



# OFFICE OF JUVENILE AFFAIRS

Operational Audit

For the period July 1, 2019 through June 30, 2023

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Office of Juvenile Affairs**

**For the Period  
July 1, 2019 through June 30, 2023**



February 14, 2024

**TO THE OFFICE OF JUVENILE AFFAIRS,**

We present the audit report of the Office of Juvenile Affairs for the period July 1, 2019 through June 30, 2023. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**Background**

The Office of Juvenile Affairs (the Agency) was created in 1994 with the passage of the Juvenile Reform Act. Its mission is to collaborate with youth, families, and community partners to create pathways for success through prevention and treatment for all Oklahoma youth.

Oversight is provided a nine-member board (the Board): five members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, and two members appointed by the Speaker of the House; all members serve at the pleasure of the appointing authority.

Board members as of January 2024 are:

- Karen Youngblood..... Chair
- Dr. Stephen Grissom..... Member
- Honorable Janet Foss..... Member
- Jenna Worthen..... Member
- Dr. Amy Emerson..... Member
- Timothy Tardibono..... Member
- Bartlett Bouse..... Member
- Colleen Johnson..... Member
- Les Thomas Sr. .... Member

**Office of Juvenile Affairs  
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The following table summarizes the Agency's sources and uses of funds for fiscal years 2022 and 2023 (July 1, 2021 through June 30, 2023).

**Sources and Uses of Funds for FY 2022 and FY 2023**

	<b>2022</b>	<b>2023</b>
<b>Sources:</b>		
Appropriations	\$ 94,543,688	\$ 103,528,151
Federal Funds & Federal Grants	11,828,050	13,511,855
Non-Revenue Receipts	238,826	179,980
Sales & Services	31,419	18,264
Rent from Buildings	17,802	17,802
Interest on Investments	160	144
<b>Total Sources</b>	<b>\$ 106,659,945</b>	<b>\$ 117,256,196</b>
<b>Uses:</b>		
Program Reimb, Litigation Costs	\$ 46,524,979	\$ 50,856,027
Personnel Services	41,012,833	37,896,265
Administrative Expenses	2,851,185	2,779,358
Professional Services	2,738,812	3,143,396
Lease Purchases	2,690,016	2,700,454
Other Disbursements	2,273,829	320,428
Office Furniture and Library Expenses	1,197,913	1,987,569
Maintenance and Production Expenses	1,731,520	1,962,551
Assistance Payments to Agencies	1,458,652	1,765,660
Building Purchase and Renovation	850,917	9,839,679
General Operating and Shop Expenses	163,641	193,880
Travel	64,327	183,316
<b>Total Uses</b>	<b>\$ 103,558,624</b>	<b>\$ 113,628,583</b>

*Source: Oklahoma state accounting system (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2019 through June 30, 2023. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the state accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing records of the Agency’s HR actions from the state accounting systems to assess personnel changes with a financial impact during the audit period and reviewing a selection of payroll approval documentation for such changes.
- Reviewing board meeting minutes and pertinent statutes and regulations and assessing related risks.

One objective related to inventory was developed as a result of these procedures and is discussed in the body of the report. No other significant risks or findings were identified.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

**Internal Control Considerations**

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their

*Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE** Determine whether the agency's internal control system is operating effectively in line with previous audit recommendations and Government Accountability Office *Standards for Internal Control* to ensure inventory counts are conducted and approved by personnel independent of maintaining inventory records.

**Conclusion** The Agency's internal control system is not operating effectively in line with previous audit recommendations and GAO *Standards for Internal Control* to ensure that inventory counts are conducted and approved by personnel independent of maintaining inventory records.

**Scope and Methodology** To accomplish our objective, we performed the following:

- Documented our understanding of the inventory processes through discussion with management and staff and review of relevant documentation and reports.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

## FINDINGS AND RECOMMENDATIONS

**Inventory Counts Require Formal, Independent Review**

*Repeat Finding*

The Agency maintains inventory in various locations throughout the state, including 50 Juvenile Service Units that are divided into seven districts. For each district, the Administrative Secretaries perform the inventory counts and the District Secretaries maintain the inventory database. For headquarters in Oklahoma City, a staff member performs the inventory count and the Material Management Specialist is responsible for maintaining inventory records. For the Central Oklahoma Juvenile Center (COJC), the Material Management Officer maintains inventory records and performs the inventory counts. Reportedly COJC staff conduct the inventory count with the Material Management Officer, but this is not formally documented. The inventory counts for each location are sent to the Material Management Specialist at headquarters.

The Material Management Specialist and the Material Management Officer have access to add and edit items in the inventory database. There is no independent review of the inventory annual records or count results, including deletions, to ensure the changes have been properly made and that they are appropriate.

Reportedly the Office of Public Integrity, Contract Management Unit performs an audit on equipment every other year. However, an audit has not been conducted since FY 2018.



According to GAO *Standards for Internal Control*:

- Management should design control activities to achieve objectives and respond to risks.
- Management should remediate identified internal control deficiencies on a timely basis.

### **Recommendations**

- As recommended in the previous audit, someone independent of maintaining inventory records should formally review the inventory count results, including key changes such as large purchases and deleted items. The reviews should be formally documented and retained for audit purposes.
- Staff assisting the Material Management Officer at COJC in conducting the inventory count is key to the control structure at that location. Documentation of the individuals participating in the count should be retained (for example by having each participant sign and date the count sheet).

### **Views of Responsible Officials**

- OJA does have an independent review of inventory records at COJC with our Contracts Monitoring Unit (CMU). OJA plans to implement another control from the expenditure side to provide our Material Management Specialist with data to verify items have been added accordingly for each location based upon account code and amount of transaction. OJA also plans to implement spot checking onsite from our Material Management Specialist as well as ensuring documentation received from districts indicates all counties within that district were included with the district review.
- OJA will develop a more formal process to ensure that COJC employees sign off on counts to show who assisted with the inventory control process.

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S·A·I  
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