



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

OKLAHOMA INDIAN  
AFFAIRS COMMISSION

*REPORT ON AGREED-UPON PROCEDURES*

*JULY 1, 2004 – DECEMBER 31, 2005*



JEFF A. MCMAHAN, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**Oklahoma Indian Affairs Commission**

**Agreed-upon Procedures Report**

**For the Period  
July 1, 2004 – December 31, 2005**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

August 22, 2006

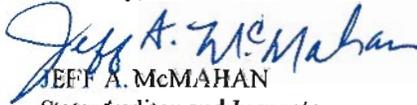
**TO THE BOARD OF COMMISSIONERS**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Indian Affairs 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 Commission'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



## STATE OF OKLAHOMA

### INDIAN AFFAIRS COMMISSION SUMMARY OF FINDINGS

Fiscal Year Ending 6/30/06

**JEFF A. McMAHAN, CFE**

OFFICE OF THE STATE  
AUDITOR & INSPECTOR

- ❖ Disbursement duties were not adequately segregated.
- ❖ Timesheets were not being prepared by all employees and being approved by supervisory personnel.
- ❖ Agency policy covering cell phone usage indicates the agency has two state-owned cellular phones however after reviewing the phone bills, we noted that there were four cell phones issued to the agency. We also noted that these four phones were maintained over the entire time period reviewed, although after 11/04, the agency only had three employees. We noted there was activity on all four phones for every month of the period (7/04-12/05).
- ❖ A large volume of cell phone text messaging and internet usage during all hours of the day and night and also on weekends. We also noted that each of the phones had routine night and weekend phone minute usage. This is a strong indication that the phones were used for personal use. We also noted that the amount of minutes used monthly was excessive continuously over the time period.
- ❖ For the 17 cell phone bills reviewed we noted that the total expenditures were \$10,489.86 and the total minutes used were 72,989. This resulted in an average monthly phone bill of \$642.49 and an average monthly minute usage of 4,405 for the four phones combined.
- ❖ No receipts or supporting documentation could be provided for four of the twenty p-card transactions tested. We also noted one other transaction was not listed on a transaction log nor were there any receipts or supporting documentation to substantiate the transaction.

## **Table of Contents**

Mission Statement, Board Members, and Key Staff.....	iii
Accountant’s Report on Applying Agreed-upon Procedures.....	1
Other Information	
Unaudited Schedule of Receipts, Disbursements, and Changes in Cash, FY 2005 .....	11

**Mission Statement**

The Oklahoma Indian Affairs Commission is charged with the mission of serving as the liaison between Oklahoma’s tribal population and governments and the Oklahoma State government. The Commission carries out its duty with the guidance of four statutorily determined goals: the creation of state and federal legislation; the creation of an advisory committee; the development and implementation of research projects and reports and the development of cooperative programs between tribes and state, federal, local, private entities, health organizations, educational agencies, tourism, and economic development entities.

**Board of Commissioners**

Bill Follis, Modoc Tribe.....	Chair
John P. Froman, Peoria Tribe of Indians of Oklahoma.....	Vice-Chair
Dan Jones, Ponca Nation of Oklahoma.....	Member
John A. Barrett, Citizen Potawatomi Nation.....	Member
Ken Blanchard, Absentee Shawnee Tribe.....	Member
Mary Flute-Cooksey, Cherokee Tribe.....	Member
Charles Enyart, Eastern Shawnee Tribe.....	Member
Dallas Proctor, United Keetoowah Band of Cherokees.....	Member
Wanda Stone, Kaw Nation Executive Council.....	Member

**Ex Officio Members**

Brad Henry, Governor; Designee: Jenna McBee.....	Member
Sandy Garrett, Superintendent of Public Instruction; Designee: Dr. Sharon Lease.....	Member
TBD, Department of Commerce; Designee: Ken Talley.....	Member
George Nigh, Department of Tourism; Designee: Pamela Wilcox.....	Member
Howard Hendrick, Department of Human Services; Designee: Ann Davis.....	Member
Dr. Bob Blackburn, Oklahoma Historical Society; Designee: Dr. Mary Jane Warde.....	Member
Betty Price, Oklahoma Arts Council; Designee: Karen Sharp.....	Member
Drew Edmonson, Attorney General; Designee: Peggy Paddyaker.....	Member
Susan Savage, Secretary of State; Designee: Tojunia Cole.....	Member
Phil Tomlinson, Secretary of Transportation; Designee: Geri Stevens.....	Member
Tommy Thompson, Native American Cultural & Educational Authority; Designee: Gena Howard.....	Member

**Key Staff**

Barbara Warner, Executive 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 Indian Affairs Commission, solely to assist you in evaluating your internal controls over the disbursement process and in determining whether selected 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.

