



**STATE OF OKLAHOMA**  
**OFFICE OF THE STATE AUDITOR & INSPECTOR**

A  
G  
R  
E  
E  
D  
  
U  
P  
O  
N  
  
P  
R  
O  
C  
E  
D  
U  
R  
E  
S  
  
E  
N  
G  
A  
G  
E  
M  
E  
N  
T

**BOLL WEEVIL ERADICATION**  
**ORGANIZATION**  
*REPORT ON AGREED-UPON PROCEDURES*

*JULY 1, 2004 THROUGH DECEMBER 31, 2005*



**JEFF A. McMAHAN, CFE**  
**OKLAHOMA STATE AUDITOR & INSPECTOR**

**Boll Weevil Eradication Organization**

**Agreed-upon Procedures Report**

**For the Period**

**July 1, 2004 through December 31, 2005**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

9/27/2006

**TO THE OKLAHOMA BOLL WEEVIL ERADICATION ORGANIZATION**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Boll Weevil Eradication Organization. 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

**Mission Statement**

The mission of the Oklahoma Boll Weevil Eradication Organization is to design, implement, and complete a boll weevil eradication program that is economical, producer friendly, and beneficial to the State of Oklahoma.

**Board Members**

Jerry McKinley ..... Chairman  
Ron Whittenberg..... Vice-Chair  
Sam Pfenning..... Secretary  
Dan Vinyard ..... Board Member  
Phil Bohl..... Board Member

**Key Staff**

Dr. Bill Massey ..... Executive Director  
Joe Harris ..... Business and Financial Officer  
Deanna Allen ..... Purchasing/Accounts Payable Clerk  
Celecia Stoup ..... Payroll Clerk  
Amanda Davidson ..... Inventory Clerk  
Billy Burton ..... Programmer



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 Boll Weevil Eradication Organization, 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 of July 1, 2004 to December 31, 2005. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the Boll Weevil Eradication Organization's internal controls over receipts and disbursements with the following criteria:
  - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
  - Receipts were issued for cash and/or checks received;
  - Restrictive endorsement is placed on each incoming check upon receipt;
  - Receipts not deposited daily were safeguarded;
  - Voided receipts were retained;
  - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
  - Disbursements were supported by an original invoice;
  - Timesheets were prepared by employees and approved by supervisory personnel;

During our documentation of controls we noted the Boll Weevil Eradication Organization has employees with access to PeopleSoft in the General Ledger, Accounts Payable, and Purchasing areas which are incompatible and reflect an inadequate segregation of duties. Inadequate segregation of duties could increase the potential for errors, irregularities, and fraud to occur and not be detected in a timely manner. We recommend the Boll Weevil Eradication Organization review the access rights/PeopleSoft roles and reallocate them, so that incompatible duties are no longer performed by employees and so that proper segregation of duties is maintained within the agency.

**Management Response: We will look at PeopleSoft roles with a view to ensuring, within the context of a small staff, that incompatible duties are reassigned.**

62 O.S. § 7.1C states "All such monies collected pursuant to this section shall be deposited as follows in the agency clearing account or agency special account established therefor: c. All checks received must be restrictively endorsed immediately upon receipt." During our documentation of controls we noted the Boll Weevil Eradication Organization does not restrictively endorse checks immediately upon their receipt. Not restrictively endorsing checks immediately upon receipt could increase the potential for fraudulent activities to occur. We recommend the Boll Weevil Eradication Organization restrictively endorse all checks immediately upon receipt.

**Management Response: Endorsement stamp has been moved to the administrative office where mail is opened and sorted.**

During our documentation of controls we noted that the Business and Finance Director is responsible for preparing and submitting deposits as well as preparing and submitting reconciliations for the deposits. Inadequate segregation of duties could increase the potential for errors, irregularities, and fraud to occur and not be detected in a timely manner. We recommend the Boll Weevil Eradication Organization segregate the responsibilities of preparing and submitting deposits. We also recommend that the deposit reconciliations responsibilities be segregated from deposit preparation responsibilities.

