



# State Auditor & Inspector

**FY 2026 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 audits, performance audits, operational audits, 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 were \$14.9 billion for SFY 2023.

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 2024 – FY 2025

- 1) During FY2024, the Forensic Audit Division saw a jury trial conviction in the criminal case of the Town of Boynton and a guilty plea entered in the criminal cases of the Town of Jones and the Payne County Sheriff's Office. These three cases of reported fraud included a combined total of \$275,000 in restitution for the State. New charges were filed in three additional cases this past year, the Town of Coyle, City of Talihina, and the Love County Treasurer, all with court dates pending. The criminal cases involving Epic Charter Schools and Seeworth Academy continued to progress; both are large charter school cases with the potential for recovery of millions of dollars of taxpayer funds.
- 2) 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. We have also developed accounting procedures to account for proceeds from legislative appropriations providing grants to counties, such as the County Community Safety Investment funds made available as a result of State Question 781; and the Sheriff's Office Operational Grant administered by the office of the Attorney General.
- 3) Our workload for FY22 Single Audit (federal compliance) has increased dramatically over pre-COVID years based on increased risk and major findings with COVID-19 related programs such as Pandemic EBT, Coronavirus Relief Funds, Emergency Rental Assistance, and Education Stabilization Fund. The FY22 audit included 24 major programs totaling \$10.7 million. The \$10.7 million audited represents 79% of the total federal expenditures on the Statewide SEFA. For the 24 major programs tested for 2022 Single Audit, 72 of the 97 audit findings were reportable. Based on the dramatic increase in federal funding over the last few years, total federal findings increased from 86 in FY20 to 114 in FY21, and 97 in FY 22; and total reportable findings increased from 62 in FY20, to 74 in FY21, and 72 in FY22. We questioned costs totaling \$30.1 million for FY22. Lastly, we had a modified opinion on at least one compliance requirement for 14 different major programs, which signifies we are identifying the risky areas within the various grants.
- 4) The agency completed its fourth independent IT Security assessment according to the National Institute of Standards and Technology (NIST) cyber security framework with an exceptional result. NIST has established a set of standards for security controls of an entity's information systems. Compliance is critical to ensuring the agency's IT infrastructure is protected and its policies and procedures are implemented correctly. Our independence from other Executive Branch agencies necessitates the agency maintain its own IT services and the dedication of this team to security, responsiveness, compliance, and service was clearly borne out in the audit's final analysis.
- 5) In July 2023, SAI received its most recent peer review, which is required every three years in accordance with Generally Accepted Government Auditing Standards and administered by the National State Auditor's Association External Peer Review Program. The review was completed by a team of six CPAs and Quality Assurance professionals from other states. The agency received a rating of pass, which is the highest level of assurance that an external peer review team can give.



# Analysis of Agency Challenges

	Challenge	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 FY22, state agencies received more than \$13.4 billion in federal funds due to additional COVID-19 funding. The funding received in FY22 was \$6.3 billion more than FY19. In FY 2023, state agencies spending was on track with the prior year. Further, since we have a number of major programs that are being audited again because of repeat findings, we expect our audit workload to continue to increase.	Increase staff size and bring salaries to market level to retain employees.	Increase staff size and bring salaries to market level to retain employees.
2	New AICPA and GASB standards will require planning and performing additional procedures, and updates to audit forms and templates. New Government Auditing Standards issued in 2024 will require analysis of changes from the 2018 version and updates to SAI's audit policies and audit forms and templates, as well as training staff on new policies and procedures.	Auditors will consult with OMES Central Accounting and Reporting on implementation of new GASB standards. Changes in the 2024 version compared to the 2018 version of <i>Government Auditing Standards</i> will be analyzed and incorporated into audit programs, templates, and quality management procedures.	Auditors will consult with OMES Central Accounting and Reporting on implementation of new GASB standards. Changes in the 2024 version compared to the 2018 version of <i>Government Auditing Standards</i> will be analyzed and incorporated into audit programs, templates, and quality management procedures.
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 two fiscal years we have lost three high level employees, with experience ranging from 11 to 20 years, to other agencies, local governments, and public firms that can offer much higher salaries, and one with 40 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 one-on-one training and quality assurance reviews.	Increase staff size and bring salaries to market level to retain employees. Also increase one-on-one training and quality assurance reviews.
4	Increase in special investigative and performance audit requests.	Increase staff size and bring salaries to market level to retain employees.	Increase staff size and bring salaries to market level to retain employees.



