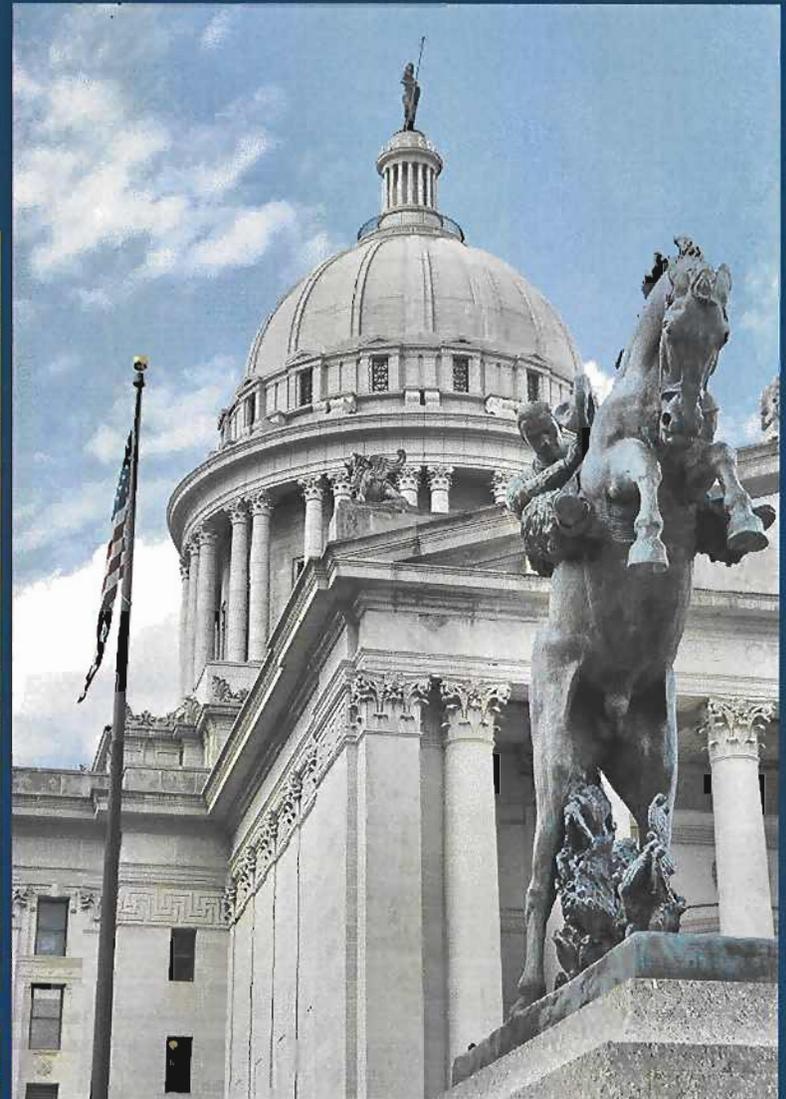




2006 Annual Report

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, the Office of the State Auditor and Inspector audits 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 of 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 by 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, 2006

This publication is printed and issued by the State Auditor and Inspector as authorized by 74 O.S. 2001, §216 and 74 O.S. 2001, §3103-3106. One hundred copies have been prepared and distributed at a cost of \$1311.44. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries. Front cover photographs courtesy of Brian Krausse.



2005 *"Outstanding Achievement in Government"*
presented by the Association of Certified Fraud Examiners



2005 *"Excellence in Accountability"*
presented by the National State Auditor's Association



2006 Governor's Commendation
Oklahoma Motor Vehicle Fleet Performance Audit Project
presented at Quality Oklahoma Team Day

The State Auditor's Office is proud to recognize numerous staff members who have received the following professional certifications:

Certified Public Accountant
Certified Fraud Examiner
Certified Fraud Specialist
Certified Forensic Computer Examiner
Certified Financial Services Auditor
Certified Governmental Financial Manager
Certified Computer Examiner
Certified Internal Auditor
Certified Information Systems Auditor
Certified Information Forensics Investigator
Certified Public Manager
Project Management Professional



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. MCMAHAN
State Auditor and Inspector

November 1, 2006

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, 2006, 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 my staff.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jeff A. McMahan".

Jeff A. McMahan
State Auditor and Inspector

STATE OF OKLAHOMA
OFFICE OF THE AUDITOR & INSPECTOR
ANNUAL REPORT

For the Fiscal Year Ending June 30, 2006

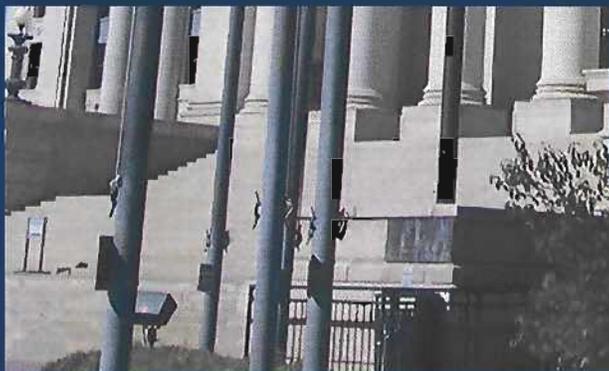
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Agency Organization, Responsibilities

and Performance Measures



Commitment to Audit Quality

Oklahoma State Auditor and Inspector, Jeff A. McMahan, was elected in November 2002 by the citizens of Oklahoma in accordance with *Article VI, Section 1 of the Constitution of the State of Oklahoma*. McMahan 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. Information contained in our reports provide 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 to enhance the prevention and detection of accounting system breakdowns, thereby preventing the loss of government assets. The State Auditor and Inspector promotes the development of procedures 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.

By providing a continual flow of fiscal and compliance information, the audit coverage can aid in significant improvements to 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, 2006, the office issued a total of 433 reports.

It is the responsibility of each governmental entity to carry out legislative programs and to properly use public monies. The State Auditor and Inspector's duty is to audit the income and expenditures of public funds and to report those findings to the Governor, Legislature, the audited 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. Some of the major services provided by the Office are:

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

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, as well as fair and equitable treatment delivered in a professional manner. Excellence is expected 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 conduct all engagements with honesty, integrity and objectivity. We build relationships with clients and constituents based upon trust, cooperation and open communication.
- **Reliability** – We provide high quality services and reports. Our reports are 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 reports.
- 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.



