

A photograph of the Oklahoma State Capitol building, a large white domed structure with a statue on top, surrounded by green trees. In the foreground, two flags are flying on a pole: the United States flag and the Oklahoma state flag. The text "2005 Annual Report" is overlaid in a white, cursive font.

2005 *Annual Report*

State of Oklahoma
Office of the Auditor & Inspector

Jeff A. McMahan, CFE



Mission Statement

In partnership with the citizens of Oklahoma, and as guardians of public funds, we audit governmental activities to ensure the peoples' business is conducted in an effective, efficient and legal manner.

Our mission is to provide independent, unbiased, accurate oversight for state and local government by:

- Auditing programs, agencies and institutions as allowed by constitutional and statutory authority.
- Reducing waste and opportunities for fraud.
- Promoting constructive change, improving performance, and accountability in government.
- Educating citizens and policymakers regarding the operation of their government.

-- State Auditor and Inspector



State of Oklahoma
Office of the
Auditor and Inspector

Annual Report

For the fiscal year ending June 30, 2005

Awards



**2005 “*Outstanding Achievement in Government*” award
presented by the Association of Certified Fraud Examiners**



**2005 “*Excellence in Accountability*” award
presented by the National State Auditor’s Association**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. MCMAHAN
State Auditor and Inspector

November 1, 2005

The Honorable Brad Henry
Governor of the State of Oklahoma
Room 212, State Capitol
Oklahoma City, Oklahoma 73105

Dear Governor Henry:

It is my privilege to submit, herewith, a report concerning the duties, activities and accomplishments of the Office of the State Auditor and Inspector for the fiscal year ending June 30, 2005, in accordance with 74 O.S. § 216. The information summarized herein reflects the productivity of the members of the staff, details of which are contained in the audit report on file in this office and on our website at www.sai.state.ok.us.

I would like to take this opportunity to commend the officials and employees of state, county and local agencies for the splendid work performed each and every day of the year. Auditing of any governmental entity is critical by nature. However, these criticisms should not destroy the effect of the many positive attributes of government. The majority of government employees are sincere and dedicated. These employees are constantly striving for efficiency and excellence in government. It is our job to audit the work performed by these employees; however, it is also our job to assist them in attaining the efficiency and excellence to which they aspire.

The information submitted herein offers a brief introduction and overview of the Office of the State Auditor and Inspector, a summary of the responsibilities and general accomplishments of each division within the Office, a detailed listing by division of each report on file, and a narrative of the Constitutional authority of the Office of the State Auditor and Inspector.

We take great pride in presenting the accomplishments represented throughout this report. It is our goal to continue to provide the necessary audit coverage, taking into consideration the rising costs, limited appropriations and increasing volume of work.

Please accept this report on behalf of myself and the members of the staff.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jeff A. McMahan". The signature is written in a cursive style and is positioned above a horizontal line.

Jeff A. McMahan
State Auditor and Inspector

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

For the Fiscal Year Ending June 30, 2005

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Commitment to Audit Quality

Oklahoma State Auditor and Inspector, Jeff A. McMahan, was elected by the citizens of Oklahoma in accordance with *Article VI, Section 1 of the Constitution of the State of Oklahoma*. McMahan was elected in November 2002 and took the oath of office January 13, 2003.

The objectives of the State Auditor and Inspector's Office are to provide comprehensive audits of the collections, receipts, obligations, expenditures and use of public funds; to identify deficiencies in financial and compliance practices and their causes; to offer constructive recommendations to assure full compliance with both the intent and the requirements of state and federal statutes; and to prescribe forms and accounting procedures for county government.

Through the audit function, the Office of the State Auditor and Inspector performs independent, objective and comprehensive evaluations of the practices and operations of state, county and local governments. This information provides government officials and citizens of Oklahoma insight into the operations of agencies, boards, commissions and governmental offices dealing with public funds.

The need to maintain fiscal accountability for public funds is of primary importance. A well designed and functioning accounting system is the key to maintaining an adequate level of accountability. The audit function, as performed by our auditing staff, provides comments on internal control, which enhances the prevention and detection of accounting system breakdowns, thereby preventing the loss of government assets. The State Auditor and Inspector promotes the development of accounting at a level that will ensure adequate accountability of public funds through our monitoring presence and by recommending corrective action. Additionally, our audit reports often cite recommendations for improving the economy, efficiency and quality of services delivered by the various entities we audit.

The audit coverage, by providing a continual flow of fiscal and compliance information, can aid in significant improvements in state and local government operations. Audit programs and reports are updated and reviewed continuously to keep our office responsive to the needs of the citizens and in compliance with the intent of the Legislature. All staff audit teams are trained and knowledgeable concerning standard auditing procedures for the government entities to which they are assigned. The audit teams attend several continuing education programs and in-house training seminars each year.

Audit functions are conducted in accordance with Generally Accepted Auditing Standards (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA) and in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Reports are issued at the conclusion of the audit and are available as public documents. *During the annual period ending June 30, 2005, the office issued a total of four hundred eighty-one (481) reports.*

It is the responsibility of each governmental entity to carry out legislative programs and to properly use public monies. The responsibility of the State Auditor and Inspector's Office is to audit the income and expenditures of public funds and to report those findings to the Governor, Legislature, the governmental entity and to the public. Resolving issues noted in the audit reports are the responsibility of the governing board, the Attorney General or the District Attorney.

Another important function of the Office of the State Auditor and Inspector is to monitor new legislation impacting the office. At the end of each legislative session, these bills are reviewed and as a result, modifications to office operations and audit programs are implemented as needed. These modifications may include changes in the scope or coverage of particular audits, special reporting or in office procedures.

The Office provides support and training for elected county officials concerning purchasing, standard accounting procedures, new legislation affecting those procedures and sound management practices.

The major services provided by the Office are:

- Administrative Support Services
- Local Government Services
- State Agency Services
- Special Services

Each of these services will be discussed in detail in this report under independent headings.

Agency Vision

As the *citizens' watchdog*, the State Auditor and Inspector will continue to be the leader in enhancing *public accountability* and *trust* in state government. We envision the State Auditor and Inspector being a leader and key player in the State's use of *technology* to become more efficient and effective in the delivery of services. We also envision the State Auditor and Inspector being a leader and key player in *performance accountability* in Oklahoma.

Agency Core Values

- **Accountability** - We work for the citizens of Oklahoma and we are accountable to them. We believe every citizen has a right to expect friendly, courteous service; fair and equitable treatment, delivered in a professional manner. We expect excellence in the services we provide. Our auditors, information technology specialists and multidisciplinary professionals seek to improve the economy, efficiency, effectiveness and credibility of government in Oklahoma. As the citizens' watchdog, we serve as a deterrent to crime.

-
- **Integrity** - We will conduct all engagements with honesty, integrity, and objectivity, without bias. We will build relationships with clients and constituents based upon trust, cooperation and open communication.
 - **Reliability** – We will provide high quality services and reports. Our reports will be accurate, useful, and easy to read and understand.
 - **Independence** – We require all staff members to be independent both in appearance and in fact, with respect to any engagement wherein we provide audit services. The State Auditor and Inspector, separately elected by the voters of Oklahoma, is organizationally independent. Therefore, we are uniquely in the position to offer audit services to any of the three branches of government (executive, legislative or judicial).

Agency Goals

- Provide high quality audit services.
- Provide high quality services in such areas as information technology, management and consulting.
- Maintain a credible, professional organization devoted to serving the needs of our clientele.

Changes in Services

Financial and compliance audits will always be an integral part of fiscal accountability. The current trend in governmental auditing is a shift in emphasis toward performance audits. It is becoming more important for government audit organizations to assess performance as a means of helping governments provide services in the most economical and efficient manner.

Legislation on the Federal and State level is requiring a transition to performance and results oriented accountability. 62 O.S. § 45.1 et. seq., of the Forty-Seventh Legislature established the Oklahoma Program Performance Budgeting and Accountability Act. The United States Congress passed the Government Performance and Results Act in 1993. We anticipate over the next few years that federal grant audit requirements will shift toward performance accountability.

We are developing skills in these new and changing times that will benefit our clients.

Administrative Services

Jeff A. McMahan is the chief executive officer of the State Auditor and Inspector's Office. Administrative Services consists of the State Auditor and Inspector, the Deputy State Auditor and Directors of Audit Services. Each Director is responsible for the planning and administration of their division within the Office. Administrative Services is the "umbrella" under which all other divisions function. Directors also assist in the supervision of many internal functions of the Office concerning budgeting, personnel, office policy, consistency in audit coverage and general administration of the Office.

