



# State Auditor & Inspector

**FY 2027 Budget Hearing Presentation**

**Submitted by: Cindy Byrd, CPA, State Auditor**

# Cindy Byrd, CPA

## State Auditor & Inspector



The **State Auditor & Inspector, an elected official**, serves as the independent auditor of state and county government entities and, when requested, conducts Special Audits of any public entity in Oklahoma. Known commonly as “the people’s watchdog,” the State Auditor & Inspector is charged constitutionally and statutorily with assisting public entities in safeguarding public assets. The agency conducts financial statement, performance, operational, and forensic audits to promote transparency and accountability in the receipt and expenditure of public funds.

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

The **State Auditor & Inspector** also audits the state Annual Comprehensive Financial Report (ACFR) and conducts the Single Audit of expenditures of federal funds. These audits are critical to maintaining the state’s bond rating and eligibility for federal grants and other federal funds, which are estimated at \$14 billion for SFY 2024.

The State Auditor & Inspector is the only agency in Oklahoma consistently examining how tax dollars are spent, the effectiveness of various programs, and how efficiently government services are delivered at both the state and county level. These efforts will significantly contribute to reaching Governor Kevin Stitt’s goal of making Oklahoma a Top 10 state.

# 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

**Mission:** Hold government accountable

**Core Values:** Independence, Integrity, Reliability, and Accountability



# Accomplishments

## Top accomplishments for FY 2025 – FY 2026

- 1) During FY2025 the office released 353 reports; in FY2024 we released 312 reports.
- 2) The **Forensic Audit Division** released a significant audit of **Tulsa Public Schools**, the largest school district in Oklahoma, uncovering millions of dollars in mismanaged funds and a systemic lack of oversight by both the administration and the local school board. The report identified more than \$800,000 in misappropriated funds and flagged millions in questionable DEI-related expenditures. The audit of the **Town of Red Rock** reported fraud findings totaling more than \$336,000 resulting in formal charges. Based on our audit of the **Stillwater Pioneer Booster Club**, charges were filed for embezzlement of about \$24,000. The criminal prosecution of **Epic Charter Schools** advanced during the year and the former superintendent of **Seeworth Academy** was found guilty in the case against her for embezzlement of over \$250,000.
- 3) We continue to provide guidance to counties related to COVID funding, opioid, and vaping settlement funding. This includes presentations at conferences as well as technical assistance for proper expenditures and reporting requirements.
- 4) In 2025 our **State Agency Audit Division** completed the federally mandated **Single Audit Report for Fiscal Year 2023**. This audit covered more than \$14.9 Billion in expenditures, and we found a record \$93.4 Million in questionable purchases. Notably, the Office of Management and Enterprise Services (OMES) mishandled more than \$21.8 Million earmarked for rental assistance. Had OMES administered these funds properly, it could have served an estimated 7,659 additional Oklahomans. We also found that the Department of Human Services (DHS) failed to place proper guardrails on more than \$63.6 Million, much of which had been set aside to serve childcare centers across the state.



# Analysis of Agency Challenges

	Challenge Description	Current Actions (Briefly describe how the agency is currently addressing the challenge.)	Planned Actions (Briefly describe how the agency plans to address the challenge going forward.)
1	The influx of billions in pandemic relief funds will continue to increase the Single Audit work at both the state and county level through at least FY26 audit (end of ARPA funding). In FY 2023 and 2024, state agencies received approximately \$14.9 billion and \$14 billion, respectively, in Federal revenues. In addition to the programs identified through our annual major program determination, several additional programs continue to require re-audit due to recurring material weakness findings. Consequently, we anticipate a continued increase in our audit workload.	Increase staff size and bring salaries to market level to retain employees.	Same as current actions.
2	New AICPA and GASB standards continue to require planning and performing additional procedures and incorporating updates to audit forms and templates. New Government Auditing Standards issued in 2024 require the implementation of an agency-wide <i>System of Quality Management</i> including an annual evaluation on its operations.	Auditors will confer with OMES Central Accounting and Reporting on implementation of new GASB standards. Changes in the <i>Government Auditing Standards</i> will be analyzed and incorporated into audit programs, templates, P&P, and quality management procedures.	Same as current actions.
3	We have a significant number of Directors and Managers eligible to, and that plan to, retire in the next few years. In the past four fiscal years we have lost five high performing/experienced employees, with experience ranging from 11 to 20 years, to other agencies, local governments, and public firms that can offer much higher salaries, and eight employees with 10 to 46 years' experience to retirement. This has resulted in a tremendous loss of institutional knowledge. Turnover at the staff level affects the availability of experienced staff to promote into open higher positions, and the salary competition from the federal government, other local governments and state agencies, and the private sector impedes our ability to hire. All of this also results in higher training costs	Increase staff size and bring salaries to market level to retain employees. Also increase quality assurance reviews and training for new auditors	The staffing shortage and loss of institutional knowledge will be a significant challenge for the next State Auditor. Place an additional person in the quality assurance division to assist with increased training and quality assurance reviews. OSAI is currently developing in-house training to enhance auditor skills and knowledge.
4	Increase in special investigative and performance audit requests.	Increase staff size and bring salaries to market level to retain employees.	Same as current actions.
5	Substantial staff turnover at OMES and the Oklahoma County Clerk's office has resulted in a critical deficiency of expertise, institutional knowledge, and experience necessary to prepare the State's two largest ACFRs. Consequently, these audits are trending more than one year behind schedule due to delays in the completion of financial statements. Additionally, the significant challenges these two entities faced in completing their ACFRs have required duplicative audit efforts, further straining our limited resources.	OSAI continues to meet with the clients on a regular basis to discuss their progress and answer any questions they may have to facilitate their timely issuance of financial statements.	Same as current actions.