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.

County Audit Services

County Audit Services is responsible for conducting financial and compliance audits in all 77 counties across the State, as well as 51 Emergency Medical Service Districts. County Audit Services also conducts cash counts and reconciles 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. Technical Assistance is provided to county officers regarding the maintenance of proper records and execution of statutory 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.
- Provide independent, timely, efficient, high quality audits and services that are useful to management.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Number of audit reports issued.	291	401	314	413
Number of inquires received and resolved.	3,300	3,300	3,300	3,400

Management Services

Management Services provides technical assistance to all county officials and other political subdivisions, as mandated by the Constitution of the State of Oklahoma and the Oklahoma 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 seven 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, Management Services tracked 75 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. This division also routinely tracks Attorney General Opinions which may affect county government.

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

Local Government Services

During the annual period ended June 30, 2006, 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 2005	SA&I Reporting Requirements for County Treasurers - January 2006
County Officers and Deputies Association of Oklahoma Fall Meeting – September 2005	Southwest District County Officers and Deputies March 2006
Northeast District County Officers and Deputies Fall Meeting – October 2005	Northwest District County Officers and Deputies March 2006
Northwest District County Officers and Deputies Fall Meeting – October 2005	County Clerks' Association Annual School April 2006
Association of County Commissioners of Oklahoma November 2005 - January & April 2006	Court Clerks' Association Annual School May 2006
Purchasing Workshop - November 2005	County Treasurers' Association Annual School May 2006
County Officers and Deputies Association of Oklahoma Winter Conference – February 2006	Southeast District County Officers and Deputies Spring Meeting – May 2006
Drug Court Accounting Procedures – August 2005	

Program Objectives

- Continue to offer quality advisory services to county officers and management of public entities.
- Develop and present instructional materials at workshops and conferences.
- Assist the Cooperative Extension Service in the training of county officers and deputies.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
The number of workshops and conferences wherein Management Services personnel prepared materials and made presentations or assisted another presentation.	18	18	15	15
Number of bulletins issued.	19	8	8	10

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. Audits are conducted 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 ensure 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-2004</i>	<i>FY-205</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Number of inquiries resolved through mediation.	172	105	102	150
Number of investigative reports issued.	14	13	14	18

State Agency Services

The State Agency Audit Division provides accountability of state government to its leaders, citizens and the federal government through financial audits, compliance audits, attestation engagements, performance audits, information system audits and other special audits. During the fiscal year ended June 30, 2006, the Division completed 84 audits and special projects with an additional 59 audits and special projects in progress as of June 30, 2006.

The State Agency Audit Division includes three distinct types of audit services: financial audit services, performance audit services and information systems audit services.

Financial Audit Services

State Agency Financial Audit Services (FAS) conducts financial audits, federal compliance audits and attestation services in accordance with Government Auditing Standards. FAS also provides other audit services for state agencies and conducts special projects on requests for services from legislators, state agency management and concerned citizens.

One of the primary projects for FAS is the State's Single Audit. It covers the operations of all State agencies, boards and commissions and is conducted in accordance with Office of Management and Budget A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Single Audit is a combination of two separate, yet interrelated audits with one being the audit of the State's Comprehensive Annual Financial Report (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. The second portion of the Single Audit covers federal funds expended by State agencies and their compliance with applicable laws and regulations. During fiscal year 2005, the State expended over \$4.8 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, 2005 and has determined the report meets Federal audit requirements.

FAS 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 financial and compliance audits and other services performed appear in the "Detailed List of Audit Coverage" in the back of this report.*

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, as well as 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 by making them accurate, useful and easy to follow.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 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 <i>Single Audit Report</i> meeting federal audit requirements.	YES	YES	YES	YES
Percentage of audit coverage of federal expenditures by the state of Oklahoma.	75%	79%	86%	75%
Number of recommendations followed up to determine status of corrective action.	82	137	166	160
Number of agencies that received a financial/compliance audit or attestation service. ²	19	22	37	40
Number of agencies that received other audit services such as statutory examinations, internal control assessments or special projects.	23	32	37	10

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

Under *74 O.S. Supp. 2001 § 213.2*, the State Auditor and Inspector is authorized 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.

**A complete list of all completed performance audits appear in the "Detailed List of Audit Coverage" in the back of this report.*

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-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Number of audits issued.	0	2	5	5
Number of recommendations.	N/A	22	45	N/A
Number of recommendations implemented.	N/A	0*	2*	N/A
Amount of recommended cost savings.	N/A	\$20,675,360	\$1,735,467	N/A

* Additional recommendations may have been implemented; however, follow-up to validate implementation is pending.

Information Systems Audit Services

Information Systems Audit Services (ISAS) assists both Financial Audit Services and Performance Audit Services in assessing internal controls related to State agency information systems. ISAS is responsible for obtaining and documenting an understanding of the internal control structure in an agency's information systems. The results of these assessments are included in the financial, compliance or performance audit reports.

ISAS also performs stand-alone information systems audit and security reviews to assist in providing managers of the State's data resources with useful information so they can successfully manage the risks associated with implementing and using technology. These audits are

performed in accordance with standards established by the Information Systems Audit and Control Association. As a matter of public safety and because of their nature, most audits of this type are considered confidential under 51 O.S. § 24A.28.E. This statute provides that information technology of a public body or public official may be kept confidential if the information identifies specific details of the system.

In addition, ISAS provides services in the area of computer forensic analysis. Evidence of fraud and abuse may be found on computers and the ISAS works to acquire, identify and analyze this information. ISAS assists the Investigative Audit Services staff and/or law enforcement through specialized software and hardware to recover evidence of official misconduct by public employees and to support civil or criminal action against persons or entities engaging in illegal activities.

**A complete listing of all completed information system audits appear in the "Detailed List of Audit Coverage" in the back of this report.*

Program Objectives

- To audit and review information systems utilized within the State in accordance with the provisions of Control Objective for Information Technology (CobiT).
- To provide management recommendations that will be useful in identifying and managing risks associated with implementing and using technology.
- To assist in acquiring, identifying and obtaining evidence on a subject's computer when fraud and/or abuse may have occurred.
- To aid the audit staff with computer assisted auditing tools (CAAT's).

Key Performance Measures

Performance Measures	FY-2006 Results
95% of all information system audits and reviews will be completed within the allotted time period.	98% of all information system audits and reviews were completed within the allotted time period.
95% of all computer forensic examinations will be completed no later than 30 days.	100% of all computer forensic examinations were completed within 30 days.