# Savings & Efficiencies (Current or Planned)

Savings or Efficiency Name	Brief description of how savings were achieved	Savings in Unit of Measurement*	FY 2024 (Actual \$ Savings)	FY 2025 (Projected \$ Savings)	FY 2026 (Projected \$ Savings)
Reduced Fleet	Turned in 2 vehicles no longer necessary due to under utilization.	2 vehicles	\$4,320	\$8,640	\$8,640
IT Director	SAI did not replace its IT Director	Employee Salary	\$133,893	\$141,111	\$148,718

\* Hours, FTE, square feet, etc.



# Agency Goals and Key Performance Metrics

Goal		Metric	FY 24 Target	FY 24 Actuals	FY 25 Target	FY 29 Target
1	Reduce turnover rate for professional audit staff to 12% by 2028	Turnover rate percent for professional audit staff	14%	12%	12%	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%	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%	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)	84%	73%	86%	90%
5	90% of audit staff have at least two years' experience	Percent of audit staff with at least two years' experience	84%	80%	86%	90%
6	90% of professional staff have a degree and/or professional certifications	Percent of professional staff with a degree and/or professional certification	90%	91%	90%	90%





# Projects for FY 2025

- 1) The Forensic and Performance Audit Division are continuing to work on an investigation requested by the Oklahoma County District Attorney 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. This audit is now under the direction of the Attorney General's Office. Preliminary hearings are currently set for October 2024 against the owner, vice president, and chief financial officer of Swadley's Foggy Bottom Kitchen, LLC. All three were charged in the felony case with conspiracy to defraud the state and presenting false claims against the state. If found guilty, the potential restitution in this case could exceed \$1 million.
- 2) The Forensic and Performance Audit Divisions are continuing to work on an audit of the State Department of Education (SDE), requested by the Governor, detailing the revenues and expenditures of SDE, along with an evaluation of SDE's oversight of the Oklahoma Cost Accounting System, the system used by all school districts across the state to code the purpose of their expenditures.
- 3) The Attorney General requested an 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 a review of the financial controls. The audit is estimated to be completed by the end of FY 2025.
- 4) Per Oklahoma Statute 57 O.S. § 38 states in part.. "If the Department of Corrections (DOC) rejects the county's actual daily cost application, then the actual daily cost reimbursement shall be determined by the State Auditor and shall be imposed beginning the next fiscal year." The State Auditor and Inspector (SA&I) has been requested by several counties to recalculate their incarceration rate due to the above-mentioned statute. Not all counties that request this recalculation will have the available funds to pay for this request, resulting in an additional expense for SA&I.
- 5) The Forensic Audit Division is also in the final stages of an audit of Tulsa Public Schools, requested by the Governor, with the objective to report on an employee embezzlement, use of federal funds, along with other alleged contract and expenditure irregularities. Additionally, an investigative audit of Santa Fe Charter Schools is in progress, requested by the charter school's former sponsor, Oklahoma City Public Schools.
- 6) In February 2024, following critical audits issued by SA&I's state agency audit division in relation to federal funds and the related purchasing practices of the State, the Attorney General requested an audit of the Office of Management and Enterprise Services (OMES). This investigation, to be conducted by the Forensic Audit Division, will include a review of the procurement and contracting practices of the State, with an objective of determining if OMES is governing the State's purchasing practices in the best of interest of all taxpayers.





# Projects for FY 2026

1. In February 2024, following critical audits issued by SA&I's State Agency Audit Division in relation to federal funds and the related purchasing practices of the State, the Attorney General requested an audit of the Office of Management and Enterprise Services (OMES). This investigation, to be conducted by the Forensic Audit Division, will include a review of the procurement and contracting practices of the State, with an objective of determining if OMES is governing the State's purchasing practices in the best of interest of taxpayers.
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). In FY23, state agencies received more than \$14.9 billion in federal funds due to additional COVID-19 funding.
3. Working on the unprecedented influx of municipal forensic audit requests.

