



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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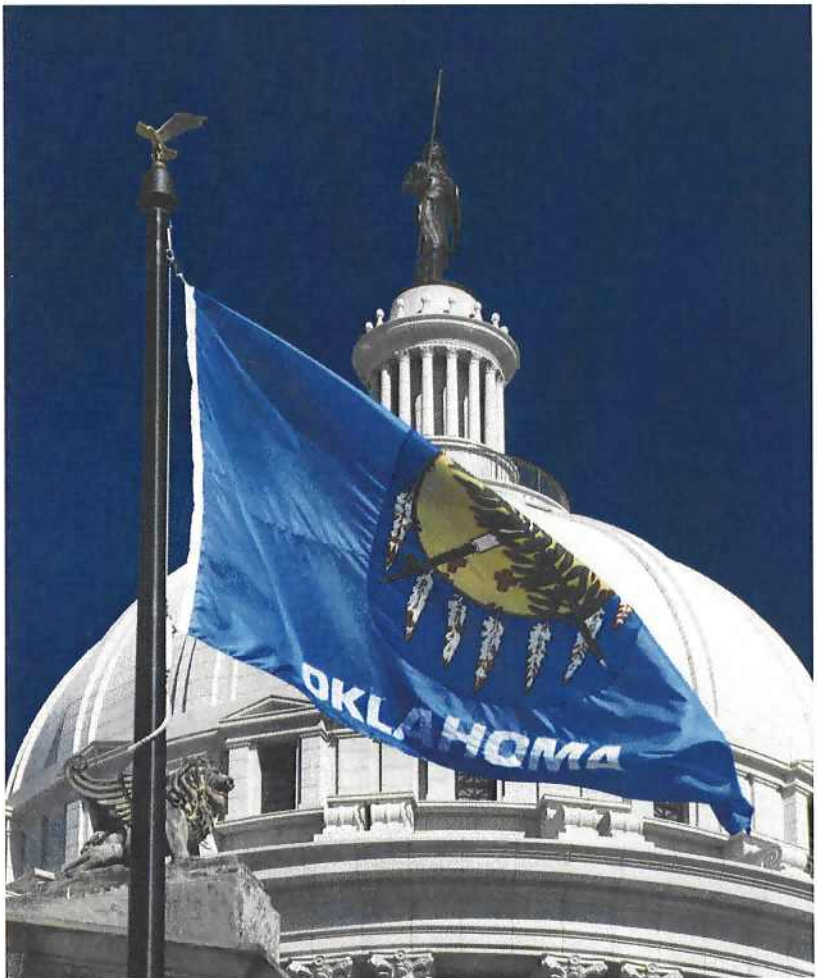
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**OKLAHOMA ENERGY
RESOURCES BOARD**

REPORT ON AGREED-UPON PROCEDURES



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Energy Resources Board

Agreed-upon Procedures Report

For the Period

July 1, 2004 – June 30, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

5/30/2006

TO THE OKLAHOMA ENERGY RESOURCES BOARD

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Energy Resources Board. The procedures we performed were conducted pursuant to 52 O.S., §288.5.9.

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

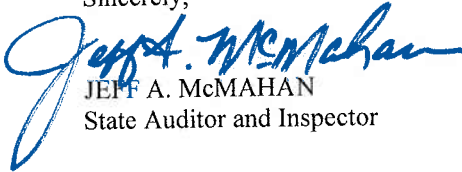

JEFF A. McMAHAN
State Auditor and Inspector

Table of Contents

Mission Statement, Board Members, and Key Staff..... iii

Auditor’s Report on Applying Agreed-upon Procedures..... 1-3

Mission Statement

The Oklahoma Energy Resources Board (OERB) was created in 1992 by the state legislature. Its purpose is to coordinate a program designed to demonstrate to the general public the importance of the Oklahoma oil exploration and production industry, to encourage the wise and efficient use of energy, to promote environmentally sound production methods and technologies, to develop existing supplies of Oklahoma's oil resources, to support research and educational activities concerning the oil exploration and production industry and to cause remediation of historical oil field environmental problems.

Board Members

Steve Agee	Chairman
Rodney Myers	Vice Chairman
J.D. Holbird	Secretary
Julie S. Kruger	Treasurer
Terry J. Adamson	Board Member
Mark Aebi	Board Member
Dewey F. Bartlett, Jr.	Board Member
Lee Boothby	Board Member
Mike Cross	Board Member
Brian Engel	Board Member
Bill Gifford	Board Member
Sue Ann Hamm	Board Member
David W. House	Board Member
Rob Johnston	Board Member
Linda Lambert	Board Member
Gary Newberry	Board Member
E.M. Shipp	Board Member
Steve Slawson	Board Member
Vaughn Vennerberg, II	Board Member
John Yeager	Board Member

Key Staff

Mike Terry	Executive Director
Diana Mathis	Controller
Cheryl Standage	Assessment Auditor



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Energy Resources Board (the Board), solely to assist you in evaluating your compliance with 52 O.S., §288, 74 O.S., §85.39, and Title 243 of the Oklahoma Administrative Code for the period of July 1, 2004 to June 30, 2005. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We calculated the amount deposited into Fund 200 (Energy Resources Revolving Fund) under revenue code 424262 (energy resources assessment) for three months and compared to the Board's supporting documentation and calculations for agreement.

