



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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**OKLAHOMA CONSERVATION
COMMISSION**

REPORT ON AGREED-UPON PROCEDURES

JULY 1, 2004 TO DECEMBER 31, 2005



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Conservation Commission

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

July 6, 2006

TO THE MEMBERS OF THE CONSERVATION COMMISSION

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Conservation Commission. 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 Conservation Commission is to conserve, protect, and restore Oklahoma's natural resources, working in collaboration with conservation districts and other partners, on behalf of the citizens of Oklahoma.

Commission Members

<u>Name</u>	<u>Area</u>	<u>Title</u>
Rick Jeans	II	Chairman
George Stunkard	III	Vice-chairman
Dan Lowrance	IV	Secretary/Treasurer
Virginia Kidd	V	Member
J. T. Winters	I	Member

Key Staff

Mike Thralls.....	Executive Director
Ben Pollard.....	Assistant Director
Steven Coffman.....	Comptroller



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 Conservation Commission solely to assist you in evaluating your internal controls over the receipt and disbursement process, and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2004 through December 31, 2005. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

According to 62 O.S. 2001 § 7.1c "checks must be restrictively endorsed immediately upon receipt." During our walk-through of controls, we observed the employee opening the mail did not immediately restrictively endorse the checks. A lack of immediate restrictive endorsement increases the potential for fraudulent activity. We recommend the Conservation ensure compliance with 62 O.S. 2001 § 7.1c and institute a policy of immediate restrictive endorsement of checks.

Views of Responsible Official:

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: Deposit endorsement stamps were relocated from the desks of the Financial Management & Human Resources Division employee responsible for programs corresponding to incoming checks and placed at the reception desk. All incoming checks are now endorsed appropriately as they are opened.

A component objective of an adequate internal control system is to provide accurate, reliable, and verifiable information. Monthly reconciliations of agency transactions to OST should be performed, documented, and authorized. Although management stated that monthly reconciliations are being

performed, documentation of reconciliations is not maintained. Without proper documentation, performance of reconciliations and proper accounting of funds and balances cannot be verified. We recommend a policy is established to document and retain performance of reconciliations.

Views of Responsible Official:

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: Documentation used to prepare monthly reconciliations are now notated with date and employees signature responsible for performing reconciliation.

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

2. We randomly selected 20 deposits and:

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

According to 62 O.S. 2001 § 7.1c "Receipts of One Hundred Dollars or more shall be deposited on the same banking day as received. Receipts of less than One Hundred Dollars may be held until accumulated receipts equal One Hundred Dollars or for five business days, whichever occurs first, and shall then be deposited no later than the next business day."

During our testwork performed on 20 deposits, we noted that none of the 20 could be reconciled to the corresponding receipts. Because the Conservation Commission does not have a cut-off time for writing receipts, receipts could be dated on a different date than the corresponding deposit slip.

We also noted one deposit included receipts dated 10 days prior to the deposit slip date. Therefore, the Commission did not deposit those funds within the required time of one working day.

We recommend a cut-off time be established for writing receipts to enable reconciliation of receipts to the deposit slip. We also recommend the Commission implement policies/procedures requiring all funds be deposited within one business day of being received.

Views of Responsible Official:

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: New procedures for preparing deposits have been developed using a color coded system to determine program that corresponds to funds being deposited. Deposits are now done on a daily basis. Funds received totaling less than \$100 on a given day will continue to be deposited on a daily basis.

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

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

A component of an adequate internal control system is to provide accurate and reliable information. During our testwork, we noted one transaction with an account code of 539110. The Oklahoma Office of State Finance has established a list of account codes which were invalid after December 31, 2003. The 539110 account code became invalid; the 531XX0 series became the converted value.

Another disbursement item used an account code which was not consistent to the account code description. The account code used was 534260 which is described as "medical supplies and materials." The claim was for professional services from the University of Oklahoma. An account code which reflected professional services should have been used. Incorrectly classifying expenditures will make expenditure reports for budgetary and fiscal decisions unreliable. We recommend account codes and transactions be reviewed periodically to ensure proper coding of transactions.

Views of Responsible Official:

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: Account codes listings have been provided to employees with responsibility for input into the CORE system. These codes are reviewed at the time the purchase order is prepared, as well as, when the voucher is prepared. Regarding account codes no longer used by the Office of State Finance, at the time the invalid code 539110 was used, the incorrect code was transferred over during the conversion from the ICS system to the CORE system and a voucher was posted. It was discovered, however, because the code was now invalid, a journal voucher could not be prepared thru the CORE system.

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

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

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

5. We randomly selected one employee 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 procedure.

6. We randomly selected three 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 one employee 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 procedure.

8. We randomly selected seven 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 procedure.

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

According to the *Oklahoma State Purchase Card Procedures 6.1.6 Conditions of Participation*, "... State entity p-card procedures shall be made a part of [the agency's] internal purchasing procedures. State entities must submit their revised internal purchasing procedures to the Audit Director of the Department of Central Services within 6 months of completing the program implementation process...."

The Commission was unable to supply documentation verifying submission of their p/card procedures to DCS. We recommend the Commission submit its purchase card procedures to DCS for approval.

Views of Responsible Official

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: The Commission has adopted the standard DCS procedures for the P- Card. These procedures have been incorporated into the Commission's purchasing procedures and have been submitted to the Department of Central Services for their approval.

According to the *Oklahoma State Purchase Card Procedures 6.9.1 Cardholder responsibility*, "[...] All cardholders (including Entity P/card Administrators and Approving Officials for other

cardholders) must have their reconciliation approved by an approving official at least one level above their position.”