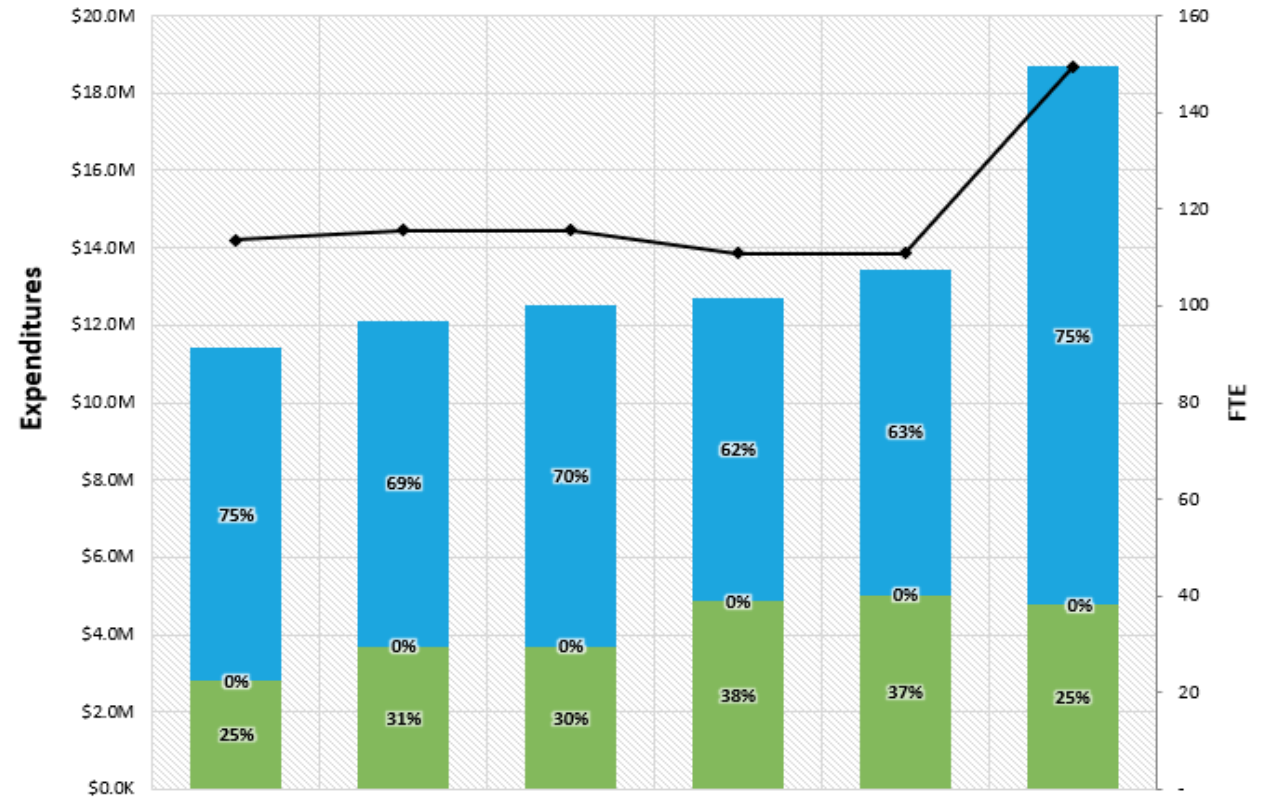


# Total Historic Actual Expenditures (FY 2020-24) and Current Year Budget (FY 2025)

## Explanation of Changes and Trends

- The majority of our increase in FY 24 expenditures is labor costs and the purchase of new laptops and monitors for staff and IT servers.
- 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.

