



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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**OKLAHOMA COMMISSION ON
CHILDREN AND YOUTH**

*REPORT ON AGREED-UPON PROCEDURES
JULY 1, 2004 – DECEMBER 31, 2005*



JEFF A. MCMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Commission on Children and Youth

Agreed-upon Procedures Report

For the Period

July 1, 2004 through December 31, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 6, 2006

TO THE OKLAHOMA COMMISSION ON CHILDREN AND YOUTH

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Commission on Children and Youth. 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,

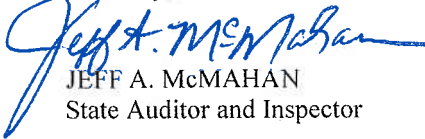

JEFF A. McMAHAN
State Auditor and Inspector

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Mission Statement

The mission of the Oklahoma Commission on Children and Youth is to improve services to children by: Facilitating joint planning and coordination with communities and between public and private agencies; Independent monitoring of the children and youth service system for compliance with established responsibilities; and entering into agreements to test models and demonstration programs for effective services.

Board Members

BART BOUSE.....	Chair
DANIEL DIRK.....	Vice-Chair
TAMMY JO BACHMAN	Member
DARLENE CALLAHAN.....	Member
THE HONORABLE GLENN DALE CARTER	Member
DR. TERRY CLINE.....	Member
DR. JAMES MICHAEL CRUTCHER.....	Member
RICHARD DELAUGHTER.....	Member
MIKE FOGARTY	Member
SANDY GARRETT	Member
HOWARD HENDRICK.....	Member
JOHN LINEHAN	Member
BEN LORING	Member
CYNTHIA CROWE MEYERSON	Member
THE HONORABLE GARY E. MILLER.....	Member
LINDA S. PARKER.....	Member
ANN TAYLOR	Member
BRENT THACKERSON	Member
JAN TIPTON.....	Member

Key Staff

JANICE HENDRYX.....	Director
LISA SMITH.....	Assistant Director
DIANE LEWIS.....	Finance Officer



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 Commission on Children and Youth, solely to assist you in evaluating your internal controls over the receipt and disbursement process and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2004 through December 31, 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 compared the Oklahoma Commission on Children and Youth's internal controls over receipts and disbursements with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - Receipts were issued for cash and/or checks received;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - Voided receipts were retained;
 - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
 - Disbursements were supported by an original invoice;
 - Timesheets were prepared by employees and approved by supervisory personnel;

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

2. We randomly selected 20 deposits and:
 - Compared the Treasurer's deposit date to the Commission's deposit slip date to determine if dates were within one working day.
 - Examined receipts to determine if they were pre-numbered and issued in numerical order.
 - Agreed cash/check composition of deposits to the receipts issued.
 - Agreed the total receipts issued to the deposit slip.
 - Inspected the Commission's receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received.
 - Inspected the Commission's receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equalled \$100 or after five business days, whichever occurred first.
 - Inspected the Commission's receipts to determine whether receipts were safeguarded.
 - Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the deposit to the account code description to determine consistency.

During our inspection of 20 deposits, we noted 2 instances in which the check was not deposited the same day it was received. One check was deposited 19 working days after the Commission received it and the receipt date was 8 working days after the Commission received the check. Because the Commission could not locate the deposit slip for this particular check, we were unable to compare the total receipts issued for the day to the receipt listing on the deposit slip. The other check was received on a Tuesday and logged/deposited the following Friday. If the receipts are not logged for all checks on the day they are received and deposited on the same banking day as received, errors or improprieties may occur and go undetected. We recommend all checks are recorded in the receipt book and deposited on the same day as received.

Management Response:

The check deposited 19 working days after the Commission received it was received while the Finance Officer was on annual leave, and deposited the same day she returned, which was 8 working days after receipt of the check. At that time no one was trained as backup. This was the first receipt after OCCY was mandated to change its deposit procedure from making deposits directly at the Treasurer's Office to making deposits at a bank and entering deposit information into the PeopleSoft system, and the Finance Officer did not perform final step of the PeopleSoft procedure until she was reminded by the Treasurer's Office. The final step was completed 11 working days after the actual deposit of the check. The Treasurer's Office originally told us we would receive a batch of receipts in the mail some time after the deposits were made, so a receipt may not have been obtained from the bank in expectation of receiving a batch from the Treasurer's Office.

