

FINANCIAL AUDIT

# OKLAHOMA ACCOUNTANCY BOARD

## FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

As of and for the fiscal years ended June 30, 2014 and 2013



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED  
JUNE 30, 2014 AND 2013**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 14, 2014

**TO THE HONORABLE MARY FALLIN  
GOVERNOR OF THE STATE OF OKLAHOMA**

This is the audit report and financial statements of the Oklahoma Accountancy Board for the fiscal years ended June 30, 2014 and 2013. 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.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR AND INSPECTOR

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
As of and for the Years Ended June 30, 2014 and 2013

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**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
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**BOARD MEMBERS**

***Fiscal Year 2014***

**Term**

Vicky Petete, CPA, Chairperson	07/01/09 to 06/30/14	Ada, Oklahoma
Mike Sanner, CPA, Vice Chair	07/01/10 to 06/30/15	Jones, Oklahoma
Barbara A. Ley, CPA, Secretary	07/01/06 to 06/30/17	Oklahoma City, Oklahoma
Jay Engelbach, CPA	07/01/11 to 06/30/16	Oklahoma City, Oklahoma
Jody M. Manning	12/01/11 to 06/30/16	Tulsa, Oklahoma
David Greenwell, CPA	07/01/13 to 06/30/18	Norman, Oklahoma
Karen Cunningham, ChFC	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma

***Fiscal Year 2013***

**Term**

Vicky Petete, CPA, Chairperson	07/01/09 to 06/30/14	Ada, Oklahoma
Janice L. Gray, CPA, Vice Chair	07/01/05 to 06/30/13	Norman, Oklahoma
Jay Engelbach, CPA, Secretary	07/01/11 to 06/30/16	Oklahoma City, Oklahoma
Karen Cunningham, ChFC	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma
Barbara A. Ley, CPA	07/01/06 to 06/30/17	Oklahoma City, Oklahoma
Jody M. Manning	12/01/11 to 06/30/16	Tulsa, Oklahoma
Mike Sanner, CPA	07/01/10 to 06/30/15	Jones, Oklahoma



# Oklahoma State Auditor & Inspector

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## INDEPENDENT AUDITOR'S REPORT

### TO THE OKLAHOMA ACCOUNTANCY BOARD

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the OAB's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the OAB, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the OAB are intended to present the financial position and the changes in financial position of only that portion of the State of Oklahoma that is attributable to the transactions of the OAB. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the OAB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OAB's internal control over financial reporting and compliance.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR AND INSPECTOR

November 14, 2014

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2014 and 2013**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY**

The management of the Oklahoma Accountancy Board (OAB) is pleased to provide the accompanying financial statements to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate the OAB financial condition and activities as of and for the fiscal years ended June 30, 2014 and 2013. Management of the OAB is responsible for the fair presentation of these financial statements, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of contracts.

**Financial Highlights**

For the years ended June 30, 2014 and 2013, the following financial results are considered noteworthy by management.

- For the year ended June 30, 2014, the OAB's total net position increased \$42,904, or 2.1%, from the prior year. This compares to an increase of \$27,604, or 1.3%, for the year ended June 30, 2013 and a decrease of \$63,782, or 3.0%, for the year ended June 30, 2012.
- For the year ended June 30, 2014, OAB operating revenues increased \$1,644, or 0.1%, over the prior year, while total expenses decreased \$11,911, or 1.0%. For the year ended June 30, 2013, OAB program revenue increased \$660, or 0.1%, over the prior year, while total expenses decreased \$102,059, or 7.7%. The 7.7% decrease in expenditures was due to the removal of the start-up costs for the AMANDA licensing system and agency efficiencies.
- For the year ended June 30, 2014, OAB accounts receivable increased \$300, or 1.0% over the prior year. This amount compares to an increase of \$6,634 for June 30, 2013, and a decrease of \$397,023 for June 30, 2012. For the year ended June 30, 2014, OAB unearned revenue decreased \$1,986, or 0.3% over the prior year. This decrease compares to an increase of \$55,951 or 8.9% for June 30, 2013 and decrease of \$559,285 or 47.0% for June 30, 2012.
- Fines receivable decreased by \$15,742 or 26.7% in FY 2014, and due to state decreased by \$15,742, or 26.7%. These decreases were due to a decrease in fines assessed for violations of the Oklahoma Accountancy Act and/or the Oklahoma Administrative Code.
- The OAB reports its financial activity as an enterprise fund.