# Savings & Efficiencies (Current or Planned)

Savings or Efficiency Name	Brief description of how savings were achieved	Savings in Unit of Measurement*	FY 2025 (Actual \$ Savings)	FY 2026 (Projected \$ Savings)	FY 2027 (Projected \$ Savings)
IT Director	SAI did not replace its IT Director	Employee Salary	\$141,658	\$141,658	\$141,658

\* Hours, FTE, square feet, etc.



# Agency Goals and Key Performance Metrics

Goal		Metric	FY 25 Target	FY 25 Actuals	FY 26 Target
1	Reduce turnover rate for professional audit staff to 12% by 2028	Turnover rate percent for professional audit staff	12%	13%	12%
2	Maintain staff auditor billable hours at or above 73.5%	Percent of staff auditors that maintain 73.5% billable hours	100%	100%	100%
3	Audit working papers and reports comply with Government Auditing Standards	Percent of audit working papers and reports that comply with Government Auditing Standards	100%	100%	100%
4	Staff auditor salaries are at least 90% of the regional average of State Audit Organizations	Staff auditor salaries compared to the regional average of State Audit Organization staff auditor salaries as a percentage (adjusted using the COLA index)	86%	73%	75%
5	90% of audit staff have at least two years' experience	Percent of audit staff with at least two years' experience	86%	79%	85%
6	90% of professional staff have a degree and/or professional certifications	Percent of professional staff with a degree and/or professional certification	95%	91%	90%
7					
8					



# Projects for FY 2026

- 1) The **Performance Audit Division** is continuing to work on an investigation into the **Oklahoma Tourism and Recreation Department's** (OTRD) and its contract with **Swadley's Foggy Bottom Kitchen** to remodel various lodge restaurants across the state. Allegations being addressed are that OTRD exceeded the contract by millions of dollars and that Swadley's overcharged OTRD for the services provided. In February 2024, a state multicounty grand jury indicted the owner, vice president, and chief financial officer of Swadley's Foggy Bottom Kitchen for conspiracy and fraud related to a state contract to operate restaurants in state parks. A jury trial is currently pending. If found guilty, the potential restitution in this case could exceed \$1 million.
- 2) The Attorney General requested an investigative audit of the **Oklahoma Turnpike Authority** in April 2023. The **Performance Audit Division** is currently in progress of conducting the audit which will include, but not be limited to, a review of transfers between OTA and the Department of Transportation, contracting and purchasing practices, and land acquisitions. The audit is estimated to be completed soon.
- 3) The **Forensic Audit Division** is in the final stages of an audit of **Tulsa Public Schools Bond Department**, requested by the Governor, with the objective to report on possible embezzlement and conspiracy involving school bond project funds.
- 4) An investigation, into the conduct of the **Office of Management and Enterprise Services (OMES)** by the **Forensic Audit Division**, will include a review of the procurement and contracting processes of the State, with an objective of determining if OMES is governing the State's purchasing processes in the best of interest of all taxpayers.