The other check mentioned was also received in the Finance Officer's absence.

As a result of the State Auditor's FY-2004 review in mid-2005, procedures were put into place separating deposit duties, emphasizing the importance of identifying and depositing checks on the same day received, and providing for backup personnel. Both transactions identified above occurred in 2004, prior to the implementation of these procedures. We believe these new procedures are ensuring checks are recorded in the receipt book and deposited on the same banking day as they are received.

With respect to the other procedures applied, there were no findings.

3. We randomly selected 60 vouchers and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures

4. We compared salaries set by statute, if any, to the actual salary paid to determine the statutory limit was not exceeded.

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

5. We randomly selected 10% of the employees who appeared on the December 2005 payroll but not on the June 2004 payroll and observed the initial "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

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

6. We randomly selected 10% of the employees who appeared on the June 2004 payroll but not on the December 2005 payroll and:

- Observed the final “Request for Personnel Action” (OPM-14) or equivalent form to determine it was signed by the appointing authority.
- Observed the main payroll funding sheet for the month subsequent to termination to determine employee no longer appeared.

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

7. We randomly selected 10% of the employees whose gross salary at December 2005 had increased since June 2004 (excluding legislative pay raises) and observed the “Request for Personnel Action” (OPM-14) or equivalent form to determine it was signed by the appointing authority.

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

8. We randomly selected 10% (but no more than 20) of the employees from the December 2005 payroll and agreed the amount paid to the “Request for Personnel Action” (OPM-14) or equivalent form that was in effect for December 2005.

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

9. We compared the Oklahoma Commission on Children and Youth’s internal controls over purchase cards with the following criteria:
 - Purchase card policies and procedures were incorporated into the Oklahoma Commission on Children and Youth’s policies and procedures;
 - Purchase card Administrator, designated back-up Administrator, and Approving Official were established;
 - Purchase card Administrator, designated back-up Administrator, Approving Official(s), and purchase cardholders completed the training prescribed by the State Purchasing Director and signed the State of Oklahoma Purchase Card Employee Agreement form;
 - Cardholders submitted monthly transaction logs with supporting documentation which were reviewed and approved by the appropriate personnel;
 - Mandatory categories of controls and limits were established for each purchase card, i.e. credit limit, single purchase limit, and Merchant Category Code Group;
 - Controls were established to ensure that purchase cards are not used for prohibited purchases, i.e. travel, cash advances, motor fuel, etc....;
 - Duties, control responsibilities, and the appropriate channels of communication were established and communicated to purchase cardholders to report suspected improprieties regarding purchase card usage.

During our comparison of internal controls, we noted the purchase card Approving Official/back-up Administrator has not completed the training prescribed by the State Purchasing Director nor has she signed the State of Oklahoma Purchase Card Employee Agreement form. Without proper training, errors and improprieties may occur and go undetected. We recommend the Approving Official complete the training prescribed by the State Purchasing Director and sign the State of Oklahoma Purchase Card Employee Agreement form.

Management Response:

The purchase card Approving Official/back-up Administrator has now completed the training prescribed by the State Purchasing Director and signed the State of Oklahoma Purchase Card Employee Agreement form.

With respect to the other procedures applied, there were no findings.

10. We identified employees that are purchase card holders and determined the Commission retained the original employee signed copy of the State of Oklahoma Purchase Card Employee Agreement.

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

*

11. We examined all purchase card transactions to determine:
- A credit limit (dollar amount per cycle) was established for each cardholder;
 - The dollar amount of each transaction did not exceed the single purchase limit of \$2,500;
 - Each purchase card was assigned an approved Merchant Category Code Group;
 - Any purchases from the same vendor on the same date for the same item, and whether in the aggregate, the card purchase limit was exceeded (i.e. split purchasing).

