



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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Oklahoma Department of Libraries
Fiscal Year Ended June 30, 2004



JEFF A. MCMAHAN, CFE
Oklahoma State Auditor & Inspector

The Oklahoma Department of Libraries
Statutory Examination Report
For the Period July 1, 2003 to June 30, 2004

This publication is printed and issued by the State Auditor and Inspector, as required by 74 O.S. §212. Pursuant to 74 O.S. §3105, 5 copies have been prepared and distributed at a cost of \$4.85. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

September 6, 2005

TO THE BOARD OF DIRECTORS OF THE OKLAHOMA DEPARTMENT OF LIBRARIES

Transmitted herewith is the Statutory Examination Report for the Oklahoma Department of Libraries. The procedures we performed were conducted pursuant to 74 O.S. § 212.

The Office of the State Auditor and Inspector is committed to serve 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,

A handwritten signature in blue ink that reads "Jeff A. McMahana".

JEFF A. McMAHAN
State Auditor and Inspector

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Background

The mission of the Oklahoma Department of Libraries is to serve the people of Oklahoma by providing excellent information services and by preserving unique government information resources.

Board Members

JUDI KNAPP CHAIR
DUCHESS BARTMESS VICE CHAIR
BETTY BASS CONGRESSIONAL DISTRICT 2
ANN BUCHANAN GEURKINK AT-LARGE APPOINTMENT
HANNIBAL JOHNSON..... CONGRESSIONAL DISTRICT 1
DOYLE KINNEY..... CONGRESSIONAL DISTRICT 3
SHERRY ROBERTS..... CONGRESSIONAL DISTRICT 5

Key Staff

SUSAN MCVEY..... DIRECTOR
VICKI SULLIVAN.....DEPUTY DIRECTOR



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE BOARD OF DIRECTORS OF THE OKLAHOMA DEPARTMENT OF LIBRARIES

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for the fiscal year 2004:

1. We reviewed internal controls over cash, revenues and expenditures.
2. We tested a sample of receipts and disbursements to determine they were properly accounted for in the financial records and had adequate supporting documentation.
3. We performed analytical procedures to test the reasonableness of payroll disbursements;
4. We performed procedures to ensure capital assets are present and properly recorded in the financial records.
5. We performed procedures to verify the amounts reported as significant receivables, payables, contracts, and commitments.

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

Our procedures were limited to those defined above and were less in scope than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Department of Libraries internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures.

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

July 18, 2005

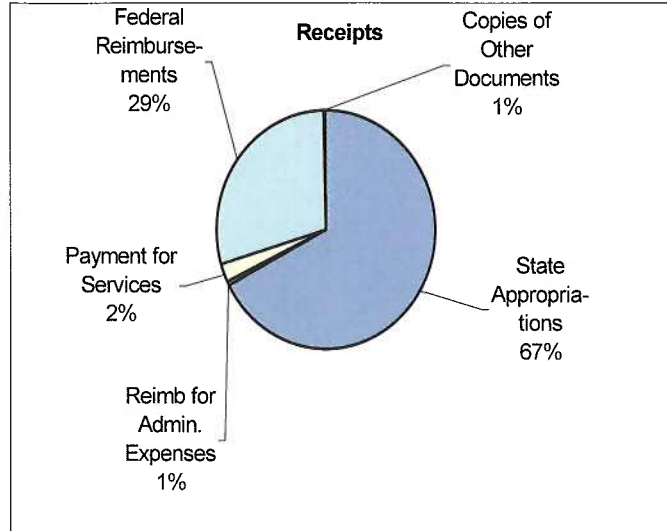
OKLAHOMA DEPARTMENT OF LIBRARIES

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FOR THE YEAR ENDED JUNE 30, 2004

RECEIPTS:

State Appropriations	6,245,002
Reimb for Admin. Expenses	64,211
Payment for Services	222,601
Federal Reimbursements	2,735,019
Copies of Other Documents	31,472

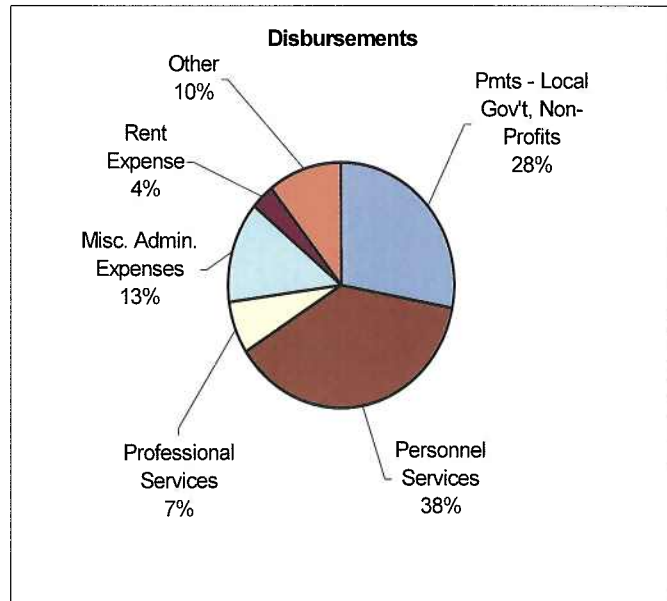
Total Receipts	9,298,305
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DISBURSEMENTS:

