



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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OKLAHOMA ARTS COUNCIL

REPORT ON AGREED-UPON PROCEDURES

JULY 1, 2004 THROUGH DECEMBER 31, 2005



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Arts Council
Agreed-upon Procedures Report
For the Period

July 1, 2004 through December 31, 2005

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 21, 2006

TO THE OKLAHOMA ARTS COUNCIL

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Arts Council. The procedures we performed were conducted pursuant to 74 O.S., §212.

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,

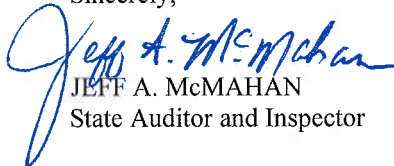

JEFF A. McMAHAN
State Auditor and Inspector

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Mission Statement

The mission of the Oklahoma Arts Council is to lead, cultivate and support a thriving arts environment, which is essential to quality of life, education, and economic vitality for all Oklahoma.

Board Members

James R. Tolbert III	Chair
Dr. Clarence Hedge	Vice-Chair
Billie Barnett	Member
Jennifer MacIvor Dunning	Member
Saundra Evans	Member
Jan Ralls-Henry	Member
Susan McCalmont	Member
Martha Griffin	Member
Harvey Pratt	Member
Jean Richardson	Member
Ira Schlezinger	Member
Kym Koch Thompson	Member
Mary Jane Wade	Member
Wanda Westheimer	Member
Maxine Zarrow	Member

Key Staff

Betty Price	Executive Director
Suzanne Tate	Deputy Director
Joe Turner	Finance Director
Kim Baker	Assistant Director
Paulette Black	Arts Education Director
Ann Dee Lee	Public Relations Director



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 Arts Council, 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 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 Arts Council'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;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - 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;

Finding

Incoming checks are not restrictively endorsed upon receipt. The office manager receives the checks and forwards them to the Finance Director who endorses them at the time he prepares the deposit. Checks received may be held for more than a day if the Finance Director is out of the office. Also, the checks are not safeguarded during this time. If controls are not present errors and irregularities could occur and not be detected in a timely manner. We recommend the checks be restrictively endorsed by the office manager upon receipt; checks be safeguarded; and deposits be made daily.

The Finance Director is responsible for endorsing checks, preparing the deposit slip, delivering the deposit to OST, and reconciling cash. When there is a lack of segregation of duties, errors and irregularities could occur and not be detected in a timely manner. We recommend the Council establish and implement segregation of duties so the same person is not responsible for endorsing checks, preparing deposits slips, delivering the deposit to OST, and reconciling cash.

Management Response

The agency has developed the following procedures:

The Office Manager or back-up will:

- Receipt all checks received and will include both date and time.
- Receipts that are voided will be retained.
- Checks received will be stamped with "Deposit Only".

- Complete the deposit slip.
- Forward checks to the Finance Director.

The Finance Director or back-up will:

- Balance all deposits to the receipt book and initial to indicate accuracy.
- Process the deposit entry into the PeopleSoft system.
- Provide a copy of the PeopleSoft Deposit to the Office Manager.
- Hand carry the deposit to the Treasurer's Office.

Finding

A formal monthly reconciliation of receipts and disbursements is not prepared by the Finance Director; only a running cash total is maintained. If a formal reconciliation is not maintained errors and irregularities could occur and not be detected in a timely manner. We recommend a monthly formal reconciliation be performed and approved by someone other than the preparer.

Management Response

The Finance Director will perform a monthly formal reconciliation by balancing all funds with the Office of State Finance Allotment Budget and Available Balance Report. The Deputy Director will verify the reconciliation.

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

2. We compared the Arts Council's internal control over the safeguarding of capital assets with the following criteria:
 - Inventory records were maintained for capital assets costing \$500 or more;
 - Packing slips were compared to the purchase order when capital assets are received;
 - Inventory records were adjusted promptly when capital assets are acquired, retired, sold, or transferred;
 - Obsolete or unusable assets were disposed of through the Department of Central Services' Surplus Property Division;
 - Physical inventories were performed;
 - Differences between physical inventory counts and inventory records were resolved;

Finding

The last physical inventory was performed in 2003. If an inventory is not performed annually, errors and irregularities of inventory records could occur and not be detected in a timely manner. We recommend a physical inventory be performed on an annual basis and any differences between the physical count and inventory records should be resolved and all adjustments to the inventory records should be approved.

Management Response

A physical inventory of property owned by Arts Council will be conducted and results calculated each year prior to June 30.

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

3. We randomly selected 4 deposits and:
 - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day.
 - Agreed the total receipts per receipt log to the deposit slip.
 - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received.

- Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first.
- Inspected agency 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.

Finding

During our agreed-upon procedures performed for deposits, three of the four checks received for deposit were held and not deposited within 24 hours in accordance with 62 O.S. 2001 § 7.1c. Each check was for approximately \$43,770 and was held from four to 30 days. Also, the receipt dates of all four checks tested did not agree with the deposit slip dates because these checks were held. When checks are held and not deposited within 24 hours or a reasonable time period, errors and irregularities could occur and not be detected in a timely manner. We recommend checks be deposited according to 62 O.S. 2001 § 7.1.c.

Management Response

All checks received by the Oklahoma Arts Council will be receipted and deposited daily. Deposits will be hand carried to the Treasurer's Office.

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

4. 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.

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 selected 10 assets from the capital asset listing and:
 - Visually inspected each asset to ensure its existence and that it was identified as property of the State of Oklahoma;
 - Compared the identification number on the listing to that shown on the asset.

