



**STATE OF OKLAHOMA**  
**OFFICE OF THE STATE AUDITOR & INSPECTOR**

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**LIQUEFIED PETROLEUM GAS  
BOARD**

*REPORT ON AGREED-UPON PROCEDURES  
JULY 1, 2003 THROUGH JUNE 30, 2005*



**JEFF A. McMAHAN, CFE**  
**OKLAHOMA STATE AUDITOR & INSPECTOR**

**Liquefied Petroleum Gas Board**  
**Agreed-upon Procedures Report**  
**For the Period**  
**July 1, 2003 through June 30, 2005**

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**Mission Statement**

To protect the health and welfare of the citizens of the State of Oklahoma by promulgation of standards for the storage, handling, and installation of liquefied petroleum gases as adopted by the National Fire Protection Association (NFPA) in 1969 and published in its Pamphlet No. 58 and No. 54. Any supplementary or additional rules and regulations adapted by NFPA will be accepted standards for the state.

**Board Members**

Dave Baltes.....Chair  
David Root..... Vice-Chair  
Bill Glass .....Secretary  
George William Velotta II..... Public Member  
Bill Ballard.....Public Member  
Greg Baker.....Public Member  
Lance Stevens.....Public Member

**Key Staff**

Bill Glass.....Executive Director  
Cheryl Foreman.....Accountant



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Liquefied Petroleum Gas Board (Board), solely to assist you in evaluating your internal controls over the receipt and disbursement process and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2003 through June 30, 2005. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We followed-up on known significant findings from previous audits or attestation engagements that directly relate to the subject matter of this engagement.

We noted the Board does not have internal purchasing procedures approved by the State Purchasing Director in accordance with 74 O.S., § 85.39 A. Without approved purchasing procedures, the Board may not be in compliance with state law. We recommend the Board develop internal purchasing procedures and submit them for approval by the State Purchasing Director.

**Management's FY 03 Response:** We concur with the findings of the State Auditor and Inspector's Office. We will establish internal purchasing procedures and submit them to the State Purchasing Director for approval.

**Management's FY 05 Response:** We will establish internal purchasing procedures and submit them to the State Purchasing Director for approval.

2. We compared the Board's internal controls over receipts and disbursements with the following criteria:
  - Accounting functions were properly segregated;
  - Receipts were issued for cash and/or checks received;
  - Incoming checks were restrictively endorsed upon receipt;
  - Receipts not deposited daily were safeguarded;
  - Voided receipts were retained;
  - Receipts were deposited to the State's General Revenue Fund in accordance with 52 O.S. § 420.11;
  - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
  - Disbursements were supported by an original invoice;
  - Timesheets were prepared by employees and approved by supervisory personnel;

We noted the accountant prepares the agency's deposits and two temporary employees typically deliver them to the State Treasurer (OST). However, the accountant's fiancé is employed by the agency as a temporary permit clerk and occasionally delivers the deposits to OST. Due to the size of the agency, there may be a limited number of employees available to transport the deposit. If duties are not adequately

segregated, errors or improprieties may occur and go undetected. We recommend an employee other than the temporary permit clerk transport the deposits to OST.

**Management's Response:** Due to the size of the agency, there is definitely a limited number of employees available to transport the deposits. Due to the imperative and detailed job duties of the full time employees, it has been a duty of the less trained temporary/seasonal employees to deliver the deposits. Unfortunately for security reasons, our current temporary employees are all related to full time employees in the agency. It is difficult to retain temporary employees that can work when we need them, hours and particular months. Our agency has been diligent at segregating the duties in accordance with previous audits. We feel that we are doing all that is physically possible to make sure every internal control has been performed before the deposit leaves the agency. We will add one more measure of security in having the employee sign the deposit bag stub before leaving the agency with each deposit.

Based on inspection of multiple deposits, it appears that the agency does not deposit receipts totaling more than \$100 on a daily basis in accordance with 62 O.S., § 7.1.C.1. Management has not made the daily deposits a priority and potential theft or misplacement of funds could occur. We recommend that management develop and implement written policy and procedures to assure compliance with 62 O.S. § 7.1 C.1.

**Management's Response:** The agency will develop and implement written policy and procedures to ensure compliance with 62 O.S., § 7.1.C.1. We will make every physical effort possible to make deposits in a timelier manner. Due to one employee writing receipts and one employee preparing the breakdowns and preparing the deposits it is a full time job especially during several months of the year.

We noted the Board does not have written policies and procedures related to controlling insufficient checks. They have not made the implementation of a written policy and procedure a priority which could lead to the inconsistent collection of funds on insufficient checks. We recommend the agency develop and implement policy and procedures related to controlling insufficient checks.

**Management's Response:** We have developed and implemented policy related to controlling insufficient checks.

Based on inspection of claim number 608 (\$3,310) dated June 28, 2005, the Board's approving officer did not sign the claim. Management may have overlooked signing the claim; however, improprieties may occur and go undetected. We recommend the agency's administrator approve claims prior to payment.

**Management's Response:** The agency's administrator will approve claims prior to payment.

3. We agreed total agency receipts to total CORE system deposits and traced reconciling items to subsequent deposit(s).

There were no findings noted as a result of applying the procedures.

4. We randomly selected 20 deposits and:
  - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day.
  - Examined receipts to determine if they were pre-numbered and issued in numerical order.
  - Agreed cash/check composition of deposits to the receipts issued.
  - Agreed the total receipts issued to the deposit slip.
  - Inspected agency receipts to determine whether the deposit was made in accordance with 62 O.S., § 7.1c.
  - Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
  - Compared the nature of the deposit to the account code description to determine consistency.