**Management Response: Preparation and submission of deposits will be segregated from reconciliation duties.**

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

2. We compared the Boll Weevil Eradication Organization'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;

74 O.S. § 110.1 subsections A and F state "The Department of Central Services shall maintain a current inventory of tangible assets owned by state boards, commissions, institutions, agencies and the institutions comprising The Oklahoma State System of Higher Education and the University Hospitals Authority. And The Department of Central Services may make periodic checks of tangible assets of entities listed in subsection A of this section. All entities will make support personnel available to the Department of Central Services to report tangible asset acquisitions, assist with identification and update inventories on a periodic basis." In performing internal control procedures we were unable to determine whether physical inventories are performed because documentation of inventory counts are not kept. Without documentation of physical inventory, Boll Weevil Eradication Organization is unable to demonstrate proper accountability over equipment. We recommend the Boll Weevil Eradication Organization document physical inventories performed and keep documentation separate from the inventory master list.

**Management Response: We will revamp our inventory procedures to ensure that physical inventory (count) records, including inventory date, are kept separate from the master inventory listing, which is maintained according to Office of State Finance and Department of Central Services guidelines.**

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

3. We randomly selected 20 deposits and:
  - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day.
  - Examined receipts to determine if they were pre-numbered and issued in numerical order.
  - Agreed cash/check composition of deposits to the receipts issued.
  - Agreed the total receipts issued to the deposit slip.
  - Inspected agency receipts to determine whether 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.

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

4. We randomly selected 60 vouchers and:
  - Agreed the voucher amount and payee to the invoice amount and payee;
  - Agreed 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 one 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 one 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 selected the two 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 four 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.

OAC 580: 70-5-1 (a) Inventory tags, states, "An agency shall affix a unique identifier as an inventory tag to all tangible assets." During our inventory procedures for 10 items from the inventory list to the floor, we noted three items totaling \$3,889.00 which did not have a property of Oklahoma tag affixed to them. From visual inspection of the assets it appears that the tags were once on the items and had come off. Without accurate and timely inventory records, Boll Weevil Eradication Organization is unable to demonstrate

proper accountability over equipment purchased. Therefore, we recommend that the agency ensure all capital assets are tagged and placed on the inventory list.

**Management Response: When asset tags are affixed to items, the tag number is added to the master inventory listing for that item so that we can cross reference via serial number back to the item in the event a tag is lost. This, in our view, allows us to maintain the integrity of the state tagging system – one item, one lifetime tag number. In the future, however, lost tags will be replaced with new tags and inventory records updated accordingly.**

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

10. We selected 10 assets from the floor and:

- Traced them to the capital asset listing;
- Compared the identification 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.

During our inventory procedures for 10 items from the floor to inventory list, we noted two items which were tagged and on the floor but were not on the inventory listing. It appears that the two items that were on the floor but not on the inventory list were either mistakenly removed or never entered into the inventory list. Without accurate and timely inventory records, Boll Weevil Eradication Organization is unable to demonstrate proper accountability over equipment purchased. Therefore, we recommend the agency keep a master inventory file and adjust only copies of this file to ensure that if a mistake is made it can be corrected using the master file.

**Management Response: Please see response to item 2 above.**

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

11. We compared the Oklahoma Boll Weevil Eradication Organization's internal controls over purchase cards with the following criteria:

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

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

12. We identified employees that are purchase card holders and determined the Oklahoma Boll Weevil Eradication Organization retained the original employee signed copy of the State of Oklahoma Purchase Card Employee Agreement.

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

13. We examined all purchase card transactions to determine:

- A credit limit (dollar amount per cycle) was established for each cardholder;

- The dollar amount of each transaction did not exceed the single purchase limit of \$2,500;
- Each purchase card was assigned an approved Merchant Category Code Group;
- Any purchases from the same vendor on the same date for the same item, and whether in the aggregate, the card purchase limit was exceeded (i.e. split purchasing).