State Agency Services

Network Administrative Services

Network Administration Services (NAS) provides support for all software applications and computer hardware used within the Office. Five network locations connected via a virtual private network fall under the responsibility of this department. Additionally, we have four off site locations we service with computer support which are located at Remington Park Race Track, Oklahoma Tax Commission, DHS and ODOT.

During FY-2006, NAS updated the Oklahoma State Auditor's webpage to make it more user-friendly. We also released an Estimate of Needs program for Oklahoma School Budgets and completed a new equipment inventory for the office.

Program Objectives

- Continue providing Internet, e-mail and networking services to each of the five network locations with limited interruption in service and support to our off site locations.
- Finish our upgrade system back-ups to include automated off site storage.
- Upgrade our auditor's equipment and software to keep up with today's ever changing technology.

Key Performance Measures

<i>Performance Measure</i>	<i>FY-2006 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 provides Information Technology support to county offices, which involves both hardware and software. Software support includes database system creation and maintenance with special emphasis on program accuracy and functionality.

Coordination with other agency database needs is also a significant requirement when designing and maintaining data sharing modules. Every effort is made to guarantee proper communication when reviewing data sharing needs so as to ensure data integrity between all necessary platforms.

Program Objectives

- Complete development of application upgrade for current system in order to provide compatibility with the Linux, Windows 2000 and newer operating systems. Maintain backward compatibility with legacy operating systems.
- Implement upgrades in at least 18 county assessor offices by the end of FY-2007.

Key Performance Measures

<i>Performance Measure</i>	<i>FY-2006 Results</i>
Meet the scheduled completion date in 90 % of county assessors' offices using the SA&I software system. Convert all remaining treasurer's on SA&I Tax Collection System to new Windows based Property Tax Collection System.	The scheduled completion date was met for all eight of the beta test counties on the SA&I software system. Some corrections were made to the software and upgrades will continue for FY-2007.

Quality Assurance and Audit Review

Quality Assurance and Audit Review is responsible for coordinating the internal quality control program including 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 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. The Division's responsibilities are the same as those for the peer review.

Members of the State Auditor and Inspector's staff 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 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 latest peer review in 2003.

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. All auditors of governmental entities must register with the Oklahoma Accountancy Board. Prior to entering into audit contracts they 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.

A filing fee of \$40.00 is collected for each report filed with the State Auditor and Inspector. The 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 1,792 audits of governmental entities were reviewed by the State Auditor and Inspector's Office for the annual period ending June 30, 2006.

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-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 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 to <i>Government Auditing Standards</i> ; 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	YES	YES	YES
Number of externally prepared audit reports filed with/reviewed by State Auditor and Inspector as required by 74 O.S. § 212A.	2,052	1,871	1,792	1,792

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 continuing professional education in a two-year period. Of those 80 hours, 24 must 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 CPE annually to remain current with any changes to auditing professional standards.

Special Services

The Training Director for the State Auditor and Inspector's Office is responsible for the design and implementation of a comprehensive 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 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 and assists other agencies with training resources.

The year's CPE seminars were designed to assure that the professional proficiency, knowledge and skills of each individual audit staff member were 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, as well as individual auditors. More than 275 State agency personnel and other individuals participated in seminars the State Auditor and Inspector's Office sponsored 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, improving skills in fraud detection, information technology systems, auditing, accounting, legal issues and professional management skills. Staff participated and maintained membership in various professional and business organizations. Highly sought after for their expertise, staff members were invited to serve as conference presenters and guest speakers. Moreover, many conducted seminars in their respective fields on the local, state and national level.

**Continuing Education Seminars
Period Ending June 30, 2006**

<u>Date</u>	<u>Seminar</u>	<u>Hours</u>
<u>July</u>	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
	Introduction to ACL <i>By: Ann Cole, Director, Information Services Division</i>	8
	ACL Intermediate Case Study <i>By: Hilaire Johnson, Ginny Brinkley, and Debbie Williams State Agency Audit Division</i>	16
	Changes For Fiscal Year 2005 Audits <i>By: Sherri Merle, Manager, County Audit Division</i>	8
<u>August</u>		
	Excel for Auditors <i>By: Girard Jergensen</i>	8
	Basics of Outlook and PowerPoint <i>By: Erin Edmondson</i>	8
	Introduction to Fraud-Related Controls <i>By: Clayton Hoskinson</i>	8
	Spectrum Development Communication and Team Building Skills <i>By: Tamara Lawson</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
	Changes For Fiscal Year 2005 Audits <i>By: Sherri Merle</i>	8

Special Services

Continuing Education Seminars Period Ending June 30, 2006

<u>Date</u>	<u>Seminar</u>	<u>Hours</u>
<u>September</u>		
	Changes For Fiscal Year 2005 Audits <i>By: Ricky Branch, Cindy Perry, and Faye Hopper</i>	8
	Intermediate and Advanced Excel for Auditors <i>By: Girard Jergensen</i>	16
	Auditing and Accounting Updates (2 hours ethics) <i>By: Carlos Johnson, Randy Compton, Kim Shoemaker, Tim Adler, Annette Gruber, Ron Hulshizer and Todd Lisle</i>	8
	Updates for County Auditors Conclusions, Tickmarks, and Sampling <i>By: Diana Nichols</i>	8
<u>November</u>		
	Excel for Auditors <i>By: Girard Jergensen</i>	8
	Investments: Audit Risks and Controls <i>By: Steve Tinsley</i> and Using Benford's Law to Detect Fraud <i>By: Ann Cole</i>	4
<u>December</u>		
	Internal Control Issues and Related Fraud <i>By: Clayton Hoskinson and Wes Edens</i>	16

**Continuing Education Seminars
Period Ending June 30, 2006**

<u>Date</u>	<u>Seminar</u>	<u>Hours</u>
<u>March</u>		
	Horse Racing 101 <i>By: Jacky Muse</i>	4
<u>April</u>		
	Emerging Fraud and Liability Issues For Auditors <i>By: Jon McDowell, CFE, PCI, CIFI Fraud Resource Group Bettendorf, Iowa</i>	8
<u>May</u>		
	Back to Basics <i>By: Kevin Wright, Ricky Branch, Jeff Brown, Melissa Capps, Mike Starchman, Diana Nichols, Lisa Hodges, Billy Swindell, Sheila Adkins, Kristin Haney and Andrea Volturo</i>	16
<u>June</u>		
	Spectrum Development Communication and Team Building Skills <i>By: Tamara Lawson</i>	8
	Auditing Automated Applications <i>By: Sheila Adkins and Girard Jergensen</i>	8

Program Objectives

- To achieve 100% staff compliance with CPE requirements of both Government Auditing Standards and office policy.
- To obtain an excellent evaluation of State Auditor and Inspector sponsored CPE by SA&I staff and attendees from other state agencies.