Historic Total Actual Expenditures and Current Year Budget



	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 YTD Budget
Appropriated	\$2.8M	\$3.7M	\$3.7M	\$4.9M	\$5.0M	\$4.8M
Revolving	\$8.6M	\$8.4M	\$8.8M	\$7.8M	\$8.4M	\$13.9M
Federal	\$0.0K	\$0.0K	\$0.0K	\$0.0K	\$0.0K	\$0.0K
Total	\$11.4M	\$12.1M	\$12.5M	\$12.7M	\$13.4M	\$18.7M
FTE	114	116	116	111	111	149





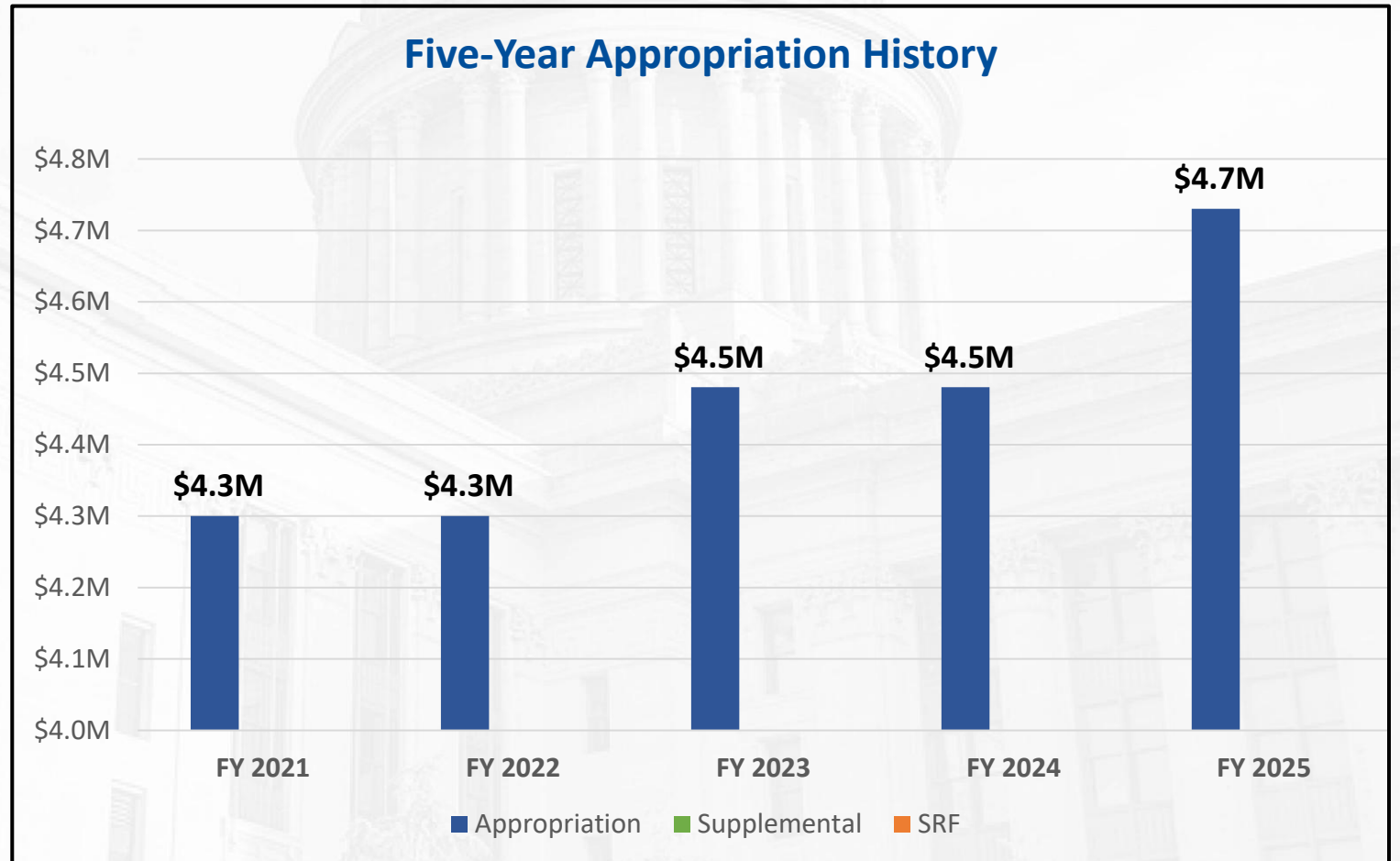
# FY 2025 Budgeted Full Time Equivalents (FTE)