- I We compared the Oklahoma Indian Affairs Commission internal controls over 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;
  - 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 comparison of internal controls for purchase card disbursements, we noted that duties of the Purchase card Administrator, Approving Official(s), and purchase cardholders were not adequately segregated. We noted that the Purchase card Administrator also serves as the Approving Official, and also is a purchase cardholder for the agency. This is an inadequate level of segregation of duties. If duties are not adequately segregated, errors and improprieties may occur and go undetected. We recommend the Commission consider segregating these duties so that a purchase cardholder does not also act as Purchase card Administrator as well as Approving Official.

Also, during our comparison of internal controls for disbursements, we noted that after November 2004 the Administrative Assistant was responsible for the majority of the disbursement functions. These duties included maintaining invoices, preparing claim vouchers, approving claim vouchers, mailing warrants to vendors, posting disbursements, and reconciling disbursements with OSF. This is an inadequate level of segregation of duties. If duties are not adequately segregated, errors and improprieties may occur and go undetected. We recommend the Commission consider segregating these duties so that the disbursement duties are split between at least two employees.

Additionally, we noted that timesheets were not being prepared by all employees and being approved by supervisory personnel. The Commission does have a time reporting system in place which requires employees to email their arrival and departure times and also their use of leave to the Executive Director. The agency also tracks the accrual and use of leave in the form of a leave accrual log. However, neither of these are signed and approved by the individual employee and supervisory personnel. If timesheets are not prepared and approved, improprieties may occur and go undetected. We recommend the Commission consider implementing a more adequate time reporting system which requires all employees to prepare timesheets and have them approved by supervisory personnel.

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

**Executive Director Response:**

**Purchase Card Disbursements:** The Oklahoma Indian Affairs Commission has addressed the issues in paragraph one as follows: Because there are only two (2) employees currently, effective in June, 2006, the P-card purchases are made exclusively by the Administrative Technician and approved by the Executive Director. The Executive Director also serves as the P-card Administrator currently, but with the hiring of new personnel in the upcoming weeks, the structure will be more segregated. In addition, the OIAC has contracted with OSF to issue the warrant for these purchases. The OIAC's "Standard Operating Procedures" will be revised to reflect the current procedure on or before September 1, 2006.

**Payables Disbursements:** As of February 1, 2006, the Oklahoma Indian Affairs Commission has addressed this issue already by contracting with the Oklahoma Office of State Finance to assume all duties regarding payables and receivables. Invoices are approved by the Executive Director or authorized staff (currently only the Administrative Technician), claims are generated and signed by the same OIAC staff, batch sheets are issued and signed by the same OIAC staff, claim copies are provided to the OIAC by OSF, warrants are issued by the Treasurer's office and sent to the OIAC, the Administrative Technician mails the warrants, and claim copies are placed in the claim book. Reconciliation is initially done by OSF to ensure claims have been paid. OSF also researches past due invoice notices and responds accordingly. Any checks received by the OIAC are given to OSF to deposit. The OIAC, during the invoice approval stage, provides the OSF with basic fund and/or object code information prior to submitting invoices to them. Most transactions are initiated by the OIAC Executive Director, implemented by OSF, and completed by the OIAC Administrative Technician. Until new staff is hired, the Executive Director will review the reconciliation of accounts by OSF with monthly reports. This procedure has been in place since February 1, 2006. The OIAC's "Standard Operating Procedures" will be updated to reflect this contractual procedure on or before September 1, 2006.

**Time Reporting System:** The Oklahoma Indian Affairs Commission has had an effective timesheet reporting system through November, 2004 (FY-05), which included the signing of timesheets for arrivals and departures from the office. The timesheet system was in place until October, 2005, when the procedure for documenting arrivals and departures was changed to e-mail to ensure that the exact time was documented. The e-mail procedure will continue to be in place with a new procedure of each staff documenting their time on the previously used excel timesheets to be submitted to the Executive Director or designated staff at the end of the month for reconciliation purposes and to document leave accrual. The current leave accrual log will continue to be utilized until such time that it proves to be unnecessary. The person preparing the timesheet will sign off on the sheet before submitting it to the Executive Director or designated staff at the end of the month. The timesheet will be approved by the Executive Director. This procedure was implemented for recording the July, 2006 attendance and the former excel timesheets will be used monthly and approved by both employees and management.