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

12. We selected all six of the Commission's purchase card transactions that occurred during our time period and:
- Determined transactions were not for prohibited purchases:
 - Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging.
 - Cash, cash advances, automatic teller machines (ATM).
 - Any transaction or series of transactions, which exceed the limits established on the individual purchase card.
 - Motor fuel or fluids.
 - Gift certificates.
 - Inspected transaction logs to determine they were supported by receipts and/or other supporting documentation and the cardholder and approving official reconciled the supporting documentation to the monthly memo statement;
 - Reviewed transaction receipts to determine if the use of the purchase card was limited to the employee whose name is embossed on the card;
 - Examined transaction logs to determine the log was reviewed and approved (signed) by the cardholder and the approving official;
 - Reviewed receipts and/or other supporting documentation to determine they were annotated "Received", signed, and dated by the receiving employee;
 - Examined the receipt and/or supporting documentation to determine state sales tax was not charged during the transaction;
 - Verified with the Department of Central Service that the Purchase card Administrators, back-up Administrators, Authorized Signers, Approving Officials, and Cardholders have successfully completed the Purchase Card Training conducted by the Department of Central Services prior to being issued purchase cards;
 - Inspected transactions to determine if merchant preference was used by the Commission for certain merchants or types of contracts, i.e. statewide contractions;
 - Determined documents were retained in accordance with the Commission's procedures;
 - Compared the nature of the purchase to the Commission's mission for consistency.

During our inspection of the 6 purchase card transactions that occurred during our time period, we noted the following:

One instance in which an Internet transaction was performed/ordered by someone other than the cardholder. In addition, at the time of the purchase, the individual that performed/ordered the transaction had not received training or signed an agreement.

Three instances in which the receipt and/or other supporting documentation was not annotated "Received", signed and dated by the receiving employee. In addition, two of the three transactions required a second employee to sign and date the receipt since the cardholder was also the receiving employee (per the *State of Oklahoma Purchase Card Procedures* dated March 28, 2001, which was in effect at the time of the transactions).

In addition, as noted in the purchase card internal controls, the Approving Official/back-up Administrator has not completed the Purchase Card Training conducted by the Department of Central Services.

If purchase card transactions are not performed in compliance with the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act*, errors or improprieties may occur and go undetected. We recommend the Commission ensure purchase card transactions are performed in compliance with the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act*.

Management Response:

The transaction, which seems to have been performed by someone other than the cardholder was reserved online by the requestor, whose name is included on the receipt as "ordered by," to be picked up at the physical store. This reservation did not obligate the agency to purchase the goods; only reserved them for pick-up, and the information provided to the vendor with the reservation did not include a credit card number, so there could have been no transaction performed. The cardholder went to the store and picked up the goods, physically providing the business with his purchase card. No credit card receipt showing the cardholders name or purchase card number was received from the store; only the packing list, which showed the products as "ordered by" the employee who reserved them for pickup.

Proper receiving annotations have been an issue. We have since conducted training to ensure that proper receiving annotations are made on receipts.

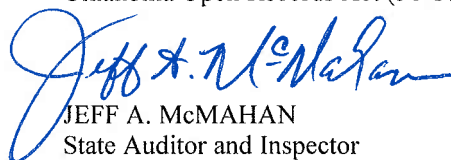
As mentioned in procedure #9 above, the purchase card Approving Official/back-up Administrator has now completed the training prescribed by the State Purchasing Director and signed the State of Oklahoma Purchase Card Employee Agreement form.

With respect to the other procedures applied, there were no findings.

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 cash, receipts and disbursements for the Commission. 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.

