



Financial Statements
June 30, 2022

Oklahoma Insurance Department

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Independent Auditor's Report

State of Oklahoma
Oklahoma Insurance Department

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oklahoma Insurance Department (the "Department") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Department as of June 30, 2022, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As discussed in Note 12 to the financial statements, certain errors resulting in an understatement of amounts previously reported for revenue and cash as of June 30, 2021, were discovered by management of the Department during the current year. Accordingly, a restatement has been made to the net position and fund balance as of July 1, 2021 to correct the error. Our opinions are not modified with respect to that matter.

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Emphasis of Matter

Basis of Presentation and Accounting

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State of Oklahoma that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2022, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedules of receipts, transfers, disbursements and changes in cash balance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements.

The schedules of receipts, transfers, disbursements and changes in cash balance and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of receipts, transfers, disbursements and changes in cash balance and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
October 31, 2022

As management of the Oklahoma Insurance Department (the "Department"), we offer readers of the Department's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2022 and 2021.

Financial Highlights

2022

- During 2022, the Department earned revenues of \$404 million, which included net revenues of \$353 million of premium and other taxes, net of refunds. This is an increase of approximately \$4 million in total revenues from the prior year.
- Approximately 61% of expenditures during fiscal year 2022 related to direct regulatory and enforcement activities.
- The net position of the Department increased \$7.1 million, resulting in a net position of \$46 million at June 30, 2022.

2021

- During 2021, the Department earned revenues of \$399 million*, which included net revenues of \$347 million* of premium and other taxes, net of refunds. This is an increase of approximately \$18 million in total revenues from the prior year.
- Approximately 59% of expenditures during fiscal year 2021 related to direct regulatory and enforcement activities.
- The net position of the Department increased \$10 million*, resulting in a net position of \$39* million at June 30, 2021.

**These amounts were restated to adjust revenue and cash received as of June 30, 2021. See Note 12 for additional discussion.*

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of three components: government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The statement of activities presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All governmental activities of the Department are reflected in the general fund. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances-general fund provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains two types of funds: governmental funds and fiduciary funds. Information is presented separately for the governmental funds and the fiduciary funds. All transactions related to the general administration of the Department are accounted for in the governmental fund statements of revenues, expenditures, and changes in fund balances-general fund, whereas the fiduciary funds are custodial in nature and do not present results of operations.

Government-Wide Financial Analysis

The Department's net position is reported as follows:

Oklahoma Insurance Department's Net Position

	2022	2021 Restated*
Current assets	\$ 109,344,141	\$ 114,727,861
Capital assets, net	10,371,618	10,801,399
Total assets	119,715,759	125,529,260
Total liabilities	73,417,357	74,689,133
Net position		
Net investment in capital assets	10,342,698	8,987,931
Restricted for statutorily required transfers	40,909,990	30,755,372
Unrestricted (deficit)	(4,954,286)	(581,368)
Total net position	\$ 46,298,402	\$ 39,161,935

**The restatements were made to adjust revenue and cash for amounts received relating to fiscal year 2021 activity. See note 12 for additional discussion.*

Oklahoma Insurance Department's Changes in Net Position

	2022	2021 Restated*
Program revenues		
Charges for service	\$ 49,932,442	\$ 51,378,885
Sales and service	53,448	47,842
Federal operating grant revenue	1,034,929	1,200,395
Total program revenues	51,020,819	52,627,122
General revenues		
Premium and other taxes, net of refunds	353,032,781	347,339,056
Total revenues	404,053,600	399,966,178
Total expenses	13,248,220	13,215,921
Excess of revenues before transfers	390,805,380	386,750,257
Transfers in/out and Other Sources		
General fund of the State of Oklahoma	(217,180,255)	(209,828,258)
Specific accounts of the State of Oklahoma and net transfers to agency funds	(166,488,658)	(166,927,079)
Total transfers in/out	(383,668,913)	(376,755,337)
Changes in net position	7,136,467	9,994,920
Net position, beginning of year	39,161,935	29,167,015
Net position, end of year	\$ 46,298,402	\$ 39,161,935

**The restatement was made to adjust revenue and cash for amounts received relating to fiscal year 2021 activity. See note 12 for additional discussion.*

Our discussion and analysis of the Department's financial performance provides an overview of the Department's financial activities for the fiscal years ended June 30, 2022 and 2021.

Program revenues are variable from year to year. A significant portion of the "charges for service" revenue is comprised of biennial licensing fees for licensed professionals in the state. The licenses are issued for a 24-month period. This renewal cycle creates a fluctuation in associated revenues in the same pattern. Carrier appointment fees are on a yearly schedule and fluctuate depending on the needs of the Insurance Carrier. The yearly open appointment renewal period, when Carriers can pay their bulk invoices for renewals, runs from November-December 31 of each year. The Department experienced a 2% increase in premium and other taxes for fiscal year 2022 and a 5% increase in premium and other taxes for fiscal year 2021.

Oklahoma Insurance Department
Management's Discussion and Analysis (Unaudited)

The increase in revenue is a result of an increase in reported premiums collected by the companies operating within the state. Other premium-based taxes reflected a similar trend for the year, resulting in an overall increase in tax revenue available for distribution of \$5,693,725 for fiscal year 2022.

Program revenues are all specifically identified for Department distribution. The change in total transfers out for fiscal years June 30, 2022 and 2021, compared to the respective prior year is a result of the increase or decrease in program revenues and final distribution based on current statutory requirements. Total Department liabilities at June 30, 2022 were approximately \$1.3 million less than the prior year. Total department liabilities at June 30, 2021 were \$1.1 million more than the prior year.

At June 30, 2022, the Department had unrestricted net position (deficit) of \$(4,954,286). At June 30, 2021, the Department had unrestricted net position (deficit) of \$(581,368).

Budget-to-Actual Expenditures

	Year Ended June 30, 2022				
	Original Budget	Revision	Revised Final Budget	Actual Budget Basis	Favorable (Unfavorable) Variance
Budgeted Revenues					
Licenses, permits, and fees	\$ 19,674,511	\$ -	\$ 19,674,511	\$ 28,949,270	\$ 9,274,759
Federal funds	1,254,351	-	1,254,351	1,034,929	(219,422)
Total budgeted revenues	\$ 20,928,862	\$ -	\$ 20,928,862	\$ 29,984,199	\$ 9,055,337
Budgeted expenditures					
Personnel and professional services	\$ 12,984,587	\$ (37,000)	\$ 12,947,587	\$ 11,257,193	\$ 1,690,394
Travel and expense reimbursement	367,789	2,500	370,289	146,136	224,153
Contractual services	365,078	150,000	515,078	373,388	141,690
Supplies and materials	27,700	2,000	29,700	7,832	21,868
Equipment	5,925,118	(1,050,000)	4,875,118	1,847,273	3,027,845
Other	1,258,590	932,500	2,191,090	906,757	1,284,333
Total budgeted expenditures	\$ 20,928,862	\$ -	\$ 20,928,862	\$ 14,538,579	\$ 6,390,283
Year Ended June 30, 2021					
	Original Budget	Revision	Revised Final Budget	Actual Budget Basis	Favorable (Unfavorable) Variance
Budgeted Revenues					
Licenses, permits, and fees	\$ 15,254,025	\$ -	\$ 15,254,025	\$ 26,051,798	\$ 10,797,773
Federal funds	1,173,511	-	1,173,511	1,200,395	26,884
Total budgeted revenues	\$ 16,427,536	\$ -	\$ 16,427,536	\$ 27,252,193	\$ 10,824,657
Budgeted expenditures					
Personnel and professional services	\$ 12,152,110	\$ (86,000)	\$ 12,066,110	\$ 11,204,346	\$ 861,764
Travel and expense reimbursement	321,761	-	321,761	39,676	282,085
Contractual services	858,116	-	858,116	796,912	61,204
Supplies and materials	22,400	(5,000)	17,400	5,926	11,474
Equipment	1,914,618	132,000	2,046,618	1,949,084	97,534
Other	1,158,531	(41,000)	1,117,531	836,639	280,892
Total budgeted expenditures	\$ 16,427,536	\$ -	\$ 16,427,536	\$ 14,832,583	\$ 1,594,953

