



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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ETHICS
COMMISSION

JULY 1, 2003 THROUGH JUNE 30, 2004



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Ethics Commission
Statutory Examination Report
For the Period July 1, 2003 to June 30, 2004

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

May 5, 2005

TO THE BOARD OF DIRECTORS OF THE ETHICS COMMISSION

Transmitted herewith is the Statutory Examination Report for the Ethics Commission. 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 Ethics Commission is a constitutional state agency which promotes Oklahoma citizens' confidence in state government by:

1. Promulgating rules of ethical conduct for state officers and employees;
2. Promulgating rules of ethical conduct for state candidate and issue campaigns;
3. Providing assistance in and monitoring the disclosure of campaign financing for state and local candidates and committees;
4. Providing assistance in and monitoring the political activity and official conduct of state officers/employees in order to prevent conflicts of interest;
5. Serving as the repository and making available for public inspection and copying all required disclosure documents; and
6. Issuing opinions on and investigating and/or prosecuting alleged violations of its rules.

Board Members

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KEN ELLIOTT.....MEMBER
JAMES W. LOYMEMBER
JOHN W. RALEYMEMBER
BERNICE SHEDRICKMEMBER

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REBECCA ADAMSGENERAL COUNSEL
PATTI BRYANTPRINCIPAL ASSISTANT
MIKE RUSSELL INFORMATION SYSTEMS NETWORK
R. DAREY ROBERTS.....INVESTIGATOR/AUDITOR
ED ORR.....ADMINISTRATIVE TECHNICIAN
JANICE A. GAFFORD INFORMATION SYSTEMS APPLICATION SPECIALIST



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE BOARD OF DIRECTORS OF THE ETHICS COMMISSION

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 Ethics Commission's 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

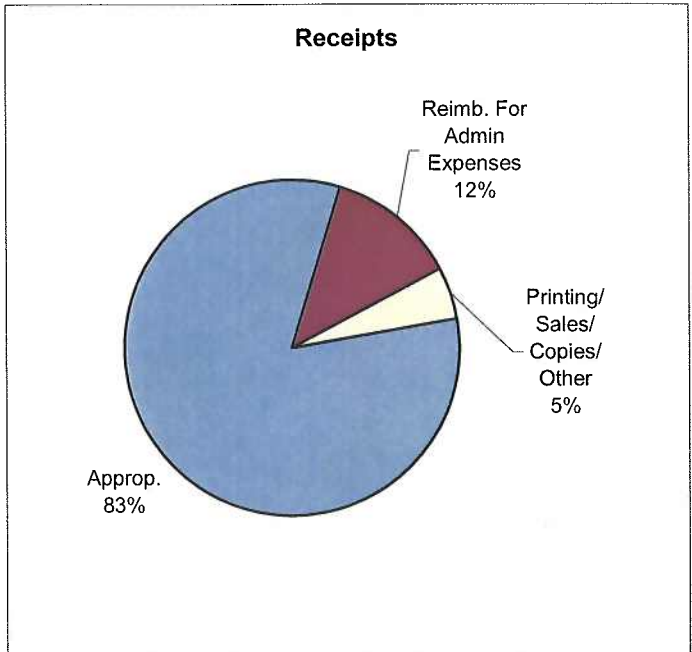
April 20, 2005

Ethics Commission

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

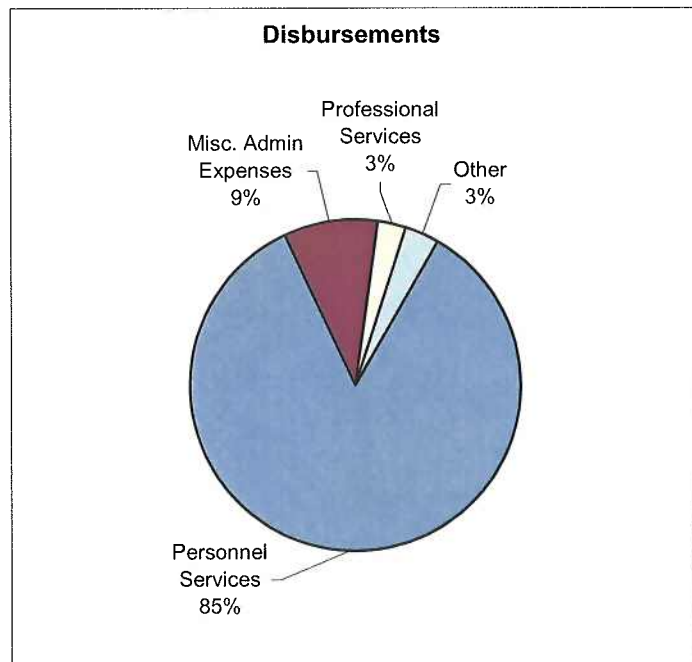
RECEIPTS:

| | |
|-------------------------------|---------|
| Appropriations | 451,774 |
| Reimb. For Admin Expenses | 68,000 |
| Printing/Sale of Publications | 13,760 |
| Copies of Other Documents | 13,666 |
| Payroll Deducts In | 425 |
| Total Receipts | 547,625 |



