



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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**OKLAHOMA AERONAUTICS
COMMISSION**

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



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Aeronautics Commission

Agreed-upon Procedures Report

For the Period

July 1, 2003 through June 30, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 25, 2006

**TO THE DIRECTOR OF THE OKLAHOMA
AERONAUTICS COMMISSION**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Aeronautics Commission. The procedures we performed were conducted pursuant to 74 O.S., §212.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

Table of Contents

Mission Statement, Board Members, and Key Staff.....iii

Accountant’s Report on Applying Agreed-upon Procedures.....1

Other Information

Schedule of Receipts, Disbursements, and Changes in Cash, FY 2005.....5

Mission Statement

The Oklahoma Aeronautics Commission was established to encourage, foster and assist in the development of aeronautics in Oklahoma and to encourage the establishment and maintenance of the state airport system; and the promotion of the aviation industry, one of the top employers in Oklahoma.

Commission Members

Kenneth AdamsCommissioner
Dave Amis, III Vice-Chairman
Joe HarrisCommissioner
Robert JandebourCommissioner
Joe OgdenCommissioner
Tom StephensonSecretary
Wes Stucky Chairman

Key Staff

Victor Bird.....Director
Timothy “Bud” WebsterFinance Officer



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 Oklahoma Aeronautics Commission (Commission), solely to assist you in evaluating the effectiveness of your internal controls over the receipt and disbursement process and in determining whether selected receipts, disbursements and changes in payroll 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 compared the Commission's internal controls over the receipt and disbursement process with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - 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 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;

A basic component objective of internal controls is the adequate segregation of duties. Based on conversation with management and review of documentation, it appears the monthly reconciliation of cash/revenue received is not reviewed or approved by someone other than the preparer. Without a review process in place for the monthly reconciliation of cash/revenue, errors could occur and not be detected in a timely manner. We recommend the Commission establish and implement policies and procedures to ensure monthly reconciliations of cash/revenue are properly reviewed and approved by someone other than the preparer. For example, the Receptionist could receive cash and checks from walk-ins or the mail, write receipts for these monies and prepare the daily deposit. The Deputy Finance Officer could review the daily deposit documentation before it is deposited at the bank. This would allow the Deputy Finance Officer to continue their responsibility of entering the daily deposit information into the CORE system as well as enable them to prepare the monthly reconciliation of cash and revenue. By separating these duties, this would allow the Finance Officer to have the ability to review and approve the monthly reconciliation of cash and revenue.

Views of Responsible Officials- Although the Oklahoma Aeronautics Commission believes there is adequate separation of responsibilities in its current Standard Operating Procedures, the Commission will institute the changes recommended. We will revise the Commission's Standard Operating Procedures to incorporate the review and approval of reconciliations by someone other than the preparer.

With respect to the other procedures described, there were no findings.

2. We compared total agency receipts to total ICS/CORE system deposits and traced reconciling items to subsequent deposits.

There were no findings as a result of applying the comparisons.

3. We randomly examined 40 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.
 - Compared cash/check composition of deposits to the receipts issued.
 - Compared the total receipts issued to the deposit slip.
 - Inspected agency receipts to determine whether the deposit was made in accordance with the attributes prescribed in 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.

According to the Oklahoma Aeronautics Commission's Standard Operating Procedure, Title: Non-Federal Deposits, "All non-federal funds received will be receipted in a pre-numbered receipt book by the Administrative Technician and forwarded to the Deputy Finance Officer..." Based on the procedures performed, it appears receipts were not retained in 13 of the 40 deposits examined. Without proper receipting of funds, errors or irregularities could occur and not be detected in a timely manner. We recommend the Commission ensure that receipts are written for all cash and checks received as stated in the Commission's Standard Operating procedures, and a copy of the receipt be retained.

Views of Responsible Officials- This finding has already been addressed and corrected by the Commission. Because of continuous changes in personnel and responsibilities in FY 2004 and the first half of FY 2005, the procedure for the receipt of funds was not followed by the individuals involved. This oversight was due to both a lack of communication and a lack of training. The Oklahoma Aeronautics Commission has already initiated corrective action and the Finance Officer has informed the responsible individuals of the need for funds received to be receipted as required by the Commission's Standard Operating Procedure.

With respect to the other procedures described, there were no findings.