There were no findings as a result of applying the procedure.

2. We selected three months of reconciliations between the Board and the Office of State Finance (OSF) and inspected for:
 - Segregation of duties between preparer and reviewer;
 - Reconciliations were prepared within 45 days after month-end;
 - Reconciling items can be traced to subsequent reconciliations;

There were no findings as a result of applying the procedures.

3. We reviewed Board meeting minutes to determine whether the Fiscal Year 2005 budget was approved by the Board.

There were no findings as a result of applying the procedure.

4. We obtained the Board's internal listing of any grants, contributions, or gifts and agreed the total receipts to the deposits per the CORE deposit report for revenue account codes 456101, 456102, and 455201.

A component objective of an adequate internal control system is to provide accurate and reliable information. To ensure accurate and reliable information, deposit slips should be reviewed prior to deposit to ensure proper classification of funds. The Board received \$6,343.50 in grants, which were coded under revenue code 441105 (Interest on Investments) instead of the more appropriate revenue code 455201 (Federal Reimbursement). Improper classification of funds may affect the accuracy and reliability of the Board's information. Therefore, we recommend the Oklahoma Energy Resources Board classify funds received from grants under revenue code 455201 and perform a periodic review of the classification of its revenues.

Views of Responsible Official(s)

Contact Person: Diana Mathis

Anticipated Completion Date: 5-8-2006

Corrective Action Planned: A more thorough review will be made of all deposits.

5. We selected 20 vouchers and:
 - Determined the expenditure was authorized;
 - Determined the expenditure was supported;
 - Compared the nature of the expenditure (and the vendor to whom it was paid) to the Board's mission for consistency;
 - Determined the expenditure was not to compensate Board members, with the exception of travel reimbursement.

There were no findings as a result of applying the procedures.

6. We selected 5 assessment refunds (expenditure account code 553190) paid to persons subject to the assessment levied by 52 O.S., § 288.8A.A and compared for consistency with State law and Board policy.

There were no findings as a result of applying the procedure.

7. We obtained the Oklahoma Tax Commission apportionment journal for the energy resources assessment for each month of the engagement and calculated the total collected. We compared the total deposited into Fund 200 and determined the total deposited was \$2,000 less than the amount collected (the Oklahoma Tax Commission retained \$2,000 as a fee for processing the assessments);

There were no findings as a result of applying the procedures.

8. We obtained the Board's internal purchasing procedures to determine if they had been approved by the Department of Central Services.

According to Oklahoma State statutes 74 O.S. § 85.12 B.23 and 74 O.S. § 85.39 A.1, the Board should develop internal purchasing procedures and have them approved by the State Purchasing Director. The Board has submitted internal purchasing procedures to the State Purchasing Director; however, they were sent back for revision and have not been re-submitted with the revisions made. Without properly approved purchasing procedures in place, inappropriate expenditures could occur. We recommend the Board implement the revisions requested and re-submit them for approval

Views of Responsible Official(s)

Contact Person: Diana Mathis

Anticipated Completion Date: 5-11-06

Corrective Action Planned: As noted in the FY-2004 audit, OERB's purchasing procedures were e-mailed to Ms. Lisa McKim at the Department of Central Services. The OERB received a response from Mr. Keith Gentry on October 5, 2005 with recommendations for change before the Department of Central Services could approve and accept the purchasing procedures. The OERB has updated their purchasing procedures as recommended, and resubmitted them to the Department of Central Services for approval.

9. We selected 15 contracts and compared them to the following criteria:
 - An invitation to Bid was sent to potential bidders (\$10,000 and under only);
 - An ad soliciting bids was placed in the newspaper (\$10,000 and over only);
 - The formal contract was approved by the executive director.

There were no findings as a result of applying the procedures.

10. We selected 20 Littlefield Marketing claims to assist the Board in evaluating Littlefield Marketing's compliance with the terms of their contract with the Board by comparing the claims with the following criteria:

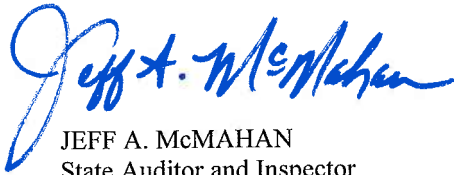
- Charges were allowable under the provisions set forth in the contract;

- Claims were supported by adequate documentation as set forth in the contract.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the Board's compliance with 52 O.S., §288, 74 O.S., §85.39, and Title 243 of the Oklahoma Administrative Code. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and board members of the Board and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector

May 11, 2006



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