 13 – Use of Quality Information states:

Identification of Information Requirements

13.02 – Management designs a process that uses the entity’s objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users. Management defines the identified information requirements at the relevant level and requisite specificity for appropriate personnel.

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

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks.

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



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