Support Services is responsible for daily internal operations. Financial responsibilities include purchasing, budgeting, billing and claims processing. All personnel and employee benefit information is maintained by this Department, as well as an information system containing audit tracking and time accounting data. Support Services provides the printing, binding, distribution and file maintenance of all reports published by the State Auditor and Inspector's Office. This department is also responsible for archiving reports and distributing supplies and equipment.

Local Government Services

County Audit Services

County Audit Services is responsible for conducting financial and compliance audits in all (77) counties across the State, as well as (48) Emergency Medical Service Districts. County Audit Services also conduct cash counts and reconcile the accounts maintained by each county treasurer. When there is a transition of elected officials, auditors perform specific procedures covering the internal controls and compliance requirements of the Office. Varying audit procedures are performed and reports published for each of the (27) district attorneys.

These audits are conducted on-site; therefore, four separate branch offices in Ada, Tulsa, Weatherford and Oklahoma City are maintained to minimize travel costs. Each branch office is staffed with an audit manager, audit supervisors and auditors.

Each year new standards, laws and forms are introduced which affect the accounting systems and the internal control of county offices. As a result, the County Audit Services director, audit managers and supervisors revise and update audit programs and report formats annually. We utilize auditing software to examine, test and analyze stored computer data files.

County Audit Services assists Management Services with training seminars and workshops held for county officers. Consulting services are also provided to the county officers regarding maintenance of proper accounting records and execution of proper accounting procedures. The services provided to county officers have been extremely beneficial to the audit staff, the officials and the taxpayers of Oklahoma. The result is more efficiently managed offices creating a more reliable audit trail and increased accountability to the taxpayers.

A list of reports issued during this period appears in the “Detailed List of Audit Coverage” in the back of this report.

Program Objectives

- Continue to provide local government the maximum level of quality audit services our resources can sustain.
- Perform audits and issue audit reports in accordance with accounting standards generally accepted in the United States of America and in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Issue reports that are meaningful at a good value. Audits facilitate the improvement of accounting processes and compliance with state and federal laws.
- Deliver quality audit and inspection products and services that are useful to management.
- Provide independent, timely, efficient, high-quality audits.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Number of audit reports issued.	254	291	401	314
Number of inquires received and resolved.	3,290	3,300	3,300	3,100

Management Services

Management Services of the State Auditor and Inspector's Office provides technical assistance to all county officials, and other political subdivision, as mandated by the Constitution of the State of Oklahoma and the Oklahoma State statutes.

Auditing of any governmental entity is critical by nature, and as such, should provide the personnel qualified to answer any questions arising from those criticisms. Management Services consists of personnel technically trained to answer those questions.

The State Auditor and Inspector's Office is directed by State statute to prescribe the forms used by county officials in maintaining the books and records of the county. Management Services made revisions to (14) existing forms for use by county officials.

Another function of the Division is to continuously update and revise the Statute Reference Manual, an ongoing project which requires constant attention to new laws enacted by the State Legislature as well as the modification or amending of current laws of the State of Oklahoma. In addition to the manual mentioned above, Management Services tracked (78) bills in the House and Senate, which pertain to county government. A digest of House and Senate Bills, passed during the legislative session, is forwarded to all county officials.

During this annual period, Management Services issued eight bulletins to county officers advising them of changes in accounting procedures, current forms to be used and notification of statewide meetings.

The State Auditor and Inspector's Office routinely tracks Attorneys' General Opinions, which may affect county government.

Local Government Services

During the annual period ended June 30, 2005, Management Services personnel prepared materials and gave presentations at numerous meetings as noted below.

<i>County Officer Schools and Meetings</i>	
County Assessors Annual Meeting – August 2004	SA&I Reporting Requirements for County Treasurers - January 2005
County Officers and Deputies Association of Oklahoma Fall Meeting – September 2004	Southwest District County Officers and Deputies March 2005
Northeast District County Officers and Deputies Fall Meeting – October 2004	Northwest District County Officers and Deputies March 2005
Northwest District County Officers and Deputies Fall Meeting – October 2004	County Clerks’ Association Annual School April 2005
Association of County Commissioners of Oklahoma November 2004 - January & April 2005	Court Clerks’ Association Annual School May 2005
Purchasing Workshop - November 2004	County Treasurers’ Association Annual School May 2005
County Officers and Deputies Association of Oklahoma Winter Conference – February 2005	Southeast District County Officers and Deputies Spring Meeting – May 2005
County Excise Board Training - May & June 2005	

Program Objectives

- Continue to offer quality management advisory services to County Officers and management of public entities.
- Develop and present instructional materials at workshops and conferences.
- Assist the Center for Local Government Technology in the training of county officers and deputies.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
The number of workshops and conferences wherein Management Services personnel prepared materials and made presentations or assisted another presentation.	16	18	18	17
Number of bulletins issued.	12	19	8	15

Investigative Audit Services

The Office of State Auditor and Inspector is charged with the responsibility of conducting limited examinations, reviews and investigative audits of government entities upon a request of a petition of citizens, a request of the Governor, the Speaker of the State House of Representatives, the President Pro Tempore of the State Senate, a District Attorney, any Board of County Commissioners, or any public entity's governing board, in accordance with *74 O.S. § 212* and *74 O.S. § 227.8*, respectively.

Investigative Audit Services is also responsible for assisting the Attorney General's Office in their investigations as directed by *74 O.S. § 18f*. At the request of the Attorney General's Office, the audit staff will conduct limited examinations, reviews and investigative audits.

Program Objectives

- Assist the District Attorneys, the Attorney General, citizens and governmental entities, in the determination of compliance or noncompliance with state laws, local policies, proper accounting principles and good management practices.
- Provide informative reports to the public including recommendations for corrective measures to insure proper practices.
- Assist citizens with concerns about financial activity of their local governmental entities by communication with the parties concerned, without conducting an audit and the entity incurring the respective cost.

Local Government Services _____

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Number of inquiries resolved through mediation.	70	172	105	61
Number of investigative reports issued.	25	14	13	13/21

State Agency Services

Financial Audit Services

State Agency Financial Audit Services conduct financial audits, federal compliance audits and attestation services in accordance with Government Auditing Standards. The department also provides other audit services for state agencies and acts on requests for services from legislators, state agency management and concerned citizens which are conducted as special projects. Special projects completed or in progress during the year were:

- Office of State Finance-Casino Monitoring Program Technical Assistance
- Employees Benefit Council-Vendor Financial Statement Analysis
- Department of Tourism-Certification of Uncollectible Accounts Receivable

Financial Audit Services primary office is located in the Shepherd Mall complex. In addition to the primary office, branch offices are maintained at the Oklahoma Tax Commission, the Oklahoma Department of Transportation, the Oklahoma State and Education Employees' Group Insurance Board, and the Oklahoma Department of Human Services. These audits require on-site, year-round staffing due to agency size or state statute.

State Agency Financial Audit Services has the responsibility for the audit of the State's Comprehensive Annual Financial Report (CAFR). The financial operations of all State agencies, boards and commissions are included within the scope of the CAFR. The State's CAFR has received the "*Certificate of Achievement for Excellence*" in financial reporting from the Governmental Finance Officers' Association every year since 1996.

Financial Audit Services also has the responsibility of performing the State's Single Audit. The federal funds expended by all State agencies are included within the scope of the Single Audit. During fiscal year 2004, the State expended over \$4.6 billion in Federal assistance, excluding colleges/universities, and proprietary component units. The Federal Department of Health and Human Services has reviewed the State's *Single Audit Report* prepared for the fiscal year ended June 30, 2004, and has determined the report meets Federal audit requirements.

This Department is also responsible for compliance-type audits of state institutions of the Oklahoma State System of Higher Education when requested in accordance with *74 O.S. § 213 (D)* and for special audits and investigations upon request of the Governor or Attorney General of the State of Oklahoma.

A complete listing of audits and other services performed appears in the "Detailed List of Audit Coverage" in the back of this report.

In addition to the services discussed above, members of SAFAS have participated in the national peer review program conducted by the National Association of State Auditors, Comptrollers, and Treasurers (NASACT). NASACT is an organization for state officials who deal with the financial management of state government. NASACT's membership is comprised of officials

State Agency Services

who have been elected or appointed to the office of state auditor, state comptroller or state treasurer in the fifty states, the District of Columbia and U.S. territories. Peer reviews are required by Government Auditing Standards every three years to ensure audit agencies meet audit industry standards. The State Auditor and Inspector's office successfully passed its peer review in 2003.