2022

The variance between the 2022 total revenue and expenditures and the original budget was due to reallocation of funds among departments to pay for additional expenses related to contractual services, building upgrades, maintenance costs, and technology needs.

In 2022, overall Department expenditures were \$6.4 million less than the amounts budgeted. The most significant variances were in technology services and equipment, personnel and professional services. The department budgets to achieve goals and targets of all services and departments while making an effort to keep expenditures down.

2021

The variance between the 2021 total revenue and expenditures and the original budget was due to reallocation of funds among departments to pay for additional expenses related to technology needs.

In 2021, overall Department expenditures were \$1.6 million less than the amounts budgeted. The most significant variances were in personnel costs, travel and expense reimbursement, professional services, and miscellaneous administrative expense. The department budgets to achieve goals and targets of all services and departments while making an effort to keep expenditures down.

Capital Assets

As of June 30, 2022 and 2021, the Department had total investments of \$12,141,000 and \$12,273,000, respectively, in capital assets, including a new building, computer equipment and software, office equipment, and furniture. Net of accumulated depreciation, the Department's net capital assets at June 30, 2022 and 2021, totaled approximately \$10,372,000 and \$10,801,000, respectively.

Debt

House Bill (HB) 2308 authorized the agreement between the Commissioner of the Land Office and the Office of Management and Enterprise Services to contract with the Department for the construction of a commercial office building located at 400 NE 50th Street, Oklahoma City, Oklahoma. The agreement for the building authorized the appraisal and payment value of the commercial site at \$9,528,000. The Department has paid the full amount of this purchase as of the year ending June 30, 2022.

Description of Currently Known Facts, Decisions, or Conditions that are Expected to Have a Significant Effect on the Financial Position or Results of Operations

The fiscal year 2023 budget for the Department was approved by the Office of Management & Enterprise Services. The change in anticipated expenditures, which will have no effect on future operations, is reflected by funding sources as follows:

Funding Source	2023 Budget Compared to 2022	2022 Budget Compared to 2021
Revolving funds	\$ 5,825,369	\$ 4,420,486
Other funds	200,956	80,840
Total budget change	\$ 6,026,325	\$ 4,501,326

For the year ending June 30, 2023, the change in funding is due to budgeted investments in technology upgrades throughout the department, which includes a system for revenue tracking, policy analysis software, and tax reporting automation suite.

Contacting the Department's Financial Management

This financial report is designed to provide interested parties with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Oklahoma Insurance Department, 400 NE 50th Street, Oklahoma City, Oklahoma.

Oklahoma Insurance Department
Statement of Net Position
June 30, 2022

Assets	
Current assets	
Cash, including short-term investments	\$ 82,486,739
Premium and other taxes receivable	26,857,402
Total current assets	<u>109,344,141</u>
Noncurrent assets	
Capital assets, depreciable, net of accumulated depreciation	10,371,618
Total assets	<u>119,715,759</u>
Liabilities and net position	
Liabilities	
Amount due to	
General fund of the State of Oklahoma	25,754,060
Firefighters Retirement System	18,762,184
Police Retirement System	7,296,405
Law Enforcement Retirement System	2,605,859
State Attorney General	212,888
Total amount due to	<u>54,631,396</u>
Current liabilities	
Accounts payable	625,122
Premium and other tax refunds payable	2,588,901
Unearned tax revenue	14,643,937
Current portion of long-term debt	28,920
Compensated absences	899,081
Total current liabilities	<u>18,785,961</u>
Total liabilities	<u>73,417,357</u>
Net Position	
Net investment in capital assets	10,342,698
Restricted for statutorily required transfers	40,909,990
Unrestricted (deficit)	(4,954,286)
Total Net Position	<u>\$ 46,298,402</u>

Oklahoma Insurance Department
Statement of Activities
Year Ended June 30, 2022

		PROGRAM REVENUES		
	Expenses	Charges for Service	Operating Grants and Contributions	Net (Expenses) Revenue
Governmental activities				
General government Operations	\$ 12,171,480	\$ 49,985,890	\$ -	\$ 37,814,410
Total general government	12,171,480	49,985,890	-	37,814,410
Grant programs	1,076,740	-	1,034,929	(41,811)
Total governmental activities	\$ 13,248,220	\$ 49,985,890	\$ 1,034,929	37,772,599
General revenues				
Premium and other taxes				355,641,254
Less refunds				(2,608,473)
Total general revenues				353,032,781
Other uses				
Transfers in/out				
General fund of the State of Oklahoma				(217,180,255)
Special cash fund of the State of Oklahoma				(7,800,000)
Specific accounts of the State of Oklahoma				(158,688,658)
Total other uses				(383,668,913)
Changes in net position				7,136,467
Net position, beginning of year, as restated (see Note 12)				39,161,935
Net position, end of year				\$ 46,298,402

Oklahoma Insurance Department
Balance Sheet – General Fund
June 30, 2022

Assets

Assets

Cash, including short-term investments	\$ 82,486,739
Premium and other taxes receivable	26,857,402
Total assets	<u>\$ 109,344,141</u>

Liabilities, Deferred Inflows and Fund Balance

Liabilities

Amount due to

General fund of the State of Oklahoma	\$ 25,754,060
Firefighters Retirement System	18,762,184
Police Retirement System	7,296,405
Law Enforcement Retirement System	2,605,859
State Attorney General	<u>212,888</u>

Total amount due to	54,631,396
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Accounts payable	625,122
Premium and other tax refunds payable	2,588,901
Unearned tax revenue	<u>14,643,937</u>

Total liabilities	<u>72,489,356</u>
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Deferred inflows of resources

Unavailable revenue - premium taxes	<u>12,910,782</u>
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Fund balance

Restricted - statutorily required transfers	27,999,208
Assigned - encumbrances	825,071
Unassigned	<u>(4,880,276)</u>