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

14. We randomly selected 20% of the Oklahoma Boll Weevil Eradication Organization's purchase card transactions and:
- Determined transactions were **not** for prohibited purchases:
    - Travel including, but not limited to, transportation, entertainment, food and beverages, travel agencies, and lodging.
    - Cash, cash advances, automatic teller machines (ATM).
    - Any transaction or series of transactions, which exceed the limits established on the individual purchase card.
    - Motor fuel or fluids.
    - Gift certificates.
  - Inspected transaction logs to determine they were supported by receipts and/or other supporting documentation and the cardholder and approving official reconciled the supporting documentation to the monthly memo statement;
  - Reviewed transaction receipts to determine if the use of the purchase card was limited to the employee whose name is embossed on the card;
  - Examined transaction logs to determine the log was reviewed and approved (signed) by the cardholder and the approving official;
  - Reviewed receipts and/or other supporting documentation to determine they were annotated "Received", signed, and dated by the receiving employee;
  - Examined the receipt and/or supporting documentation to determine state sales tax was **not** charged during the transaction;
  - Verified with the Department of Central Service that the Purchase card Administrators, back-up Administrators, Authorized Signers, Approving Officials, and Cardholders have successfully completed the Purchase Card Training conducted by the Department of Central Services prior to being issued purchase cards;
  - Inspected transactions to determine if merchant preference was used by the Boll Weevil Eradication Organization for certain merchants or types of contracts, i.e. statewide contractions;
  - Determined documents were retained in accordance with the Boll Weevil Eradication Organizations procedures;
  - Compared the nature of the purchase to the commission's mission for consistency.

Section 6.2.3. *Other prohibited purchases* of the *State of Oklahoma Purchase Card Procedures* states "motor fuel or fluids are prohibited from being purchased with the Purchase Card." During the performance of the Purchase Card Procedures we noted five purchases were for motor fluids.

Section (6.7. *Receiving goods and services*) of the Purchase Card Procedures states "Purchase card purchases must be supported by receipt and/or other supporting documentation that has been signed and dated by the receiving employee." During the performance of the Purchase Card Procedures we noted one purchase was not supported by any receipt(s).

Sections (6.4. *Transaction logs*, 6.5. *Receipts for purchase*, and 6.9.1. *Cardholder responsibility*.) of the Purchase Card Procedures states "Transaction logs must be supported by receipts and/or other supporting documentation, the cardholder must reconcile the supporting documentation to the log, and the cardholder must sign and date the log." During the performance of the Purchase Card Procedures we noted twenty-three transactions that were not supported with a transaction log.

Section (6.7. *Receiving goods and services*) of the Purchase Card Procedures states "receipts and/or other supporting documentation must be annotated "Received", signed, and dated by the receiving employee."

During the performance of the Purchase Card Procedures we noted five receipts were not signed and dated by the receiving employee.

Section (6.6. *State sales tax*) of the Purchase Card Procedures states “state sales tax should not be charged for Purchase Card transactions.” During the performance of the Purchase Card Procedures we noted one purchase in which sales tax of \$17.77 was included.

Section (6.2.5. *Merchant Preferences / 6.2.5.3. Mandatory statewide contracts*) states “state entities shall make purchases from mandatory statewide contracts regardless of the purchase price unless the State Purchasing Division has issued waiver to the entity.” During the performance of the Purchase Card Procedures we noted two transactions where merchant preference was not used.

Improper use of the Purchase Card and/or inadequate support for transactions can increase the opportunity for misappropriations of assets. We recommend the agency not use their Purchase Cards for prohibited items. The agency should ensure that Cardholder responsibilities are performed and the receiving employee annotate “Received”, sign and date all receipts and/or other supporting documentation. The agency should also ensure that sales tax is not being charged to the Purchase Card. In addition any purchase for an item on the mandatory statewide contract must be made to the appropriate vendor or the agency should receive a waiver from the State Purchasing Director when making purchases for such items.