Special Services

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Percentage of audit staff that comply with continuing professional education (CPE) requirements of both Government Auditing Standards 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	4.0	4.0	4.0	4.0

The Public Trust Department monitors a total of 1,215 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, 848 trusts were in compliance and 367 trusts were noncompliant during the fiscal year ending June 30, 2006.

As of June 30, 2006, there were 95 hospital trusts. Under 19 O.S. § 794, all county-owned hospitals must file an annual audit with this office. Oklahoma has 21 county owned hospitals with only one being out of compliance. 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, 2006, 75 of Oklahoma's 95 hospital trust authorities were in compliance with these statutes.

According to 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 1,170 general audits; 941 were in compliance and 229 were noncompliant.

The general audits are listed as follows:

Colleges	27	Schools	593
Conservation Districts	93	Non-Government	157
Rural Water Districts	300		

There are a total of 593 cities in Oklahoma. Of those, 463 were in compliance and 130 were noncompliant as of June 30, 2006.

Abstractor Industry Services

In 1984, 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.

The Office of the State Auditor and Inspector employs an Abstractor Registrar and Assistant to staff the Abstractor Division. This department issues Certificates of Authority, Individual Abstractor Licenses and Permits to Build Abstract Plants. In FY-2006, the Abstractor Division issued/renewed 970 Individual Abstractor licenses, 128 Certificates of Authority and two permits to build new abstract plants. A continued emphasis on licensing compliance has resulted in a slight increase of licensed abstractors over the previous fiscal year.

Abstractor Industry Services has assisted with the development and passage of new legislation amending the statutes to promote better compliance and customer service. The new law will become effective on July 1, 2007. The division has also promulgated rules and regulations in Title 80 of the Oklahoma Administrative Code, to which all abstract companies must conform.

The Abstractor Registrar investigates consumer and industry complaints concerning abstracting issues and attempts resolution through informal methods. When needed, the State Auditor appoints a hearing examiner and/or a hearing board for resolution of formal complaints against abstract companies or individual abstractors.

Program Objectives

- Encourage and require high standards of abstract plant development and maintenance.
- Encourage and require high standards of ethical practices, customer service and professional knowledge of licensees.
- Provide quality service in issuance and renewal of individual abstractor licenses, Permits and Certificates of Authority.
- Assist consumers in resolving issues with abstract companies, safeguard the public interest and uphold State statutes and administrative rules regarding abstractors.

Special Services

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Number of on-site visits.	29	46	44	40
Percent of formal complaints resolved within 120 days.	92%	0%*	0%**	90%
Percent of informal complaints resolved within 10 days.	58%	64%	69%	65%
Percent of informal complaints resolved within 30 days.	75%	76%	74%	75%
Percent of informal complaints resolved within 60 days.	86%	88%	91%	95%
Individual abstract licenses issued.	922	958	1026	1000
Certificates of Authority and/or Permits issued and/or renewed	130	130	130	130

*One formal complaint was filed during FY-2005. This complaint was resolved in FY-2006.

** One formal complaint was filed during FY-2006. The complaint is pending Administrative Hearing.

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 ensures 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.

It is the policy of this Office to require all staff assigned to audit federal royalty payments to complete 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 \$320,000 cost of these audit services for the federal fiscal year ending September 30, 2006 will be reimbursed to the state of Oklahoma.

Program Objectives

- Ensure 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-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
Dollars of underpaid royalties and interest collected.	*\$150,000	*\$175,000	*\$175,000	\$200,000
Number of reports issued.	3 Companies	3 Companies	5 Companies	5 Companies

* Estimated MMS System could not track collections for this date.

Samson Resources
 Kerr McGee Oil & Gas Onshore LLC
 Marathon Oil Company
 Chesapeake Energy
 Burlington Resources Oil & Gas

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 four operating racetracks.

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. Moreover, it 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 contractually by the Oklahoma Horse Racing Commission and from an amount set aside for that purpose from monies wagered (Oklahoma Statute Title 3A § 205.6a.5 and 205.7J).

Program Objectives

- Ensure the integrity of the pari-mutual wagering system, the payment of winning wagers to the public and the proper distribution of commissions, including those due to the state of Oklahoma.

Special Services

Key Performance Measures

<i>Performance Measures</i>	<i>CY-2004</i>	<i>CY-2005</i>	<i>CY-2006</i>	<i>CY-2007 BUDGET</i>
State Deposits	\$3,826,556	\$2,835,868	*\$3,000,000	*\$2,900,000
Reports Issued	9	11	10	10
Total Wagers	\$127,197,358	\$110,748,023	*\$110,000,000	*\$100,000,000

*Estimated amounts for these years.

Gaming Audit Services

Gaming Audit Services is responsible for monitoring all gaming activities at racetracks licensed by the Oklahoma Racing Commission (Oklahoma Statute Title 3A Supp. 2004, § 261 *et. seq.* State-Tribal Gaming Act). Currently, there are three operating racetracks conducting gaming.

Gaming Audit Services monitors all gaming revenue and tracks the portion of all gaming proceeds that are to be paid to the State educational funds established at the Oklahoma Tax Commission. In addition, all monies paid to various horseman purse funds are also accounted for. The cost of this monitoring is paid from an amount set aside for that purpose from a contract with the Oklahoma Horse Racing Commission.

Program Objectives

- Ensure the integrity of the gaming system, the payment of State educational taxes to the public and the proper distribution of commissions to horseman purse accounts.

Key Performance Measures

<i>Performance Measures</i>	<i>FY-2004</i>	<i>FY-2005</i>	<i>FY-2006</i>	<i>FY-2007 BUDGET</i>
State Deposits	\$0	\$0	\$4,505,700	*\$6,007,600
Reports Issued	0	0	10	13
Total Wagers	\$0	\$0	\$45,057,597	*\$60,076,796

*Estimated amounts for these years.