Finding

During our agreed-upon procedures for capital assets, all ten of the assets from the capital asset listing did not have tags identifying them as property of the State of Oklahoma. Capital assets that do not have proper tags identifying them as property of the State of Oklahoma, could result in the loss of state owned property and not be detected in a timely manner. We recommend all capital assets be tagged as property of the State of Oklahoma.

Management Response

Upon receipt and acceptance of any property that meets the requirements to be included on the official inventory records, the Arts Council will locate and place an Arts Council tag on item accepted and enter inventory information into computer database.

With respect to the other procedure applied, there was no finding.

10. We selected 10 assets from the floor and:
 - Traced them to the capital asset listing;
 - Compared the asset serial number on the asset to that shown on the listing;
 - Inspected the asset to determine it was properly identified as property of the State of Oklahoma.

Finding

During our agreed-upon procedures for capital assets, all ten of the assets from the floor to the list did not have tags identifying them as property of the State of Oklahoma. Capital assets that do not have proper tags identifying them as property of the State of Oklahoma, could result in the loss of state owned property and not be detected in a timely manner. We recommend all capital assets be tagged as property of the State of Oklahoma.

Management Response

Upon receipt and acceptance of any property that meets the requirements to be included on the official inventory records, the Arts Council will locate and place an Arts Council tag on item accepted and enter inventory information into computer database.

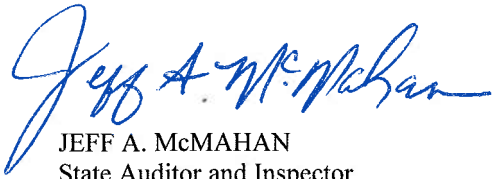
With respect to the other procedures applied, there were no findings.

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, 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 Arts Council 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.

A handwritten signature in blue ink that reads "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

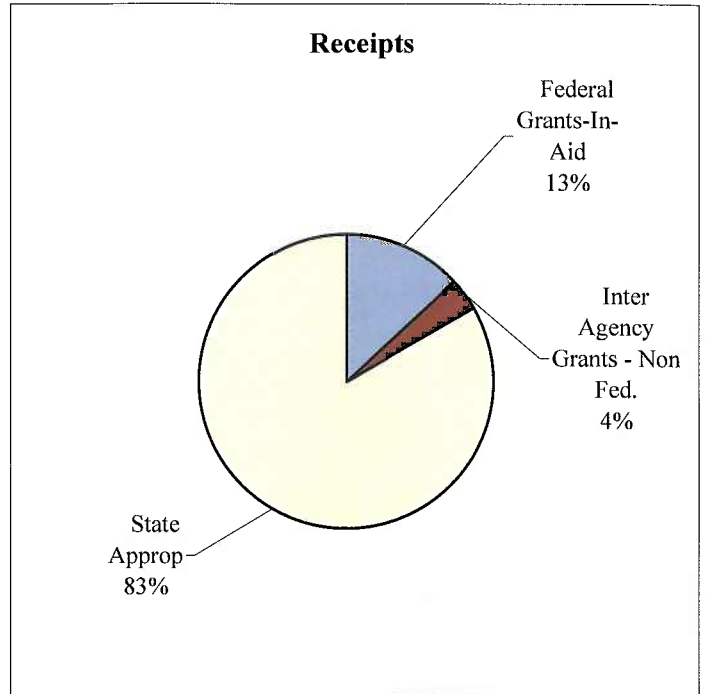
June 14, 2006

Other Information

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

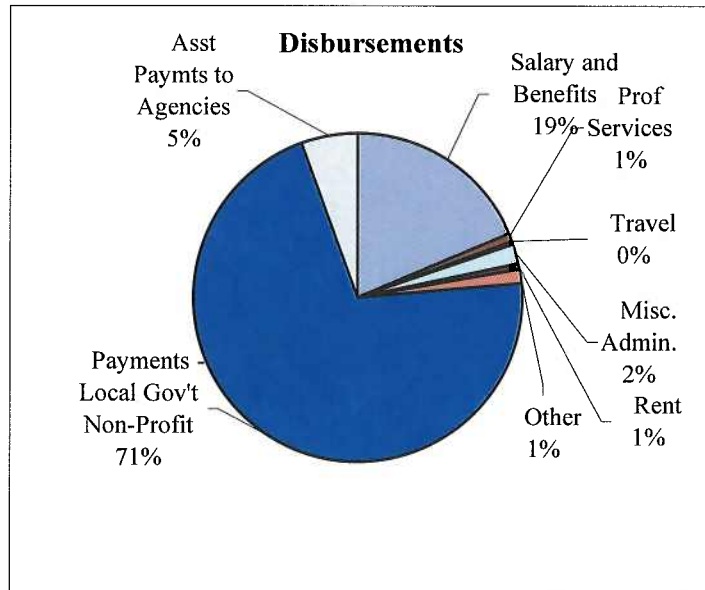
RECEIPTS:

Federal Grants-In-Aid	\$ 610,100
Inter Agency Grants - Non Fed.	175,085
State Appropriations	<u>3,923,871</u>
Total Receipts	<u>4,709,056</u>



DISBURSEMENTS:

Salary and Benefits	896,276
Professional Services	34,920
Travel	21,799
Misc. Admin.	85,917
Rent	33,939
Other	59,160
Payments - Local Gov't Non-Profit	3,408,070
Assistance Payments to Agencies	<u>263,561</u>
Total Disbursements	<u>4,803,642</u>



RECEIPTS OVER (UNDER) DISBURSEMENTS	(94,586)
CASH--Beginning of Year	<u>1,260,526</u>
CASH--End of Year	<u><u>\$ 1,165,940</u></u>

This schedule is solely for the information and use by the management of Arts Council and not intended to be and should not be used by any other party. See Accountant's Report.



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