



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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SECRETARY OF STATE

JULY 1, 2003 THROUGH JUNE 30, 2004



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Secretary of State
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 \$4.35. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 14, 2005

TO THE HONORABLE M. SUSAN SAVAGE, SECRETARY OF STATE

Transmitted herewith is the Statutory Examination Report for the Secretary of State. 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 Secretary of State'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

Background

The mission of the Secretary of State is to provide quality service to the public by maintaining a central registry of official documents and administering an address confidentiality program for the State of Oklahoma.

The Secretary of State's Office is the official repository and filing agency for all official acts of the Governor, legislation and state questions, and for business entity filings, state agency rules and regulations, agricultural lien filings, and notary public applications.

Key Staff

M. SUSAN SAVAGE	SECRETARY OF STATE
PEGGY COE	SUPERVISOR, OFFICE OF ADMINISTRATIVE RULES
BRENDA COFFMAN	DIRECTOR, PUBLIC SERVICES AND ADDRESS CONFIDENTIALITY PROGRAM
ROBBIE HOWARD, CPA	BUSINESS MANAGER
KATHY JEKEL	DIRECTOR, EXECUTIVE LEGISLATIVE SERVICES
VICKIE MITCHELL	DIRECTOR, BUSINESS SERVICES
JULIE PARRISH	SUPERVISOR, CENTRAL FILING SYSTEM
MICHELLE WADDELL	EXECUTIVE ASSISTANT
TODD WALL	DIRECTOR, INFORMATION TECHNOLOGY
EUGENA ZACHARY	DIRECTOR, HUMAN RESOURCES



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE HONORABLE M. SUSAN SAVAGE, SECRETARY OF STATE

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 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 Secretary of State's 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

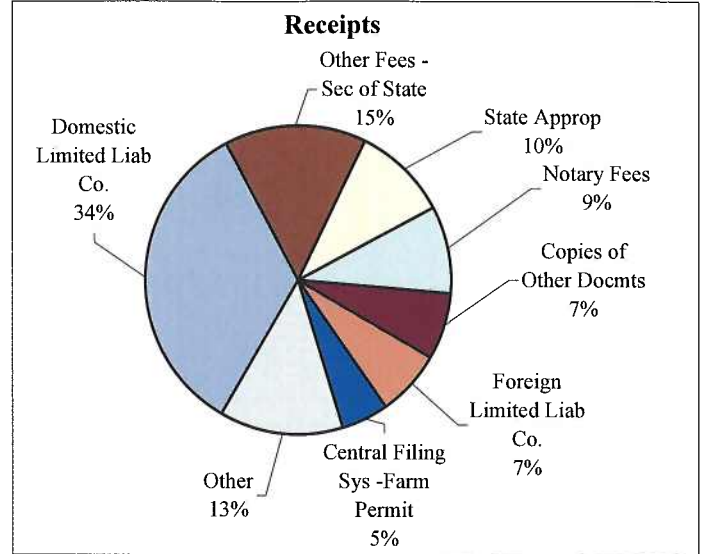
May 19, 2005

SECRETARY OF STATE

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

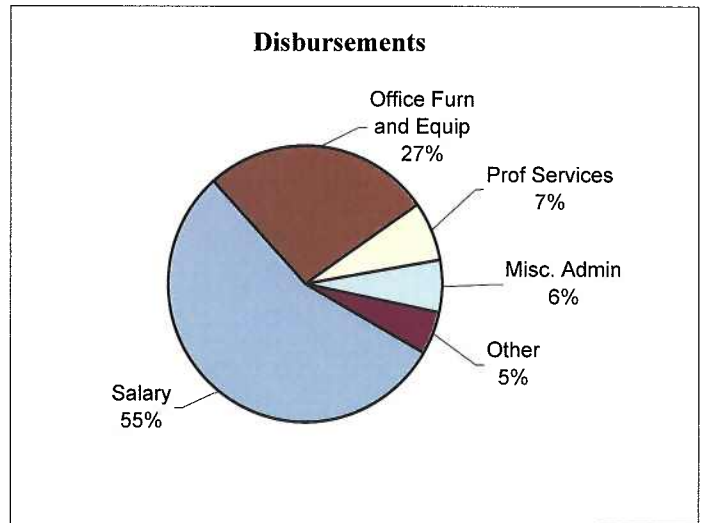
RECEIPTS:

Domestic Limited Liability Co.	1,471,165
Other Fees - Secretary of State	626,808
State Appropriations	432,291
Notary Fees	382,800
Copies of Other Documents	311,426
Foreign Limited Liability Co.	297,560
Central Filing Sys-Farm Permit	219,947
Credit Card Convenience Fee	216,575
Certified Documents	170,348
Other	162,344
Total Receipts	4,291,264



DISBURSEMENTS:

Salary Expense	1,589,825
Office Furniture and Equipment	776,596
Professional Services	206,945
Misc. Administrative	161,108
Rent	63,624
Maintenace & Repair	30,516
General Operating	30,568
Other	25,660
Total Disbursements	2,884,842



RECEIPTS OVER (UNDER) DISBURSEMENTS	1,406,422
CASH - Beginning of year	3,011,645
CASH - End of year	4,418,067

Findings/Recommendations

Finding #1

During our review of internal controls and testing of receipts, we noted that deposits consisted of receipts greater than one hundred dollars, which were not deposited on the same day received. All funds collected are deposited the next business day. We noted the agency does safeguard funds in a locked safe between the time of receipt and the time of deposit. However, the safe appears to be easily accessible. 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 implement procedures to ensure compliance with the statute.

Management Response:

The agency agrees with the intent of the finding and has taken several corrective measures to address the identified problems. Proposed language contained in SB 560 last legislative session would have distributed annual business filings over the entire fiscal year, thereby reducing the unusually high volume of receipts during June through September. There was no objection to that language, but SB 560 was not referred from committee due to other provisions in the bill. The SOS will propose stand alone language to accomplish this change next legislative session.

Because the timing of annual and other filings is statutorily established rather than distributed throughout the fiscal year, a backlog of receipts and associated documents to be filed results. SOS staff works overtime and with temporary employees to address the backlog. Once receipts are processed, they are deposited in the assigned bank within twenty-four hours of their entry into the agency's business system. The agency's safe is being upgraded to improve safekeeping of and to limit access to receipts until they are deposited.

Other Information

Clearing Account

The Secretary of State 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 and the revenue has been earned. Once these items have been honored and the revenue has been earned, the earned revenues are transferred for deposit into the agency's operating fund(s). The agency's clearing account had a cash balance of \$926,165 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.



Office of the State Auditor and Inspector

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