During our testwork of 60 purchase card transactions, we noted that the Commission’s comptroller had a purchase card and was authorizing his own transactions. Of the 60 transactions tested, 27 were for purchases made on the comptroller’s purchase card. We noted that the comptroller had approved his own purchases on the required reconciliation and had not obtained approval from an approving official one level above his position as required by *Oklahoma State Purchase Card Procedures*. The comptroller stated he was unaware this was a violation of the state purchase card procedures until March 2006. As a result of continuing education, he voluntarily destroyed his P-Card and closed his account in March 2006 (prior to initiation of this agreed-upon procedures engagement).

Views of Responsible Official:

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: Purchase card has been destroyed.

According to the *Oklahoma State Purchase Card Procedures 6.4 Transaction logs*, “Cardholders shall maintain a transaction log of all p/card purchases, returns, credits, and disputed transactions as the transactions are made. A separate log shall be maintained for each p/card for each cycle.”

During testwork, we discovered Commission Employees were under the misconception that they did not need to maintain transaction logs, since Pathway Net was available to record transactions. Due to this misconception, P-card holders did not maintain transaction logs for March, April, May, and June 2005. As a result of further communication with DCS, the Commission realized the need to continue transaction logs. Transaction logs were noted for the remainder of the testwork period.

This could result in an increased opportunity for errors and/or fraudulent transactions. We recommend the Conservation Commission Employees maintain all transaction logs as required by state purchasing card rules.

Views of Responsible Official

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

Corrective Action Planned: All purchase card holders resumed the maintenance of internal transaction logs in excel format beginning July 2005.

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

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

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

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

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

12. We randomly selected 60 of the Commission’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 Commission for certain merchants or types of contracts, i.e. statewide contractions;
- Determined documents were retained in accordance with the Commission’s procedures;
- Compared the nature of the purchase to the Commission’s mission for consistency.

Section 6.7.1 of the *State of Oklahoma Purchase Card Procedures* states, “The receipt for purchase can also serve as the receiving document. The receiving document should be annotated ‘Received’ and signed and dated by the receiving employee....”

During testwork of P-Card transactions, we noted one item which did not note a date received; one item did not note a signature of the receiving employee. We also noted one test item which did not have a receipt initially present at the time of testwork. The comptroller was able to provide a copy of the receipt during testwork, but the item was not noted “Received”, signed, and dated at the time of receipt of the merchandise.

We recommend the Commission instruct employees in the requirements of section 6.7.1 of the *State of Oklahoma Purchase Card Procedures* and perform periodic reviews to verify compliance.

Views of Responsible Official

Contact Person: Steven Coffman (Comptroller)

Anticipated Completion Date: Completed

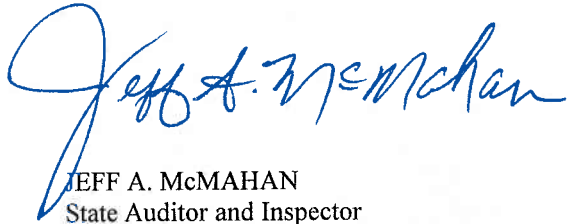
Corrective Action Planned: All items received are dated and signed by the receiving employee on the enclosed shipping document and attached to the Commission’s internal Request for Acquisition Form.

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

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, and disbursements, for the 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 Conservation Commission and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector
June 19, 2006

Other Information

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

RECEIPTS:

Federal Reimbursements	\$ 11,220,500
Appropriations	8,617,658
Other	<u>359,147</u>

Total Receipts 20,197,305

DISBURSEMENTS:

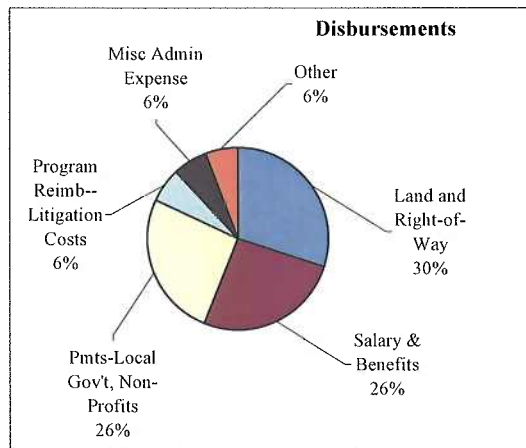
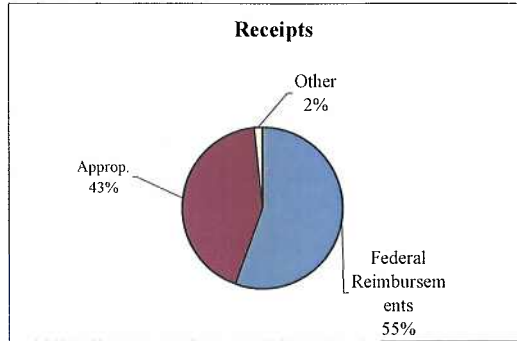
Land and Right-of-Way	5,550,328
Salary & Benefits	4,843,522
Pmts-Local Gov't, Non-Profits	4,760,513
Program Reimb--Litigation Costs	1,118,569
Misc Admin Expense	1,116,043
Other	<u>1,095,167</u>

Total Disbursements 18,484,142

RECEIPTS OVER (UNDER)
DISBURSEMENTS 1,713,163

CASH--Beginning of Year 3,734,471

CASH--End of Year \$ 5,447,634



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

See Accountant's Report.



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