In order to help defray the cost of our own peer review, Division staff members have served on peer review teams for the States of Arizona and New Jersey. In New Jersey, the member was the peer review team leader. Division staff also served on the audit team for the audit of NASACT.

Program Objectives

- Exhibit professional integrity by remaining independent, exercising due professional care and complying with Governmental Auditing Standards in the performance of our audits.
- Ensure the timely completion of quality audits, which serve to facilitate management's improvement of its accounting processes, compliance with state and federal laws and to enhance the services it provides to the public.
- Ensure accountability of state government to its leaders, citizens and the federal government through the performance of financial and federal compliance audits, internal control assessments and other special requests.
- Ensure the reliability and relevance of our audit reports to assure they are accurate, useful and easy to read and understand.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Achieved timely completion of CAFR audit and Single audit for the State of Oklahoma. ¹	YES	YES	YES	YES
Obtained acceptance from USDHHS for Single Audit report meeting Federal audit requirements.	YES	YES	YES	YES
Percentage of audit coverage of Federal Expenditures expended by the State of Oklahoma.	79%	75%	79%	75%
Number of recommendations followed-up to determine status to corrective action.	81	82	137	145
Number of agencies that received an audit or attestation service. ²	19	19	22	40
Number of agencies that received other audit services such as statutory examinations, internal control assessments or special projects.	27	23	32	15

¹ Completion is considered timely if the CAFR report is issued by December 31 and the Single Audit report is issued by March 31 unless an extension of these dates is granted by the Government Finance Officers Association (CAFR) or the U.S. Department of Health and Human Services (Single Audit). Should an extension be granted, completion is considered to be timely if the extension date is met.

² The number listed here accounts for audits conducted as part of the State of Oklahoma CAFR, State of Oklahoma Single Audit, stand-alone financial statement audit or attestation engagement.

Performance Audit Services

74 O.S. Supp. 2001 § 213.2 authorizes the State Auditor and Inspector to conduct a performance audit on any public officer, institution or other governmental entity upon the written request of the Governor, the chief executive officer of a governmental entity or pursuant to a concurrent resolution of the Legislature.

These audits are conducted in accordance with Government Auditing Standards, which describes performance audits as "...an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria...". Simply stated, performance audits provide information to improve operations and aid those responsible for initiating corrective action.

State Agency Services

The main types of performance audits performed by this office include economy and efficiency audits and program effectiveness audits. Economy and efficiency audits determine whether an entity is acquiring, protecting and using its resources in the most productive manner. Program effectiveness audits address and measure the extent to which a program is achieving its goals and objectives.

Performance audits completed and/or in progress June 30, 2005 are:

- State of Oklahoma Passenger Vehicles
- Oklahoma Tourism and Recreation Department
- Oklahoma County Passenger Vehicles
- Department of Public Safety
- Department of Agriculture
- Alcoholic Beverage Laws Enforcement Commission
- Oklahoma Capital Investment Board

Program Objectives

- To provide relevant audit reports to improve program performance and aid in the decision-making process of the legislature, agency management and individual citizens.
- To issue reports in accordance with Government Auditing Standards.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Number of audits issued.	0	0	2	7
Number of recommendations.	N/A	N/A	22	N/A
Number of recommendations implemented.	N/A	N/A	0*	N/A
Amount of recommended cost savings.	N/A	N/A	\$20,675,360	N/A

* Recommendations to be reflected in the 2006 fiscal year.

Information Services

Information Services is made up of three essential service areas. These areas are: Information System Audit Services, Network Administrative Services and System Development Services. Below, you will find complete descriptions of the service areas as well as the benchmarks used to determine if these areas are functioning efficiently and effectively.

Our mission is to provide the tools for the Office and information to the State of Oklahoma that will bring them to the forefront of the governmental technology community. We act as leaders in embracing technology and using it to its full potential.

Information Systems Audit Services

Information Systems Auditing (IS Audit) provides the managers of the State of Oklahoma's data resources with useful information so that they can successfully manage the risks associated with implementing and using technology. For FY-2005, the IS Audit Division set the following:

Program Objectives

- Expand professional resources and acquire technical skills to fully evaluate the State of Oklahoma's information system environment by the end of the fiscal year 2005.
- Provide assistance with computer automated auditing tools and develop technical training curricula for auditing staff on a reoccurring basis as needed.
- The Information Systems Audit Division (IS) performed work that included assisting financial auditors with nine state agency audits, several county audits and one independent Information System Audit. Further, we assisted our office with developing technical training for auditors.
- The nine audits where we assisted financial auditors included general information system controls and special tests required by the single audit. These projects included the following agencies:

Department of Health	Department of Education
Department of Transportation	Department of Human Services
Department of Central Services	Employment Security Commission
Oklahoma Tax Commission	Department of Mental Health
Department of Rehabilitation Services	

- One independent Information System Audits was performed on Office of State Finance (CORE).

State Agency Services

Key Performance Measures

<i>Performance Measure</i>	<i>FY-2005 Results</i>
95% of IS Audit work will be completed within the allotted time budget.	96% of the audits performed were completed in our time budget.
95% of all computer forensic examinations will have the drive imaging and initial analysis completed within the first 10 days after receiving the drive(s).	There were no forensic examinations performed during this time period.
95% of all computer forensic examinations will be completed in no later than 30 days.	There were no forensic examinations performed during this time period.

Network Administrative Services

Network Administration Services provide support for all software applications and computer hardware used within the Office. There are five network locations connected via a virtual private network that falls under the responsibility of this department.

During FY-2005, this department hired a help desk technician.

Program Objectives

- Providing Internet, e-mail and networking services to each of the five network locations with limited interruption in service.
- Upgrade system back-ups to include automated off site storage.

Key Performance Measures

<i>Performance Measure</i>	<i>FY-2005 Results</i>
95% of uptime to stated availability of the network.	98% of uptime was noted as compared to the availability of the network.
98% of help desk requests will be resolved or escalated within 24 hours of original request.	94% of help desk requests were resolved or escalated within 24 hours of receiving the request.

System Development Services

System Development Services provide IT support to county offices through the Ad Valorem Tax program in conjunction with services provided by the Oklahoma Tax Commission. This department supports hardware housing the Ad Valorem program and the software used by county officials.

Program Objectives

- To complete development of application upgrade for current system in order to provide compatibility with the Windows 2000 and newer operating systems.
- To implement upgrades in at least 15 County Assessor Offices the end of FY-2006.

Key Performance Measures

<i>Performance Measure</i>	<i>FY-2005 Results</i>
Meet the scheduled completion date in 90 % of county assessors' offices using the SA&I software system.	The scheduled completion date was met for five county assessors in a beta test version of the SA&I software system. Some corrections were made to the software and upgrades will continue for FY-2006.

Special Services

Quality Assurance and Audit Review

Quality Assurance and Audit Review is responsible for:

1. Coordinating the internal quality control program.
2. Coordinating the external peer review (every three years) and the federal quality control review (QCR).
3. Collecting and reviewing all audits required by Oklahoma statutes (*74 O.S. § 212A*).

Coordinating the internal quality control program includes ensuring that audit policies and procedures are adopted and followed by the organization and that all audit reports meet statutory and technical criteria. This is accomplished through review of all audit reports and a sample of audit work papers. The Division is also responsible for researching technical and professional literature, updating the Office's technical library, and informing the staff of new developments in the government accounting and auditing sector.

Coordinating the external peer review includes gathering information for the peer review team leader and answering/directing the team's questions while they are on-site. This peer review is held once every three years, as required by Government Auditing Standards. In general, the federal QCR is held concurrently with the external peer review, and the Division's responsibilities for it are the same as those for the peer review.

According to 74 O.S. §212A, copies of all audit reports of governmental entities must be filed with the State Auditor and Inspector. All governmental entities, as defined by the Governmental Accounting Standards Board, are required to have an audit of their financial statements in accordance with Government Auditing Standards; this requirement pertains to all audits conducted by external auditors for any state agency, board, commission, school district, city, town, public trust or other governmental entity. Also, all auditors of governmental entities must register with the Oklahoma Accountancy Board and must satisfy both the Oklahoma Accountancy Board and the State Auditor and Inspector's Office that the auditor has met the criteria defined by the Government Auditing Standards prior to entering into audit contracts.