(Unaudited. See accompanying auditor's report.)

## USING THIS REPORT

These financial statements are presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

### ***The OAB's Reporting Entity***

These financial statements include all activities for which the OAB is fiscally responsible. These activities, defined as the OAB's reporting entity, are operated within a single government agency. The OAB's financial statements are reported as a part of the financial presentation of the State of Oklahoma.

### ***Overview of the OAB's Reporting Entity Presentation***

The financial statements consist of three parts as follows:

**Financial Statements:** The fund financial statements report information, on the accrual basis of accounting and economic resources measurement focus, about the OAB as a whole using accounting methods similar to those used by private-sector companies. The "Statement of Net Position" includes all the OAB's assets and liabilities as of the fiscal years presented. All of the current year revenues and expenses are accounted for in the "Statement of Revenues, Expenses and Changes in Net Position" regardless of when cash is received or paid.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of these financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management Discussion and Analysis represents financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the financial statements and notes (collectively referred to as "the basic financial statements"). The benchmarks presented throughout Management's Discussion and Analysis are for guidance and measurement by the OAB and its constituents. The benchmarks are not required by either the State of Oklahoma or GASB Statement No. 34.

## AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB

### **Management's Discussion and Analysis on the Economic Basis Financial Condition:**

One of the most important questions asked about the OAB is, "Has the entity utilized its resources to accomplish its mission assigned by the legislature of protecting the public?"

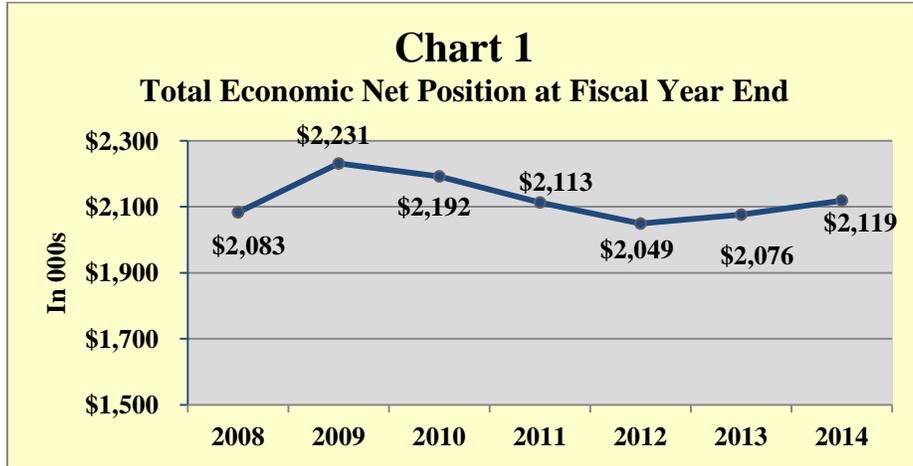
The "Statement of Net Position" and the "Statement of Revenues, Expenses and Changes in Net Position" report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the status of its pending projects, to assess the overall health of the OAB. These economic basis statements include all OAB assets and liabilities, including capital assets.

(Unaudited. See accompanying auditor's report.)

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**AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.**

For the years ended June 30, 2008 through 2014, the OAB’s overall financial condition changed as noted below.