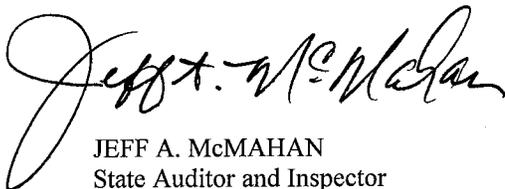
**Management Response: Refresher training on P/Card procedures was given to all card holders on September 12, 2006. Additionally, small cards containing guidance on items noted above and suitable for inclusion with the P/card in its protective jacket were issued to all card holders for review prior to each purchase, and to accounting staff for review prior to processing transactions.**

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 Boll Weevil Eradication Organization and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN  
State Auditor and Inspector

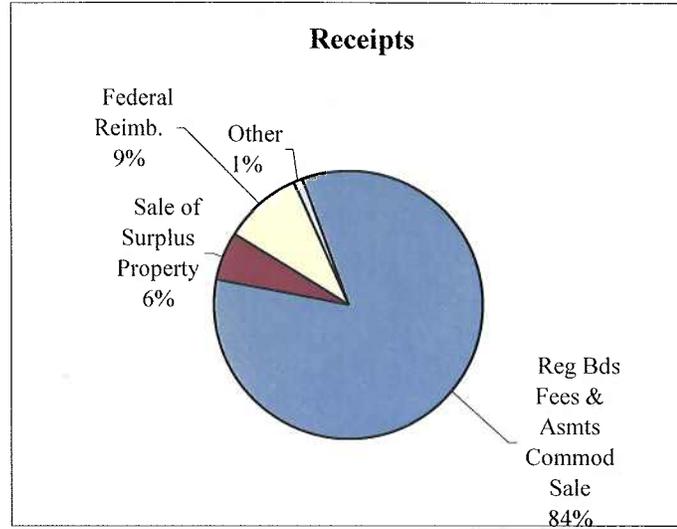
September 13, 2006

## **Other Information**

**Boll Weevil Eradication Organization**  
**Schedule of Receipts, Disbursements, and Changes in Cash**  
**For the Fiscal Year Ending June 30, 2005**  
**(UNAUDITED)**

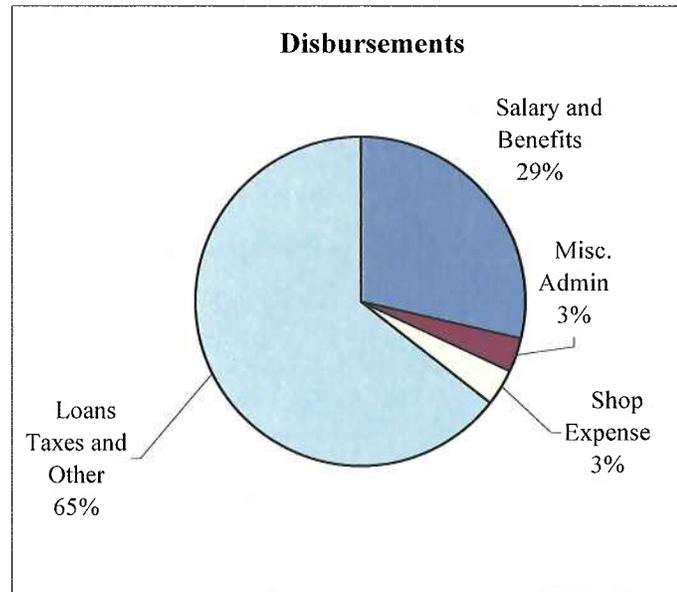
**RECEIPTS:**

Reg Bds Fees&Asmts Commod Sale	\$ 2,830,766
Sale of Surplus Property	199,755
Federal Reimbursements	318,000
Other	35,275
	<hr/>
Total Receipts	<u>3,383,796</u>



**DISBURSEMENTS:**

Salary and Benefits	889,259
Miscellaneous Admin	104,826
Shop Expense	106,275
Loans Taxes and Other	2,000,000
Other Expenses	167,481
	<hr/>
Total Disbursements	<u>3,267,841</u>



RECEIPTS OVER (UNDER) DISBURSEMENTS	115,955
CASH--Beginning of Year	<u>2,446,434</u>
CASH--End of Year	<u><u>\$ 2,562,388</u></u>

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



## **Office of the State Auditor & Inspector**

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

[www.sai.state.ok.us](http://www.sai.state.ok.us)