A filing fee of \$40.00 is collected for each report filed with the State Auditor and Inspector; this fee is collected to help offset the cost of collecting, maintaining, and reviewing the reports. Each report is reviewed for compliance with applicable reporting standards. Approximately 1,871 audits of governmental entities were reviewed by the State Auditor and Inspector's Office for the annual period ending June 30, 2005.

Program Objectives

- Ensure that SA&I audits are performed in accordance with applicable professional auditing standards.

- Ensure that all governmental entities for which audits are required receive audits and that the audit reports meet applicable reporting standards as required by O.S. 74 §212A.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 Budget</i>
Positive results for National State Auditor’s Association Peer Review (every three years) and Federal Quality Control Reviews. (Peer Review criteria—unmodified opinion that the office conforms with <u>Government Auditing Standards</u> ; QCR Criteria—the audits performed by the office meet all federally mandated audit requirements.)	YES	YES	YES	YES
Review at least one set of audit workpapers per manager for compliance with applicable standards.	N/A	N/A	YES	YES
Number of externally prepared audit reports filed with/reviewed by State Auditor and Inspector as required by 74 O.S. § 212A.	2,081	2,052	1,871*	1,871

*The decrease in the number of reports reviewed was primarily due to a change in the statute that previously required housing authorities to have an annual audit; an annual audit is no longer required.

The State Auditor and Inspector’s Office is dedicated to maintaining a qualified, well-trained audit staff. Fostering an environment of professionalism and proficiency, the Continuing Professional Education (CPE) Program is recognized throughout the state for its excellence.

Ensuring compliance with Government Auditing Standards issued by the Comptroller General of the United States, staff members assigned to audit federal programs are required to complete 80 hours of continuing professional education in a two-year period. Of those 80 hours, 24 are required to be in subjects directly related to the government environment and to governmental auditing. Staff auditors are required to complete a minimum of 20 hours of continuing professional education (CPE) annually to remain current with any changes to auditing professional standards.

The Training Director for the State Auditor and Inspector’s Office is responsible for the design and implementation of a comprehensive Continuing Professional Education (CPE) program that meets the requirements of the General Accounting Office (GAO), the Oklahoma Accountancy Board and the Office of Personnel Management. Responsibilities include recruitment of qualified

Special Services

instructors, scheduling of seminars, conference planning, development of course instructional materials and maintenance of extensive documentation for all programs and participants. In addition, the Training Director serves as seminar presenter, serves on multi-agency task forces, assists other agencies with training resources and serves as the agency's Employee Wellness and Safety Coordinator.

The year's CPE seminars were designed and scheduled to assure that the professional proficiency, knowledge and skills of each individual audit staff member was continually enhanced and improved. Instructors of the Continuing Professional Education program included a combination of the State Auditor and Inspector's staff as well as other local, state and nationally recognized experts in a wide variety of fields. Invitations to participate in several relevant seminars were extended to financial officers, internal auditors and information technology management staff of other state agencies and educational institutions. More than 75 state agency personnel and individuals participated in seminars sponsored by the State Auditor and Inspector's Office during this reporting period enhancing accountability and assuring policy and procedure adherence throughout State government.

Additional professional and technical educational opportunities were afforded staff throughout the year enhancing skills in areas that included fraud detection, information technology systems, auditing, accounting, legal issues and professional management skills. Many staff participated and maintained membership in various professional and business organizations. Highly sought after for their expertise, staff members served as conference presenters, guest speakers and conducted seminars in their respective fields throughout the year.

*Continuing Education Seminars
Period Ending June 30, 2005*

<u>Date</u>	<u>Seminar</u>	<u>Hours</u>
July	Interviews and Interrogations-Modified Non-Law Enforcement Approach <i>By: Wes Edens, Special Investigations Division</i>	8
	Fundamentals of Computer Use <i>By: Ann Cole, Director, Information Services Division</i>	8
	Independence and the New Yellow Book <i>By: Steve Tinsley, Deputy State Auditor</i>	2
	Using Audit Command Language (ACL) To Audit County Information Systems <i>By: Jana Wallace, Information Services Division Mickey Gunkel, Information Services Division</i>	30
August	Independence and the New Yellow Book <i>By: Steve Tinsley, Deputy State Auditor</i>	2
	Using Audit Command Language (ACL) To Audit County Information Systems <i>By: Jana Wallace, Information Services Division Mickey Gunkel, Information Services Division</i>	30
	Auditing Networked Computers <i>By: Hank Becker, Senior Instructor MIS Training Institute</i>	16
September	Basics of Audit Command Language (ACL 8.2) <i>By: Ann Cole, Director, Information Services Division Tim Roberts, Information Services Division</i>	24
October	Yellow Book Updates <i>By: Marcia Buchanan, GAO, Washington, D.C.</i>	4
	Technical Skills for Writing Precise Reports and Audit Findings And Audit Findings <i>By: Mike Crawford, Crawford and Associates</i>	4
November	Foundations of ACL-Concepts and Practices <i>By: Ann Cole, Director, Information Services Division Eric Collins, Information Services Division</i>	40

Special Services

*Continuing Education Seminars
Period Ending June 30, 2005*

November	Workpaper Documentation and Understanding General Controls Over Information Systems <i>By: Ann Cole, Director, Information Services Division Diana Nichols, Quality Assurance Division</i>	8
December	Ethics 2004 <i>By: Steve Tinsley, Deputy State Auditor and Inspector</i>	2
February	Excel for Auditors <i>By: Girard Jergensen, Information Services Division</i>	8
March	Performance Auditing-Process and Planning <i>By: David K. Greer, Louisiana Office of the Legislative Auditor Patrick Goldsmith, Louisiana Office of the Legislative Auditor</i>	8
April	Basics of Outlook and PowerPoint <i>By: Erin Edmondson, Web Design and Data Support Services</i>	8
	Excel for Auditors <i>By: Girard Jergensen, Information Services Division</i>	8
	Written Communication Skills for Auditors <i>By: Heather B. Bowlan, East Central University</i>	8
May	Spectrum Development Communication and Team Building Skills <i>By: Tamara Lawson, Training Director</i>	8
June	Introduction to Fraud-Related Controls <i>By: Clayton Hoskinson, Special Investigations Division</i>	8
	Spectrum Development Communication and Team Building Skills <i>By: Tamara Lawson, Training Director</i>	8
	County Treasurer Tax Roll Collection System and ACL Case Studies <i>By: Mickey Gunkel, Scott Warren, Carol Bomhoff Johnny Caldwell, Information Services Division</i>	8
	Intermediate ACL <i>By: Ann Cole, Director, Information Services Division</i>	8

*Continuing Education Seminars
Period Ending June 30, 2005*

July	<p>Introduction to Fraud-Related Controls 8 <i>By: Clayton Hoskinson, Special Investigations Division</i></p> <p>Spectrum Development Communication and Team Building Skills 8 <i>By: Tamara Lawson, Training Director</i></p> <p>County Treasurer Tax Roll Collection System and ACL Case Studies 8 <i>By: Mickey Gunkel, Scott Warren, Carol Bomhoff Johnny Caldwell, Information Services Division</i></p> <p>Introduction to ACL 8 <i>By: Ann Cole, Director, Information Services Division</i></p> <p>ACL Intermediate Case Study 16 <i>By: Hilaire Johnson, Ginny Brinkley, and Debbie Williams State Agency Audit Division</i></p> <p>Changes For Fiscal Year 2005 Audits 8 <i>By: Sherri Merle, Manager, County Audit Division</i></p>
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Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Percentage of audit staff that comply with continuing professional education (CPE) requirements of both <u>Government Auditing Standards</u> and office policy.	100%	100%	100%	100%
Average overall evaluation of State Auditor and Inspector sponsored CPE by SA&I staff and attendees from other state agencies. Scale: Excellent – 4 Good – 3 Adequate – 2 Poor – 1	3.3	3.5	4.0	4.0

Special Services

The Public Trust Department monitors a total of 1,199 public trusts and continues to actively pursue any noncompliance with filing requirements. This office has made significant strides toward informing trusts of their responsibility to initiate audits. Due to this effort, 962 trusts were in compliance and 237 trusts were noncompliant during the fiscal year ending June 30, 2005.