# Projects for FY 2027

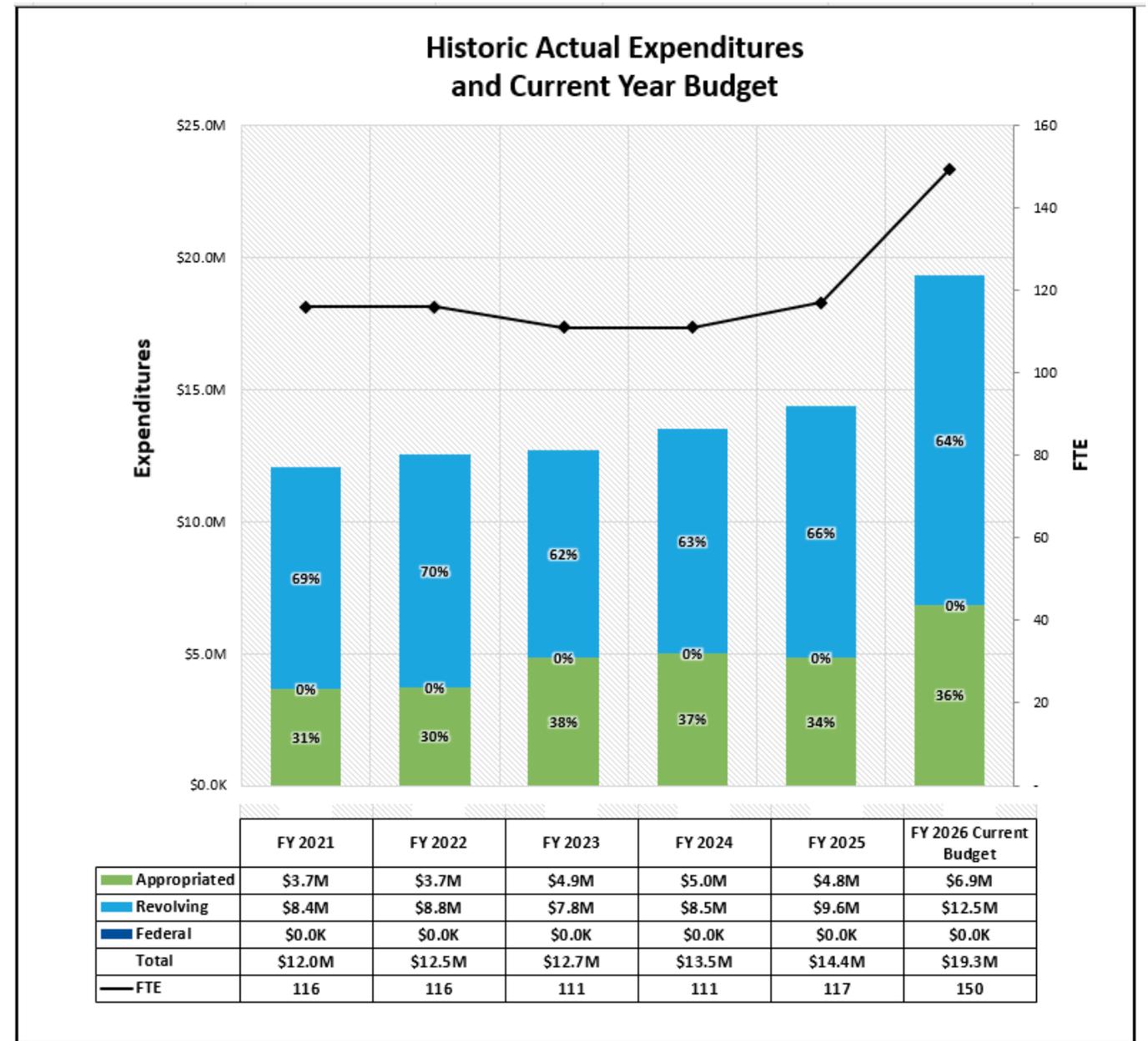
- 1) In January 2027 the state will have a new governor, attorney general, and state auditor. These officials may pursue additional projects for the office.
- 2) The influx of billions of dollars in pandemic relief funds continues to increase the Single Audit work at both the state and county levels through at least the FY26 audit (end of ARPA funding).
- 3) The Forensic Audit Division also continues to work on the unprecedented influx of municipal forensic audit requests and manages on average 45 concerned citizen calls and fraud tip hotline reports monthly.



# Total Historic Actual Expenditures (FY 2021-25) and Current Year Budget (FY 2026)

## Explanation of Changes and Trends

- Majority of our increase in FY 26 expenditures is labor costs.
- Overall labor expense is increasing every year due to salary adjustments to align more closely to market, decrease the staff turnover rate and retain institutional knowledge.



