



TULSA COUNTY

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

For the Fiscal year Ended June 30, 2020

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, 2020**

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April 5, 2021

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, 2020. 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.

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, 2020, 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 25, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 deficiency described in the accompanying schedule of findings and responses as item 2020-001 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 2020-008 and 2020-009 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Tulsa County's Response to Findings

Tulsa County's response to the findings identified in our audit are 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

February 25, 2021

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 2020-001 - 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)

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

- The review of a sample of fifty-three (53) of the ten thousand nine hundred sixty-four (10,964) General Fund expenditures reflected the following:
 - Two (2) expenditures totaling \$40,132 were not encumbered prior to receiving goods or services.
- The review of a sample of forty-three (43) of the two hundred seventy-six (276) Special Project Fund expenditures reflected the following:
 - Seventeen (17) expenditures totaling \$849,939 were not encumbered prior to receiving goods or services.
 - One (1) expenditure for \$91,300, Special Projects warrant 500029178, issued from the Tulsa Area Emergency Management Agency (TAEMA) account, was presented to the vendor on June 15, 2020, 3 months before items were received by the County on September 15, 2020. Additionally, the purchase order associated with this expenditure, purchase order 202332, was signed certifying receipt of items on June 2, 2020.
- The review of a sample of eighty-nine (89) of the ten thousand five hundred fifteen (10,515) non-major fund expenditures reflected the following:
 - Two (2) expenditures totaling \$35,393 were not charged to the proper period.
 - Twenty-one (21) expenditures totaling \$1,129,925 were not encumbered prior to receiving goods or services.

Cause of Condition: Policies and procedures have not been fully implemented with regard to the disbursement process 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: 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, 2020**

Management Response:

Board of County Commissioners: The Board of County Commissioners (BOCC) continues to work with all departments across Tulsa County to address any noncompliance within the disbursement process. The BOCC will continue to work to ensure that our departments are following statutory guidelines.

In response to the equipment that was paid for in full by TAEMA prior to the receipt of the equipment, this equipment was purchased as a direct result of the pandemic. The company required payment upfront due to the demand of the equipment. Therefore, it was necessary to pay for the equipment in full and in advance to ensure the County could secure it as soon as possible.

County Clerk: My office continues to work with departments across Tulsa County to reduce the number of errant disbursements. 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 enterprise resource planning (ERP) software system will also assist with the encumbrance issue.

County Sheriff: The Tulsa County Sheriff's Office continues to strive for excellence in adhering to the guidelines and directives found in Title 19 O.S. §1505 of the Oklahoma Statutes. The department's full attention and dedication in focusing on absolute compliance with the previously mentioned sources continues to be our highest priority, especially as it relates to fiscal management protocols for which we operate within.

Court Clerk: In reference to Court Clerk Revolving Fund PO#2015181, the Court Fund has a budget amount for postage which is utilized first. Any remaining balance and/or invoices are paid from the Revolving Fund. The reason for the invoice date being prior to the PO date is that the PO was paid from the Court Fund with the remaining balance due submitted for payment from the revolving fund.

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.

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:

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Article 10, § 15(A) of the Constitution of the Oklahoma State states “...the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation.”

Title 63 O.S. § 683.11F states, “Each political subdivision is authorized to exercise the powers vested under this section in the light of the exigencies of the extreme emergency situation without regard to time-consuming procedures and formalities prescribed by law, excepting mandatory constitutional requirements, pertaining to the performance of public work, entering into contracts, the incurring of obligations, the employment of temporary workers, the rental of equipment, the purchase of supplies and materials, and the appropriation and expenditure of public funds.”

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 2020-008 - Lack of Internal Controls Over Business Continuity Plan (Repeat Finding – 2018-008 and 2019-005)

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

Cause of Condition: Policies and procedures have not been fully implemented to ensure the County has prepared and approved a formal BCP that would meet the needs of the County in the event of a disaster.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

Management Response:

Board of County Commissioners: The BOCC considered and approved the Tulsa County Continuity of Operations Plan (the Plan) on December 7, 2020. The Plan has been filed with the Tulsa County Clerk's Office as well as the Tulsa Area Emergency Management Office.

Criteria: According to *CobiT, Deliver Service, and Support 4.03 Develop and implement a business continuity response*, management should develop a business continuity plan (BCP) and disaster recovery plan (DRP) based on the strategy. Document all procedures necessary for the enterprise to continue critical activities in the event of an incident.

Finding 2020-009 - Lack of Internal Controls Over Depreciation of Capital Assets

Condition: Upon inquiry and observation of the County's accounting for depreciation expense on capital assets, we noted that the accumulated depreciation and current year's depreciation expense reported in the County's financial reports did not reconcile to asset listings maintained by the County. It was determined that accumulated depreciation had been overstated by \$4,406,835. This was the result of \$2,921,361 in overstated current year depreciation expense, \$1,519,951 in overstated depreciation expense in the prior fiscal year, and \$34,477 in unidentified understatements.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the accurate and complete reporting of depreciation on capital assets.

Effect of Condition: These conditions resulted in misstated financial statements and could result in further unrecorded transactions, unauthorized changes to an asset, or undetected clerical errors.

Recommendation: OSAI recommends management design and implement policies and procedures to ensure controls are fully implemented or to ensure accurate and complete reporting of depreciation of capital assets.

Management Response:

County Clerk: The County Clerk's Office prepares several schedules related to capital assets, all of which are cross referenced and reviewed. Accumulated depreciation was overstated in the prior year due to an uncaught error, and this error continued through the current fiscal year. The error was corrected and submitted to the auditors with revised figures, and additional training and follow up has been provided to both the preparers and reviewers of these schedules. In addition, there has been an unreconciled difference in depreciation (\$< 40,000) since FY 2016. This difference will be fully reconciled before the end of FY 2021.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

10.03 – 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, Section 2 – Establishing an Effective Internal Control System – OV2.24 Safeguarding of Assets states in part:

OV2.24 – 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.

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
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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