As of June 30, 2005, there were 94 hospital trusts. As required by *19 O.S. § 794*, all county-owned hospitals must file an annual audit with this office; subsequently Oklahoma has 16 county owned hospitals, with one being noncompliant. As required by *60 O.S. § 180.1* and *180.2*, all public trusts are required to file annual audits with this office. As of June 30, 2005, 85 of Oklahoma's 94 hospital trust authorities were in compliance with these statutes.

As required by *74 O.S. § 212A*, all governmental entities receiving public funds shall file with this office a financial statement audit in accordance with Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards, as of the end of each fiscal year. During this period, there were a total of 1,166 general audits; 982 were in compliance and 184 were noncompliant.

The general audits are listed as follows:

Colleges	27	Schools	594
Conservation Districts	92	Non-Government	154
	Rural Water Districts	299	

There are a total of 591 cities in Oklahoma, 471 were in compliance and 120 were noncompliant as of June 30, 2005.

Abstractor Industry Services

The Oklahoma State Legislature adopted the Oklahoma Abstractor's Law (*74 O.S. § 227.10 et seq.*), which directed the State Auditor and Inspector to regulate Oklahoma's abstract industry.

Abstractor Industry Services has promulgated rules and regulations at Title 80 of the Oklahoma Administrative Code, to which all abstract companies must conform. (Copies of these documents are available on the State Auditor and Inspector's website.)

The office of the State Auditor and Inspector employs an Abstractor Registrar and Secretary to staff the Abstractor Division. This department issues Certificates of Authority, Individual Abstractor Licenses and Permits to Build Abstract Plants. In FY-2005, the Abstractor Division issued 958 licenses, 130 certificates and one permit. The significant increase in licenses issued over previous years was due in part to an increased emphasis placed on licensing compliance during the fiscal year.

The Abstractor Registrar investigates complaints from consumers concerning abstracting issues and attempts to resolve them by using informal resolution methods. When needed, the Abstractor Division provides a hearing examiner for resolution of formal complaints against abstract companies.

Program Objectives

- Assist consumers in resolving issues with abstract companies; safeguard the public interest; uphold State Statutes and Administrative Rules regarding Abstractors.
- Encourage and require high standards of abstract plant development and maintenance.
- Encourage and require high standards of ethical practices and knowledge of licensees and provide quality service in issuance and renewal of Individual Abstractor Licenses, Permits and Certificates of Authority.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Number of on-site visits.	20	29	46	38
Percent of formal complaints resolved within 120 days.	81%	92%	0%*	90%
Percent of informal complaints resolved within 10 days.	50%	58%	64%	65%
Percent of informal complaints resolved within 30 days.	68%	75%	76%	80%
Percent of informal complaints resolved within 60 days.	74%	86%	88%	90%
Individual abstract licenses issued.	757	922	958	960
Certificates of authority issued.	130	130	130	130

*Only one formal complaint was filed during FY-2004. This complaint was still under investigation at the date of publication of this annual report.

Special Services

Minerals Management Audit Services

The State Auditor and Inspector's Office assists the Federal Government in the performance of mineral royalty audits of Federal lands within the State of Oklahoma as authorized by *Section 205 of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)* and *Royalty Simplification and Fairness Act (RFSA)*. This program insures that all royalty payments due to the State of Oklahoma and the Federal government are accurately accounted for. This amounted to approximately \$10,000,000 for the most recently completed Federal fiscal year for which payments and audit results are available.

The State Auditor and Inspector's office has implemented a policy to require all staff assigned to audit Federal royalty payments to complete eighty (80) hours of continuing professional education in a two-year period in compliance with Government Auditing Standards, as adopted by the General Accounting Office. The approximate \$360,000 cost of these audit services for the Federal fiscal year ending September 30, 2005, will be reimbursed to the State of Oklahoma.

Program Objectives

- Insure royalties from producing oil and gas properties on Federal lands in the State of Oklahoma are correctly reported and paid to the Department of Interior, Minerals Management Service.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2003</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006 BUDGET</i>
Dollars of underpaid royalties and interest collected.	*\$175,000	*\$150,000	*\$175,000	\$200,000
Number of reports issued.	^None due to Federal Mandate	3 Companies	3 Companies	7 Companies

*Estimated amount Federal System shut down by Judge.

^Federal Judge Royce Lamberth shut down Department of Interior Computer system in 2002, not reconnected until May 2003, audits began in 2002 and 2003 to be completed in 2004, 2005, and 2006.

Horse Racing Audit Services

Horse Racing Audit Services is responsible for monitoring all wagering activities at racetracks and their off-track wagering facilities, licensed by the Oklahoma Racing Commission (Oklahoma Statute Title 3A § 204 A.9). Currently, there are three operating racetracks and a fourth that has an open application pending.

A portion of all wagers are paid to State funds established in the State Treasurer's office. Horse Racing Audit Services monitors all wagers on live races, in-State simulcast races and out-of-State simulcast races; tracks all commissions as well as funds that are returned to the public for winning pari-mutual tickets. The cost of this monitoring is paid from an amount set aside for that purpose from monies wagered (Oklahoma Statute Title 3A § 205.6a.5 and 205.7J).

Program Objectives

- Insure the integrity of the pari-mutuel wagering system, the payment of winning wagers to the public, and the proper distribution of commissions, including those due to the State of Oklahoma.

Key Performance Measures

<i>Performance Measures</i>	<i>CY-2003</i>	<i>CY-2004</i>	<i>CY-2005</i>	<i>CY-2006 BUDGET</i>
State Deposits	\$4,150,360.72	\$3,826,556.13	*\$3,500,000	*\$3,000,000
Reports Issued	9	8	9	10
Total Wagers	\$140,478,069	\$127,197,358	\$135,404,704	*\$115,435,250

*Estimated amounts for these years.

Special Services

State Board of Equalization Support

The Oklahoma State Board of Equalization is a constitutionally authorized board comprised of seven ex-officio board members. The members include the Governor, Lieutenant Governor, State Treasurer, State Auditor and Inspector, Attorney General, Superintendent of Public Instruction and Commissioner of the Department of Agriculture. The Governor serves as Chairperson and the State Auditor and Inspector serves as Secretary to the State Board of Equalization.

The principal duty of the State Board of Equalization is to adjust and equalize the valuation of real and personal property of the 77 counties and assess all railroad, airline and public service corporation properties. The Board also provides an estimate of revenue that will be available for appropriation by the Legislature.

During this annual period, the Board met six times and certified assessed valuations of 251 railroads, airlines and public service corporations.

The Board also received approximately 1,600 annual budgets that included counties, cities, towns, school districts and other taxing jurisdictions within the State of Oklahoma. Budgets are reviewed to verify that all valuations and levies reflected agree with those certified by the local official.

State Pension Commission Support

The State Auditor and Inspector, or his designee, serves as a member of the Oklahoma State Pension Commission in accordance with *74 O.S. § 941*. This office also provides administrative support to the Commission.

The Oklahoma State Pension Commission is comprised of seven members, including the State Auditor and Inspector or his designee, the Director of the Department of Central Services, the State Treasurer (or their designees); one member of the Senate appointed by the President Pro Tempore of the Senate, one member of the House of Representatives appointed by the Speaker of the House of Representatives, and two members appointed by the Governor.

The principal duty of the Commission is to review and publish comparative quarterly and annual performance reports analyzing the investment performance of Oklahoma's seven pension systems, specifically for firefighters, police, justices and judges, law enforcement personnel, teachers, public employees and wildlife department personnel.

The Commission is also directed by statute to hire one or more pension fund management consultants to assist the Commission in accomplishing its objectives. The consultant is considered a fiduciary of the state retirement systems.

During this annual period, the Commission met four times and presented eight reports.

