

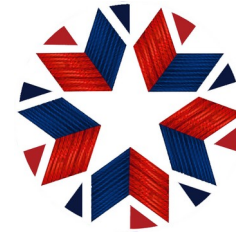


State Auditor & Inspector

FY 2023 Budget Hearing Presentation

Submitted by: Cindy Byrd, CPA

Cindy Byrd, CPA State Auditor & Inspector



The Office of the State Auditor & Inspector shall:

- examine the state and all 77 county treasurer's books, accounts, and cash on hand or in bank at least twice each year and prescribe a uniform system of bookkeeping for the use of all treasurers (OK Constitution, Article 6 § 19),
- annually audit the operations of the state's 65 Emergency Medical Service Districts and shall establish accounting procedures and forms and provide assistance to counties and other local governments. (OK Constitution, Article 10 § 9C),
- conduct audits of all 77 counties of the State (19 O.S. § 171),
- conduct audits of state agencies, boards and commissions, including the State's Annual Comprehensive Financial Report(ACFR), and the Single Audit, through which the State's federal programs are audited (74 O.S. § 212),
- perform special investigative audits of governmental entities when requested by certain officials or citizen petition (74 O.S. § 212),
- conduct audits of all 27 offices of the district attorneys of the state (74 O.S. § 212 (E),
- perform a performance audit upon written request from the Governor, the chief executive office of the governmental entity or pursuant to a joint resolution of the Legislature (74 O.S. § 213.2), and
- annually audit Oklahoma's eight Circuit Engineering Districts (69 O.S. § 687.1 (D)).

Founded in 1907, this agency now encompasses the following divisions: County Audit and Local Government Services Division, Forensic Audit Division, State Agency Audit Division, Performance Audit Division, Quality Assurance Division, Specialized Audit Division and IT Audit Division.

Agency Vision, Mission and Core Values

Vision: To be the leading auditing firm in the State of Oklahoma that auditees, the legislature, citizens, and other interested parties turn to with confidence for independent information regarding the effectiveness and efficiency of state and local government expenditures of taxpayer funds.

Mission: To independently serve taxpayers and public officials by conducting audits that provide meaningful, reliable results and promote efficiency, stewardship, and transparency in government.

Core Values: Independence - We require all staff members to be independent, in both fact and appearance, with respect to any engagement we provide audit services. Integrity - We will conduct all engagements with honesty, integrity, objectivity, and without bias. Reliability - We will provide high quality services and reports. Accountability - We will work for the citizens of Oklahoma, and we are accountable to them.



Accomplishments & Challenges

Top accomplishments for FY 2021

1. Implemented a hybrid work schedule that blended onsite and telework options for its personnel.
2. The Forensic Audit Division released the Investigative Audit of Epic Charter Schools, Part 1 in October 2020. The report led to changes at the Statewide Virtual Charter School Board, the Oklahoma State Department of Education (OSDE), a complete turnover of the nonprofit board which oversees EPIC, and the termination of a multi-million-dollar contract with its former Education Management Organization. The school district received fines and penalties, which if all are enforced, will permit OSDE to recoup over \$20 million to distribute back to other school districts across the state. To date, over \$10 million has already been recovered and redistributed.
3. COVID-related CARES Act and ARPA funding received by the state and directly by its counties included much prep work on our part. We created an information booklet and a website inquiry form for the Association of County Commissioners of Oklahoma to assist county officials identify the compliance eligibility and reporting requirements of ARPA.
4. The FY20 ACFR and Single audit identified issues with the way the Oklahoma State Department of Health documented the expenditure of CARES Act funds in the purchase of PPE during the initial months of the COVID pandemic.
5. The Performance Audit of OMES Information Services Division highlighted contract and billing issues. The FY19 budget included unimplemented rate increases of \$16 million contributing to a funding shortfall and request for supplemental appropriations. The audit period of FY15-FY19 showed that expenditures exceeded revenues for ISD's operating fund every year and budget totals consistently failed to reflect historical performance.