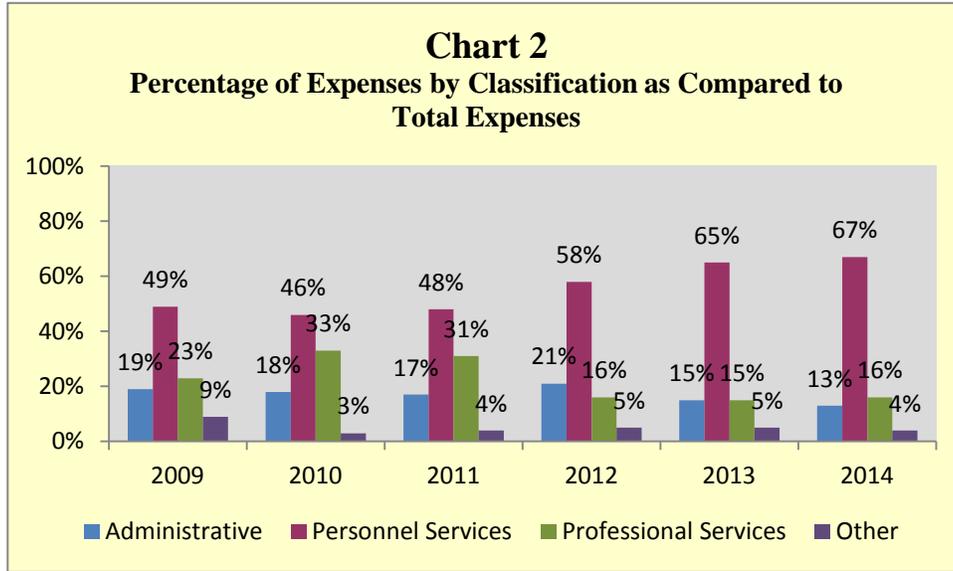


Percentage Change in Net Position	2009	2010	2011	2012	2013	2014
	+7.1%	-1.7%	-3.6%	-3.0%	+1.3%	+2.1%

For the year ended June 30, 2014 the OAB’s total net position increased by \$42,904, or 2.1%. For the year ended June 30, 2013, the OAB’s total net position increased by \$27,604, or 1.3%. For the year ended June 30, 2012, the OAB’s total net position decreased by \$63,782, or 3.0%. This was a result of the change in the collection process for operating revenue to the birth month process.

(Unaudited. See accompanying auditor’s report.)

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**FUTURE OUTLOOK**

The Oklahoma Accountancy Board replaced their licensing system with a new system to be utilized by multiple licensing agencies throughout state government on February 1, 2012. The Board is a pilot agency for the project and became the first state agency in Oklahoma to implement the AMANDA licensing system. Moving into FY14, the Board continued to enhance the AMANDA licensing system, which will continue through the foreseeable future to maximize efficiency internally and enhance outreach to the profession. With enhanced capabilities the Board will begin monitoring compliance issues associated with continuing education to a much greater degree.

**ABOUT OAB**

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2010, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA) or an individual that meets the education requirements to sit as a Public Accountant, and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

(Unaudited. See accompanying auditor's report.)

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**CONTACTING OAB**

This report is designed to provide citizens, taxpayers, registrants, and creditors with a general overview of the OAB's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the OAB Executive Director's Office by mail at 201 N.W. 63<sup>rd</sup> Street, Suite 210, Oklahoma City, OK 73116, by telephone at (405) 521-2397, or by e-mail at [www.ok.gov/oab](http://www.ok.gov/oab).

**BASIC FINANCIAL STATEMENTS**

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
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**Statement of Net Position**  
**June 30, 2014 and 2013**

	June 30,	
	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,835,671	\$ 2,790,562
Accounts receivable	31,175	30,875
Fines receivable, net of allowance of \$2,119,054 and \$2,107,775, respectively	43,211	58,953
Accounts receivable-cost recovery, net of allowance \$121,960 and \$122,777, respectively	8,073	12,857
Prepaid assets	11,163	6,211
Total current assets	2,929,293	2,899,458
Non-current assets:		
Capital assets, net of accumulated depreciation	7,617	15,630
Total assets	2,936,910	2,915,088
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total deferred outflows	-	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 26,420	\$ 38,039
Unearned revenue	685,090	687,076
Due to state	43,211	58,953
Current compensated absences	18,863	16,384
Total current liabilities	773,584	800,452
Non-current liabilities:		
Non-current compensated absences	44,015	38,229
Total liabilities	817,599	838,681
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total deferred inflows	-	-
<b>NET POSITION</b>		
Invested in capital assets	7,617	15,630
Unrestricted	2,111,694	2,060,777
Total net position	\$ 2,119,311	\$ 2,076,407