We have also compiled a Schedule of Receipts, Disbursements and Changes in Cash from information obtained from the statewide CORE accounting system, which is presented in the "Other Information" section. The schedule, compiled for fiscal year 2005 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, has been included for informational purposes only. A compilation is limited to presenting financial information that is the representation of management. We have not audited or reviewed the accompanying Schedule of Receipts, Disbursements and Changes in Cash, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of management of the Oklahoma Commission on Children and Youth 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

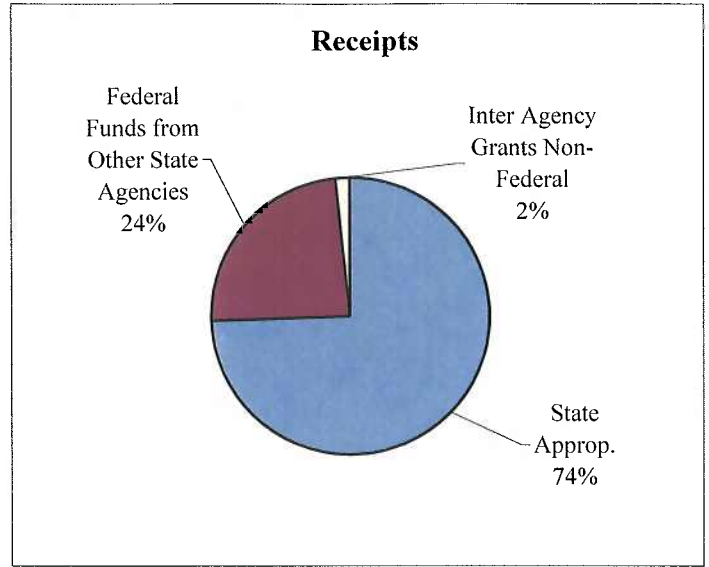
July 6, 2006

Other Information

**Oklahoma Commission on Children and Youth
Schedule of Receipts, Disbursements, and Changes in Cash
For the Fiscal Year Ending June 30, 2005
(Unaudited)**

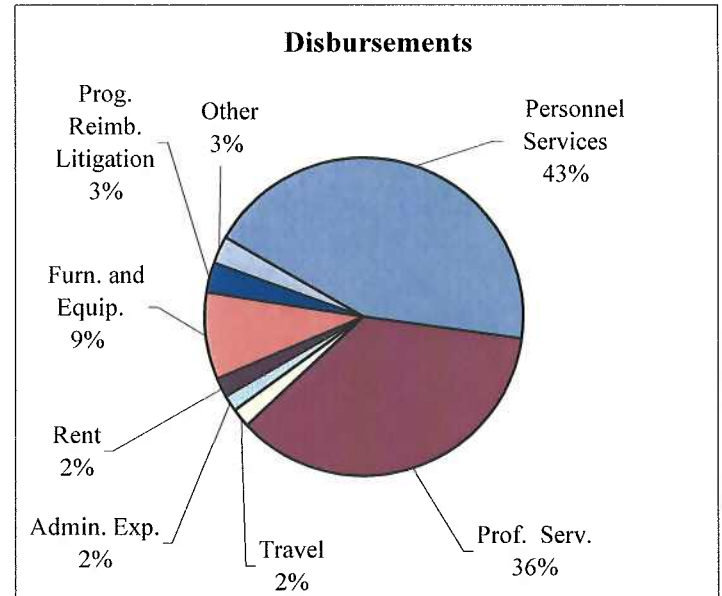
RECEIPTS:

State Appropriations	\$ 1,569,789
Federal Funds from Other State Agencies	506,654
Inter Agency Grants-Non-Federal	34,000
Private Grants and Donations	800
Refunds and Reimbursements	328
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Total Receipts	<u>2,111,571</u>



DISBURSEMENTS:

Personnel Services	1,190,939
Professional Services	969,298
Travel	55,706
Misc. Administrative Expenses	44,311
Rent	57,063
Furniture and Equipment	240,107
Program Reimb., Litigation Costs	78,070
Other	78,554
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Total Disbursements	<u>2,714,048</u>



RECEIPTS OVER (UNDER) DISBURSEMENTS	(602,477)
CASH--Beginning of Year	<u>1,041,784</u>
CASH--End of Year	<u><u>\$ 439,307</u></u>

This Schedule is presented solely for the information and use by the management of the Oklahoma Commission on Children and Youth and not intended to be and should not be used by any other party. See Accountant's Report.



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