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 259 railroads, airlines and public service corporations. The Board also received approximately 1,700 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.

Special Services

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 and State Treasurer or their designees, one Senate member appointed by the President Pro Tempore, one House of Representatives member appointed by the Speaker, and two Governor appointees.

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. Those specifically include 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.



STATE OF OKLAHOMA
OFFICE OF THE STATE

DEPARTMENT OF PUBLIC SAFETY

- DRIVER LICENSE EXAMINATIONS
- DRIVER IMPROVEMENT COURSES
- SIZE AND WEIGHT PERMITS
- FINANCIAL RESPONSIBILITY

JANUARY 1, 2003 THROUGH JUNE 30, 2003



FAIR MEASURES
TULSA - OKLAHOMA
HORSE RACING

JUNE 23, 2005



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OFFICE OF OKLAHOMA
STATE AUDITOR & INSPECTOR

OKLAHOMA HORSE RACING
COMMISSION
STATISTICAL AUDIT REPORT OF
GAMING OPERATIONS
MAYFIELD DOWNS RACINO, WILLIAMS
REMYNTOON PARK

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Detailed Lists

of Audit Coverage



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County Government – Financial Audits

Entity and Release Date

Adair County FY '04	8/29/05	Delaware County FY '05	6/21/06
Beaver County FY '04	9/19/05	Dewey County FY '04	8/29/05
Beaver County FY '05	5/29/06	Dewey County FY '05	2/28/06
Beckham County FY '05	1/20/06	Ellis County FY '05	12/29/05
Blaine County FY '05	11/18/05	Garfield County FY '05	2/17/06
Bryan County FY '05	6/21/06	Garvin County FY '04	9/19/05
Caddo County FY '05	12/21/05	Garvin County FY '05	1/20/06
Canadian County FY '05	2/17/06	Grady County FY '04	8/29/05
Carter County FY '04	7/27/05	Greer County FY '04	10/10/05
Carter County FY '05	1/23/06	Greer County FY '05	4/10/06
Cherokee County FY '04	8/29/05	Harmon County FY '05	6/26/06
Choctaw County FY '04	10/31/05	Harper County FY '04	8/29/05
Cleveland County FY '05	1/20/06	Harper County FY '05	5/2/06
Comanche County FY '05	3/30/06	Haskell County FY '04	10/31/05
Cotton County FY '04	10/10/05	Jackson County FY '05	3/9/06
Craig County FY '04	2/17/06	Jefferson County FY '04	3/28/06
Craig County FY '05	5/31/06	Jefferson County FY '05	3/28/06
Creek County FY '04	4/10/06	Kay County FY '04	9/16/05
Creek County FY '05	4/10/06	Kingfisher County FY '04	8/29/05
Custer County FY '05	3/9/06	Kiowa County FY '05	2/28/06
Delaware County FY '04	9/16/05	Latimer County FY '04	12/21/05

Audit Reports Listing

Entity and Release Date

Latimer County FY '05	12/28/05	Okfuskee County FY '04	9/16/05
LeFlore County FY '04	9/19/05	Oklahoma City/County Health FY '04	8/2/05
LeFlore County FY '05	3/28/06	Oklahoma City/County Health FY '05	4/6/06
Lincoln County FY '04	11/9/05	Oklahoma County FY '05	2/1/06
Logan County FY '04	9/16/05	Okmulgee County FY '04	6/20/06
Logan County FY '05	6/28/06	Okmulgee County FY '05	6/20/06
Love County FY '05	6/22/06	Osage County FY '04	1/5/06
Major County FY '05	3/9/06	Ottawa County FY '04	12/21/05
Marshall County FY '04	3/7/06	Ottawa County FY '05	3/7/06
Marshall County FY '05	3/7/06	Pawnee County FY '04	9/21/05
Mayes County FY '04	9/19/05	Pawnee County FY '05	6/27/06
McClain County FY '04	12/21/05	Payne County FY '04	9/16/05
McClain County FY '05	12/21/05	Pittsburg County FY '05	6/19/06
McCurtain County FY '04	8/29/05	Pontotoc County FY '05	6/21/06
McIntosh County FY '04	10/10/05	Pottawatomie County FY '04	9/19/05
Murray County FY '04	12/21/05	Pottawatomie County FY '05	4/4/06
Murray County FY '05	12/29/05	Pushmataha County FY '05	6/22/06
Muskogee County FY '04	9/21/05	Roger Mills County FY '05	5/2/06
Noble County FY '04	8/26/05	Rogers County FY '03	4/19/06
Nowata County FY '04	6/20/06	Rogers County FY '04	4/19/06
Nowata County FY '05	6/20/06	Seminole County FY '04	9/16/05

Entity and Release Date

Seminole County FY '05	6/20/06
Sequoyah County FY '03	7/27/05
Sequoyah County FY '04	8/29/05
Sequoyah County FY '05	6/26/06
Stephens County FY '05	12/21/05
Texas County FY '04	7/27/05
Tulsa County FY '05	3/7/06
Wagoner County FY '03	8/29/05
Wagoner County FY '04	5/8/06
Wagoner County FY '05	5/29/06
Washington County FY '04	6/20/06
Washita County FY '05	5/31/06
Woods County FY '04	9/21/05
Woodward County FY '04	8/29/05
Woodward County FY '05	4/4/06

