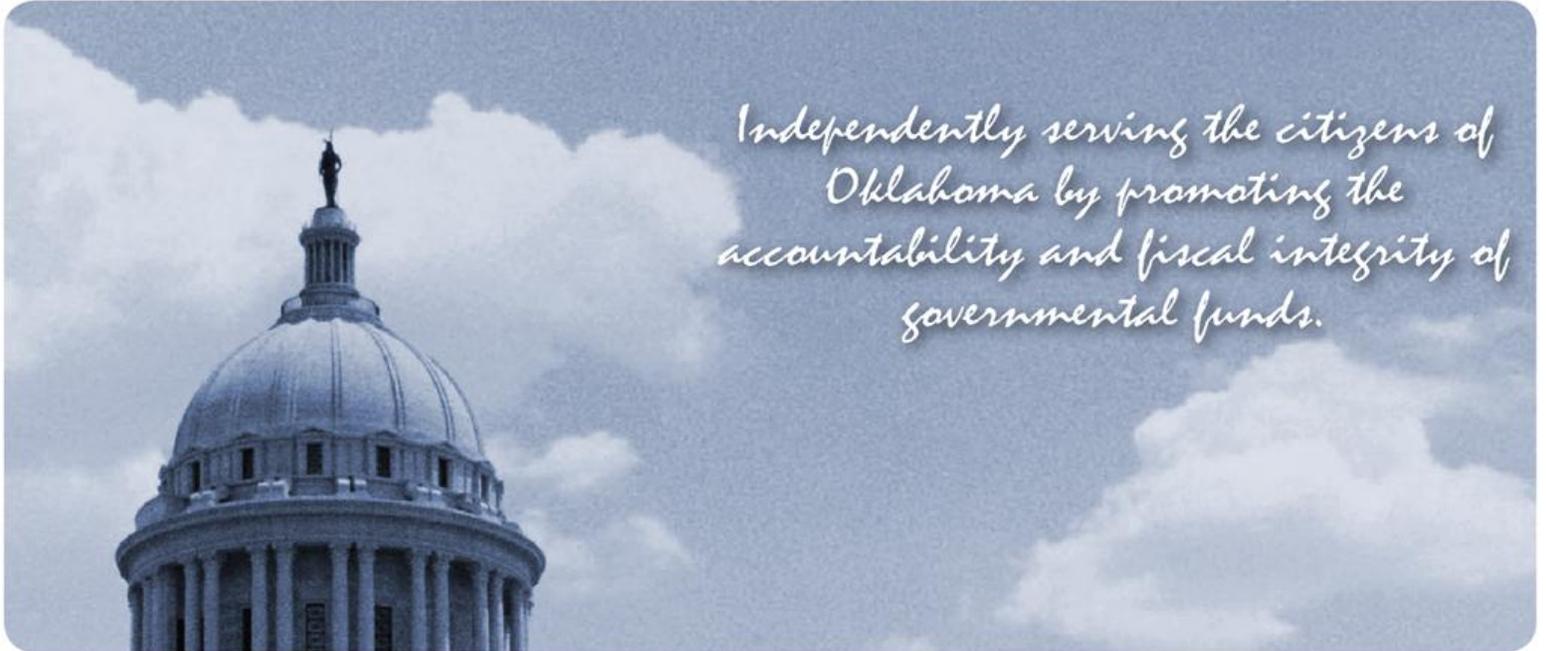


OPERATIONAL AUDIT

# OKLAHOMA ELECTION BOARD

For the period July 1, 2011 through June 30, 2014



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

**Audit Report of the  
Oklahoma Election Board**

**For the Period  
July 1, 2011 through June 30, 2014**



# 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 5, 2014

## **TO THE OKLAHOMA ELECTION BOARD:**

This is the audit report of the Oklahoma Election Board for the period July 1, 2011 through June 30, 2014. 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 "Gary A. Jones".

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

**Oklahoma Election Board  
Operational Audit**

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**Background**

The Oklahoma Election Board was established under the Constitution of the State of Oklahoma in 1907, and functions under the laws enacted by the Oklahoma Legislature as the administrative agency for the conduct of state elections, and the conduct of country election boards.