2. 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.

During our inspection of the 60 vouchers selected we noted that one voucher, for the amount of \$16.86, was coded as account code 53611 - Meeting Refreshments. However, upon review of the invoice, we noted that the purchase appeared to be for 3 meals. Based on review of the Office of State Finance account code listing, this coding is for "Payment for purchase of light food and drink items (e.g., doughnuts, cake, coffee, tea, soft drink, etc.) used as refreshments and required in connection with meetings or similar type activities held/conducted for and in the interest of the general public. May also include payment for purchase of

related service items (e.g., disposable plates/flatware, stirrers, sweeteners, etc.). *NOTE:* Meetings as used in this definition do not include those activities and functions related to or associated with the day-to-day internal operations of an agency, e.g., staff meetings, staff retreats, employee training.” Therefore, it appears that this disbursement was improperly coded as the items purchased do not meet the definition of light refreshments and it does not appear that they were purchased for and required in connection with meetings or similar type activities held/conducted for and in the interest of the general public.

We also noted one other disbursement coded to account code 565110 – Purchase Card Central Payment. Based on review of the Office of State Finance account code listing, this coding is for “Payment to P/card vendor for central payment of state agencies p/card purchases (FOR OSF USE ONLY)”. Therefore, it appears that OSF is the only agency allowed to use this account code. All other state agencies should categorize the type of purchases made with the p/card into separate account codes on the voucher submitted to OSF.

Improper account coding can result in incorrect financial reporting. We recommend the Commission implement procedures to ensure that the proper account codes are used on all vouchers.

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

**Executive Director Response:**

**Vouchers:** In regard to the \$16.86 purchase, this was an office lunch meeting (with other than OIAC staff), which the Executive Director believed to be a part of meeting refreshments. The distinction between meeting refreshments and meeting lunches has been so noted and will not occur in the future.

**Voucher payments:** This miscoding was undoubtedly an oversight. Currently, the Executive Director provides OSF with some codes prior to submission to OSF for claim preparation; however, most codes are identified by OSF. With implementation of the payables/receivables contract with the Office of State Finance (since February 2006), such miscoding should not occur in the future.

3. Based on our inspection of the cellular phone bills selected during our disbursements and p/card procedures, we noted that both the billing amounts and the number of minutes used appeared excessive. Therefore, we performed additional procedures by inspecting all cellular phone bills paid during the period of 7/1/04 through 12/31/05. We obtained 17 billings for the time period in question to examine.

First, we noted that the agency policy covering cell phone usage indicates the agency has 2 state-owned cellular phones however after reviewing the phone bills, we noted that there were 4 cell phones issued to the agency. We also noted that these 4 phones were maintained over the entire time period reviewed, although after 11/04, the agency only had 3 employees. We noted there was activity on all 4 phones for every month of the period (7/04-12/05). We also noted that the exact time period a phone was assigned to a particular person could not be determined because multiple persons were using multiple phones throughout the year.

Next, we noted that the cellular phone bills did not include a detailed breakdown of the phone calls. The bills only contained detail for the additional usage charges, such as text messaging and internet use. According to Cingular Wireless, the cellular phone provider, the Commission did not opt to receive the call detail in their billings and therefore, their system does not keep record of the phone calls and they could not retrieve this detail in any way. The OIAC cell phone use policy states, “To monitor the usage of state-owned cellular phones, phone records are reviewed upon receipt or prior to submission of a claim by the Network Systems Administrative Specialist or individual assigned to process agency claims for payment” and also states “Should it be determined that phone records indicate that phone calls for other than agency business have occurred, the records will be reviewed with the person that had been assigned the agency cellular phone for that time period to determine the purpose of the call”. Since the agency did not opt to receive the call detail, it is impossible for them to adhere to this policy.

Additionally, when inspecting the additional usage detail that the billings did include, we noted a large volume of text messaging and internet usage during all hours of the day and night and also on weekends. We noted that each of the phones had routine night & weekend phone minute usage. This is a strong indication that the phones were used for personal use. The agency cell phone usage policy states, "In keeping with State policy regarding use of state-owned equipment or other property, the cellular telephones used by the staff of the Oklahoma Indian Affairs Commission are to be used specifically for the conducting of agency business" and also "If non-state business calls are conclusively identified, the staff member responsible will be required to reimburse the agency for those calls by personal check". Based on our inspections, it does not appear that the agency is following this policy.

