

Oklahoma Senate Committee on Appropriations

2013-14 Performance Report

State Auditor & Inspector

AGENCY MISSION STATEMENT:

Our mission is to independently serve the citizens of Oklahoma by promoting accountability and fiscal integrity in state and local government. We best accomplish this by valuing professionalism in our staff and the completion of our audit work in accordance with established professional standards.

LEAD ADMINISTRATOR:

Gary A. Jones, CPA, CFE
State Auditor & Inspector
(405) 521-3495
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GOVERNANCE:

The State Auditor and Inspector (SAI) is elected by the citizens of Oklahoma in accordance with Article VI, Section 1 of the Oklahoma Constitution. SAI has no Board or Commission members.

GOVERNANCE ACCOUNTABILITY:

In accordance with the Constitution of Oklahoma, Article 5, Section 1, the State Auditor & Inspector is duly elected by the people. The underlying concept of the Oklahoma Constitution and the Statutes allows the level of independence needed to carry out SAI duties and responsibilities in a proper manner. There is no authority for a Commission or Board to govern SAI.

In order to establish a greater level of trust by the people of the State, in FY2011, SAI authorized:

- An independent auditing firm, HBC CPAs & Advisors, to complete SAI's FY2011 financial audit report. Prior to completing the FY2011 audit, the required annual audit for SAI had not been authorized since 2006.
- The National State Auditors Association's (NSAA) to complete an on-site peer review of SAI's internal quality control systems.

SAI received unqualified opinions for both the financial audit and the peer review, demonstrating the highest degree of compliance with auditing standards and the quality and professionalism of the State Auditor's staff.

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MODERNIZATION EFFORTS:

Please provide a listing of all government modernization efforts undertaken by the agency since July 1, 2010. Additionally, please provide any authorizing statutory changes that prompted the modernization efforts and whether those efforts have led to cost savings or additional cost burden.

- As requested by SAI, Oklahoma Statutes, Title 74, Section 212B (HB 1207 of the 2011 Legislative Session) now requires reports relating to certain government entities, produced by public accountants or certified public accountants, be electronically submitted to SAI. The law also provides the reports be made available (on SAI's website) for greater transparency and accountability to the public and the Legislature. The required reports are now available on SAI's website.

In order to accommodate accountants in filing the reports and paying the associated fee, SAI has also provided an optional on-line payment system.

- Fraud, waste, abuse and embezzlement of public funds in Oklahoma governmental entities has totaled into the millions of dollars in recent years. To help facilitate the reporting of suspected fraud by both citizens and government employees, SAI has established a toll-free hotline. Callers may leave information, anonymously if they prefer, about suspected fraud occurring at any public entity. We also re-designed our online reporting form to make it more user-friendly to help the public provide us better, more critical information needed to clarify whether or not the elements of fraud may be present in their complaint.

What steps has the agency taken to cut costs and/or eliminate waste? Are there efforts that have been successful which you believe could serve as a model for other state agencies seeking to keep costs minimal?

SAI's staff primarily is composed of governmental auditing professionals. Due to the uniqueness of the professionals, there is a tremendous amount of initial and ongoing training required. In order to retain our well trained employees, we are constantly examining opportunities to save resources to compensate our employees at a competitive level, resulting in SAI operating in a more efficient manner, including:

1. As requested by SAI, Oklahoma Statutes, Title 19, Sections 171, 1402 and 1405 (SB 130 of the 2011 Legislative Session) was modified to provide more flexibility and efficiencies for County audit reports. As a result, SAI released more County audits in FY2011 than in FY2009 and FY2010 combined.
2. SAI is required, by Constitution and Statutes, to perform audits of state, county and local governmental entities across the State. In order to save on travel costs, SAI employees are now using the State travel card for lodging costs. Future savings will be obtained by using the travel cards which are exempt from State and local taxes.

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3. SAI has entered into an agreement with the Office of State Finance to perform payroll processing. Although we are paying for this service, we anticipate long-term future savings.
4. SAI provides vehicles to our auditors in the county audit division and the investigative division. SAI replaced 18 of our 40 vehicles with compressed natural gas (CNG) vehicles. We plan to replace most of our vehicles with new CNG vehicles when they are made available to us by OMES. The price of CNG is around \$1 resulting in significant savings for our citizens.
5. SAI has requested (since March of 2011) to be included in the CORE's project module to expedite audit invoicing. Currently OSF does not have available resources to allow us to use this program. SAI can eliminate redundant and unnecessary tasks when we are allowed access to this program. We anticipate savings in the future when OSF allows our participation.

CORE MISSION:

What services are you required to provide which are outside of your core mission? None

Are any services you provide duplicated or replicated by another agency?

The Office of Accountability contracts for performance audits of schools.

PRIVATE ALTERNATIVES:

Are any of the services which are performed by the agency also performed in the private sector in Oklahoma?

Some Oklahoma governmental audits are currently produced by private auditing firms, such as cities, towns and schools.

SAI is required by Constitution and Statutes to perform County and State agency audits. In accordance with Oklahoma Statutes, Title 19, Section 177-2, the Counties' payments for audits are "capped" at an amount equal to one-tenth mill of the annual ad valorem levy upon the net total assessed valuation in the county. In most instances, the amount available to Counties for payment of audits is less than the actual cost to SAI.

Due to this statutory cap, it would likely be cost prohibitive for an independent firm to perform the same level of work as SAI. As a result, the independent firm's work may not be able to pass a NSAA (National State Auditor's Association) or federal peer review. Also, the level of service we are able to provide on the larger agencies (DHS, ODOT and OTC) is year-round and an independent firm would likely be unable to provide this service.

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Other states have various combinations using private auditors and state auditors. In Oklahoma, private auditing firms audit schools, cities and towns and other local governmental entities.

Has the agency been approached by any foundation, for-profit or not-for-profit corporation with efforts to privatize some of the functions of the agency? No