DISBURSEMENTS:

| | |
|-------------------------------|---------|
| Personnel Services | 452,609 |
| Misc. Administrative Expenses | 48,073 |
| Professional Services | 14,717 |
| Inter/Intra Agency Pmts | 7,446 |
| Rent Expense | 3,439 |
| Travel | 2,998 |
| General Operating Expenses | 2,603 |
| Maintenance & Repair Expense | 1,005 |
| Other | 767 |
| Total Disbursements | 533,657 |



**RECEIPTS OVER (UNDER)
DISBURSEMENTS**

13,968

CASH - Beginning of year

6,764

CASH - End of year

20,732

Findings/Recommendations

Finding #1

During our review of internal controls over revenues, we noted that the agency judgmentally determines when receipt amounts are sufficient for deposit. Additionally, during our test of twenty deposits, we noted that fifteen deposits consisted of receipts greater than one hundred dollars that were not deposited on the same day received, and receipts of less than one hundred dollars that were accumulated in excess of five days. Also, three deposits did not include the receipt dates to determine when the deposit should have been made. The agency does ensure that funds are adequately safeguarded between the time of receipt and the time of deposit. However, according to 62 O.S. 2001 § 7.1C, receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received and receipts of less than One Hundred Dollars (\$100.00) may be held until accumulated receipts equal One Hundred Dollars (\$100.00) or for five (5) business days, whichever occurs first, and then shall then be deposited no later than the next business day. Therefore, we recommend the agency implement procedures to ensure compliance with 62 O.S. 2001 § 7.1C.

Management's Response:

The Ethics Commission has seven employees, all having very different duties. I am the only employee of the agency who has deposits as one of my many, many duties. I am aware of the requirement to make deposits when receipts exceed \$100, and when time permits, I do that. FY-04 was a particularly stressful year for me, as my mother was very ill and died on March 7, 2004. I was away from the office quite a bit and also very busy with my many other duties. The times when we are receiving a lot of receipts, is always the very busiest time for the office and I have many other things I have to do. However, I am trying to make deposits much more often and will increase my efforts to do them daily when receipts reach \$100.

Finding #2

During our review of internal controls over revenues, we noted the person responsible for collecting cash/checks and depositing the funds (custody functions), is the same person who prepares the deposit slips and reconciles the account monthly (recordkeeping functions). If duties are not adequately segregated, errors and irregularities may occur and not be detected in a timely manner. To prevent this from occurring, we recommend the agency implement procedures to ensure duties are properly segregated.

Management's Response:

As I mentioned in response #1, the Ethics Commission only has seven employees. The other employees include our administrative technician who is responsible for all of our filing and photocopying, our Investigator, our General Counsel, our Information Systems Network Administrator, our Information systems Applications Specialist and our Executive Director. We are all stretched to the maximum on performing our individual required duties and none of the other employees has the time or training to perform these duties.

However, our Administrative Technician is the person who usually collects the cash/checks for photocopying and our Information Systems Network Administrator and Information Systems Applications Specialist maintain the databases for the school board and municipality payments.

In an agency this small, it is very difficult to completely segregate these duties. Each year we ask the Legislature for additional FTE in our Budget Request, but it has been 14 years since our FTE increased from 5 to 7, and that was with the addition of our Investigator and General Counsel.

Other Information

Clearing Account

The Ethics Commission 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 \$0 at June 30, 2004.

Payments to the State General Revenue Fund

In accordance with 74 O.S. 2001 § 4256, late filing fees collected shall be deposited to the General Revenue Fund. Further, 74 O.S. 2001, App. § 257:10-1-20 states in part that surplus funds from campaign contributions may be deposited to the General Revenue Fund. During fiscal year 2004, the agency submitted \$200 to the State's General Revenue Fund. As previously discussed, the agency maintains a clearing account in which receipts are deposited. When the required deposit of monies is made to the State's General Revenue Fund, it is made directly from the agency's clearing account. As a result, these receipts and disbursements are not included in the accompanying Schedule of Receipts, Disbursements, and Changes in Cash.

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