# Estimated Impact of Federal Funding Changes

<i>Program Name</i>	<i>Federal Agency</i>	<i>Description of expected change (s) (i.e. change in state match, admin costs, program requirements or client eligibility, etc.)</i>	<i>Actual FY 25 Total Federal Funding Received (\$)</i>	<i>Projected FY 26 Total Federal Funding To Be Received (\$)</i>	<i>Estimated FY 27 Total Federal Funding To Be Received (\$)</i>
Cost Reimbursement Contract - Federal Oil and Gas Royalty Management State and Tribal Coordination	U.S. Department of the Interior, Office of Natural Resources Revenue	Administrative costs will increase slightly	\$583,777	\$610,000	\$630,000
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$
			\$	\$	\$



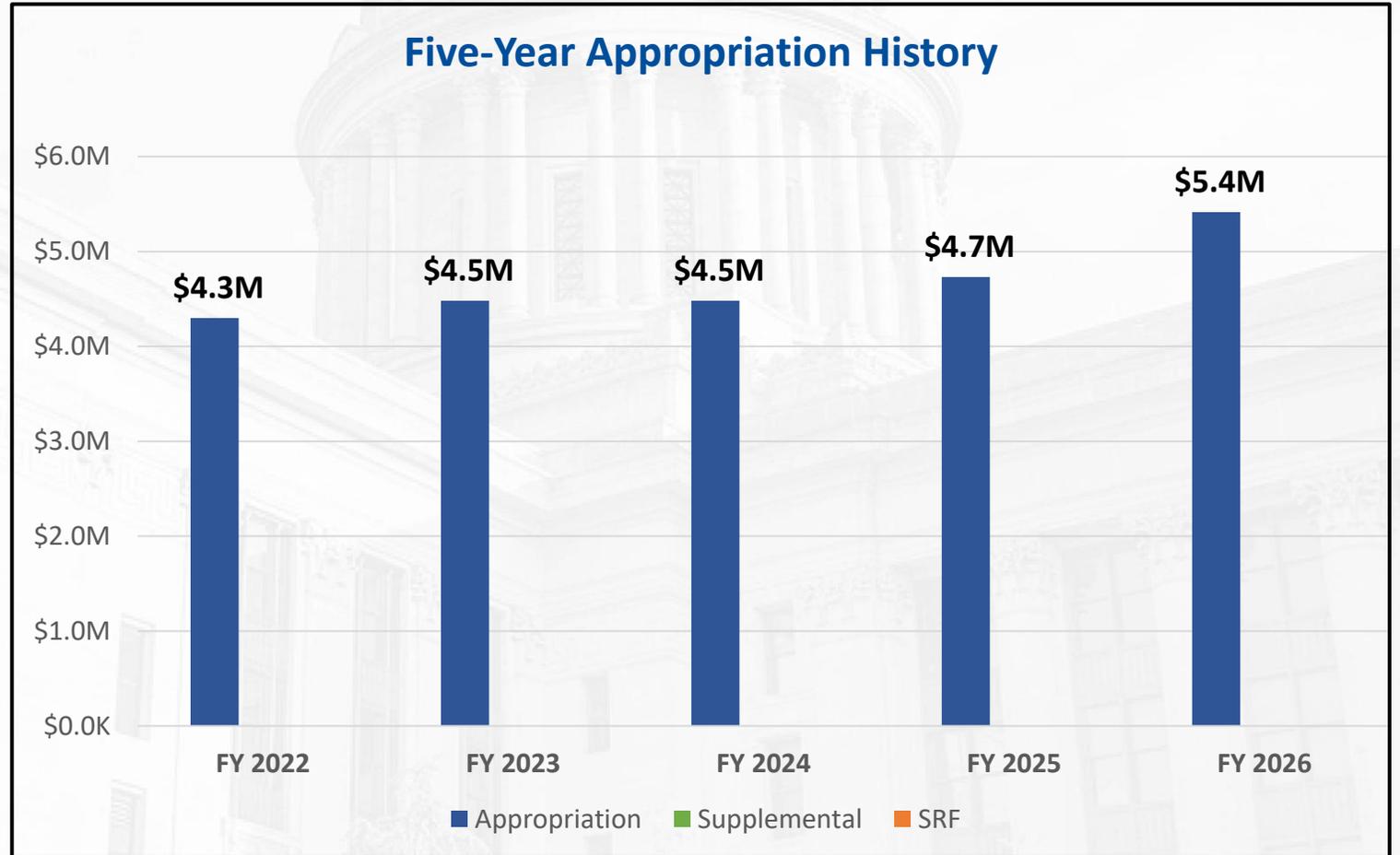


# FY 2026 Budgeted Full Time Equivalents (FTE)

	FY 2026 Budgeted FTE
<b>Total FTE</b>	149.5
<b>Supervisor FTE (Manager position and above)</b>	30
<b>Supervisors to Total FTE Ratio (%)</b>	20%
<b>Current Budgeted but Unfilled FTE</b>	30.5