We also noted that the amount of minutes used monthly was excessive continuously over the time period. We noted that 2 of the phones were set up with plans offering 250 anytime minutes and 1,000 night & weekend minutes. The minutes were exceeded routinely resulting in extremely high billings. We noted that the other 2 phones were on plans with a much higher number of minutes available; however these minutes were also exceeded in some months. For the 17 bills reviewed we noted that the total expenditures were \$10,489.86 and the total minutes used were 72,989. This resulted in an average monthly phone bill of \$642.49 and an average monthly minute usage of 4,405 for the 4 phones combined. When state-owned cell phone usage is not properly monitored, improprieties may occur and go undetected.

Based on these additional procedures performed, we recommend the Commission update their current policy to include all cellular phones maintained by the Commission. We recommend the Commission contact the cellular phone provider as soon as possible to request the phone call detail be included in the monthly billing statements for monthly review by management. We also recommend the Commission annually review the inventory of cell phone users to ensure designated employees continue to demonstrate a need for cellular phones as well as the need to maintain a spare phone. Additionally, we recommend the Commission implement stricter policies governing the use of state owned cell phones which prohibit additional usage costs such as text messaging, internet use, directory assistance and any other charges beyond the regular monthly service charge. We recommend the Commission require all employees to complete and sign an acknowledgement form stating they understand and will comply with the Commission policy. We recommend the Commission annually review the cellular phone plans purchased to ensure they are adequate to meet the needs of the Commission to avoid overage charges. And finally, we recommend the Commission implement internal control procedures to ensure that the cellular phone policy is strictly enforced.

#### **Chairman, Indian Affairs Commission Response:**

**Cell Phone Usage and Procedures:** The Oklahoma Indian Affairs Commission had a poorly designed cell phone policy (hence the excessive billings) until January 2006, when the Executive Director changed the phone numbers of the agency cell phones to ensure that no calls other than business calls were received and amended the agency's contract to reflect a usage level more in keeping with the agency needs. As a result, the average Cingular billing has been significantly reduced as there are no longer any overage minutes, text messaging, or any other unauthorized charges. The OIAC will revise its policy on cell phone usage for the "Standard Operating Procedures" and assign one phone per staff only at all times and that any cell phones that are not in use or assigned to a staff person will be suspended until such time they are assigned to a staff person. A signed form acknowledging receipt of the cell phone as well as understanding of the policy regarding use of the agency phone will be developed and implemented. The Cingular billing will be reviewed by the Executive Director or designated staff monthly to ensure that the cell phone policy is enforced.

**Further Action:** Cingular was contacted on July 24, 2006 to (1) request a more detailed billing and (2) suspend the two agency cell phones that are currently not in use. A Cingular representative suspended the two agency cell phones that are currently not in use effective July 24, 2006. The detailed billing was requested and the Cingular representative indicated that the current billing we receive is "as detailed as

Cingular issues” and that nothing more detailed could be requested. This procedure will be revised and fully implemented on or before September 1, 2006.

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

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

5. We randomly selected 10% of the employees who appeared on the 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.

Based on our inspection of the personnel file for one employee who appeared on the June 2004 payroll and not on the December 2005 payroll, we were unable to locate the final “Request for Personnel Action” (OPM-14) or equivalent form that had been signed by the appointing authority for the employee selected. We recommend that the Commission implement procedures to ensure that the required personnel action forms are completed and maintained. With respect to the other procedures applied, there were no findings.

**Executive Director Response:**

**PAYROLL:** The individual in question resigned her position effective November 29, 2004 and computer network files indicated an OPM-14 was issued in the normal manner so that the employee could receive her final paycheck. Therefore, the employee would not appear on the December 2005 payroll. The OPM-14 in question must have been misplaced because it was generated and submitted in the normal method. The agency’s “Standard Operating Procedure” for this process will be reviewed for possible revision. The OPM-14 form in question was received by OPM in December, 2004, the employee received her final paycheck as a result of the OPM-14, and a copy of the form received by OPM will be immediately be placed in the employee’s file once the agency personnel files have been returned to our office at the conclusion of this audit.