Total fund balance	<u>23,944,003</u>
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Total liabilities, deferred inflows and fund balance	<u>\$ 109,344,141</u>
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Oklahoma Insurance Department
Reconciliation of Balance Sheet – General Fund to Statement of Net Position
June 30, 2022

Reconciliation of Fund Balance to Net Position

Total fund balances from above	\$ 23,944,003
Amounts reported in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund	
Capital assets of \$12,140,580, net of accumulated depreciation of \$1,768,962	10,371,618
Certain liabilities are not due and payable in the current period and therefore not reported in the fund:	
Long-term debt	(28,920)
Accrued compensated absences	(899,081)
Deferred inflows of resources - deferred inflows that do not meet the earnings criteria and therefore reported in the fund:	
Deferred revenue	<u>12,910,782</u>
	<u>\$ 46,298,402</u>

Oklahoma Insurance Department
 Statements of Revenues, Expenditures and Changes in Fund Balances – General Fund
 Year Ended June 30, 2022

Revenues	
Federal grant revenues	\$ 1,034,929
Program income	49,987,154
Premium and other taxes, net of refunds	<u>353,517,084</u>
Total revenues	<u>404,539,167</u>
Expenditures	
Administrative overhead	
Operations:	
Oklahoma City	2,562,073
Tulsa	93,712
Executive	604,544
Comptroller/Premium Tax	1,003,781
Information technology	629,894
Communications	496,127
Human Resources	<u>233,585</u>
Total administrative overhead	5,623,716
Agent licensing/title	572,615
Consumer assistance/claims	1,049,693
Financial Services	2,071,758
Legal	990,371
Regulated Industry Services	351,860
Rate and form	756,361
Publications and outreach	1,003,872
Bail bonds	394,488
Real estate appraisal	625,641
Fraud	498,092
Field Operations	176,801
Captives	115,764
Pharmacy benefits management compliance	<u>265,218</u>
Total expenditures	<u>14,496,250</u>
Excess of revenues over expenditures	<u>390,042,917</u>
Other financing sources/uses	
General fund of the State of Oklahoma	(217,180,255)
Specific accounts of the State of Oklahoma	<u>(166,488,658)</u>
Total other financing sources/uses	<u>(383,668,913)</u>
Net change in fund balances	6,374,004
Fund balances, beginning of year, as restated (See Note 12)	<u>17,569,999</u>
Fund balances, end of year	<u>\$ 23,944,003</u>

Oklahoma Insurance Department

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances-General Fund to the Statement of Activities Year Ended June 30, 2022

Net change in fund balance - general fund	\$ 6,374,004
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures, while government-wide activities report depreciation expense to allocate those expenditures over the lives of the assets</p>	
Depreciation expense	(455,819)
Loss on disposal of fixed assets	(1,263)
Capital asset purchases capitalized	27,301
	(429,781)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds</p>	
Changes in accrued compensated absences	(108,001)
Change in leased asset liability	20,548
<p>Long-term debt, such as note proceeds, are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of activities, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>	
Debt paid	1,764,000
	1,764,000
<p>Because some premium taxes will not be collected for several months after the Department's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental fund</p>	
	(484,303)
Changes in net position, per statement of activities	\$ 7,136,467

Oklahoma Insurance Department
Statements of Fiduciary Net Position
Custodial Fund – Bail Bondsmen and Settlement Escrow Fund
June 30, 2022

Assets

Current assets

Cash, including short-term investments

\$ 4,844,045

Total assets

\$ 4,844,045

Net Position

Restricted for:

Settlement Escrow

\$ 4,828,037

Bail bondsmen

16,008

\$ 4,844,045

Oklahoma Insurance Department
Statements of Changes in Fiduciary Net Position
Custodial Fund – Bail Bondsmen and Settlement Escrow Fund
Year Ended June 30, 2022

Additions	
Appropriations	<u>\$ 4,828,037</u>
Deductions	<u>-</u>
Net Change in Fiduciary Net Position	4,828,037
Net Position, beginning of year	<u>16,008</u>
Net Position, end of year	<u><u>\$ 4,844,045</u></u>

Note 1 - Summary of Significant Accounting Policies**Nature of Organization**

The financial statements of the Oklahoma Insurance Department (the "Department") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

Reporting Entity

The Department was created by Article VI of the Oklahoma State Constitution in 1907. The Department is a department of the State of Oklahoma (the "State") and is included within the State's General Fund-Regulatory Services. The Department regulates and oversees the insurance industry through administration and enforcement of the Oklahoma Insurance Code. In exercising that single program, the Department has the following responsibilities as specified in the Oklahoma statutes:

- The approval of the organization of domestic insurance companies and the approval of applications by foreign insurance companies to do business in the state;
- Licensing of all insurers authorized to do business in the state, along with the collections of licensing fees and premium taxes;
- Audit and examination of the affairs of insurers at least once every 5 years;
- Licensing, supervision, and regulation of all insurance agents and adjusters; and
- Administration of the licensing, supervision, and regulation of bail bondsmen, the collection of bond forfeitures, and the supervision of bond deposits.

The Department also regulates the investment practices of insurance companies, approves new policy forms and reinsurance agreements, processes complaints made by the public against insurers, licensed real estate appraisers, and approves companies that perform utilization reviews. Refer to Title 36, Sections 301 et seq., as amended, of the Oklahoma Statutes for more information.

In accordance with GASB, the Department's financial statements should include the operations of all organizations for which the Department has financial accountability. The Department has determined there are no other organizations for which it has financial accountability.

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting

The financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the remaining fund information of the State that is attributable to the transactions of the Department, and not those of the entire State.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with the Department's function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Department's function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Available is defined by the Department as 60 days after fiscal year-end. Revenues measurable but not available are reported as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The major revenue source susceptible to accrual is premium taxes.

The custodial fund uses the accrual basis of accounting and does not measure the results of operations.

The operations of the Department are recorded in the following fund types:

Governmental Fund Type - Governmental funds are accounted for using a spending (or current financial resources) measurement focus. Only current assets and current liabilities are included on their balance sheets. Their operations present sources and uses of available spendable resources during a given period of time.

General fund - This fund is used to account for the Department's expendable financial resources and related liabilities. All transactions related to the general administration of the Department are accounted for in this fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds - Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Custodial fund - This fund is custodial in nature. These funds are accounted for using the accrual basis of accounting. Payments of allegedly invalid fees or taxes under protest are deposited and retained for a period of 60 days to allow the remitter to file suit. If within 60 days, a summons is not served in a suit for the recovery of said fees or taxes, or a specified part thereof, the funds shall be considered earned by the Department and transferred out of the custodial fund. However, if a written protest is made and a suit is filed in a timely manner, the fees paid under protest shall be retained pending a final determination of the suit.

The majority of monies received by the Department are designated as to how they can be transferred or used. Such designations are disclosed in Note 2. The Department retains full control of all monies to achieve the designated purposes.