# Appropriation History

Fiscal Year	Legislated Appropriation (\$) (Includes supplementals and SRF/ARPA.)
FY 2022	\$4,300,315
FY 2023	\$4,480,315
FY 2024	\$4,480,315
FY 2025	\$4,730,315
FY 2026	\$5,413,315



*\*Includes Supplemental and Statewide Recovery Fund (ARPA) appropriations.*



# Financial Resource Analysis

Carryover	FY 2022	FY 2023	FY 2024	FY 2025
Total appropriated carryover amount expended (\$)	\$1,709,216	\$2,385,086	\$2,036,023	\$1,448,342

Historical Cash Balances	FY 2022	FY 2023	FY 2024	FY 2025
Year End Revolving Fund Cash Balances <i>(All Revolving Funds)</i>	\$610,908	\$685,688	\$991,139	\$1,066,331

Revolving Class Fund # <i>(Unrestricted only)</i>	Revolving Class Fund Name <i>(Unrestricted only)</i>	Current cash balance (\$)	Projected FY 2026 year-end cash balance (\$)
200	Revolving funds – Operations/payroll	\$772,850	\$700,000
#		\$	\$
#		\$	\$
#		\$	\$
#		\$	\$
#		\$	\$
	<b>Total Unrestricted Revolving Fund Cash balance:</b>	\$	\$



*Unrestricted funds are those that are not limited by state or federal law, rule, regulation, other legally binding method, or donor restriction.*

# FY 2024 – 2025 Appropriation Change Review

<i>Purpose of appropriation increase or decrease</i>	<i>Amount FY 2024</i>	<i>Amount FY 2025</i>	<i>Total amount received FY 2024 - 25</i>	<i>Total amount expended by 11/1/2025</i>	<i>Included in FY 2026 approp? (Yes/No)</i>	<i>If not expended fully, please explain.</i>
Increase staff salaries	\$0	\$250,000	\$250,000	\$250,000	Yes	
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
	\$	\$	\$	\$		
<b>Totals</b>	\$0	\$250,000	\$250,000	\$250,000		



*\*Do not include SRF / ARPA appropriation increases.*

# FY 2026 Appropriation Change Review

<i>Purpose of appropriation increase or decrease</i>	<i>Amount of increase or decrease (\$)</i>	<i>Does this need to be included in your FY 2027 appropriation? (Yes/No)</i>	<i>If yes, included in appropriation for same purpose? (Yes/No)</i>	<i>If not included for same purpose, please explain.</i>
Funds used to offset expenses incurred from special investigative activities related to mediating school districts and municipal issues and to assist the Attorney General in investigative audit pretrial and trial appearances.	\$683,000	Yes	Yes	
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
<b>Total adjustment</b>	\$683,000			



*\*Do not include SRF / ARPA appropriation increases.*

# Incremental & Supplemental Request Summary

Request Name		FY 2027 Incremental Appropriation Request Amount (\$) {or FY 2026 for Supplementals}	Type of Request: Recurring, One-time, or Supplemental
1	Salaries for task force to remediate issues with municipalities	\$250,000	Recurring
2	To purchase AI and Analytical software	\$250,000	Recurring
3		\$	
4		\$	
5		\$	



# (1) Incremental Budget Request

**Name of Request:** Salaries for task force to remediate issues with municipalities-Forensic Audit Division

Type: Recurring

\$ 250,000

Municipalities in our rural counties are struggling. Mismanagement and in some cases, misappropriation of funds is a big contributor. Citizens are submitting fraud reports and District Attorneys and the Attorney General are requesting more forensic audits as compared to previous years. By remediating issues with municipalities by working with them to help them understand the law and/or best financial practices, this will reduce the number of special investigative audits. At a time when municipalities are already struggling for funding, they will not have to also pay for an investigative audit. This is how we help make government more efficient.



## (2) Incremental Budget Request

**Name of Request: Information Services Division-Purchase of AI and Analytical Software**

Type: Recurring

\$ 250,000

The purchase of AI and Analytical software will help transform the audit process and will allow the office to maintain current budgeted staff positions and meet the increasing demand for forensic audits.