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA ACCOUNTANCY BOARD**  
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**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating Revenues:</b>		
Licenses, permits, and fees	\$ 1,274,081	\$ 1,270,524
Cost recovery	22,180	24,093
Total operating revenues	<u>1,296,261</u>	<u>1,294,617</u>
<b>Operating Expenses:</b>		
Personnel services	807,718	793,237
Professional services	196,090	179,498
Travel	40,224	33,108
Administration expense	158,006	190,819
Depreciation expense	8,013	25,298
Total operating expenses	<u>1,210,051</u>	<u>1,221,960</u>
<b>Operating income (loss)</b>	86,210	72,657
<b>Non-Operating Revenues (Expenses):</b>		
Other income	<u>15,102</u>	<u>15,745</u>
Total non-operating revenues	<u>15,102</u>	<u>15,745</u>
Income (loss) before contributions and transfers	101,312	88,402
Transfers out	<u>(58,408)</u>	<u>(60,798)</u>
<b>Change in net position</b>	42,904	27,604
<b>Total net position - beginning</b>	2,076,407	2,048,803
<b>Total net position - ending</b>	<u>\$ 2,119,311</u>	<u>\$ 2,076,407</u>

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA ACCOUNTANCY BOARD**  
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**Statement of Cash Flows**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts of licenses, permits, fees, and cost	\$ 1,313,860	\$ 1,377,644
Payments to suppliers	(410,867)	(418,878)
Payments to employees	(799,476)	(788,751)
Net cash provided by (used in) operating activities	103,517	170,015
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out - State of Oklahoma	(58,408)	(60,798)
Net cash provided by (used in) noncapital financing activities	(58,408)	(60,798)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	-	(729)
Net Cash provided by (used in) capital and related financing activities	-	(729)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	45,109	108,488
<b>Balances - beginning of the year</b>	2,790,562	2,682,074
<b>Balances - end of the year</b>	\$ 2,835,671	\$ 2,790,562
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 86,210	\$ 72,657
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Other income	15,102	15,745
Depreciation expense	8,013	25,298
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	(300)	(6,634)
Decrease (Increase) in fines receivable	15,742	(6,845)
Decrease (Increase) in costs receivable	4,784	17,965
Decrease (Increase) in prepaid assets	(4,952)	(2,252)
Increase (Decrease) in accounts payable	(11,619)	(13,143)
Increase (Decrease) in unearned revenue	(1,986)	55,951
Increase (Decrease) in due to state	(15,742)	6,845
Increase (Decrease) in accrued compensated absences	8,265	4,428
Net cash provided by (used in) operating activities	\$ 103,517	\$ 170,015

The notes to the financial statements are an integral part of this statement.

**FOOTNOTES TO THE FINANCIAL STATEMENTS**

**OKLAHOMA ACCOUNTANCY BOARD**  
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**Footnotes to the Statement of Net Position and Statement of Activities:**

**1. *Summary of Significant Accounting Policies***

The accompanying financial statements of the Oklahoma Accountancy Board (OAB) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of the OAB.

**A. **Reporting Entity****

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2014, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA) or an individual that meets the educational requirements to sit as a Public Accountant, and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

**B. **Fund Financial Statements****

The fund financial statements (the statement of net position and the statement of revenues, expenses and changes in net position) report information for OAB. OAB is classified as an enterprise activity; its function is the Regulatory Services function. The OAB is accounted for and presented similar to a special-purpose government engaged solely in business-type activities.

Operating revenues consist primarily of fees for licenses and permits to practice public accounting remitted by Certified Public Accountants, Public Accountants and Firms. Also included in operating revenues are fees paid by candidates to sit for the examination.