During inspection of 40 deposits, 31 were not deposited on the same banking day as received in accordance with 62 O.S., § 7.1.C. Management has not made a commitment to make daily deposits. We recommend management develop and implement written policy and procedures to assure compliance with 62 O.S., § 7.1.C.

**Management's Response:** The agency will develop and implement written policy and procedure to ensure compliance with 62 O.S., § 7.1.C.

5. We recalculated the required percentage/amount to be deposited to the State's General Revenue Fund and agreed it to the amount transferred to the General Revenue Fund.

There were no findings noted as a result of applying the procedures.

6. We randomly selected 60 vouchers and:
  - Agreed the voucher amount and payee to the invoice amount and payee;
  - Agreed the voucher amount and payee to the CORE system;
  - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
  - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings noted as a result of applying the procedures.

7. We compared salaries set by statute, if any, to the actual salary paid to determine the statutory limit was not exceeded.

There were no findings noted as a result of applying the procedures.

8. We identified changes in payroll and traced to supporting documentation.

There were no findings noted as a result of applying the procedures.

We also prepared a Schedule of Receipts, Disbursements and Changes in Cash from information obtained from the statewide CORE accounting system, which is presented in the "Other Information" section. This schedule has been included for informational purposes only.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, disbursements, and capital assets for the agency. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Board and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN  
State Auditor and Inspector

February 6, 2006

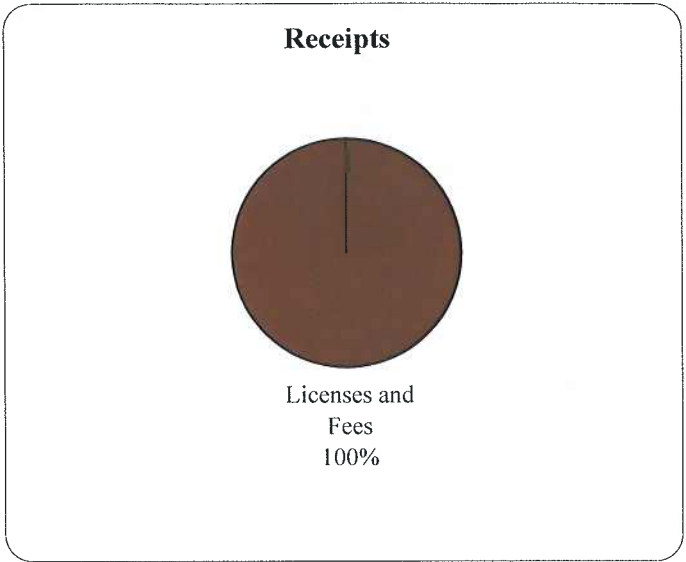
## **Other Information**



**Liquefied Petroleum Gas Board**  
**Schedule of Receipts, Disbursements, and Changes in Cash**  
**For the Fiscal Year Ending June 30, 2005**

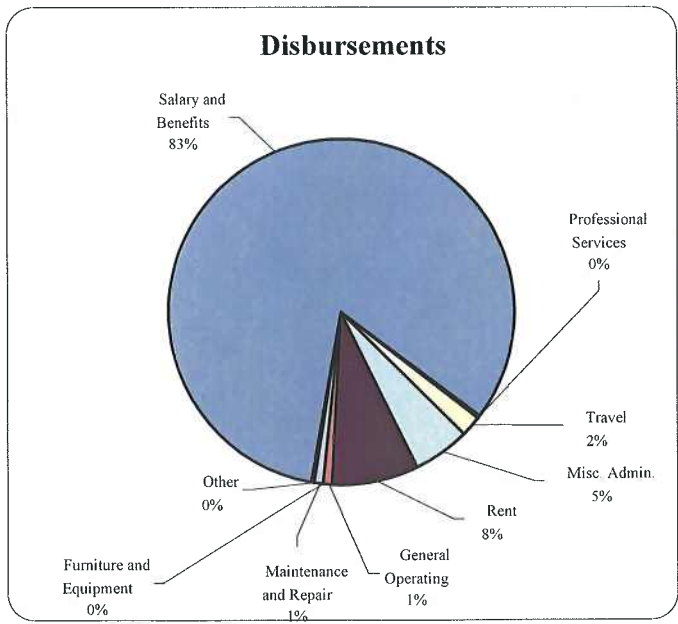
**RECEIPTS:**

Licenses and Fees	\$ 626,502
Total Receipts	<u>626,502</u>



**DISBURSEMENTS:**

Salary and Benefits	392,997
Professional Services	1,582
Travel	9,174
Misc. Admin.	25,079
Rent	38,247
General Operating	3,392
Furniture and Equipment	484
Maintenance and Repair	4,508
Other	834
Total Disbursements	<u>476,297</u>



RECEIPTS OVER (UNDER) DISBURSEMENTS	150,206
CASH--Beginning of Year	<u>64,843</u>
CASH--End of Year	<u>\$ 215,049</u>

**Liquefied Petroleum Gas Board  
Other Information**

**Clearing Account**

The Board maintains a balance in their clearing account to cover items deposited into their operating fund which are not honored by the paying entity. If the balance drops to a level periodically determined by management, they will make deposits into the account until the balance returns to a level sufficient for their needs. The agency's clearing account had a cash balance of \$30,200 at June 30, 2005. As of June 30, 2005 these amounts had not yet been deposited into the agency's operating fund(s) and were not considered to be available to fund the agency's general operations. As a result, the clearing account's cash balance, revenues, and disbursements are not included in the preceding Schedule of Receipts, Disbursements, and Changes in Cash Balance.



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