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 compared the Oklahoma Indian Affairs Commission internal controls over purchase cards with the following criteria:
- Purchase card policies and procedures as required by the *State Purchase Card Procedures* and the *Oklahoma Central Purchasing Act* were incorporated into the Oklahoma Indian Affairs Commission policies and procedures, (1.6. *Conditions of participation*)
  - Purchase card Administrator, designated back-up Administrator, and Approving Official were established, (3.5. *State Entity P/Card Administrator* and 3.6. *State Entity Approving Officials*).
  - 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, (3.9. *Training* and 3.10. *Purchase Card Employee Agreement*).
  - Cardholders submitted monthly transaction logs with supporting documentation which were reviewed and approved by the appropriate personnel, (6.4. *Transaction logs*, 6.5. *Receipts for purchase*, 6.9.1. *Cardholder responsibility* and 6.9.2. *Entity approving official(s) responsibility*).
  - Mandatory categories of controls and limits were established for each purchase card, i.e. credit limit, single purchase limit, and Merchant Category Code Group, (6.1.5.1. *Card controls and limits*).
  - Controls were established to ensure that purchase cards are not used for prohibited purchases, i.e. travel, cash advances, motor fuel, etc...., (6.2.3. *Other prohibited purchases*).
  - 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.

10. We identified employees that are purchase card holders and determined the Oklahoma Indian Affairs Commission retained the original employee signed copy of the State of Oklahoma Purchase Card Employee Agreement, (6.1.3. *Employee p/card agreement*).

Based on our determinations, we noted that six employees had open purchase card accounts during the time period reviewed. Per discussions with management, we noted that two of these six individuals were not employed with the agency during this time period. Additionally three other individuals had terminated employment with the agency during the time period in question. Therefore, the purchase card accounts were not closed properly. If the purchase card accounts are not properly closed, these accounts could be accessed by unauthorized users and could be used for improper purchases. We recommend the Commission abide by the State of Oklahoma Purchase Card Procedures, Section 6.10, and promptly retrieve the card from the terminated employee, close the purchase card account with the bank (this may be done by phone or through the Pathway Net System) and then document the date of the purchase card cancellation.

Additionally, based on our inspections of the cardholder documentation for those cardholders whose purchase cards were active during the time period in question, the agency did maintain the original signed copy of the State of Oklahoma Purchase Card Employee Agreement for two of the four cardholders however page 2 of the agreement, which contains the card limitations applying to the employee, was not completed or signed. Additionally, we noted that for the other two cardholders, the agency did not maintain the original signed copy of the State of Oklahoma Purchase Card Employee Agreement. We recommend the Commission abide by the State of Oklahoma Purchase Card Procedures, Section 6.1.3, and maintain the original employee signed copy of the State of Oklahoma Purchase Card Employee Agreement which contains the card limitations applying to the employee. Also, a copy of this signed agreement shall be provided to the employee.

**Executive Director Response:**

**P-Card Accounts:** The initial p-card accounts were established by our former Administrative Officer, whom I am confident followed all procedures properly and we have, in fact, now located (in FY-03 files) the original, signed forms. Because the employee agreement is a two-sided document, it is entirely possible that only one side was inadvertently copied.

**Terminated Cardholders:** As employees leave our agency, either by resignation or termination, and if they were p-card cardholders, the p-cards were retrieved prior to their last date of employment and cut up, placed in an envelope, and then placed in their p-card cardholder file in the Administrative Officers file system or the individual employment file. What was not done, however, was to fully cancel these cards in the method prescribed by the state p-card procedures. On July 26, 2006, the Executive Director contacted JP Morgan bank and cancelled the agency p-cards held by the following former employees. The p-card for the Executive Director was cancelled on July 11, 2006. This cancellation was documented by e-mail to confirm the transaction to JP Morgan Bank and a copy was sent to the OK Dept. of Central Services. Any further action to be taken with DCS will be taken care of immediately.

Currently, the Administrative Technician is the only p-card cardholder and the original, signed 2-page document has been placed in her P-card Cardholder file. A copy of the 2-page form has been given to the Administrative Technician for her records. State P-card procedures will be strictly followed by our agency.

11. We examined all purchase card transactions to determine they were in compliance with the mandatory categories as specified in 6.1.3. *Employee p/card agreement*, 6.1.5. *Card controls and limits* and 6.2.2. *Split purchases* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:
- 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;
  - We compared purchases from the same vendor on the same date to determine whether the purchase was 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.