Securities

Securities owned by insurance companies doing business in the State are held for safekeeping at the Department. Such securities deposited are not included in the Department's financial statements. Likewise, deposits from bail bondsmen doing business in the State are received by the Department, where they are held in safekeeping and accounted for. These deposits held in safekeeping are not included in the Department's financial statements unless a bail bond is forfeited, or the license of a professional bondsman is revoked. At that point, the deposit from the bail bondsman is deposited into the Department's agency fund cash account entitled "Bail Bondsmen Account," and the deposit is remitted to the county courts or to the bail bondsman at the direction of the various courts.

Capital Assets

Capital assets are recorded as expenditures in the governmental fund statements of revenues, expenditures, and changes in fund balances but are capitalized in the statement of net position. Capital assets are stated at actual or estimated historical cost in the statement of net position.

Capital assets are defined as assets with initial costs of \$500 or more. Depreciation is computed on the straight-line method over the estimated useful lives:

Computer equipment and software	3 years
Office equipment	5 years
Furniture	7 years
Building	40 years

A full year's depreciation is taken in the year an asset is placed in service. When assets are disposed of, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees earn annual vacation leave based upon their start date and years of service. Unused annual leave may be accumulated to a maximum of 240 hours for employees with less than five years of service and 480 hours for employees with five or more years of service. All accrued annual leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and, therefore, is not recorded as a liability. The liability and expense incurred for employee paid time off are recorded as accrued leave obligation in the statement of net position, and as a component of operating, general, and administrative expenses in the statement of activities.

Income Taxes

The Department, as an integral part of the State, is exempt from federal and state income taxes.

Cash Accounts

The cash accounts of the Department are organized on a functional basis. Expenditures are allocated among the various cash accounts by management based on statutory requirements and cash balance requirements.

The various monies received or disbursed are recorded in one of the following accounts in accordance with the statutes and intent of how the monies are to be expended:

Department Clearing Account - All receipts of the Department, except for the appropriation from the State, receipts of federal funds, and deposits made by bail bondsmen, are deposited into the Department Clearing Account. Transfers to the various funds of the Department and the State are made monthly from this account. Refunds for overpayments and receipts returned for insufficient funds are the only disbursements made other than transfers to other funds.

In accordance with the Oklahoma statutes, a percentage of the premium taxes is used to fund the Firefighters, Police, and Law Enforcement Retirement systems. The remainder goes to the State's General Revenue Fund. The monies collected and allocated by the Department are transferred directly from the Department Clearing Account and Protest Escrow Account on a monthly basis to the Firefighters, Police, and Law Enforcement Retirement systems.

Department Revolving Account - This account operates on a continuing basis. The revenues consist of monies received by the Department and transferred from the Department Clearing Account. These revenues include insurance policy and rate filing fees, review fees of an insurance company's annual statement, certain agent licenses and fees as designated by statute, fees for furnishing study manuals, examination fees, licensing and examining bail bondsmen, fraud assessment fees, and fees for copies of records. These revenues are used by the Department to pay for operating expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

In accordance with the Oklahoma statutes, 25% of the fraud assessment fees collected by the Department are transferred directly from the Department Clearing Account to the State Attorney General.

Federal Grant Program Account - This account contains grant monies received from the federal government for the operation of the agency's Medicare assistance programs. The expenditures for this account are restricted to the uses directed by the federal agency awarding the grant.

Special Payroll Account - This account is used to process the Department's payroll deductions as elected by employees. The deductions are coded to this account in processing payroll. The deductions are then paid to the 3rd parties as elected through the accounts payable process from the payroll withholding account. This is essentially a pass-through account of payroll deductions.

Real Estate Appraisers Revolving Account - This account was created as a result of the Real Estate Appraisers Act and operates on a continuing basis. The revenues consist of monies received by the Department that are first deposited into the Department Clearing Account and then transferred to the Real Estate Appraisers Revolving Account. These revenues include fees for examinations and certification of real estate appraisers and are used by the Department to pay for operating expenses.

Anti-Fraud Account – This account is used for the purpose of administering investigations of abuse, negligence or criminal conduct regarding insurance laws or regulations. It contains monies received as a result of insurance related crimes and other fines, late fees, and penalties.

Custodial Fund Accounts

Bail Bondsmen - This account contains bail bondsmen certificates of deposit previously held in safekeeping by the State Treasurer for bail bondsmen operating in the state. Bail bondsmen certificates of deposit are cashed, deposited into the Bail Bondsmen Account, and paid to the courts only if a bondsman fails to pay an order and judgment of forfeiture after being properly notified or if the license of a professional bondsman has been revoked.

Settlement Escrow – This fund also is comprised of collected escrow amounts from a pharmaceutical company related to the pharmaceutical company's litigation matter that will ultimately be paid to the impacted entities according to court orders. The matter is not a litigation of the Department.

Deferred Inflows of Resources

The Department's governmental fund balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. In its governmental funds, the only deferred inflow of resources is for revenues not considered available. The Department will not recognize the related revenues until available (collected no later than 60 days after the end of the Department's fiscal year) under the modified accrual basis of accounting that qualifies to be reported in this category. Accordingly, unavailable revenue – premium taxes are reported in the governmental funds balance sheet.

Note 1 - Summary of Significant Accounting Policies (Continued)**Equity Classifications, Government-wide Statement of Net Position**

Equity is classified as net position and displayed in the following three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- Restricted net position – consists of net position with constraints placed on the use either by 1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

It is the Department's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental fund equity is classified as fund balance. In accordance with GASB 54, the Department classifies fund balance as nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- Non-spendable – consists of balances that are either not in spendable form or legally or contractually required to be maintained intact. Balances most likely to be classified as nonspendable include inventory, prepaids, and interfund advances.
- Restricted – consists of balances that have constraints placed on the net asset use that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The Department's resources constrained for statutorily required pension system and State General Fund transfers are reported as restricted at year-end.
- Committed – consists of assets that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority. Committed amounts cannot be uncommitted except by removing the constraints through the same type of formal action.
- Assigned – consists of amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Assignments of resources for a specific purpose that are not made by the government's highest level of decision-making authority are reported in this classification. The Department's outstanding encumbrances at year-end are reported as assigned.
- Unassigned – consists of the residual resources that have not been restricted, committed or assigned to a specific purpose.

Note 1 - Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available (i.e. in the case of federal or private grant revenues), the Department considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Department considers the amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Department has provided otherwise in its commitment or assignment actions.

The Department establishes (and modifies or rescinds) fund balance commitments by adoption and amendment of the annual budget. Assigned fund balances are established by Department management.

Use of Estimates

The Department has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses and the related disclosures to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. The most significant of these estimates is the amount of premium taxes expected to be received during the subsequent fiscal year, based on actual premiums reported by insurance companies in their annual statements. This estimate was based on historical settlements occurring after the annual reports are filed, assuming half of the settlements are related to the first 6 months of the calendar year and the other half are related to the second 6 months of the calendar year. The actual results could differ from those estimates.

Advertising Costs

All costs associated with advertising are expensed as incurred.

Note 2 - Cash Balances

The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution. The amount of collateral securities to be pledged for the security of public deposits is established by rules promulgated by the State Treasurer. In accordance with the State Treasurer's policies, the amount of collateral securities to be pledged by financial institutions through the State Treasurer is pledged at market value and must be at 100% of value to collateralize the amount on deposit, less any federal insurance coverage. This percentage may vary for political subdivisions according to their respective policies.