County Court Clerk Statutory Audits*Entity and Release Date*

Atoka Court Clerk FY '05	6/27/06	Dewey Court Clerk FY '05	1/20/06
Beaver Court Clerk FY '04	8/29/05	Ellis Court Clerk FY '05	12/21/05
Beaver Court Clerk FY '05	4/26/06	Garfield Court Clerk FY '05	12/21/05
Beckham Court Clerk FY '05	12/30/05	Garvin Court Clerk FY '04	8/29/05
Blaine Court Clerk FY '05	11/9/05	Garvin Court Clerk FY '05	12/30/05
Bryan Court Clerk FY '05	6/7/06	Grady Court Clerk FY '04	8/29/05
Caddo Court Clerk FY '05	11/18/05	Greer Court Clerk FY '04	9/19/05
Canadian Court Clerk FY '05	11/18/05	Greer Court Clerk FY '05	4/6/06
Carter Court Clerk FY '05	12/30/05	Harmon Court Clerk FY '05	6/7/06
Cherokee Court Clerk FY '05	6/7/06	Harper Court Clerk FY '04	8/2/05
Cleveland Court Clerk FY '05	12/21/05	Harper Court Clerk FY '05	4/6/06
Comanche Court Clerk FY '05	10/31/05	Haskell Court Clerk FY '04	10/31/05
Cotton Court Clerk FY '04	8/29/05	Jackson Court Clerk FY '05	2/28/06
Craig Court Clerk FY '05	3/13/06	Jefferson Court Clerk FY '04	4/6/06
Creek Court Clerk FY '04	12/30/05	Jefferson Court Clerk FY '05	4/6/06
Creek Court Clerk FY '05	12/30/05	Kay Court Clerk FY '03	10/31/05
Custer Court Clerk FY '05	2/28/06	Kay Court Clerk FY '04	10/31/05
Delaware Court Clerk FY '03	10/31/05	Kingfisher Court Clerk FY '06	6/26/06
Delaware Court Clerk FY '04	10/31/05	Kiowa Court Clerk FY '05	1/20/06
Delaware Court Clerk FY '05	4/25/06	Latimer Court Clerk FY '04	12/21/05
Dewey Court Clerk FY '04	8/2/05	Latimer Court Clerk FY '05	12/21/05

Entity and Release Date

LeFlore Court Clerk FY '04	8/29/05	Ottawa Court Clerk FY '04	11/18/05
LeFlore Court Clerk FY '05	1/20/06	Ottawa Court Clerk FY '05	12/30/05
Lincoln Court Clerk FY '04	10/31/05	Pawnee Court Clerk FY '04	10/31/05
Logan Court Clerk FY '04	7/28/05	Pawnee Court Clerk FY '05	6/7/06
Logan Court Clerk FY '05	6/7/06	Payne Court Clerk FY '04	5/30/06
Love Court Clerk FY '05	6/23/06	Pittsburg Court Clerk FY '05	6/7/06
Major Court Clerk FY '05	3/13/06	Pontotoc Court Clerk FY '05	6/7/06
Marshall Court Clerk FY '04	12/30/05	Pottawatomie Court Clerk FY '04	8/29/05
Marshall Court Clerk FY '05	12/30/05	Pottawatomie Court Clerk FY '05	2/28/06
Mayes Court Clerk FY '04	10/31/05	Pushmataha Court Clerk FY '05	6/7/06
McClain Court Clerk FY '04	11/18/05	Roger Mills Court Clerk FY '05	4/19/06
McClain Court Clerk FY '05	11/18/05	Rogers Court Clerk FY '03	1/20/06
Murray Court Clerk FY '04	12/21/05	Rogers Court Clerk FY '04	1/20/06
Murray Court Clerk FY '05	12/21/05	Seminole Court Clerk FY '04	8/29/05
Muskogee Court Clerk FY '03	10/31/05	Seminole Court Clerk FY '05	6/7/06
Muskogee Court Clerk FY '04	10/31/05	Sequoyah Court Clerk FY '05	5/8/06
Noble Court Clerk FY '04	10/31/05	Stephens Court Clerk FY '05	11/18/05
Nowata Court Clerk FY '04	4/6/06	Texas Court Clerk FY '05	6/23/06
Nowata Court Clerk FY '05	4/6/06	Tulsa Court Clerk FY '04	10/31/05
Okmulgee Court Clerk FY '05	3/30/06	Tulsa Court Clerk FY '05	1/20/06
Osage Court Clerk FY '04	4/6/06	Wagoner Court Clerk FY '04	4/6/06

Audit Reports Listing

Entity and Release Date

Wagoner Court Clerk FY '05	4/6/06
Washington Court Clerk FY '04	10/31/05
Washita Court Clerk FY '05	5/5/06
Woods Court Clerk FY '04	9/16/05
Woods Court Clerk FY '05	6/8/06
Woodward Court Clerk FY '05	3/13/06

County Treasurer Reviews

Entity and Release Date

Atoka County Treasurer FY '06	12/21/05	Harmon County Treasurer FY '06	10/31/05
Beaver County Treasurer FY '06	12/21/05	Haskell County Treasurer FY '06	4/26/06
Blaine County Treasurer FY '06	8/29/05	Hughes County Treasurer FY '06	12/21/05
Bryan County Treasurer FY '06	12/21/05	Jackson County Treasurer FY '06	9/16/05
Canadian County Treasurer FY '06	9/21/05	Jefferson County Treasurer FY '06	11/18/05
Carter County Treasurer FY '06	11/18/05	Johnston County Treasurer FY '06	10/31/05
Cherokee County Treasurer FY '05	12/30/05	Kay County Treasurer FY '05	12/30/05
Choctaw County Treasurer FY '06	4/26/06	Kingfisher County Treasurer FY '06	11/9/05
Cimarron County Treasurer FY '06	6/26/06	LeFlore County Treasurer FY '06	6/26/06
Cleveland County Treasurer FY '06	9/21/05	Lincoln County Treasurer FY '05	11/9/05
Coal County Treasurer FY '06	1/20/06	Logan County Treasurer FY '05	11/9/05
Comanche County Treasurer FY '06	3/9/06	Love County Treasurer FY '06	12/21/05
Craig County Treasurer FY '05	11/9/05	Major County Treasurer FY '06	11/9/05
Creek County Treasurer FY '05	11/9/05	Marshall County Treasurer FY '06	12/21/05
Custer County Treasurer FY '06	3/19/06	McClain County Treasurer FY '06	12/21/05
Delaware County Treasurer FY '05	11/9/05	McIntosh County Treasurer FY '05	11/9/05
Dewey County Treasurer FY '05	8/2/05	Murray County Treasurer FY '06	12/21/05
Ellis County Treasurer FY '06	8/2/05	Muskogee County Treasurer FY '05	12/30/05
Garvin County Treasurer FY '06	11/18/05	Noble County Treasurer FY '05	12/30/05
Grady County Treasurer FY '06	2/28/06	Nowata County Treasurer FY '05	11/9/05
Greer County Treasurer FY '06	11/18/05	Okfuskee County Treasurer FY '05	11/9/05

