



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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**OKLAHOMA PEANUT
COMMISSION**

REPORT ON AGREED-UPON PROCEDURES

JULY 1, 2004 TO DECEMBER 31, 2005



JEFF A. MCMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Peanut Commission
Agreed-upon Procedures Report
For the Period
July 1, 2004 to December 31, 2005

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 9, 2006

TO THE BOARD OF DIRECTORS

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Peanut Commission. 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,

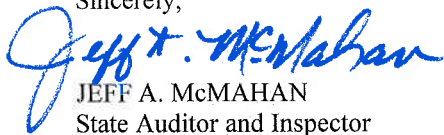

JEFF A. McMAHAN
State Auditor and Inspector

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Mission Statement

The mission of the Oklahoma Peanut Commission is to enhance the viability of Oklahoma peanut producers through promotion, education and research efforts.

Board Members

FY 2006

John ClayChair
Les Crall..... Vice-Chair
Joe D. White Jr..... Secretary
Mike Mayes Member
Duane Stevens..... Member
Anthony Reed Member

FY 2005

John ClayChair
Joel Hicks..... Vice-Chair
Jesse Snyder Secretary
Les Crall..... Member
Duane Stevens..... Member
Joe D. White Jr..... Member

Key Staff

J. Mike Kubicek.....Executive Secretary



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 Peanut Commission, solely to assist you in evaluating your internal controls over the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the periods of July 1, 2004 to 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 Peanut Commission'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;

Due to the size of the agency, the executive secretary is responsible for checking the mail, writing receipts, preparing deposits, mailing deposits and reconciling revenues. This is an inadequate level of segregation of duties. If duties are not adequately segregated, errors and improprieties may occur and go undetected. We recommend the Board consider segregating the duties or implementing additional internal controls by:

- 1) Outsourcing depositing duties to the Oklahoma State Treasurer (OST); or
- 2) Having any donor that sends revenue to the Peanut Commission also send a copy of the revenue to one of the board members.

Management Response – James M. Kubicek, Agency Head – Director

Agency revenue is accepted via check only; no cash receipts. As per The Oklahoma Peanut Act, acceptable revenue is properly receipted internally and deposited upon receipt in the Oklahoma Peanut Commission Revolving Fund maintained by the State Treasury. The agency enlisted the OST Cash Management program as a fiduciary of the agency funds. OST provides the agency with fund deposit, transfer and investment services; providing respective activity reports for monthly

reconciliation with the Office of State Finance by agency management. The OPC Board of Directors reviews and takes official action on revenue receipts and cash management balances at each official board meeting. Management will request the OPC Board of Directors review the adequacy of revenue internal control procedure/policy during their July, 2006 board meeting.

The executive secretary approves his/her own time and leave summary. This is an inadequate level of segregation of duties. If duties are not adequately segregated, errors and improprieties may occur and go undetected. We recommend the Board consider segregating the duties or implementing additional internal controls by approving at each board meeting the executive secretary's time and leave summary that had been sent to the Office of Personnel Management (OPM).

Management Response – James M. Kubicek, Agency Head – Director

Annual agency payroll is approved by the OPC Board of Directors as part of the budget approval process prior to budgetary expenditure. Earned leave, both sick and annual, are a matter of fact as provided by statute. In order to address segregated functions, agency procedure provides for the enlistment of the Office of Personnel Management (OPM) to prepare monthly payroll claims and leave reports (in accordance w/OPM formula and directives) prior to approval by the Agency Director. Claims are reviewed by the agency for accuracy prior to submission to the Office of State Finance (OSF) for processing and issuance. OPM designates their internal personnel to provide the referenced services and maintain agency leave records accrued/used. Said internal control segregation procedures meet or exceed those of many known agencies. Management will request the OPC Board of Directors review this procedure/policy during their July, 2006 board meeting.

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

2. We randomly selected 20 deposits and:
 - Compared the Treasurer's deposit date to agency 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 agency receipts to determine whether the deposit was made in accordance with the attributes described in 62 O.S., § 7.1c.
 - 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.

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

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 June 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 June 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 June 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 June 2005 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for June 2005.

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 cash, receipts, disbursements, and capital assets for the agency. 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 Peanut Commission 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 18, 2006

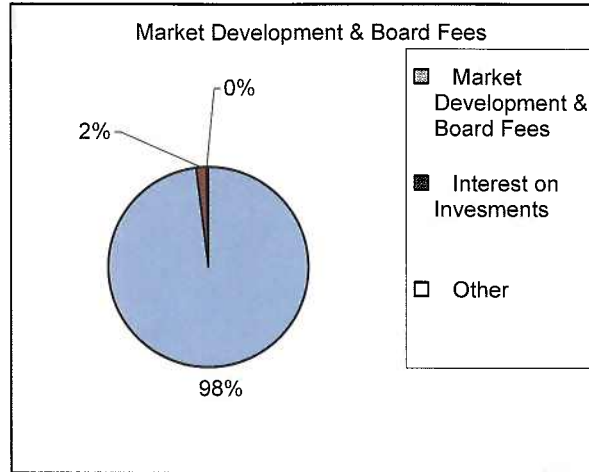
Other Information

Oklahoma Peanut Commission
Schedule of Receipts, Disbursements, and Changes in Cash
For the Fiscal Year Ending June 30, 2005
(UNAUDITED)

RECEIPTS:

Market Development & Board Fees	\$ 131,140
Interest on Invesments	2,174
Other	288

Total Receipts	133,603
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DISBURSEMENTS:

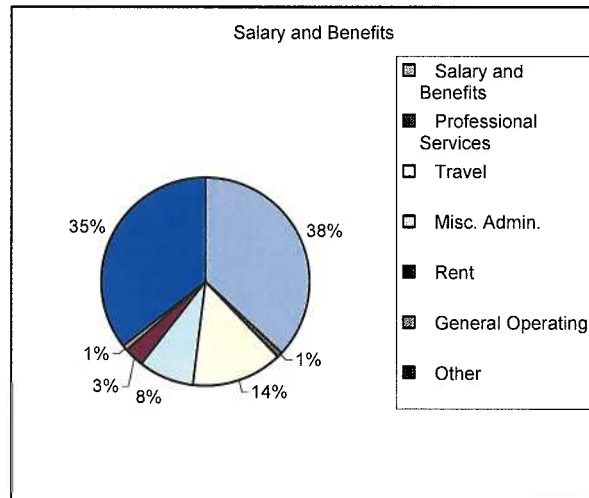
Salary and Benefits	69,115
Professional Services	1,414
Travel	26,840
Misc. Admin.	15,859
Rent	5,667
General Operating	1,812
Other	66,289

Total Disbursements	186,997
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RECEIPTS OVER (UNDER) DISBURSEMENTS	(53,394)
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CASH--Beginning of Year	118,347
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CASH--End of Year	\$ 64,953
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SEE ACCOUNTANT'S REPORT

This schedule is presented solely for the information and use by the management of the Oklahoma Peanut Commission and not intended to be and should not be used by any other party.



Office of the State Auditor and Inspector

2300 North Lincoln Boulevard, Room 100
Oklahoma City, Oklahoma 73105-4896
(405) 521-3495

www.sai.state.ok.us