In accordance with State statute, the State Treasurer may purchase and invest in the following:

- Obligations of the United States Government, its agencies and instrumentalities;
- Collateralized or insured certificates of deposit;
- Prime bankers' acceptances;

- Negotiable certificates of deposit;
- Investment grade obligations of state and local governments;
- Prime commercial paper;
- Money market funds; and
- Repurchase agreements.

Designations of cash balances and reservations of fund balance by cash account are as follows:

Department Clearing Account – After reconciling adjustments the cash balance at June 30, 2022 of approximately \$65,700,000 represents cash maintained by the Department to be transferred to other state agencies, and to cover returned tax payment checks and tax refunds that are carried forward to the next fiscal year.

Department Revolving Account - The cash balance at June 30, 2022 of approximately \$15,673,000 represents the excess of cash receipts over disbursements that is carried forward to the next fiscal year. The outstanding encumbrances at June 30, 2022 was approximately \$583,000.

Federal Grant Program Account - The cash balance at June 30, 2022 represent the excess of cash receipts over disbursements that is carried forward to the next fiscal year. There was no excess at the end of the year. The outstanding encumbrances at June 30, 2022 was approximately \$145,000 respectively.

Special Payroll Account - There were no cash balances or outstanding encumbrances in the Special Payroll Account as of June 30, 2022.

Real Estate Appraisers Revolving Account - The cash balances remaining at June 30, 2022 of approximately \$749,000 represent the excess of cash receipts over disbursements that is carried forward to the next fiscal year. The outstanding encumbrances at June 30, 2022 was approximately \$90,000.

Anti-Fraud Account –The cash balance at June 30, 2022 of approximately \$142,000 represent the excess of cash receipts over disbursements that is carried forward to the next fiscal year. The outstanding encumbrances at June 30, 2022 was approximately \$7,000.

Pharmacy Benefits Manager – This represents monies obtained from licensure and regulation of Pharmacy Benefits Managers, including, but not limited to, any fees, fines, settlement or consent order proceeds or other penalties assessed. The cash balances at June 30, 2022 of approximately \$216,000 represent the excess of cash receipts over disbursements at this carried forward to the next fiscal year.

Bail Bondsmen Account - The cash balances at June 30, 2022 of approximately \$16,000 are being held by the Department in a fiduciary capacity. The funds are included in the custodial fund of the financial statements. These funds are to be paid according to court orders.

Pharmacy Benefits Manager Escrow - The cash balances at June 30, 2022, of approximately \$4,828,000 are being held by the Department in a fiduciary capacity. The funds are included in the custodial fund of the financial statements. These funds are to be paid according to court orders.

Note 3 - Capital Assets

A summary of changes in capital assets during the year ended June 30, 2022 is as follows:

	June 30, 2021	Acquisitions	Dispositions	Transfers	June 30, 2022
Capital assets					
Computer equipment and software	\$ 501,004	\$ 25,156	\$ (159,569)	\$ -	\$ 366,591
Office equipment	329,304	-	-	-	329,304
Furniture	652,899	2,145	(991)	-	654,053
Building-400 NE 50th	10,665,701	-	-	-	10,665,701
Right to use assets	124,931	-	-	-	124,931
Total capital assets	<u>12,273,839</u>	<u>27,301</u>	<u>(160,560)</u>	<u>-</u>	<u>12,140,580</u>
Accumulated depreciation					
Computer equipment and software	415,412	52,739	(158,306)	-	309,845
Office equipment	247,810	27,042	-	-	274,852
Furniture	209,178	89,090	(991)	-	297,277
Building-400 NE 50th	533,286	266,642	-	-	799,928
Right to use assets	66,754	20,306	-	-	87,060
Total accumulated depreciation	<u>1,472,440</u>	<u>455,819</u>	<u>(159,297)</u>	<u>-</u>	<u>1,768,962</u>
Net capital assets	<u>\$ 10,801,399</u>	<u>\$ (428,518)</u>	<u>\$ (1,263)</u>	<u>\$ -</u>	<u>\$ 10,371,618</u>

Depreciation charged to the function as of June 30, 2022 is as follows:

	2022
Administrative	\$ 320,442
Agents licensing/title	24,158
Consumer assistance/claims	47,405
Publications and outreach	15,498
Bail bonds	14,586
Real estate appraisal	11,395
Fraud	22,335
Total depreciation expense	<u>\$ 455,819</u>

Note 4 - Long-Term Debt

Long-term debt as of June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within 1 Year
Note payable	\$ 1,764,000	\$ -	\$ (1,764,000)	\$ -	\$ -
Leased assets liability	49,468	-	(20,548)	28,920	28,920
Total governmental activity long-term liabilities	<u>\$ 1,813,468</u>	<u>\$ -</u>	<u>\$ (1,784,548)</u>	<u>\$ 28,920</u>	<u>\$ 28,920</u>

Effective June 18, 2018, the Commissioners of the Land Office of the State of Oklahoma (CLO) entered into an agreement to lease real property in Oklahoma City for a period of 55 years with a commercial entity. The Department entered into a sublease agreement with CLO to construct a building for Department operations on this property.

As part of the sublease, the Department agreed to pay the commercial entity an amount based on an appraisal of the property which amounted to \$9,528,000 in August 2018 in the form of long-term debt. During the year ended June 30, 2022, the Department paid off the remaining balance owed on the property.

Note 5 - Premium and Other Taxes

Revenues from premium and other taxes consisted of the following for the fiscal year ended June 30, 2022:

	2022
Premium taxes	\$ 312,184,328
Surplus lines taxes	49,020,985
Fire marshal taxes	3,207,939
Total cash basis	364,413,252
Change in accrued taxes	(8,771,998)
Total accrual basis	\$ 355,641,254

Premium taxes are required to be remitted quarterly by insurance companies. Such quarterly payments are estimated based upon the premium taxes paid in the prior year. The due dates for premium taxes are April 15, June 15, September 15, and December 15. Upon the filing of the annual statement due March 1, any amount due in excess of the estimated quarterly payments is then required to be paid. If the estimated quarterly payments exceed the premium tax liability, a refund check is issued by the Department. Surplus lines taxes are also required to be remitted quarterly. Fire marshal taxes are required to be remitted annually. Surplus lines and fire marshal taxes are not measurable and available and are recorded on a cash basis. Premium taxes due June 15 that have not been paid as of June 30 are considered a receivable at June 30, as such amounts are measurable and available. As of June 30, 2022, in the governmental fund balance sheet, tax revenues of approximately \$14,644,000 and \$12,911,000 has been reported as a liability (unearned revenue) and as a deferred inflow of resources, respectively, in accordance with GASB Statement No. 33, as amended by GASB Statement No. 65, as they have not been earned or not available as of year-end.