Entity and Release Date

Okmulgee County Treasurer FY '05	11/9/05
Osage County Treasurer FY '05	12/30/05
Ottawa County Treasurer FY '05	11/9/05
Pawnee County Treasurer FY '05	11/9/05
Payne County Treasurer FY '05	4/24/06
Pittsburg County Treasurer FY '06	3/13/06
Pontotoc County Treasurer FY '06	12/21/05
Pottawatomie County Treasurer FY '06	12/30/05
Pushmataha County Treasurer FY '06	4/12/06
Roger Mills County Treasurer FY '06	8/29/05
Seminole County Treasurer FY '06	2/28/06
Sequoyah County Treasurer FY '05	4/24/06
Texas County Treasurer FY '06	12/21/05
Wagoner County Treasurer FY '05	11/9/05
Woods County Treasurer FY '06	1/20/06
Woodward County Treasurer FY '05	8/2/05
Woodward County Treasurer FY '06	3/13/06

County Officer Turnovers

Entity and Release Date

Atoka County Commissioner #1 FY '06	6/5/06
Beaver County Sheriff FY '06	4/4/06
Bryan County Commissioner #3 FY '05	8/29/05
Cotton County Treasurer FY '06	2/15/06
Delaware County Assessor FY '05	10/31/05
Grady County Treasurer FY '06	10/10/05
Haskell County Commissioner #2 FY '06	4/27/06
McClain County Treasurer FY '05	7/28/05
Pawnee County Sheriff FY '05	8/29/05
Sequoyah County Commissioner #3 FY '06	6/8/06
Sequoyah County Treasurer FY '06	6/5/06
Tillman County Sheriff FY '06	4/4/06
Woods County Treasurer FY '06	2/15/06

Emergency Medical Districts*Entity and Release Date*

Butler EMS FY '04	10/31/05	McClain/Grady EMS FY '04	12/30/05
Butler EMS FY '05	11/9/05	McClain/Grady EMS FY '05	12/30/05
Geary EMS FY '04	9/19/05	Murray EMS FY '04	8/29/05
Geary EMS FY '05	9/19/05	Roger Mills EMS FY '05	6/23/06
Grady EMS FY '04	10/10/05	Rural Southern OK EMS FY '04	3/1/06
Grady EMS FY '05	10/10/05	Rural Southern OK EMS FY '05	3/1/06
Grove EMS FY '03	8/29/05	Sugar Creek EMS FY '04	10/10/05
Hughes EMS FY '04	6/16/06	Sugar Creek EMS FY '05	10/10/05
Hughes EMS FY '05	6/16/06	Vici-Camargo EMS FY '04	10/10/05
Johnston EMS FY '04	11/18/05	Vici-Camargo EMS FY '05	10/10/05
Johnston EMS FY '05	11/18/05	Waurika EMS FY '05	4/18/06
Latimer EMS FY '04	5/12/06	Woodward EMS FY '04	8/1/05
Latimer EMS FY '05	5/12/06	Woodward EMS 05	6/27/06
Le Flore EMS FY '05	4/5/06	Wynnewood EMS FY '04	12/22/05
Love EMS FY '04	12/22/05	Wynnewood EMS FY '05	12/22/05
Love EMS FY '05	12/22/05		

Horse Racing Division

Entity and Release Date

All Tracks, Live Race Days and Simulcast	2/10/05
Blue Ribbon Downs Mixed Breed Race Meeting #2	12/20/05
Blue Ribbon Downs Mixed Race Meeting #1	6/10/05
Blue Ribbon Downs Simulcast Race Days	2/1/06
Fair Meadows Simulcast Race Days	2/2/06
Fair Meadows at Tulsa State Fair Race Meeting	9/6/05
Fair Meadows County Fair Race Meeting	8/8/06
Remington Park Mixed Race Meeting	2/7/05
Remington Park Simulcast Days	2/1/05
Remington Park Thoroughbred Race Meeting	1/6/06
Will Rogers Downs Simulcast Race Days	2/2/06

Gaming Audit Division

Entity and Release Date

Statistical Audit of Gaming Operations Calendar Year 2005	1/24/06
Statistical Audit of Gaming Operations October 2005	11/14/05
Statistical Audit of Gaming Operations November 2005	12/14/05
Statistical Audit of Gaming Operations December 2005	1/17/06
Statistical Audit of Gaming Operations January 2006	2/13/06
Statistical Audit of Gaming Operations February 2006	2/13/06
Statistical Audit of Gaming Operations March 2006	4/12/06
Statistical Audit of Gaming Operations April 2006	5/15/05
Statistical Audit of Gaming Operations May 2006	6/13/05
Statistical Audit of Gaming Operations June 2006	7/18/06

Special Audits, Reviews and Reports

Entity and Release Date

Adair County Commissioner	4/20/06
City of Anadarko	5/26/06
Coyle Public Schools	12/6/05
Grant County Sheriff	9/12/05
Town of Hanna Public Works Authority	7/19/05
Hinton Economic Development Authority	11/15/05
J.M. Davis Arms & Historical Museum	6/9/06
Johnston County Fair Board	4/3/06
Lost City Public Schools	10/7/05
Oklahoma Military Department	9/1/05
Mounds Public Schools	7/8/05
Pardon & Parole Agency	11/4/05
Pittsburg Court Clerk	3/27/06
Town of Pocola	9/6/05
Sallisaw Police Department	12/12/05
Tulsa County Treasurer	4/7/06
Woodward County Sheriff	7/12/05
Town of Wright City	1/6/06

State Agencies, Boards and Commissions

Financial Statement Audits:

Entity and Release Date

Alcoholic Beverages Law Enforcement Commission	9/30/05
Construction Industries Board	3/22/06
Oklahoma Center for the Advancement of Science and Technology	6/19/06
Oklahoma Tax Commission	4/7/06
Oklahoma State Treasurer	9/7/05
State of Oklahoma Comprehensive Annual Financial Report (CAFR)	2/27/06
State of Oklahoma Single Audit	3/31/06

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

Department of Central Services	Department of Corrections
Department of Human Services	Department of Education
Department of Emergency Management	Oklahoma Health Care Authority
Department of Health	Department of Transportation
Employment Security Commission	Department of Veterans Affairs
Department of Rehabilitation Services	Capitol Improvement Authority
Department of Mental Health and Substance Abuse Services	

Performance Audits:

Entity and Release Date

Department of Agriculture	9/1/05
Alcoholic Beverages Law Enforcement Commission	12/28/05
Oklahoma Capital Investment Board	4/7/06
Oklahoma County Motor Vehicle Fleet	9/20/05
Department of Public Safety	8/18/05