Challenges (current & upcoming years)

1. The influx of billions in pandemic relief funds will directly correspond to increased audit work at both the state and county level.
2. The federal government's issuance of guidelines continues to lag behind disbursement of federal pandemic-related funding. This delay extends the challenge to timely audit expenditures and advise public officials on the compliance eligibility and reporting requirements of the funds.
3. The governor's requested investigative audit of OSDE will tax both the Forensic Audit Division and the Performance Audit Division as auditors from both groups will be pulled to work on its two audit objectives. Our challenge will be to maintain timeliness with other investigative audit work as the requests from citizen groups continues to add to an ever-expanding list of requests for this type of audit.
4. Retaining staff – historically, staff have left our agency for higher salaries in the private and governmental sectors.



Goals & Projects for FY 2023

Goals

1. Monitor staff auditor time to attain 73.5% billable level (auditors have non-billable time allocated to various leave, holidays, and continuing professional education).
2. Increase audit staff salaries by 20% of the difference between agency salaries compared to the average salaries of the surrounding state audit organizations.
3. Reduce turnover rate by 1.2% in order to retain qualified, knowledgeable, employees that will in turn improve efficiency.
4. Remain current with technology by replacing all agency hardware to improve available server capacity and bandwidth.

Projects

1. Auditing COVID-related federal expenditures from the CARES Act and ARPA including billions of dollars at the state and county level.
2. Complete the Statewide Virtual Charter School Board performance audit of related activities and provide "best practices" recommendations as outlined in the Oklahoma Charter School Act.
3. Completion of the agency website redesign to improve user experience and expand search capability of the 37,000 online audit reports available for free download or viewing.
4. Continued work on the electronic budget work program for all counties and looking at online uploading of digital Estimates of Need and budgets for municipalities and other public entities required to file annual budgets with our office.
5. The governor's requested investigative audit of OSDE.