Note 6 - Compensated Absences

The following summarizes the activity in compensated absences during the year:

June 30, 2021	Increase	Paid	June 30, 2022
\$ 791,080	\$ 523,718	\$ (415,717)	\$ 899,081

The balance is presented as a current liability in the statement of net position because historical trends indicate the liability will be paid out within the next fiscal year using current resources.

Note 7 - Interfund Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Transfers out	
General fund of the State of Oklahoma	\$ (217,180,255)
Firefighters Retirement System	(102,442,025)
Fire marshal	(1,800,000)
Police Retirement System	(39,847,593)
Law Enforcement Retirement System	(14,227,712)
Attorney General	(371,328)
Special Cash Fund of the State Treasury (SB 2127, Sec 167)	(7,800,000)
Net transfers	\$ (383,668,913)

Note 8 - Retirement Plan

Description

The Department contributes to the Oklahoma Public Employees Retirement Plan (the "Retirement Plan"), a cost-sharing, multiple-employer public employee retirement system administered by the Oklahoma Public Employees Retirement System (the "System"). The Retirement Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State. Title 74 of the Oklahoma Statutes, Sections 901-943, as amended, assigns the authority for management and operation of the Retirement Plan to the Board of Trustees of the System. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Retirement Plan. The annual report may be obtained by writing to the Oklahoma Public Employees Retirement System, 5400 N. Grand Boulevard, Suite 400, Oklahoma City, Oklahoma 73112, or by calling 1-800-733-9008.

Note 8 – Retirement Plan (Continued)

Funding Policy

Plan members and the Department are required to contribute at a rate set by statute. The contribution requirements of plan members and the Department are established and may be amended by the legislature of the State. The contribution rate for the Department and plan members is as follows:

Fiscal Year 2022 and 2021	
State Employees	Department
All salary	All salary
3.50%	16.50%

The Department's contribution to the Retirement Plan for the year ended June 30, 2022 was approximately \$1,066,000 and was equal to its required contribution for the year-end. The Department's contribution to the Retirement Plan for the year ended June 30, 2021 was \$1,104,000 and was equal to its required contributions for the year.

GASB Statement No 68

As stated in the disclosure of significant accounting policies, the Department is a part of the primary government of the State of Oklahoma. Compliance with GASB 68 regarding accounting and reporting for pension plans and for state and local governments regarding pensions does not apply to the Department's financial statements. The reporting of financial information for GASB 68 are reported in the Annual Comprehensive Financial Report for the State of Oklahoma. The amount of calculated pension asset for the Department at June 30, 2021 (the latest information available) was approximately \$4.4 million.

GASB Statement No 75

As stated in the disclosure of significant accounting policies, the Department is a part of the primary government of the State of Oklahoma. Compliance with GASB 75 regarding accounting and reporting for other postemployment benefit plans and for state and local governments regarding other postemployment benefits does not apply to the Department's financial statements. The reporting of financial information for GASB 75 are reported in the Annual Comprehensive Financial Report for the State of Oklahoma. The amount of calculated other postemployment benefit asset for the Department at June 30, 2021 (the latest information available) was approximately \$454,703.

Note 9 - Oklahoma State Employees Deferred Compensation Plan and Deferred Savings Incentive Plan**Deferred Compensation Plan**

The State offers its employees a Deferred Compensation Plan (the "Plan") as authorized by Section 457 of the Internal Revenue Code (IRC), as amended by the Tax Reform Act of 1986, and in accordance with the provisions of Sections 1701 through 1706 of Title 74 of the Oklahoma Statutes.

The supervisory authority for the management and operation of the Plan is the Board of Trustees of the Oklahoma Public Employees Retirement System (the "Board").

The Plan is available to all State employees, as well as any elected officials receiving a salary from the State. Participants may direct the investment of their contributions in available investment options offered by the Plan. The minimum contribution amount is the equivalent of \$25 per month, and participants are immediately 100% vested in their respective accounts. All interest, dividends, and investment fees are allocated to participants' accounts.

Participants may defer until future years up to the lesser of 100% of their compensation as defined by Plan documents or the maximum amount allowed each year as determined by the Internal Revenue Service, currently \$20,500 for calendar year 2022.

The Plan offers a catch-up program to participants, which allows them to defer annually for the three years prior to their year of retirement up to twice that plan year's deferral limit. The amount of additional contributions in excess of the normal maximum contributions to the Plan are also limited to contributions for years in which the participant was eligible but did not participate in the Plan or the difference between contributions made and the maximum allowable level. To be eligible for the catch-up program, the participant must be within three years of retirement with no reduced benefits.

Participants age 50 or older may make additional contributions of up to \$6,500 annually subject to certain limits.

Deferred compensation benefits are paid to participants or beneficiaries upon termination, retirement, death, or unforeseeable emergency. Such benefits are based on a participant's account balance and are disbursed in a lump sum or periodic payments at the option of the participant or beneficiaries in accordance with the Plan's provisions.

Effective January 1, 1998, the Board established a Trust and a Trust Fund covering the Plan's assets, pursuant to federal legislation enacted in 1996, requiring public employers to establish such trusts for plans meeting the requirements of Section 457 of the IRC no later than January 1, 1999. Under the terms of the Trust, the corpus or income of the Trust Fund may be used only for the exclusive benefit of the Plan's participants and their beneficiaries. Prior to the establishment of the Trust, the Plan's assets were subject to the claims of general creditors of the State. The Board acts as trustee of the Trust. The participants' accounts are invested in accordance with the investment elections of the participants. The Board is accountable for all deferred compensation received but has no duty to require any compensation to be deferred or to determine that the amounts received comply with the Plan or to determine that the Trust Fund is adequate to provide the benefits payable pursuant to the Plan.

Note 9 - Oklahoma State Employees Deferred Compensation Plan and Deferred Savings Incentive Plan (continued)

Further information may be obtained from the Oklahoma State Employees Deferred Compensation Plan's audited financial statements for the year ended June 30, 2022. The Department believes that it has no liabilities with respect to the Plan.

Employee contributions to the plan for the year ended June 30, 2022 was approximately \$299,000. Employer contributions to the plan for the year ended June 30, 2022 was approximately \$1,080,000.

Deferred Savings Incentive Plan

Effective January 1, 1998, the State established the Oklahoma State Employees Deferred Savings Incentive Plan (the "Savings Incentive Plan") as a money purchase pension plan pursuant to IRC Section 401(a). The Savings Incentive Plan and its related Trust are intended to meet the requirements of IRC Sections 401(a) and 501(a).

Any qualified participant who is a State employee that is an active participant in the Oklahoma State Employees Deferred Compensation Plan is eligible for a contribution from the State of the amount determined by the State Legislature, currently the equivalent of \$25 per month. Participation in the Savings Incentive Plan is automatic in the month of participation in the Oklahoma State Employees Deferred Compensation Plan and is not voluntary.

Employer contributions made to qualified participants for the year ended June 30, 2022 was approximately \$21,000. Employee contributions made for the year ended June 30, 2022 was approximately \$123,000.