Audit Reports Listing

County Government - Financial Audits

Entity and Release Date

Adair County FY '03	6/30/2005	Comanche County FY '04	6/15/2005
Alfalfa County FY '03	4/18/2005	Cotton County FY '03	11/12/2004
Alfalfa County FY '04	4/18/2005	Craig County FY '03	10/5/2004
Atoka County FY '03	1/27/2005	Creek County FY '03	5/11/2005
Atoka County FY '04	2/25/2005	Custer County FY '04	3/17/2005
Beaver County FY '03	11/15/2004	Delaware County FY '03	5/11/2005
Beckham County FY '03	12/13/2004	Dewey County FY '03	11/15/2004
Beckham County FY '04	1/26/2005	Ellis County FY '03	8/23/2004
Blaine County FY '04	6/2/2005	Ellis County FY '04	5/19/2005
Bryan County FY '03	6/30/2005	Garfield County FY '04	6/15/2005
Bryan County FY '04	6/30/2005	Garvin County FY '03	10/4/2004
Caddo County FY '04	5/11/2005	Grady County FY '03	9/20/2004
Canadian County FY '03	9/10/2004	Grant County FY '03	2/1/2005
Canadian County FY '04	6/30/2005	Grant County FY '04	2/1/2005
Cherokee County FY '03	6/30/2005	Greer County FY '03	12/16/2004
Choctaw County FY '03	10/4/2004	Harmon County FY '03	12/16/2004
Cimarron County FY '03	9/27/2004	Harmon County FY '04	1/27/2005
Cimarron County FY '04	6/30/2005	Harper County FY '03	12/29/2004
Cleveland County FY '04	4/18/2005	Hughes County FY '03	12/16/2004
Coal County FY '03	5/19/2005	Hughes County FY '04	1/26/2005
Coal County FY '04	5/19/2005	Jackson County FY '04	5/6/2005

Audit Reports Listing

Entity and Release Date

Johnston County FY '03	2/23/2005	Ottawa County	5/11/2005
Johnston County FY '04	2/23/2005	Pawnee County FY '03	12/13/2004
Kay County FY '03	6/30/2005	Payne County FY '03	12/13/2004
Kiowa County FY '04	5/6/2005	Pittsburg County FY '04	6/15/2005
LeFlore County FY '03	12/16/2004	Pontotoc County FY '03	12/22/2004
Lincoln County FY '03	2/25/2005	Pontotoc County FY '04	2/1/2005
Logan County FY '03	1/3/2005	Pottawatomie County FY '03	11/12/2004
Love County FY '03	6/1/2005	Pushmataha County FY '03	5/6/2005
Love County FY '04	6/1/2005	Pushmataha County FY '04	5/6/2005
Major County FY '03	8/17/2004	Roger Mills County FY '03	11/15/2004
Major County FY '04	1/26/2005	Roger Mills County FY '04	5/6/2005
Mayes County FY '03	10/5/2004	Rogers County FY '02	10/1/2004
McIntosh County FY '03	10/1/2004	Seminole County FY '03	10/1/2004
Muskogee County FY '02	3/2/2005	Stephens County FY '03	1/24/2005
Muskogee County FY '03	6/2/2005	Stephens County FY '04	3/2/2005
Noble County FY '03	5/6/2005	Tillman County FY '04	3/2/2005
Nowata County FY '03	9/27/2004	Tulsa County FY '04	3/15/05
Okfuskee County FY '03	6/2/2005	Washington County FY '03	4/19/2005
Oklahoma County FY '04	4/5/2005	Washita County FY '03	8/16/2004
Okmulgee County FY '03	3/2/05	Washita County FY '04	4/29/2005
Osage County FY '03	9/13/2004	Woods County FY '03	10/25/2004

County Court Clerk Statutory Audits

Entity and Release Date

Adair Court Clerk FY'02	12/7/2004	Cimarron Court Clerk FY'04	6/21/2005
Adair Court Clerk FY'03	3/7/2005	Cleveland Court Clerk FY'04	12/7/2004
Adair Court Clerk FY'04	3/7/2005	Coal Court Clerk FY'03	5/4/2005
Alfalfa Court Clerk FY'03	3/11/2005	Coal Court Clerk FY'04	5/4/2005
Alfalfa Court Clerk FY'04	3/11/2005	Comanche Court Clerk FY'04	6/2/2005
Atoka Court Clerk FY'03	12/22/2004	Cotton Court Clerk FY'03	11/19/2004
Atoka Court Clerk FY'04	12/22/2004	Craig Court Clerk FY'04	6/8/2005
Beaver Court Clerk FY'03	8/26/2004	Creek Court Clerk FY'02	3/14/2005
Beckham Court Clerk FY'03	12/7/2004	Creek Court Clerk FY'03	3/14/2005
Beckham Court Clerk FY'04	12/7/2004	Custer Court Clerk FY'04	2/28/2005
Blaine Court Clerk FY'04	5/4/2005	Dewey Court Clerk FY'03	11/19/2004
Bryan Court Clerk FY'03	6/8/2005	Ellis Court Clerk FY'03	8/5/2004
Bryan Court Clerk FY'04	6/8/2005	Ellis Court Clerk FY'04	5/4/2005
Caddo Court Clerk FY'04	5/4/2005	Garfield Court Clerk FY'04	5/4/2005
Canadian Court Clerk FY'04	6/30/2005	Garvin Court Clerk FY'03	9/20/2004
Carter Court Clerk FY'04	6/8/2005	Grady Court Clerk FY'03	9/16/2004
Cherokee Court Clerk FY'03	3/11/2005	Grant Court Clerk FY'03	12/29/2004
Cherokee Court Clerk FY'04	3/11/2005	Grant Court Clerk FY'04	12/13/2004
Choctaw Court Clerk FY'03	9/28/2004	Greer Court Clerk FY'03	9/28/2004
Choctaw Court Clerk FY'04	2/28/2005	Harmon Court Clerk FY'03	12/22/2004
Cimarron Court Clerk FY'03	8/26/2004	Harmon Court Clerk FY'04	12/22/2004

Audit Reports Listing

Entity and Release Date

Harper Court Clerk FY'03	10/26/2004	Oklahoma Court Clerk FY'04	10/22/2004
Hughes Court Clerk FY'03	9/20/2004	Oklahoma Court Clerk FY'04	3/7/2005
Hughes Court Clerk FY'04	9/28/2004	Okmulgee Court Clerk FY'02	8/24/2004
Jackson Court Clerk FY'04	4/19/2005	Okmulgee Court Clerk FY'03	11/17/2004
Johnston Court Clerk FY'03	12/29/2004	Okmulgee Court Clerk FY'04	11/17/2004
Johnston Court Clerk FY'04	12/29/2004	Osage Court Clerk FY'03	8/24/2004
Kingfisher Court Clerk FY'04	6/30/2005	Ottawa Court Clerk FY'03	8/25/2004
Kiowa Court Clerk FY'04	3/21/2005	Pawnee Court Clerk FY'03	2/28/2005
LeFlore Court Clerk FY'03	11/19/2004	Payne Court Clerk FY'03	12/22/2004
Lincoln Court Clerk FY'03	3/14/2005	Pittsburg Court Clerk FY'04	4/29/2005
Love Court Clerk FY'03	6/1/2005	Pontotoc Court Clerk FY'03	11/17/2004
Love Court Clerk FY'04	6/1/2005	Pontotoc Court Clerk FY'04	11/17/2004
Major Court Clerk FY'03	7/21/2004	Pottawatomie Court Clerk FY'03	10/6/2004
Major Court Clerk FY'04	12/22/2004	Pushmataha Court Clerk FY'03	4/18/2005
McCurtain Court Clerk FY'04	2/28/2005	Pushmataha Court Clerk FY'04	4/18/2005
McIntosh Court Clerk FY'03	7/2/2004	Roger Mills Court Clerk FY'03	8/24/2004
McIntosh Court Clerk FY'04	6/8/2005	Roger Mills Court Clerk FY'04	5/4/2005
Noble Court Clerk FY'03	3/14/2005	Seminole Court Clerk FY'03	8/25/2004
Nowata Court Clerk FY'03	7/16/2004	Sequoyah Court Clerk FY'03	4/19/2005
Okfuskee Court Clerk FY'03	6/8/2005	Sequoyah Court Clerk FY'04	4/19/2005
Okfuskee Court Clerk FY'04	6/8/2005	Stephens Court Clerk FY'03	2/16/2005

Entity and Release Date

Stephens Court Clerk FY'04	2/16/2005	Washita Court Clerk FY'03	8/5/2004
Texas Court Clerk FY'04	6/2/2005	Washita Court Clerk FY'04	3/21/2005
Tillman Court Clerk FY'04	2/28/2005	Woods Court Clerk FY'03	9/28/2004
Wagoner Court Clerk FY'03	7/16/2004	Woodward Court Clerk FY'04	6/30/2005
Washington Court Clerk FY'03	3/14/2005		