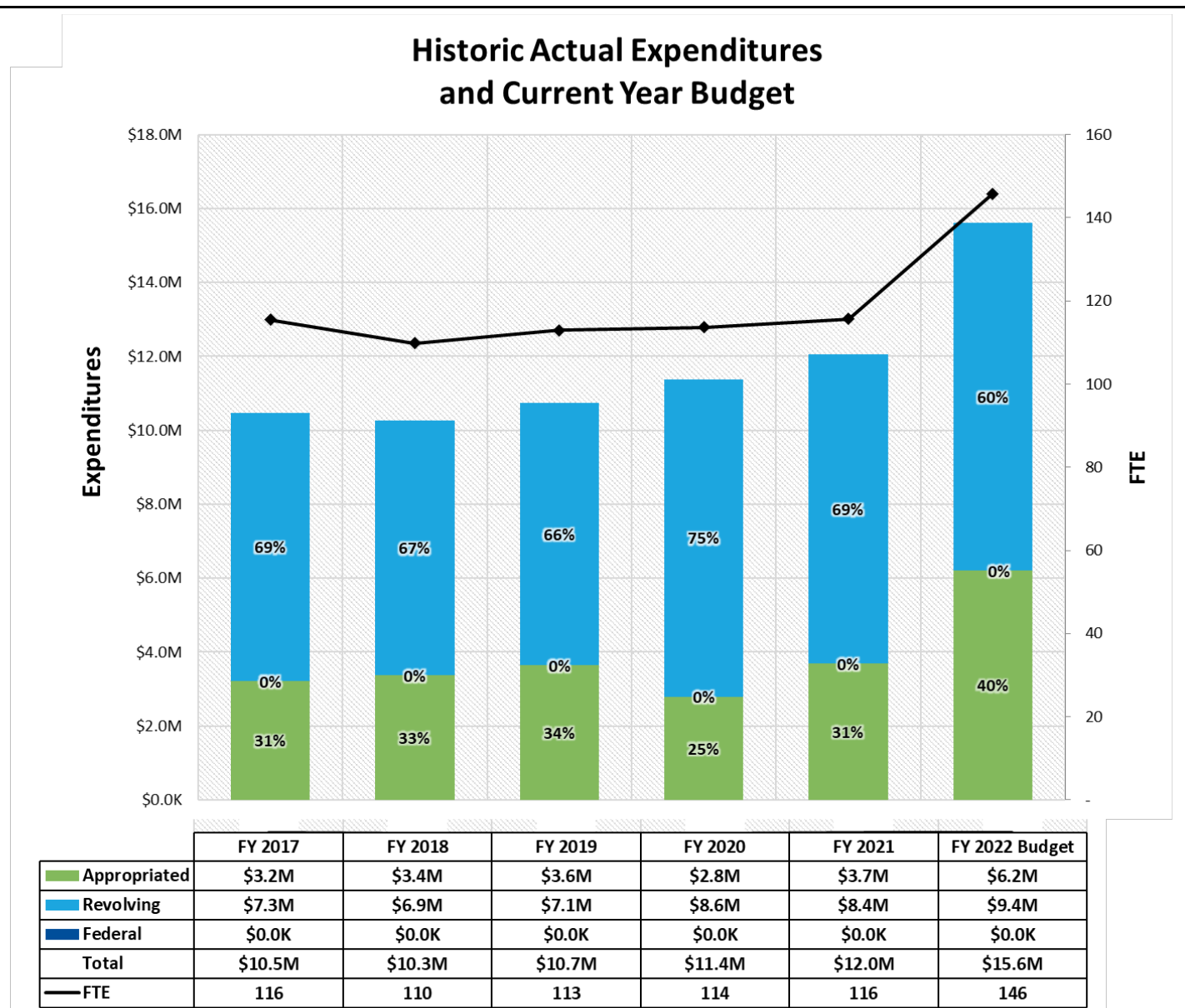


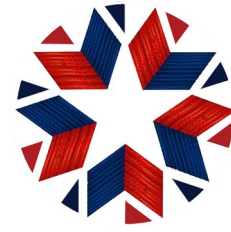
Savings & Efficiencies

- Certain COVID cost reductions in FY20 began increasing as the agency reopened. We are constantly monitoring travel and operational costs to increase the feasibility of providing performance raises to personnel to reduce turnover and reward productivity.
- From FY19 to FY21, SAI reduced its vehicle fleet from 40 cars to 31 cars for certain county auditors to realize savings by paying mileage reimbursement where analysis showed it was less expense to the agency than the associated rental cost of a fleet vehicle.
- The use of electronic workpaper software and Audit Command Language continue to reduce the need for physical storage space and audit costs through increased productivity.
- SAI did not replace its retiring IT Director in FY 21. These duties were shared among 4 current employees.
- SAI's accounting unit became 100% electronic during FY 21 which created efficiencies and reduced supply costs.



Historic Actual Expenditures (FY 17-21) and Current Year Budget (FY 22)