The mission of the board is to achieve and maintain uniformity in the application, operation, and interpretation of the state and federal election laws with a maximum degree of correctness, impartiality, and efficiency.

Board members are appointed to four-year terms by the Governor, with the advice and consent of the Oklahoma Senate, and from a list of ten nominees recommended by the Democratic State Committee, and a list of ten nominees recommended by the Republican State Committee. The Secretary of the Board also serves as the Secretary of the State Senate.

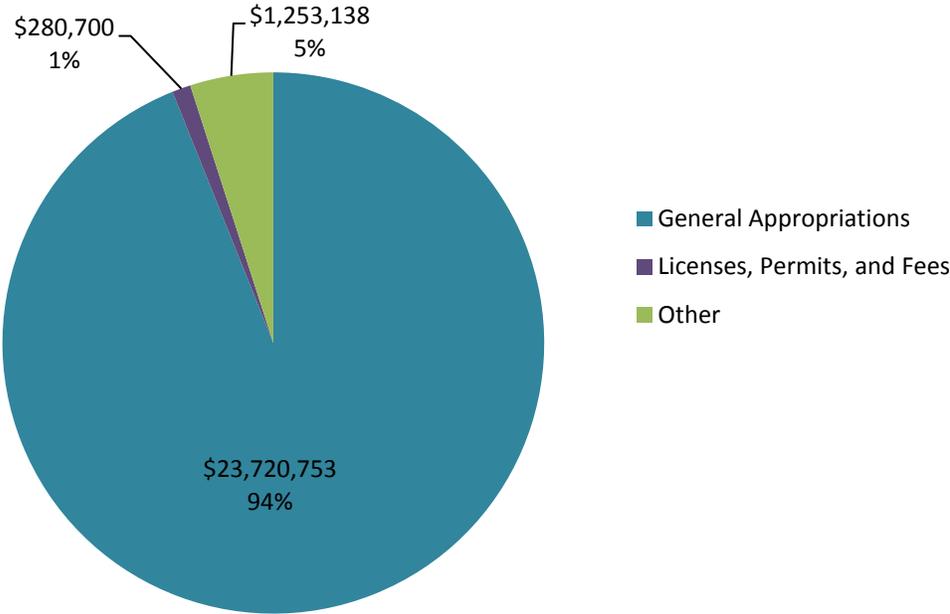
Board members as of June 30, 2014 are:

- Steve Curry ..... Chairman
- Tom Montgomery ..... Vice-Chairman
- Diana Spurlock ..... Member
- Jerry Buchanan ..... Alternate Member
- Dr. Tim Mauldin ..... Alternate Member
- Paul Ziriak ..... Secretary

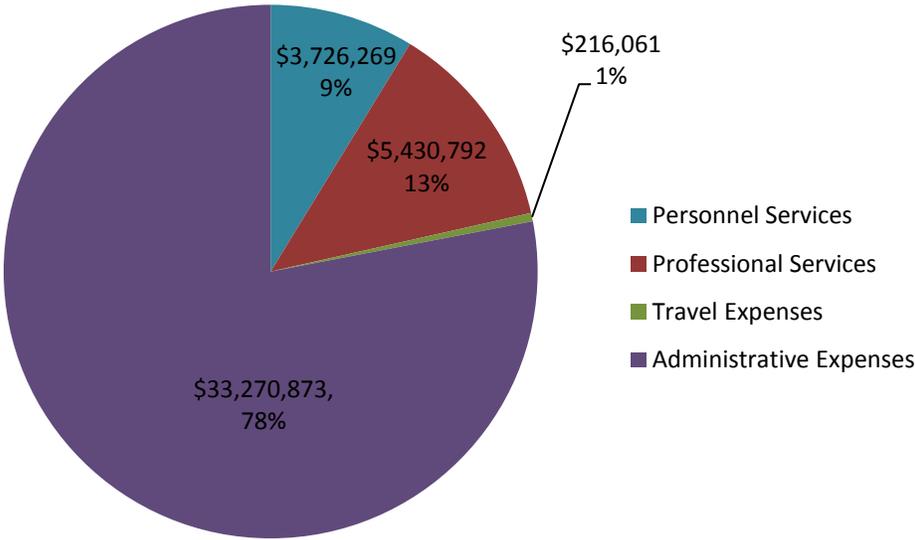
# Oklahoma Election Board Operational Audit