Audit Reports Listing

County Treasurer Reviews

Entity and Release Date

Adair County Treasurer	7/14/2004	Ellis County Treasurer	9/24/2004
Alfalfa County Treasurer	6/30/2005	Garvin County Treasurer	3/17/2005
Atoka County Treasurer	4/4/2005	Grady County Treasurer	12/3/2004
Beaver County Treasurer	6/30/2005	Grant County Treasurer	6/21/2005
Beckham County Treasurer	5/4/2005	Greer County Treasurer	5/4/2005
Blaine County Treasurer	12/29/2004	Harmon County Treasurer	3/17/2005
Bryan County Treasurer	4/4/2005	Harper County Treasurer	5/4/2005
Caddo County Treasurer	5/4/2005	Haskell County Treasurer	5/19/2005
Canadian County Treasurer	10/6/2004	Hughes County Treasurer	2/25/2005
Carter County Treasurer	4/4/2005	Jackson County Treasurer	5/4/2005
Cherokee County Treasurer	7/14/2004	Jefferson County Treasurer	4/4/2005
Choctaw County Treasurer	5/19/2005	Johnston County Treasurer	4/4/2005
Cimarron County Treasurer	1/27/2005	Kay County Treasurer	8/20/2004
Cleveland County Treasurer	5/4/2005	Kingfisher County Treasurer	5/4/2005
Coal County Treasurer	4/4/2005	Kiowa County Treasurer	5/4/2005
Comanche County Treasurer	8/4/2004	Latimer County Treasurer	4/4/2005
Comanche County Treasurer	5/4/2005	LeFlore County Treasurer	4/29/2005
Cotton County Treasurer	6/30/2005	Lincoln County Treasurer	11/18/2004
Creek County Treasurer	8/20/2004	Logan County Treasurer	8/20/2004
Custer County Treasurer	6/30/2005	Love County Treasurer	3/16/2005
Delaware County Treasurer	7/14/2004	Major County Treasurer	6/21/2005

Entity and Release Date

Marshall County Treasurer	3/16/2005	Pontotoc County Treasurer	4/4/2005
McClain County Treasurer	3/16/2005	Pottawatomie County Treasurer	5/4/2005
McCurtain County Treasurer	6/2/2005	Pushmataha County Treasurer	4/4/2005
McIntosh County Treasurer	7/14/2004	Roger Mills County Treasurer	9/24/2004
Murray County Treasurer	4/4/2005	Seminole County Treasurer	4/4/2005
Muskogee County Treasurer	8/20/2004	Sequoyah County Treasurer	7/14/2004
Noble County Treasurer	8/19/2004	Stephens County Treasurer	5/6/2005
Nowata County Treasurer	7/14/2004	Texas County Treasurer	6/21/2005
Okfuskee County Treasurer	8/19/2004	Tillman County Treasurer	6/30/2005
Oklahoma County Treasurer	6/30/2005	Tulsa County Treasurer	11/18/2004
Okmulgee County Treasurer	8/19/2004	Wagoner County Treasurer	7/14/2004
Osage County Treasurer	8/19/2004	Washington County Treasurer	8/19/2004
Ottawa County Treasurer	7/14/2004	Washita County Treasurer	2/25/2005
Pawnee County Treasurer	8/19/2004	Woods County Treasurer	8/4/2004
Pittsburg County Treasurer	4/4/2005	Woods County Treasurer	12/13/2004

Audit Reports Listing

County Officer Turnovers

Entity and Release Date

Alfalfa County Commissioner #2	2/25/2005	Garfield County Commissioner #2	12/13/2004
Beaver County Commissioner #2	1/19/2005	Garvin County Commissioner #2	1/27/2005
Beckham Court Clerk	1/27/2005	Garvin Court Clerk	1/27/2005
Blaine County Commissioner #1	12/29/2004	Grady County Commissioner #2	1/27/2005
Blaine Court Clerk	1/27/2005	Grant County Assessor	12/29/2004
Cherokee County Assessor	4/29/2005	Grant Court Clerk	1/27/2005
Cherokee County Sheriff	4/29/2005	Grant County Commissioner #2	1/19/2005
Cimarron County Commissioner #2	1/27/2005	Grant County Sheriff	12/13/2004
Cimarron Court Clerk	1/27/2005	Grant Court Clerk	1/19/2005
Cimarron County Sheriff	1/27/2005	Harper Court Clerk	8/4/2004
Coal Court Clerk	1/27/2005	Harper County Sheriff	1/27/2005
Comanche County Assessor	3/17/2005	Harper County Treasurer	5/6/2005
Comanche Court Clerk	12/3/2004	Hughes County Commissioner #2	11/18/2004
Comanche County Commissioner #2	1/3/2005	Johnston County Sheriff	1/19/2005
Cotton County Commissioner #2	2/7/2005	Kay Court Clerk	4/29/2005
Custer Court Clerk	12/13/2004	Kay County Sheriff	4/29/2005
District Attorney District 16	12/3/2004	Kingfisher County Sheriff	12/28/2004
Dewey Court Clerk	9/24/2004	Latimer County Commissioner #2	2/25/2005
Dewey County Commissioner #2	1/19/2005	Latimer County Sheriff	3/16/2005
Ellis Court Clerk	1/27/2005	LeFlore County Treasurer	1/19/2005
Ellis County Commissioner #2	1/27/2005	LeFlore County Sheriff	4/29/2005

Entity and Release Date

Lincoln County Commissioner #2	4/29/2005	Nowata County Commissioner #3	4/29/2005
Lincoln County Sheriff	4/29/2005	Oklahoma County Assessor	8/30/2004
Logan County Commissioner #2	4/29/2005	Oklahoma County Commissioner #2	1/27/2005
Major Court Clerk	1/24/2005	Pittsburg County Commissioner #2	3/16/2005
Mayes Court Clerk	8/20/2004	Pontotoc County Sheriff	1/27/2005
McCurtain County Sheriff	3/7/2005	Pontotoc County Treasurer	1/3/2005
McIntosh Court Clerk	12/3/2004	Pottawatomie Court Clerk	2/7/2005
McIntosh County Sheriff	4/29/2005	Pushmataha County Sheriff	3/16/2005
Murray County Sheriff	1/19/2005	Rogers County Commissioner #2	4/29/2005
Muskogee County Commissioner #2	4/29/2005	Stephens County Office	3/17/2005
Muskogee County Treasurer	2/7/2005	Tillman Court Clerk	1/27/2005
Noble County Sheriff	4/29/2005	Woodward County Treasurer	7/14/2004
Nowata County Commissioner #3	12/9/2004		

Audit Reports Listing

Emergency Medical Districts

Entity and Release Date

Atoka EMS	8/24/2004	Leedey EMS FY '03	2/16/2005
Bryan EMS FY '03	5/6/2005	Leedey EMS FY '04	2/16/2005
Bryan EMS FY '04	5/6/2005	LeFlore EMS FY '02	11/17/2004
Buffalo EMS FY 03	11/23/2004	LeFlore EMS FY '03	11/17/2004
Buffalo EMS FY '04	12/29/2004	LeFlore EMS FY '04	12/16/2004
Canton Longdale EMS FY '03	11/23/2004	Major EMS	3/14/2005
Canton Longdale EMS FY '04	12/16/2004	Marshall EMS FY '03	12/29/2004
Cimarron EMS FY '03	8/26/2004	Marshall EMS FY '04	12/29/2004
Cimarron EMS FY '04	6/2/2005	McCurtain EMS FY '03	8/4/2004
Coal EMS FY '03	11/23/2004	McCurtain EMS FY '04	8/4/2004
Coal EMS FY '04	12/16/2004	McCurtain EMS	12/16/2004
Ellis EMS FY y'03	9/15/2004	Miami EMS FY '03	3/14/2005
Ellis EMS FY '04	6/21/2005	Miami EMS FY '04	4/18/2005
Glenpool EMS FY '03	11/17/2004	Mt. View-Gotebo EMS	5/11/2005
Glenpool EMS FY '04	11/17/2004	Okeene EMS FY '03	6/30/2005
Grady EMS	8/6/2004	Okeene EMS FY '04	6/21/2005
Greer EMS FY '03	10/6/2004	Pushmataha EMS	8/6/2004
Greer EMS FY '04	12/29/2004	Roger Mills EMS FY '03	8/25/2004
Jackson EMS	6/15/2005	Roger Mills EMS FY '04	5/11/2005
Laverne EMS FY '03	10/26/2004	Rural Southern OK EMS	8/9/2004
Laverne EMS FY '04	12/8/2004	Southwest EMS FY '03	12/22/2004

Entity and Release Date

Southwest EMS FY '04	12/22/2004	Weleetka/Graham EMS FY '04	12/9/2004
Tillman EMS	3/14/2005	Woodward EMS	7/21/2004
Weleetka/Graham EMS FY ' 03	12/16/2004	Yale EMS	11/23/2004