4. We randomly selected 60 vouchers and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared 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 as a result of applying the procedures.

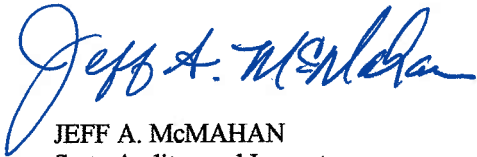
5. We identified changes in payroll related to new hires, terminations, and salary changes and traced to supporting documentation.

There were no findings 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 is 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 Commission 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

April 13, 2006

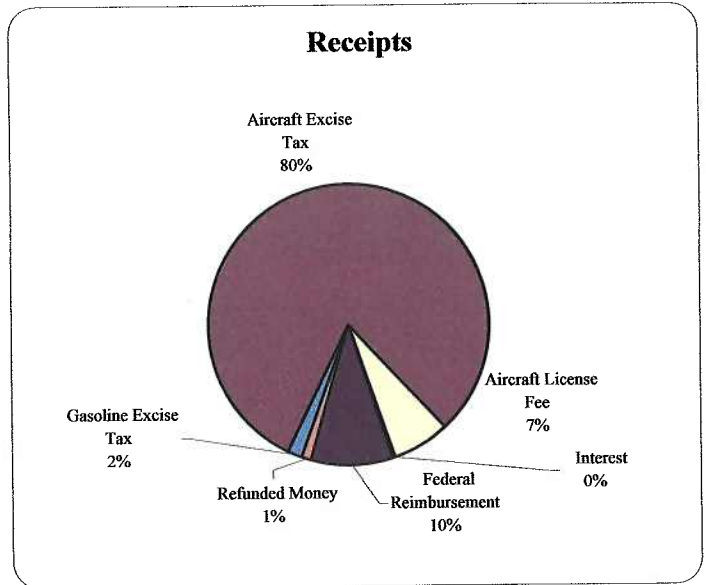
Other Information

**Oklahoma Aeronautics Commission
Schedule of Receipts, Disbursements, and Changes in Cash
For the Fiscal Year Ending June 30, 2005**

RECEIPTS:

Gasoline Excise Tax	83,246
Aircraft Excise Tax	3,838,824
Aircraft License Fee	323,978
Interest	8,130
Federal Reimbursement	458,232
Refunded Money	47,328
Other	7,815

Total Receipts 4,767,553



DISBURSEMENTS:

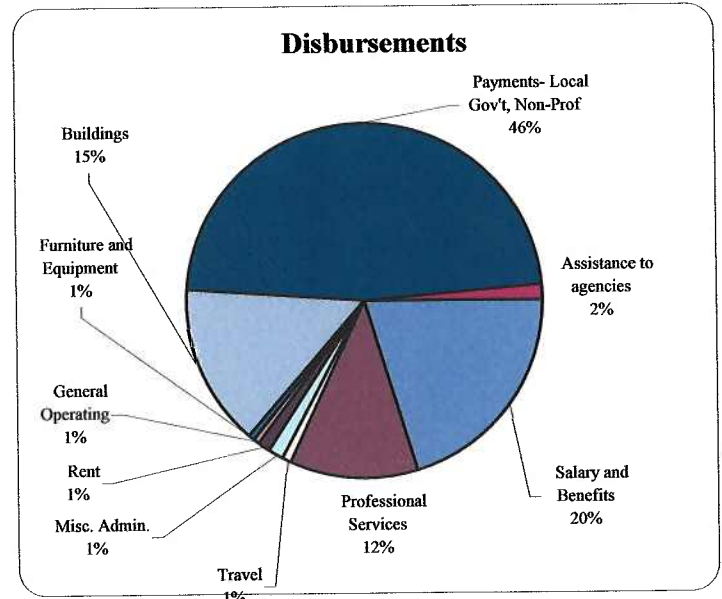
Salary and Benefits	689,845
Professional Services	390,435
Travel	25,239
Misc. Admin.	49,178
Rent	35,813
General Operating	23,611
Furniture and Equipment	20,373
Buildings	491,925
Payments- Local Gov't, Non-Prof Assistance to agencies	1,606,579
	50,901

Total Disbursements 3,383,898

RECEIPTS OVER (UNDER) DISBURSEMENTS 1,383,655

CASH--Beginning of Year 2,299,591

CASH--End of Year 3,683,246



See Accountant's Report



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