The OAB reports its financial activity as an enterprise fund.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

***Revenue Recognition:***

Fund Financial Statements

The fund financial statements display information about OAB as a whole. They are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**D. Net Position Accounting Policies**

Net position is normally displayed in three components (two of which are applicable to the OAB):

- a. *Invested in capital assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. *Restricted net position*—Consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws and regulations.
- c. *Unrestricted net position*—All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

**E. Cash**

All cash balances are held by the Oklahoma Office of the State Treasurer. OAB’s cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

**F. Accounts Receivable**

Accounts receivable reflect monies received in July and August for renewal notices sent prior to June 30<sup>th</sup>. Renewal notices relate to permits and registrations for Certified Public Accountants, Public Accountants and firms. Amounts shown as accounts receivable and unearned revenue are for permits and registrations for year’s beginning on or after July 1, 2014.

**G. Fines Receivable, Accounts Receivable – Cost Recovery, and Due to State**

The OAB in its enforcement program assesses fines and costs of investigation by certain registrants for violations of the Oklahoma Accountancy Act. When collected, the amount

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of the fines is remitted to the State General Fund and the costs are retained by the OAB. Beginning in fiscal year 2008, the OAB adopted the accounting methodology needed to more appropriately account for the fines receivable, cost receivable, and the related amount due to the state. All fines and costs receivable 365 days or older were considered to be uncollectible.

	Cost Recovery		
	Accounts Receivable	Allowance	Net
June 30, 2014	\$130,033	\$121,960	\$8,073
June 30, 2013	\$135,634	\$122,777	\$12,857

	Fines Receivable		
	Accounts Receivable	Allowance	Net
June 30, 2014	\$2,162,265	\$2,119,054	\$43,211
June 30, 2013	\$2,166,728	\$2,107,775	\$58,953

In addition to the Fines Receivable and the related amounts Due to State which are reflected in the financial statements, fines in the amount of \$59,269 and \$45,155 were collected and remitted to the State General Fund during the fiscal years 2014 and fiscal year 2013 respectively.

At June 30, 2013 and 2014, the Due to State of \$58,953 and \$43,211, respectively, reflects fines receivable due to the state (see footnote 9).

**H. Capital Assets**

Capital assets are capitalized in the statement of net position. Capital assets are reported at actual or estimated historical cost and net of accumulated depreciation. Capital assets are defined as assets that have a cost in excess of \$500 at the date of acquisition and have an expected useful life of 3 or more years, and consist primarily of information systems equipment, furniture, and other equipment. Depreciation is computed on the straight-line method over the estimated useful life of 6 years for office furniture and equipment and 3 years for information systems and related equipment.

**I. Accounts Payable**

Accounts payable include charges for all services or claims incurred on or before June 30. These payables represent amounts incurred in the ordinary course of business and are primarily owed to vendors.

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**J. Unearned Revenue**

Unearned revenues arise when resources are received by the OAB before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met or when OAB has legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**K. Compensated Absences**

Employees earn annual vacation at the average rate of 10 hours per month for up to 5 years of service and may accumulate to a maximum of 240 hours. Employees earn an average of 12 hours per month for 5 to 10 years, an average of 13.33 hours per month for 10 to 20 years, and an average of 16.67 hours per month for over 20 years of service. Annual leave for employees with over 5 years of service may accumulate to a maximum of 480 hours. All accrued annual leave is payable upon layoff, resignation, retirement, or death.

**2. Cash**

Cash and cash equivalents include amounts on deposit with and under the control of the State Treasurer. These amounts are collateralized in accordance with 62 O.S. 2001, § 72.1, the Security for Public Deposits Act. The bank balances as of June 30, 2014 and 2013 were fully insured or collateralized with securities held by the State's agent in the State's name.

**3. Operating Leases**

The OAB entered into operating lease agreements for office space, off-site storage, copier, and postage machines. Payments under these operating leases for the 2014 and 2013 fiscal years were approximately \$63,062 and \$63,892, respectively. The lease on the copier is effective until June 30, 2017 and the payments are based on usage; therefore, future payments are estimated based on historical information, as follows:

2015	\$3,620
2016	\$3,620
2017	\$3,620
2018	\$0
2019	<u>\$0</u>
Total	<u>\$10,860</u>