	FY 2025 Budgeted FTE
<b>Total FTE</b>	149.25
<b>Supervisor FTE (Manager position and above)</b>	28
<b>Supervisors to Total FTE Ratio (%)</b>	18.8%
<b>Current Budgeted but Unfilled FTE</b>	29



# Appropriation History

Fiscal Year	Legislated Appropriation (\$) <i>(Includes supplementals and SRF/ARPA.)</i>
FY 2021	\$4,300,315
FY 2022	\$4,300,315
FY 2023	\$4,480,315
FY 2024	\$4,480,315
FY 2025	\$4,730,315



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



# Financial Resource Analysis

Carryover	FY 2021	FY 2022	FY 2023	FY 2024
Total appropriated carryover amount expended (\$)	\$1,471,635	\$1,709,216	\$2,385,086	\$2,036,023

Historical Cash Balances	FY 2021	FY 2022	FY 2023	FY 2024
Year End Revolving Fund Cash Balances <i>(All Revolving Funds)</i>	\$793,445	\$610,908	\$685,688	\$991,139

Revolving Class Fund # <i>(Unrestricted only)</i>	Revolving Class Fund Name <i>(Unrestricted only)</i>	Current cash balance (\$)	Projected FY 2025 year-end cash balance (\$)
200	Revolving fund-Operations	\$991,139	\$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 2023 – 2024 Appropriation Change Review

<i>Purpose of appropriation increase or decrease</i>	<i>Amount FY 2023</i>	<i>Amount FY 2024</i>	<i>Total amount received FY 2023 - 24</i>	<i>Total amount expended by 11/1/2024</i>	<i>Included in FY 2025 approp? (Yes/No)</i>	<i>If not expended fully, please explain.</i>
Increase staff salaries	\$180,000	\$0	\$180,000	\$180,000	Yes	
Continued appropriations for staff salaries increases	\$0	\$180,000*	\$180,000	\$180,000	Yes	
*Per instructions, the FY 2024 increase is based on FY 2022 appropriations of \$4,300,315. FY 2023 and FY2024 both had appropriations of \$4,480,315						
<b>Totals</b>	\$180,000	\$180,000	\$360,000	\$360,000		



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



# FY 2025 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 2026 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>
Additional appropriations to increase staff salaries	\$250,000	Yes	Yes	
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
	\$			
<b>Total adjustment</b>	\$250,000			



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

# Budget & Supplemental Incremental Request Summary

	Request Name	FY 2026 Incremental Appropriation Request Amount (\$) <i>{or FY 2025 for Supplementals}</i>	Type of Request: Recurring, One-time, or Supplemental
1	Special Investigative Unit Auditing Revolving Fund	\$683,000	One-time
2			
3			
4			
5			



# (1) One-time Budget Request

<b>Name of Request: Special Investigative Unit Auditing Revolving Fund</b>	
Type: Operating	\$ 683,000
<p>According to statutes Title 11 section 17-107 and 107A, SAI should have received the city and town gasoline tax for those entities that had not submitted timely audits. However, OTC incorrectly forwarded these monies to the counties in FY 22 and 23 totaling approximately \$473,000. Also, language was left out of House bill 2362, effective November 1, 2024, which would require those gasoline taxes to be deposited in the SAI "Special Investigative Unit Audit Revolving Fund". FY 24 funds total around \$210,000. Funds will be 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.</p>	







# Appendix

# The Brain Drain

Position at SAI	Destination Employer	Salary Leaving SAI	Beginning Salary at New Employer	Increase - Percent Difference
Senior Auditor	Oklahoma Broadband Office	60,000	74,500	14,500 – 24.2%
Staff Auditor	Oklahoma Science Museum	51,000	60,000	9,000 – 17.6%
Staff Auditor	Oklahoma Insurance Department	52,400	58,152	5,752 – 11.0%
Staff Auditor	OMES	49,400	62,500	13,100 – 26.5%
Staff Auditor	ODOT	52,200	64,800	12,600 – 24.1%