The following charts illustrate the Agency's primary funding sources, and where those funds are expended.<sup>1</sup>

**Chart 1 - Revenues by Category (July 1, 2011 through June 30, 2014)**



**Chart 2 - Expenditures by Category (July 1, 2011 through June 30, 2014)**



<sup>1</sup> This information was obtained from Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

**Oklahoma Election Board  
Operational Audit**

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**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 performance 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, 2011 through June 30, 2014. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Election Board operations.

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.

**OBJECTIVE**

Determine whether the Agency’s internal controls provide reasonable assurance that expenditures and IT inventory were accurately reported in the accounting records.

**Conclusion**

The Agency’s internal controls do not provide reasonable assurance that expenditures and IT inventory were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

**Inadequate Segregation of Duties over Inventory**

The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government*<sup>2</sup> states that, “Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.” In addition, the *Standards* state that in order to safeguard vulnerable assets, “Such assets should be periodically counted and compared to control records.”

The agency has not segregated key duties related to IT inventory. The following conflicting conditions were identified:

- Physical inventory counts are performed by individuals who maintain custody of the inventory.
- The IT Support Technician is responsible for reconciling the annual inventory count and maintaining the agency’s inventory listing.
- The IT Director approves inventory transactions while also having the ability to access and modify the inventory listing.

In each case, the lack of segregation of duties provides the opportunity for the inventory to be misstated or misappropriated without detection.

**Recommendation**

- The individual maintaining the inventory listing should not be involved in the purchase, transfer, or disposal process.
- An individual who is not involved in performing the inventory count or maintaining the inventory listing, should perform a reconciliation which would include a comparison of the prior inventory count to the current count result, while ensuring that additions and deletions made throughout the period are accurately recorded and properly supported.

<sup>2</sup> Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

**Views of Responsible Officials**

State Election Board management acknowledges that duties related to IT inventory should be segregated to reduce the risk of errors or fraud. Because of the small size of the Information Services division staff, it is not possible to limit the IT Support Technician’s access to the inventory system without restricting his ability to track and record maintenance and repairs of equipment. We plan to have a staff member from another division perform an annual physical inventory of all IT equipment located at the agency office. We will have another staff member, also from another division, perform a comparison of the prior inventory to the current inventory. Neither of these persons will have access to the inventory system. In addition, we will develop a plan for having someone other than the IT Support Technician perform the physical inventory of the IT equipment located in county election board offices. We expect the physical inventory in county offices to be performed by a combination of a staff member who does not have access to the inventory system and Regional Coordinators, who are county election officials who also work on a contract basis for the State Election Board. Regional Coordinators would not be responsible for the physical inventory in their own counties.

**Inadequate Segregation of Duties over Expenditures**

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*<sup>3</sup> states in part, “Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud. . . . No one individual should control all key aspects of a transaction. “

The agency has not segregated key duties related to expenditures. The following conflicting conditions were identified:

- The Agency’s Finance Officer is responsible for creating purchase orders and also has the ability to posts payments in the CORE system.
- The Accountant is responsible for posting payments into the CORE system as well as providing the Assistant Secretary with the monthly CORE expenditure report.

This creates the opportunity for someone in these positions to make inappropriate expenditures and conceal them.

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<sup>3</sup> Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

**Recommendation**

We recommend management develop procedures to ensure that employees involved in the expenditure process do not have the ability to post payments. In addition, we recommend that another knowledgeable person independent of the expenditure process regularly review the PeopleSoft six-digit expenditure report, to ensure all payments are appropriate.

**Views of Responsible Officials**

State Election Board management acknowledges that duties related to expenditures should be segregated to reduce the risk of errors or fraud. The State Election Board is a small agency with a finance staff consisting of just two employees, which makes segregation of duties difficult. We have requested access to the reporting function of the PeopleSoft accounts payable module for the Assistant Secretary, who does not have access to any other functions of the accounts payable module. The Assistant Secretary will be responsible for requesting and reviewing the six-digit expenditure report on a monthly basis.



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