12. We randomly selected 20 of the Oklahoma Indian Affairs Commission purchase card transactions and:
- Determined transactions were **not** for prohibited purchases as stated in 6.2.3. *Other prohibited purchases* of the *State of Oklahoma Purchase Card Procedures*. These prohibited purchases include:
    - 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, (6.4. *Transaction logs*, 6.5. *Receipts for purchase*, 6.9.1. *Cardholder responsibility*, and 6.9.2 *Entity approving official(s) responsibility*).
  - Reviewed transaction receipts to determine if the use of the purchase card was limited to the employee whose name is embossed on the card; (6.10. *Card security*).

- Examined transaction logs to determine the log was reviewed and approved (signed) by the cardholder and the approving official, (6.9.1. *Cardholder responsibility* and 6.9.2 *Entity approving official(s) responsibility*);
- Reviewed receipts and/or other supporting documentation to determine they were annotated “Received”, signed, and dated by the receiving employee, (6.7. *Receiving goods and services*).
- Examined the receipt and/or supporting documentation to determine state sales tax was **not** charged during the transaction, (6.6. *State sales tax*)
- Reviewed transactions to determine they were in compliance with other requirements documented in the *State of Oklahoma Purchase Card Procedures* and the *Oklahoma Central Purchasing Act*:
  - 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, (3.9. *Training*).
  - Inspected transactions to determine if merchant preference was used by the Oklahoma Indian Affairs Commission for certain merchants or types of contracts, i.e. statewide contractions, (6.2.5 *Merchant preference*).
  - Determined documents were retained in accordance with the Oklahoma Indian Affairs Commission procedures (6.9.3. *Entity retention of statements*).
  - Compared the nature of the purchase to the commission’s mission for consistency.

Of the 20 purchase card transactions selected, we noted four transactions were listed on a supporting transaction log; however there were no receipts or supporting documentation to document the transaction. We also noted one other transaction was not listed on a transaction log nor were there any receipts or supporting documentation to substantiate the transaction. Due to the lack of this documentation, we were unable to perform the above noted procedures for these five transactions with a total purchase amount of \$382.16. Therefore we performed the above noted procedures on the remaining 15 transactions selected.

When performing our second procedure, we noted that for 10 of the 15 transactions the monthly memo statements were not signed and dated by both the cardholder and approving official to indicate the transaction log and memo statement had been reconciled. Also, on one of these 10, we noted that the receipt did not indicate a purchase price and therefore the transaction log was not adequately supported. Additionally, on three of the 15 transactions, the cardholder was also the approving official. We noted that on these three transactions, the monthly memo statement had not been signed and dated by the cardholder/approving official and one other employee to indicate reconciliation as required by 6.9.1. *Cardholder responsibility* of the Purchase Card Procedures. On one of the 15 transactions, we noted that no monthly memo statement was present therefore the review and reconciliation process could not be determined. On one other transaction, we noted that the cardholder did not complete the transaction logs or perform the memo statement reconciliations prior to leaving the agency. The Executive Director prepared the transaction logs from the memo statements and receipts that were available. Therefore, the transaction log and memo statements were not maintained and reconciled as required.

When performing the fourth procedure, we noted that on 1 of the 15 transactions the cardholder did not complete the transaction logs or perform the memo statement reconciliations prior to leaving the agency. The Executive Director prepared the transaction logs from the memo statements and receipts that were available. Therefore, the transaction log was not signed and dated by the cardholder.

When performing the fifth procedure, we noted that on 7 of the 15 transactions, the receipts and/or supporting documentation had been signed and dated by the receiving employee however they were not annotated “Received”. We noted on 1 other transaction, the receipt and/or supporting documentation had been dated however it was not signed by the receiving employee or annotated “Received”. Also, on 3 other transactions, we noted that the receipt and/or supporting documentation was not signed, dated or annotated “Received” by the receiving employee.

For the sixth procedure, we noted that on 1 of the 15 transactions, tax was charged in the amount of \$0.84. We also noted on 1 other transaction, the receipt did not indicate pricing and therefore we could not determine if tax had been charged.