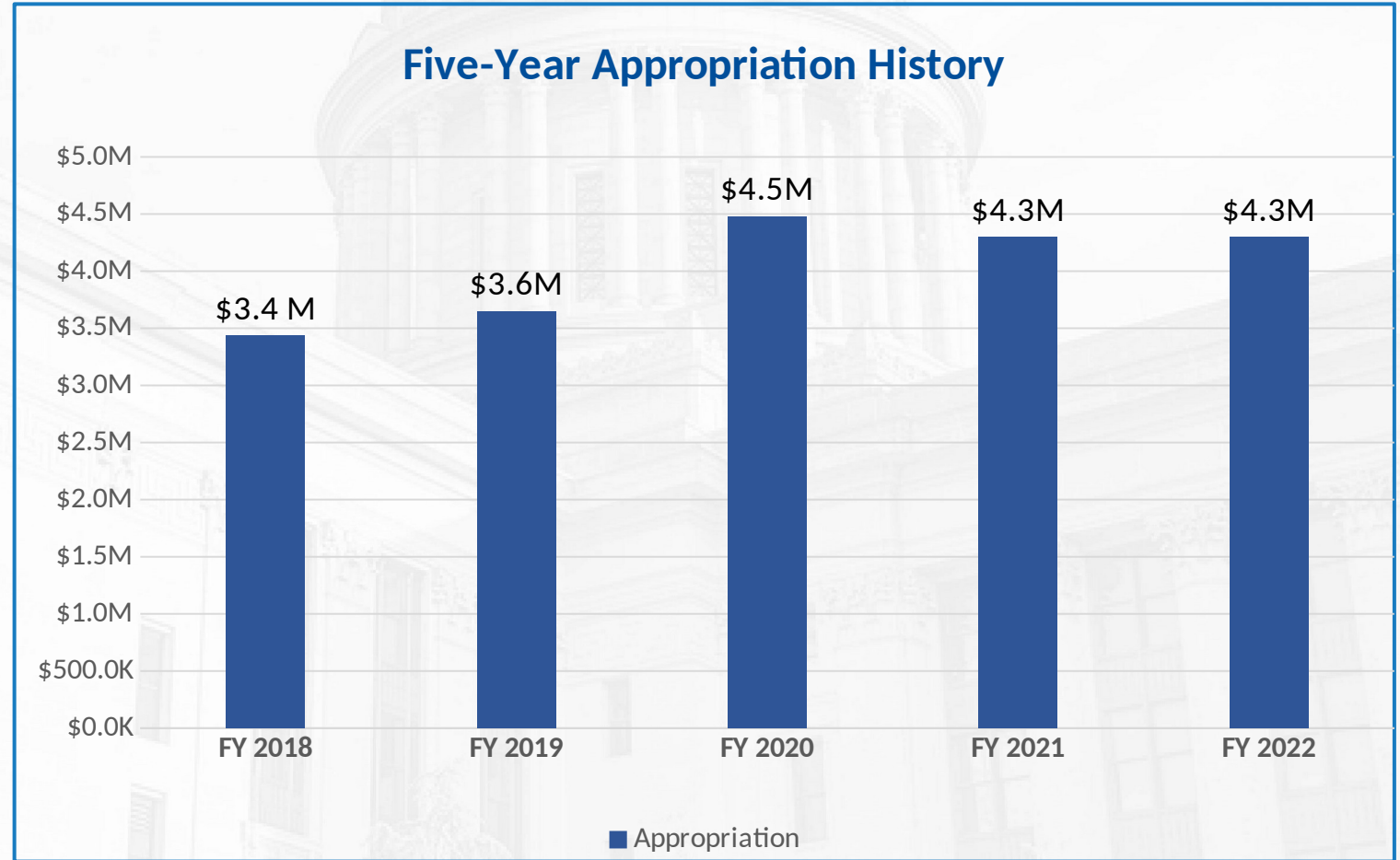


FY 2022 Budgeted Full Time Equivalents (FTE)

	FY 2022 Budgeted FTE
Total FTE	145.75
Supervisor FTE	54
Supervisors to Total FTE Ratio (%)	37%

Appropriation History

Fiscal Year	Appropriation (\$) <i>(include supplemental if applicable)</i>
FY 2018	\$3,440,248
FY 2019	\$3,649,500
FY 2020	\$4,479,495
FY 2021	\$4,300,315
FY 2022	\$4,300,315



Appropriated Carryover History and Justification

	FY 2017 (Actuals)	FY 2018 (Actuals)	FY 2019 (Actuals)	FY 2020 (Actuals)	FY 2021 (Actuals)	FY 2022 (Planned)
Total appropriated carryover amount expended (\$)	\$97,155	\$29,948	\$9,438	\$24,147	\$1,471,635	\$1,895,355

Fiscal Year of the original appropriation	Projected amount carried over to FY 2023 (\$)	Describe how projected carryover will be used in FY 2023
FY 2022	\$1,000,000	Carryover will be used for payroll and operating expenses.
FY 2021	\$0	
Total projected FY 23 Carryover (\$)	\$1,000,000	



Available Cash Description and Justification

Class Fund #	Available Cash amount (\$)
	\$0
Total Available Cash:	

Available cash is unbudgeted cash that is not restricted by federal partners, statute, or contractual obligations.

Fiscal Year	Agency's plan to deploy available cash (include amounts):
FY 2023	
FY 2024	
FY 2025	



Agency Key Performance Metrics

Metric		Goal	FY 20 Actuals	FY 21 Actuals	FY 22 Target	FY 23 Target
1	Turnover rate percent for professional staff.	Goal is to reduce turnover rate for professional staff to 12% in 2026.	13.33%	17%	16%	15%
2	Percent of staff auditors that maintain 73.5% of billable hours.	Goal is to maintain staff auditor billable hours at or above 73.5%.	100%	100%	100%	100%
3	Percent of audit working papers and reports that comply with Government Auditing Standards which are used to measure quality.	Goal is that audit working papers and reports comply 100% with Government Auditing Standards.	100%	100%	100%	100%
4	Staff Auditor salaries compared to the regional average of State Audit Organizations staff auditor salaries as a percentage.(Adjusted using the COLA index)	Goal is that staff auditor salaries compare to the regional average of State Audit Organizations.	77.5%	79.4%	80%	81%
5	Percent of audit staff with at least two years' experience.	Goal is that 90% of audit staff have at least two years' experience.	79%	83%	84%	85%
6	Percentage of professional staff with a degree and/or professional certification.	Goal is that 100% of professional staff have a degree and/or professional certifications.	90%	89%	90%	91%



