



# Oklahoma State Auditor & Inspector

News Release

For Immediate Release

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## STATE AUDITOR: Health Department's Unorthodox Accounting Practices Misidentified Funding Shortfall and Need for Staff Reduction

OKLAHOMA CITY – Oklahoma State Auditor Gary Jones released today the much-anticipated Special Audit of the Oklahoma State Department of Health (OSDH). The report was initially released as an attachment to the Multi-County Grand Jury Report.

“This report identifies numerous issues at the Health Department regarding its internal accounting processes and procedures,” Jones said. “Among our findings is that the agency did not need the \$30 million emergency supplemental appropriation it received last November. And, we question the need to terminate 198 employees.”

While the report identifies that OSDH annual expenditures did exceed its revenues over a period of many years, internal confusion tied to its unorthodox accounting practices along with a hostile work environment originating with senior management created the misperception the agency desperately needed an infusion of \$30 million.

“Agency officials first reported to us, and later to a House panel, that it was facing a multi-million dollar shortfall,” Jones said. “The agency’s history of ‘borrows’ and other practices only made its confusing system of accounting even more out of balance. I commend the job and professionalism of our auditors in being able to work through these complex issues to sort out what was real and to provide recommendations to help put OSDH on a path to fiscal integrity.”

The report also pointed to the State Board of Health for not properly exercising its fiduciary responsibility as mandated by state law and best practices. In citing its breakdown, the report noted the Board’s “failure to appropriately communicate with key financial personnel or require sufficient and appropriate financial information to perform their duties clearly contributed to the overall situation (at the agency).”

The report included the following recommendations to provide a multi-faceted solution:

- The Board and the Commissioner improve the control environment and tone at the top of the agency
- OSDH immediately discontinue inappropriate unorthodox accounting practices and move toward using the statewide accounting system
- OSDH hire a CFO and Controller experienced with federal grant reporting and state accounting practices to fill the currently vacant positions
- OSDH immediately begin preparing and submitting budgets that are realistic and based on known and historical data and ensure that expenditures do not exceed revenues
- OMES establish a separate restricted fund for the Ryan White program rebates
- The legislature consider recalling all or part of the \$30 million emergency appropriation
- The OSDH Board should work towards fulfilling its fiduciary responsibilities as outlined in state statutes and best practices. When the duties and powers of the Board are transferred to the State Commissioner of Health in January 2019 as outlined in HB 3036, the Commissioner can benefit from following this same recommendation

The full report is available at [www.sai.ok.gov](http://www.sai.ok.gov)

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