Note 10 - Risk Management

The Risk Management Division of the Division of Capital Asset Management (the "Division") is empowered by the authority of Title 74 O.S. Supp. 1993, Section 85.34 Et seq. The Division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The Division is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided by the State, an agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Government Tort Claims Act, as provided by Title 51 O.S. Supp. 1988, Section 154. The Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

Note 10 – Risk Management (Continued)

The Division is also charged with the responsibility to immediately notify the attorney general of any claims against the State presented to the Division. The Division purchases insurance policies through third-party insurance carriers that ultimately inherit the risk of loss. The Division annually assesses each State agency, including the Department, their pro rata share of the premiums purchased. The Department has no obligations to any claims submitted against the Department.

Note 11 - Contingencies

The Department is involved in legal proceedings in the normal course of operations, none of which, in the opinion of management, will have a material effect on the net position or changes in net position of the Department.

Note 12 - Correction of Error

During the current year, management determined that cash and revenues were not properly stated as of June 30, 2021 resulting in an understatement of cash and revenues as of June 30, 2021.

The beginning fund balance – general fund and the beginning net position of the government-wide statement of activities were restated as follows:

	Governmental Activities	Fund Balance - General Fund
Beginning net position/fund balance, as previously reported	\$ 27,483,743	\$ 5,891,807
Correction of understated revenues	11,678,192	11,678,192
Beginning net position/fund balance, as restated	\$ 39,161,935	\$ 17,569,999



Required Supplementary Information
June 30, 2022

Oklahoma Insurance Department

Oklahoma Insurance Department
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual (Non-GAAP Budget Basis)
– General Fund
Year Ended June 30, 2022

	Year Ended June 30, 2022				Favorable (Unfavorable) Variance
	Original Budget	Revision	Revised Final Budget	Actual Budget Basis	
Budgeted revenues					
Licenses, permits and fees	\$ 19,674,511	\$ -	\$ 19,674,511	\$ 28,949,270	\$ 9,274,759
Federal funds	<u>1,254,351</u>	-	<u>1,254,351</u>	<u>1,034,929</u>	<u>(219,422)</u>
Total budgeted revenues	<u>20,928,862</u>	-	<u>20,928,862</u>	<u>29,984,199</u>	<u>9,055,337</u>
Budgeted expenditures					
Personnel and professional services	12,984,587	(37,000)	12,947,587	11,257,193	1,690,394
Travel and expense reimbursement	367,789	2,500	370,289	146,136	224,153
Contractual service	365,078	150,000	515,078	373,388	141,690
Supplies and materials	27,700	2,000	29,700	7,832	21,868
Building and equipment	5,925,118	(1,050,000)	4,875,118	1,847,273	3,027,845
Other	<u>1,258,590</u>	<u>932,500</u>	<u>2,191,090</u>	<u>906,757</u>	<u>1,284,333</u>
Total budgeted expenditures	<u>\$ 20,928,862</u>	<u>\$ -</u>	<u>\$ 20,928,862</u>	<u>\$ 14,538,579</u>	<u>\$ 6,390,283</u>
Excess of budgeted revenues over(under) budgeted expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,445,620</u>	<u>\$ 15,445,620</u>

Oklahoma Insurance Department

Reconciliations of Non-GAAP Budget Basis to GAAP – Schedules of Revenues, Expenditures and Changes in Fund Balances – General Fund Year Ended June 30, 2022

	2022
Excess of budgeted revenues (under) over budgeted expenditures	\$ 15,445,620
Other revenues	
Taxes	345,583,161
Less refunds	(3,322,894)
Net taxes	342,260,267
Licenses, permits and fees	38,857,264
Less refunds	(19,737)
Fines, forfeitures and penalties	608,961
Sales and services	53,448
Other grants and reimbursement	(18,462,055)
Total other revenues	363,298,148
Excess of budgeted and other revenues over budgeted expenditures	378,743,768
Other uses	
Transfers in/out	
General fund	(221,013,445)
Specific accounts	(170,932,486)
Total other uses	(391,945,931)
Revenues greater than expenditures and other uses	(13,202,163)
Changes in accrual not reflected in the actual budgeted revenues and expenditures	
Premium taxes	10,542,396
Premium tax refunds	714,421
General fund of the State of Oklahoma transfers	3,833,191
Specific accounts of the State of Oklahoma transfers	4,443,827
Personnel and professional services	42,329
Revenues under expenditures and other uses	19,576,164
Revenues under expenditures and other uses	6,374,001
Fund balances, beginning of year, as restated	17,569,999
Fund balances, end of year	\$ 23,944,000

The Department's budget is adopted on a cash basis by account. In addition, not all of the Department's revenues and expenditures are part of the legally adopted budget; specifically, revenues collected and then later required to be transferred out are not included. The annual appropriated budget is adopted for the Department as a whole. The cash accounts included in the budget are as follows:

- General Operating Account,
- Department Clearing Account,
- Department Revolving Account,
- Federal Grant Program Account,
- Special Payroll Account,
- Anti-Fraud Account, and
- Real Estate Appraisers Revolving Account.

All revisions to the budget must be approved by the Oklahoma Office of Management and Enterprise Services.



Reports and Schedules Required by *Government Auditing Standards* and Uniform Guidance
June 30, 2022

Oklahoma Insurance Department



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 State of Oklahoma
Oklahoma Insurance Department

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 major fund, and the aggregate remaining fund information of the Oklahoma Insurance Department (the "Department") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 31, 2022 **October 31, 2022**. Our report includes an explanatory paragraph stating that the financial statements of the Department are intended to present the financial position and results of operations of only that portion of the State of Oklahoma attributable to the transactions of the Department.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We have identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Oklahoma Insurance Department's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Oklahoma Insurance Department'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.



Oklahoma City, Oklahoma
October 31, 2022



Independent Auditor's Report On Compliance For The Major Program And On Internal Control Over Compliance Required By Uniform Guidance

State of Oklahoma
Oklahoma Insurance Department

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Oklahoma Insurance Department's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2022. The Department's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Department's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Oklahoma Insurance Department's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Oklahoma Insurance Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oklahoma City, Oklahoma
October 31, 2022

Oklahoma Insurance Department
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Program Title	Federal Financial Assistance Listing/ Federal CFDA Number	Grant Number	Expenditures
Department of Health and Human Services: Administration for Community Living			
Special Programs for the Aging - Title IV and Title II - Discretionary Project -			
SMP 22	93.048	90MPPG0048-03	\$ 212,981
SMP 23	93.048	90MPPG0048-04	<u>27,575</u>
Special Programs for the Aging Subtotal			<u>240,556</u>
State Health Insurance Assistance Program (SHIP)			
SHIP 22	93.324	90SAPG0086-01-00	459,267
SHIP 23	93.324	90SAPG0086-02-00	<u>154,669</u>
Total State Health Insurance Assistance Program			<u>613,936</u>
Medicare Improvements for Patients and Providers Act			
MIPPA21	93.071	2001OKMISH-00	50,458
MIPPA22	93.071	2101OKMISH-00	<u>171,790</u>
Total Medicare Improvements for Patients and Providers Act			<u>222,248</u>
Administration for Community Living Programs Subtotal			<u>1,076,740</u>
Total Federal Expenditures			<u><u>\$ 1,076,740</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Oklahoma Insurance Department (the Department) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net position/fund balance of the Department.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Department has elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Department of Health and Human Services- State Health Insurance Assistance Program	93.324
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2022-001 Material Adjustments

Material Weakness in Internal Controls over Financial Reporting

Criteria: Controls over complete year-end financial reporting process should be in place. Controls should be in place to record all amounts in accordance with generally accepted accounting principles.