Attestation Engagements:

Entity and Release Date

Office of Handicapped Concerns	5/22/06
Liquefied Petroleum Gas Board	2/28/06
Board of Nursing	6/6/06
Energy Resources Board	6/5/06
Employment Security Commission-NODA	10/26/05
School of Science and Mathematics	6/13/06
Peanut Commission	6/18/06
Professional Engineers and Land Surveyors Board	11/28/05
J.D. McCarty Center	8/10/05
Department of Transportation-Purchase Card Examination	7/28/05
Aeronautics Commission	5/3/06
Anatomical Board	5/3/06
Board of Cosmetology	5/8/06
State Fire Marshal	6/2/06
Commission on Marginally Producing Oil and Gas Wells	5/11/06
Bureau of Narcotics & Dangerous Drugs Control	6/16/06
Scenic Rivers Commission	6/7/06

Statutory Examinations:

Entity and Release Date

Board of Governors of Architects and Landscape Architects	7/18/2005
Conservation Commission	8/22/2005
State Election Board	9/22/2005
Department of Libraries	9/12/2005
Board of Medicolegal Investigations	7/26/2005
Department of Mines	8/31/2005
Motor Vehicle Commission	9/26/2005
Office of Personnel Management	7/25/2005
Board of Private Vocational Schools	8/31/2005
Secretary of State	8/12/2005
Wheat Commission	12/21/2005
Will Rogers Memorial Commission	9/26/2005

Information Systems Audits:

Entity and Release Date

Department of Education*	4/18/2006
Employment Security Commission*	4/18/2006
Oklahoma City/County Health Department*	4/13/2006
Construction Industries Board*	4/6/2006
Department of Career Technology and Education*	4/18/2006

**Audit is considered confidential under 51 O.S. § 24A.28.E.*

Information Systems Audit Services also assisted financial and/or performance auditors in audits of the following entities:

Department of Public Safety	Department of Transportation
Dept. of Mental Health and Substance Abuse Services	Department of Health
Washington County	Oklahoma County
Tulsa County	Commission for Teacher Preparation
Board of Osteopathic Examiners	J.D. McCarty Center
State Banking Department	Boll Weevil Eradication Organization
Center for the Advancement of Science and Technology	Board of Veterinary Medical Examiners
Funeral Board	Board of Chiropractic Examiners
Historical Society	

Special Projects:

Employees Benefit Council-Vendor Financial Statement Analysis
Department of Tourism-Certification of Uncollectible Accounts Receivable
Oklahoma Lottery Commission-Purchase Card Analysis
Police Pension and Retirement System-Purchase Card Analysis
Commission on Children and Youth-Purchase Card Analysis
Office of Handicapped Concerns-Purchase Card Analysis
Commissioners of the Land Office-Purchase Card Analysis
Board of Optometry-Purchase Card Analysis
Board of Dentistry-Purchase Card Analysis
Employment Security Commission-Purchase Card Analysis
Firefighters Pension and Retirement System-Purchase Card Analysis
Office of Personnel Management-Purchase Card Analysis
State Bond Advisor-Purchase Card Analysis
Tax Commission-Purchase Card Analysis
State Arts Council-Purchase Card Analysis
State Pharmacy Board-Purchase Card Analysis
Board of Veterinary Medical Examiners-Purchase Card Analysis
Cosmetology Board-Purchase Card Analysis
Consumer Credit Commission-Purchase Card Analysis
Physician Manpower Training Commission-Purchase Card Analysis
Secretary of State-Purchase Card Analysis
Commission for Teacher Preparation-Purchase Card Analysis
Funeral Board-Purchase Card Analysis
Department of Education-Purchase Card Analysis
J.M. Davis Memorial Commission-Purchase Card Analysis

**Special projects were performed to assist state agency management. The results were communicated to management through written correspondence other than an audit report. As a result, a report release date is not included.*

District Attorney Audits

Entity and Release Date

James Boring – Bogus Check FY '04	9/19/05
James Boring – Property Forfeiture FY '04	9/19/05
Mark Campbell – Bogus Check FY '05	4/12/06
Mark Campbell – Property Forfeiture FY '04	4/12/06
Gene Christian – Bogus Check FY '05	11/18/05
Gene Christian – Property Forfeiture FY '05	11/18/05
Mark Gibson – Bogus Check FY '03	3/3/0/06
Mark Gibson – Property Forfeiture FY '03	3/3/0/06
Mark Gibson – Bogus Check FY '04	3/3/0/06
Mark Gibson – Property Forfeiture FY '04	3/3/0/06
Richard Gray – Property Forfeiture FY '05	6/6/06
Tim Harris – Bogus Check FY '04	12/22/05
Tim Harris – Property Forfeiture FY '04	12/22/05
Robert Hudson – Bogus Check FY '04	12/22/05
Robert Hudson – Property Forfeiture FY '04	5/20/06
Ray Don Jackson – Bogus Check FY '04	9/19/05
Ray Don Jackson – Property Forfeiture FY '04	9/15/05
Tim Kuykendall – Bogus Check FY '05	10/31/05
Tim Kuykendall – Property Forfeiture FY '05	10/31/05

Audit Reports Listing

Entity and Release Date

Wes Lane – Bogus Check FY '03	6/23/06
John Luton – Property Forfeiture	6/27/06
Virginia Sanders – Bogus Check FY '05	3/30/06
Virginia Sanders – Property Forfeiture FY '05	3/30/06
Robert Schulte – Bogus Check FY '04	9/16/05
Robert Schulte – Property Forfeiture FY '04	9/19/05
Dennis Smith – Bogus Check FY '04	9/16/05
Dennis Smith – Property Forfeiture FY '04	9/16/05
Mitch Sperry – Bogus Check FY '05	2/28/06
Mitch Sperry – Property Forfeiture FY '05	2/28/06
Cathy Stocker – Bogus Check FY '04	9/16/05
Cathy Stocker – Property Forfeiture FY '04	9/16/05
John Wampler – Bogus Check FY '04	9/16/05
John Wampler – Property Forfeiture FY '04	9/16/05
Farley Ward – Bogus Check FY '05	3/30/06
Farley Ward – Property Forfeiture FY '05	3/30/06
Chris Wilson – Bogus Check FY '05	4/4/06
Chris Wilson – Property Forfeiture FY '05	4/4/06

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. McMahan

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