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**4. Capital Assets**

For the years ended June 30, 2014 and 2013, changes in capital assets were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets	\$ 127,781	-	-	\$ 127,781
Accumulated depreciation	(112,151)	(8,013)	-	(120,164)
	<u>\$ 15,630</u>	<u>(8,013)</u>	<u>-</u>	<u>\$ 7,617</u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets	\$ 127,052	729	-	\$ 127,781
Accumulated depreciation	(86,853)	(25,298)	-	(112,151)
	<u>\$ 40,199</u>	<u>(24,569)</u>	<u>-</u>	<u>\$ 15,630</u>

**5. Long-term Obligations**

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2014 and 2013, the liability for accrued compensated absences liabilities changed as follows:

<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
\$ 54,613	42,483	34,218	62,878	\$18,863

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
\$ 50,185	38,860	34,432	54,613	\$16,384

**6. Risk Management**

As part of the primary government, the State of Oklahoma, the risk of losses to which the OAB may be exposed is covered through the risk management activities of the State, and any losses and liabilities are the responsibility of, and financed through, the State's risk management activities. The Risk Management Division of the Office of Management and Enterprise Services (OMES) Division of Capital Assets Management (DCAM) is empowered by the authority of 74 O.S., Section 85.34 et seq. The division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

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The State Risk Management is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as prescribed by 51 O.S., Section 154. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State.

**7. *Pension Plan***

The OAB contributes to the Oklahoma Public Employees Retirement Plan, which is a state-wide cost-sharing, multi-employer defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS). A separately issued annual report for OPERS may be obtained from the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The pension benefit provisions are established and amended by the State Legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature.

**8. *Other Postemployment Benefits***

In addition to the pension benefits described above, the State provides post-retirement healthcare benefits (OPEB) to employees. OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, toward the cost of the monthly insurance premium for all retirees of OPERS who elect coverage at the time of retirement and retain health insurance coverage with the Oklahoma of Management and Enterprise Services: Employees Group Insurance Division (EGID). The retiree must pay the balance of the monthly health insurance premium plus any dependent coverage premiums. There is no OPEB obligation information available specific to the OAB.

**9. *Payment to State of Oklahoma***

Under provisions of 59 O.S., Section 15.7, the “Board shall pay into the General Revenue Fund of the State ten percent (10%) of all annual registration fees so charged, collected, and received, and no other portion shall ever revert to the General Revenue Fund or any other fund of the state.” The OAB paid \$58,408 to the State General Revenue Fund in fiscal year 2014 and \$60,798 in fiscal year 2013, related to the 10% General Revenue Fund.

In addition, under the provision of 59 O.S., Section 15.24, “all monies, excluding costs, collected from civil penalties authorized in this section, such penalties being enforceable in the district courts of this state, shall be deposited with the State Treasurer to be paid into the General Revenue Fund of the state.” The amount assessed for civil penalties are recorded as Fines Receivable and a Due to State. During fiscal year 2014 and 2013, the OAB collected and remitted

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\$59,269 and \$45,155, respectively, and remitted these amounts to the State.

The OAB maintains a clearing account in which all amounts are deposited. When these transfers are made to the State General Revenue Fund, they are made directly from the OAB's clearing account.

**10. *GASB Statement No. 63***

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position provides guidance for governments to report deferred outflows of resources, deferred inflows of resources, and net position as defined by Concepts Statement No. 4, Elements of Financial Statements. As a part of these new requirements financial statement presentations for the Board have been changed to reflect the implementation of GASB Statement No. 63 beginning with FY-13.

**11. *GASB Statement No 65***

Items previously reported as Assets and Liabilities establishes accounting and financial reporting standards that reclassify, as deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculation and limiting the use of the term deferred in financial statement presentations. GASB 65 is effective for periods beginning after December 15, 2012.



# Oklahoma State Auditor & Inspector

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the OAB's basic financial statements, and have issued our report thereon dated November 14, 2014. The report includes an emphasis of matter paragraph stating that the financial statements of the OAB are intended to present the financial position and results of daily operations of only that portion of the State of Oklahoma attributable to the transactions of the OAB.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OAB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OAB's internal control. Accordingly, we do not express an opinion on the effectiveness of the OAB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OAB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under the *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR AND INSPECTOR

November 14, 2014



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