Audit Reports Listing

Horse Racing Division

Entity and Release Date

Blue Ribbon Downs – Mixed Race Meeting	1/28/2005
Blue Ribbon Downs - Mixed Race Meeting	6/14/2005
Fair Meadows Tulsa County Fair	8/31/2004
Fair Meadows Tulsa State Fair	9/22/2004
Fair Meadow at Tulsa Simulcast	2/23/2005
OK Race Commission – All Track	3/24/2005
Remington Park - Simulcast Race	2/25/2005
Remington Park - Mixed Breed	7/14/2004
Remington Park - Thoroughbred Race	2/16/2005

Special Audits, Reviews and Reports

Entity and Release Date

City of Madill	3/31/2005
City of Snyder	3/14/2005
Consolidated Rural Water District #1	2/18/2005
Court of Criminal Appeals	2/23/2005
Department of Central Service	7/19/2004
McCurtain Education Cooperative	2/7/2005
Office of Juvenile Affairs	4/12/2005
Pottowattomie County Clerk	4/19/2005
Township of Cromwell	4/7/2005
Township of Headrick	4/7/2005
Tulsa County Special	9/7/2004
Tulsa Pretrial Services	11/9/2004
Vivian Rural Water District	12/20/2004

Audit Reports Listing

State Agencies, Boards and Commissions

Financial Statement Audits:

Entity and Release Date

Alcoholic Beverages Law Enforcement Commission	9/15/2004
Department of Career and Technology Education	6/10/2005
Oklahoma Center for the Advancement of Science and Technology	9/30/2004
Oklahoma Tax Commission	3/24/2005
State of Oklahoma Comprehensive Annual Financial Report (CAFR)	5/26/2005
State of Oklahoma Single Audit	5/26/2005

The following agencies were audited within the scope of the CAFR and/or Single Audit; however, no separate reports were issued.

Capitol Improvement Authority	Department of Public Safety
Department of Central Services	Department of Rehabilitation Services
Department of Corrections	Department of Transportation
Department of Education	Department of Veteran's Affairs
Department of Health	Employment Security Commission
Department of Human Services	Oklahoma Health Care Authority
Department of Mental Health and Substance Abuse Services	Oklahoma Military Department
State Treasurer's Office	

Attestation Engagements:

Entity and Release Date

Board of Registration for Professional Engineers and Land Surveyors	12/7/2004
Department of Corrections	5/16/2005
Energy Resources Board	5/4/2005
Energy Resources Board - Oklahoma Independent Petroleum Foundation Contract	5/4/2005

Statutory Examinations, Internal Control Assessments and Other Special Projects:

Entity and Release Date

Board of Dentistry	5/25/2005
Board of Examiners of Nursing Home Administrators	5/25/2005
Board of Examiners of Perfusionists	8/27/2004
Board of Medical Licensure and Supervision	8/27/2004
Board of Optometry	5/25/2005
Board of Podiatric Medical Examiners	8/27/2004
Board of Psychologists Examiners	6/20/2005
Boll Weevil Eradication Organization	6/28/2005
Commission on Children and Youth	6/28/2005
Commission on Consumer Credit	9/21/2004
Council on Judicial Complaints	5/25/2005
Department of Transportation – Maintenance Inventory	10/7/2004
District Attorney’s Council	6/28/2005
Ethics Commission	6/10/2005

Audit Reports Listing

Entity and Release Date

Human Rights Commission	8/27/2004
Indigent Defense System	6/28/2005
J.M. Davis Memorial Commission	7/22/2004
Oklahoma Historical Society	7/26/2004
Oklahoma School of Science and Mathematics	9/15/2004
Oklahoma State Bureau of Investigation	6/10/2005
Pardon and Parole Board	6/28/2005
Real Estate Commission	9/15/2004
Registration Board of Licensed Social Workers	8/27/2004
State Banking Department	8/10/2004
State Bond Advisor	6/20/2005
State Election Board	8/28/2004
State Pharmacy Board	6/28/2005
Used Motor Vehicle Commission	6/28/2005
Wheat Commission	7/22/2004
Workers Compensation Court	8/2/2004

District Attorney Audits

Entity and Release Date

Mark Campbell – Bogus Checks	6/8/2005
Mark Campbell – Property Forfeiture	6//8/2005
Gene Christian – Bogus Checks	6/2/2005
Gene Christian – Property Forfeiture	6/2/2005
Max Cook – Bogus Checks FY'03	3/14/2005
Max Cook – Property Forfeiture FY'03	2/14/2005
Frederick Esser – Bogus Check FY'02	3/9/2005
Frederick Esser – Bogus Check FY'03	3/9/2005
Frederick Esser – Property Forfeiture FY'03	12/9/2004
Thomas Giulioli – Bogus Checks FY'03	2/28/2005
Thomas Giulioli – Property Forfeiture FY'03	3/14/2005
Gene Haynes – Bogus Check FY'03	3/14/2005
Robert Hudson – Bogus Check FY'03	3/9/2005
Robert Hudson – Property Forfeiture	3/9/2005
Ray Don Jackson – Property Forfeiture FY'03	8/24/2004
Tim Kuykendall – Bogus Checks	6/2/2005
Tim Kuykendall – Property Forfeiture	6/2/2005
Wes Lane – Bogus Checks	5/11/2005
Wes Lane – Property Forfeiture	5/19/2005

Audit Reports Listing

Entity and Release Date

Wes Lane - Property Forfeiture FY'03	9/15/2005
John Luton – Bogus Check FY'03	3/14/2005
John Luton – Property Forfeiture FY'03	6/30/2005
John Luton – Bogus Checks	6/30/2005
John Luton – Property Forfeiture	6/30/2005
Virginia Sanders - Bogus Checks	4/18/2005
Virginia Sanders – Property Forfeiture	4/18/2005
Richard Smothermon – Bogus Checks	12/22/2004
Richard Smothermon – Property Forfeiture FY'03	1/19/2005
Mitch Sperry – Bogus Checks	5/11/2005
Mitch Sperry – Property Forfeiture	4/11/2005
Larry Stuart – Property Forfeiture FY'03	5/19/2005
Robert Wallace – Bogus Checks	5/11/2005
Robert Wallace – Property Forfeiture	3/14/2005
Chris Wilson – Bogus Checks	1/19/2005
Chris Wilson – Property Forfeiture	2/14/2005
Eddie Wyant – Bogus Checks FY'03	12/7/2004
Eddie Wyant – Property Forfeiture FY'03	2/14/2005

Supplementary Constitutional Provisions _____

(Article VI, Section 1.A) The Constitution of the State of Oklahoma provides for the office of the State Auditor and Inspector within the executive department to the government of the State of Oklahoma.

(Article VI, Section 3 & 19) To be eligible to be elected State Auditor and Inspector, a person must be a citizen of the United States, 31 years of age, have been an elector of this state for 10 years, and have at least three years experience as an expert accountant.

(Article V, Section 4) The term of office is four years, which runs concurrently with the other state elected officials. The State Auditor and Inspector may succeed himself.

(Article VI, Section 19) The State Auditor and Inspector has the duty to examine the books, accounts and cash on-hand or in the bank of the State Treasurer and county treasurers at least twice each year without notice to such treasurers and to publish this report; to prescribe a uniform system of bookkeeping for all treasurers; and perform such other duties as may be prescribed by law.

(Article X, Section 9C.(i) & 9D.L) The State Auditor and Inspector has the constitutional duty to conduct an annual audit of the operations of each Emergency Medical Services District and each county solid waste management operation

(Article VI, Section 32 & Article X, Section 21) The State Auditor and Inspector serves as a member of the Commissioners of the Land Office and as a member of the State Board of Equalization.

State Auditor and Inspectors from Statehood

Charles A. Taylor (D) – 1907-1912

Fred Parkinson (D) – 1912-1923

George J. Mechling (D) – 1923-1927

John Rogers (D) – 1927-1946

Charles G. Morris (D) – 1946-1954

Scott Burson (D) – 1954-1959

John M. Rogers (D) – 1959-1979

Tom Daxon (R) – 1979-1983

Clifton Scott (D) – 1983-2003

Jeff A. McMahan (D) – 2003-Present

*State Question 510 consolidated the office of Examiner and Inspector and the State Auditor in a special election on July 22, 1975.



*State of Oklahoma
Office of the
Auditor and Inspector*

Jeff A. McMahon

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