Condition: The Department does have procedures in place for the preparation of the fund financial statements and government wide financial statements and related disclosures as required by generally accepted accounting principles.

However, certain items were noted in the fund and government-wide financial statements that were not properly accrued:

- Premium tax and license and fee revenue were not properly accrued for as of June 30, 2021.
- Restatements were necessary to properly state revenue and cash received as of June 30, 2021.

Cause: While there are several controls in place to ensure proper presentation in accordance with GAAP certain elements required to properly record all adjustments in accordance with generally accepted accounting principles were not fully implemented.

Context: We noted instances that resulted in adjustments to revenue and cash, including restatements of such amounts.

Effect: The Department is at risk for material misstatements and incomplete or inaccurate fund and government-wide financial statements. Further, certain adjustments resulted as part of the audit.

Recommendation: Certain controls should be put in place to ensure that adjustments are made to properly state financials in accordance with GAAP.

Views of Responsible Officials:

Management agrees with the finding. The Department will record an accrual to account for the timing difference caused by the State Treasurer's collection of receipts and the disbursement to State Agencies clearing account. It is important to note that increase in electronic payments is the reason for the growing difference between deposits in transit from year to year. Prior to this increase, the difference between fiscal years' deposit in transit amounts had been insignificant and consistently reported, meeting the consistency application of Generally Accepted Accounting Principles.

Section III – Federal Award Findings and Questioned Costs

2022-002 U.S. Department of Health and Human Services
State Health Insurance Assistance Program (SHIP) (FAL #93.324)
Allowable Costs – Payroll Time and Effort
Material Weakness in Internal Controls over Compliance

Criteria: Per Uniform Guidance (2 CFR Section 200.430(i)) as it relates to federal grants:

Standards for Documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (vi) [Reserved]
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition: The Department does have proper timing keeping for employees that work on federal programs like SHIP. However, such records do not appear to be reconciled to the actual amounts charged to the federal programs. Thus, evidence of actual time worked on programs was not accurately reflected in the federal grant requests.

Cause: Actual personnel time that worked on federal programs are not reconciled to the amounts charged to the federal programs on a regular basis.

Context/Sampling:

Time reporting controls are in effect at the Department. However, no reconciliations are performed on at least an annual basis to reconcile those to amounts charged. Actual amounts reported by time keeping were in excess of actual amounts charged to the program. A non-statistical sample of 6 out of 48 pay periods were selected for testing, which accounted for \$21,030 of \$194,395 of the federal program payroll expenditures.

Questioned Costs:

None as amounts charged to the federal program were less than actual amount worked on the program.

Effect: The Department is at risk for noncompliance with allowable costs requirements.

Repeat Finding from prior year:

No

Recommendation:

Certain controls should be put in place to ensure that reconciliation of actual time charged to federal programs are consistent with the grant reimbursement for those employees' time. Such reconciliations can be done quarterly, bi-annually, or annually.

Views of Responsible Officials:

Management agrees with the finding. A change to the process has already been implemented. The Human Resource Director will send a monthly detail file with the breakdown of staff hours charged to each grant to the Budget and Finance Director. The Budget and Finance Director will compare and reconcile the hours charged to actual expenses for the same period. In conjunction with the approval of the Grants Director, adjustments to future payroll allocation percentages will be reflected as necessary. Previous expense entries will be adjusted as well.



Other Supplementary Information
June 30, 2022

Oklahoma Insurance Department

Oklahoma Insurance Department
Other Supplementary Information – Schedule of Receipts, Transfers, Disbursements and Changes in Cash Balance
Year Ended June 30, 2022

	Department Clearing Account	Department Revolving Account	Federal Grant Program Account	Anti Fraud Account	Real Estate Appraisers Revolving Account	PBM Revolving Account	Total (Cash Basis)
Receipts							
Federal funds	\$ -	\$ -	\$ 1,034,929	\$ -	\$ -	\$ -	\$ 1,034,929
Premium and other taxes	345,583,161	-	-	-	-	-	345,583,161
Less refunds	(3,322,894)	-	-	-	-	-	(3,322,894)
Net taxes	342,260,267	-	-	-	-	-	342,260,267
Licenses, permits and fees	67,746,947	-	-	-	-	-	67,746,947
Less refunds	(19,737)	-	-	-	-	-	(19,737)
Fines, forfeitures and penalties	608,961	-	-	-	-	-	608,961
Sales and services	53,448	-	-	-	-	-	53,448
Other grants and reimbursements	(18,462,055)	-	-	-	-	-	(18,462,055)
Total receipts	392,187,831	-	1,034,929	-	-	-	393,222,760
Transfers							
Revolving 200	(27,536,078)	27,536,078	-	-	-	-	-
Revolving 225	(787,433)	-	-	-	787,433	-	-
Revolving 240	(216,529)	-	-	-	-	216,529	-
Revolving 230	(7,525)	-	-	7,525	-	-	-
Gen Fund of State	(221,013,445)	-	-	-	-	-	(221,013,445)
Special Cash Fund - State	-	(7,800,000)	-	-	-	-	(7,800,000)
Special Accts - State	(163,132,486)	-	-	-	-	-	(163,132,486)
Total Transfers	(412,693,496)	19,736,078	-	7,525	787,433	216,529	(391,945,931)
Disbursements	-	12,778,588	1,034,929	18,659	661,351	-	14,493,527
Receipts (less than) greater than disbursements	(20,505,665)	6,957,490	-	(11,134)	126,082	216,529	(13,216,698)
Cash balance, beginning of year	55,706,191	8,715,476	-	152,767	622,720	-	65,197,154
Cash balance, end of year	\$ 35,200,526	\$ 15,672,966	\$ -	\$ 141,633	\$ 748,802	\$ 216,529	\$ 51,980,456

Oklahoma Insurance Department

Other Supplementary Information – Schedule of Receipts, Transfers, Disbursements and Changes in
Cash Balance – Fiduciary Custodial Fund
Year Ended June 30, 2022

	<u>Fiduciary</u> PBM Escrow Account	<u>Fiduciary</u> Bail Bondsman Account	<u>Fiduciary</u> Total
Receipts			
Appropriations	\$ 4,828,037	\$ -	\$ 4,828,037
Total receipts	<u>4,828,037</u>	<u>-</u>	<u>4,828,037</u>
Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Receipts greater than disbursements	4,828,037	-	4,828,037
Cash balance, beginning of year	<u>-</u>	<u>16,008</u>	<u>16,008</u>
Cash balance, end of year	<u>\$ 4,828,037</u>	<u>\$ 16,008</u>	<u>\$ 4,844,045</u>