Budget & Supplemental Request Summary

Request Name		FY 23 Appropriated Request Amount (\$)	Type of Request: Operating, One-time, or Supplemental
1	Redirect FY 21 Appropriated pass-through funds of \$214,299	\$214,299	Operating
2			
3			
4			
5			



(1) Budget Request

Name of Request- Redirect FY 21 Pass-Through funds

Type: Operating

\$ 214,299

Describe why these funds are needed.

Funds are needed for staff auditor salaries and new auditor hires to reduce turnover rate and increase productivity and maintain quality of reports.

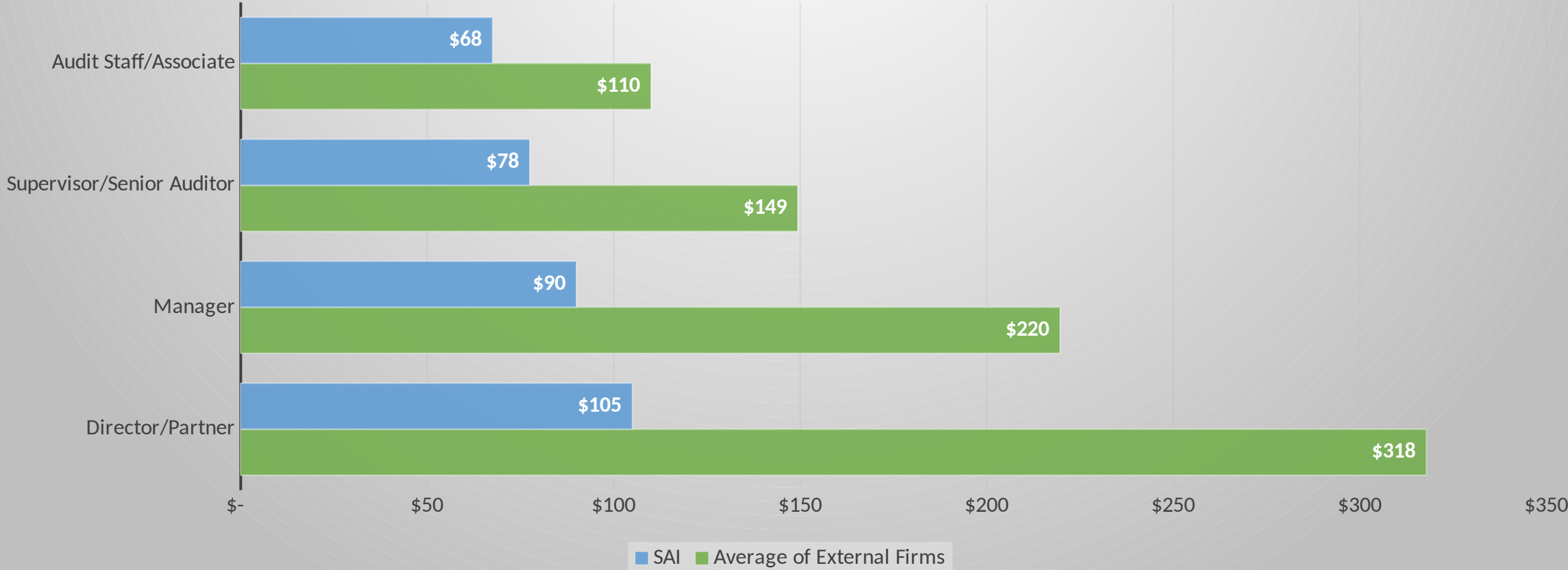
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Appendix

2021 Hourly Bill Rates - SAI Compared to Average of External Firms



2020 Salaries - SAI Average Compared to Average of Regional States