Pmts - Local Gov't, Non-Profits	2,498,288
Personnel Services	3,332,197
Professional Services	609,713
Travel	53,363
Misc. Administrative Expenses	1,190,684
Rent Expense	308,650
Maintenance and Repair Expense	51,105
General Operating Expenses	106,901
Inter/Intra Agency Pmts - Admin	218,960
Office Furniture and Equipment	194,226
Library Equipment - Resources	240,379
Other	59,989

Total Disbursements	8,864,455
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**RECEIPTS OVER (UNDER)
DISBURSEMENTS**

	433,850
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CASH - Beginning of year	483,546
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CASH - End of year	917,396
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Other Information

Clearing Account

The Oklahoma Department of Libraries maintains a clearing account to deposit revenues collected on a daily basis. All items deposited into the clearing account are held there until such items have been honored by the paying entity. Once these items have been honored, the revenues are transferred for deposit into the agency's operating fund(s). The agency's clearing account had a cash balance of \$ 77,838 at June 30, 2004. As of this date, this amount had not yet been deposited into the agency's operating fund(s) and is 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 accompanying Schedule of Receipts, Disbursements, and Changes in Cash Balance.

Capital Assets

In accordance with 74 O.S. § 110.1 and 110.2, all state agencies, boards, and commissions are to keep an inventory of capital assets costing in excess of \$500. Capital assets include buildings and equipment owned by the agency. As of June 30, 2004, the Oklahoma Department of Libraries had approximately \$872,257 in capital assets as follows:

Field Equipment	\$2,607
Office Equipment	\$56,899
Computer and related Equipment	<u>\$812,751</u>
Total	<u>\$872,257</u>

Significant Payables

As of June 30, 2004, the Oklahoma Department of Libraries had approximately \$222,466 of significant payables for computer equipment, computer maintenance supplies, software, software maintenance, legal materials, legal online services, and general operating expenses for literacy grants.

Findings/Recommendations

Finding # 2004-430-001

Good internal controls provide that capital asset records are accurate and complete to ensure accurate financial reporting. During our testing of capital assets, we noted three (3) of the nine (9) capital assets selected from the floor were not included on the capital asset listing; therefore, it appears capital assets are understated by \$ 3,724. Also, we noted that the Department of Libraries does not have a process in place for adjusting inventory records which could cause capital assets that are lost or stolen to go undetected. We recommend the Oklahoma Department of Libraries implement controls to ensure capital asset records are accurate and complete and we recommend the Department design and implement procedures for the adjustment of inventory records to ensure changes to the inventory records are properly authorized.

Management's Response:

Procedures for inventory control have been amended to include verification by accountant on a monthly basis that all equipment purchased over \$500 listed on the 6-digit expenditure report is shown as active in the current Access database. Surplused equipment is listed in the database as inactive (I). Verification by accountant will be made at the time of surplus. At this time (8/15/2005) past equipment files have been audited by business manager and accountant for completeness of inventory as of 06/30/2005.

Finding # 2004-430-002

According to Title 62 O.S. § 7.1.C.1, receipts of one hundred dollars (\$100.00) or more shall be deposited on the same banking day as received. While reviewing deposits we noted two (2) deposits dated 3/19/2004 for \$ 226.94 and 3/29/2004 for \$ 697.31 were not deposited in the agency clearing account until 4/12/2004 which increases the risk of misappropriation of receipts. We recommend the Oklahoma Department of Libraries implement controls to ensure receipts totaling \$100 or more in one day are deposited into the agency clearing account on the same day to ensure compliance with state statutes and to reduce the risk of misappropriation.

Management's Response:

Deposits are made on a regular basis from three locations; State Records Center, Cartwright Law Library, and the main library reception desk. Funds received into the business office from these three locations are deposited the same day if received before 3 p.m. Funds received after 3 p.m. are locked in a desk drawer and deposited the following business day. Additional staff has been trained for back-up in preparing deposits to ensure timely depositing of funds.



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