



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

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**DEPARTMENT OF MINES**

*JULY 1, 2003 THROUGH JUNE 30, 2004*

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

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

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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 \$4.35. 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

August 8, 2005

**TO THE BOARD OF DIRECTORS OF THE DEPARTMENT OF MINES**

Transmitted herewith is the Statutory Examination Report for the Department of Mines. 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

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Background

The mission of the Department of Mines is to protect the environment of the state, to protect the health and safety of the miners and to protect the life, health, and property of the citizens who are affected through enforcement of the state mining and reclamation laws.

Board Members

LINDA C. MARTIN ..... SECRETARY  
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JAN KUNZE ..... VICE-CHAIRMAN  
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MARY ANN PRITCHARD ..... DIRECTOR  
SUZEN RODESNEY ..... CHIEF FINANCIAL OFFICER



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 MINES**

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, receipts, and disbursements.
2. We tested a sample of deposits to determine they were properly posted to the financial records and had adequate supporting documentation.
3. We tested a sample of disbursements to determine they were properly posted to the financial records and had adequate supporting documentation.
4. We performed analytical procedures to test the reasonableness of payroll disbursements;

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 Oklahoma Department of Mines internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the finding resulting from those procedures.

Sincerely,

JEFF A. McMAHAN  
State Auditor and Inspector

June 17, 2005

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

**RECEIPTS:**

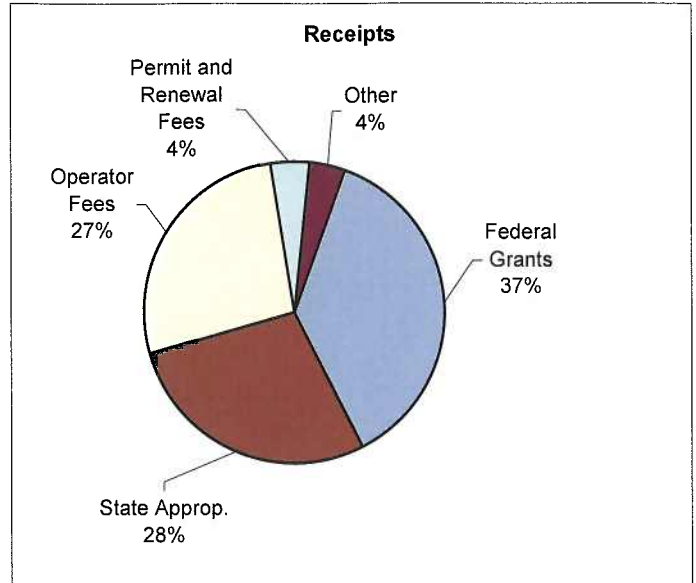
General Fund

Federal Grants	930,008
State Appropriations	719,528
Operators Fee	673,569
Permit & Renewal Fee	101,905
Other	25,220
<b>Total General Fund</b>	<b>2,450,230</b>

Agency Special Account

Escrow Deposits	47,300
Performance Bond Forfeit	20,300
Mining Operation Penalties	8,280
<b>Total Agency Special Account</b>	<b>75,880</b>

**Total Receipts** 2,526,110



**DISBURSEMENTS:**

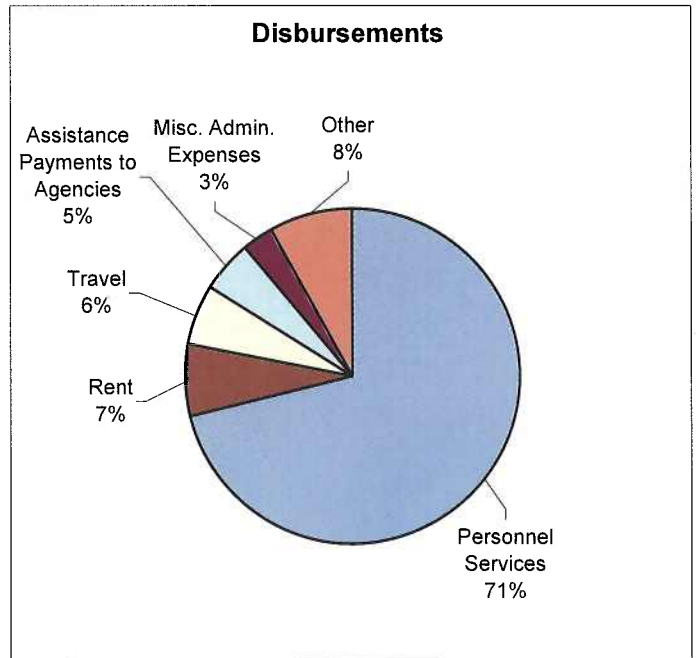
General Fund

Personnel Services	1,885,258
Rent	179,580
Travel	163,528
Assistance Pymts to Agencies	119,755
Misc. Administrative Expenses	94,580
Office Furniture and Equipment	37,159
Supplies, Repairs & Maintenance	32,289
General Operating Expenses	19,828
Other	34,273
<b>Total General Fund</b>	<b>2,566,250</b>

Agency Special Account

Landscape Architectural Services	51,104
Withdrawals Agency/Trust Monies	30,000
General	10,000
Other	3,642
<b>Total Agency Special Account</b>	<b>94,746</b>

**Total Disbursements** 2,660,996



RECEIPTS OVER (UNDER)  
DISBURSEMENTS

(134,886)

CASH - Beginning of year 1,123,497

CASH - End of year 988,611

## Findings/Recommendations

### Finding #1

During our test of twenty deposits, we noted that seventeen deposits consisted of receipts greater than one hundred dollars, which were not deposited on the same day received. The agency does safeguard funds in a safe between the time of receipt and the time of deposit. However, according to 62 O.S. § 7.1C1, receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received. Therefore, we recommend the agency follow its established internal procedures of depositing daily to ensure compliance with 62 O.S. § 7.1C1.

#### **Management's Response:**

There are several factors that prevent the Department of Mines from depositing checks on the same day received. One factor is due to the late time of day in which the postal service delivers the daily mail. All mail is logged in a register. Checks are receipted and also recorded in a check register. By the time these duties are accomplished, there is not enough time in the work day for the Finance Division to complete the accounting transactions required to prepare and complete a deposit.

Therefore, deposits are safeguarded until the next working day, in order to complete the deposit process. Based upon the amount of time required to accomplish all the tasks associated with our daily deposits, the Department will not be able to deposit daily. Therefore, safeguards and controls have been established to insure proper security, until the deposit can take place.

In addition, since this is a small agency, there is one person assigned to each of these tasks. If an employee is absent, there may be one person who will serve in a back-up capacity to assume these responsibilities. If that employee is also unavailable to perform the duties, then the daily deposit will not take place, until an employee is on duty to perform the deposit. Again, the deposits are safeguarded until a deposit can occur.



## **Other Information**

### ***Clearing Account***

The Department of Mines 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 \$11,611 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.

### ***Agency Special Account***

The Department of Mines also maintains an agency special account (ASA) to deposit cash performance bonds and forfeited bonds. The cash performance bonds are held until mining is completed, and the reclamation of the land site meets all of the permit specifications. The forfeited bonds are distributed as reclamations have been performed after independent contracts have been awarded by the Department of Central Services. The ASA is also used to account for hearing deposits that are placed with the agency, which are held until a determination has been made as to the final monetary penalties that a company owes under the current rules and regulations. The ASA had a cash balance of \$902,242 at June 30, 2004, which is included in the accompanying Schedule of Receipts, Disbursements, and Changes in Cash Balance.



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