When performing our last procedure on these 15 purchase card transactions, we verified with the Department of Central Service that the purchase card Administrator, back-up Administrator, Authorized Signers, Approving Officials, and Cardholders had successfully completed the Purchase Card Training conducted by the Department of Central Services prior to being issued purchase cards. In doing this we noted that the one cardholder, who also acted as Administrator and Approving Official, received a purchase card and performed the Administrator and Approving Official duties prior to successfully completing the Purchase Card Training. We also noted that 5 of the 15 transactions did not comply with the merchant preference or type of contract as stated in 6.2.5. *Merchant Preference*. On each of these 5 transactions, a mandatory state contract was in place for the items purchased; however that contract vendor was not utilized for the purchase. We noted for 1 of the 15 transactions, documents were not retained in accordance with the Oklahoma Indian Affairs Commission procedures. On this particular transaction, the cardholder did not complete the transaction logs prior to leaving the agency. The Executive Director prepared the transaction logs from the memo statements and receipts that were available however not all receipts had been retained. Therefore, the Commission's document retention procedures were not followed. There were no findings as a result of applying our final procedure regarding the nature of the purchase being consistent with the Commission's mission.

Based on the above noted findings, we recommend the Commission consider an additional training course covering the purchase cards in order to make certain all cardholders are aware of the proper procedures required by the Department of Central Services. We also recommend the Commission consider implementing additional internal control policies ensure that all required procedures are followed.

With respect to the third procedure applied, there were no findings.

#### **Executive Director Response:**

P-card procedures and files were implemented by the former Administrative Officer in FY-03, who also served as the Administrator. Upon her resignation in November 29, 2004, the Executive Director became both the Administrator and Approving Authority, with the agency Administrative Assistant, as the cardholder for agency transactions. As for the undocumented items referenced, the lack of documentation was due, in part, to oversight, carelessness, and/or negligence on the part of former employees. The Executive Director is confident that all purchases made by OIAC employees were permissible under purchasing policies and procedures with few exceptions. Nearly all p-card purchases are for (board) meeting refreshments, supplies and outside vendor printing, or to meet other office purchasing needs. The Administrative Technician is currently the only p-card cardholder in the agency and the Executive Director will serve as both the Administrator and Approving Official until other staff persons are hired in the near future.

As of February 1, 2006, the OIAC has contracted with the Office of State Finance for our procurement needs. Therefore, purchases can be researched and reviewed prior to buying with the Certified Procurement Officer assigned to our agency under this contract. The Oklahoma Indian Affairs Commission will strictly adhere to the policies and procedures of p-card usage. In addition, the Commission will request that the Administrative Technician will attend the P-card training course again to re-familiarize herself with the proper procedures.

13. While performing our personnel services procedures, we inspected the personnel file of the Executive Director. We noted documentation included in this file that indicated an employee of the Indian Affairs Commission was related to the Executive Director within the third degree.

Title 74 O.S., §1201, Subsection D, states "... The Director shall attend and serve as secretary of all meetings of the Commission and shall be responsible for the execution and administration of the program and projects of the Commission authorized by law and adopted by the Commission ..."

Title 21 O.S., §481 states, "It shall be unlawful for any executive, legislative, ministerial or judicial officer to appoint or vote for the appointment of any person related to him by affinity or consanguinity within the third degree, to any clerkship, office, position, employment or duty in any department of the state, district, county, city or municipal government of which such executive, legislative, ministerial or judicial officer is a member, when the salary, wages, pay or compensation of such appointee is to be paid out of the public funds or fees of such office..."

We recommend the Commission eliminate the Executive Director's ability to employ and/or terminate employees of the Commission without prior approval from the Board of Commissioners. In this case, the Board of Commissioners would need to assume the duties of approving all employment related issues for the Indian Affairs Commission.

**Chairman, Indian Affairs Commission Response:**

The Executive Director of the agency did not fully research the laws regarding employment prior to hiring the individual in question. The Executive Director was given to understand that only immediate family members could not be employed by an agency, which includes mother, father, brother, sister, grandmother, and grandfather. Further, the Executive Director was also given to understand that as long as such employee was not directly supervised by the Executive Director, such a hiring was permissible. After the termination of the agency's Administrative Assistant on December 31, 2005 the individual in question was hired as an emergency fill-in but as a full-time, temporary (999 hour maximum) employee only and with no option to become a full-time, permanent employee. The Executive Director has been involved in the decision-making process and successful hiring for the Oklahoma Indian Affairs Commission for the past 13 years and should be allowed to continue as such with the assurance that no hiring exceptions will take place in the future of the agency and that the employment procedures of the Oklahoma Personnel Act will be strictly followed.

**Auditor Response:**

The individual in question is no longer employed by the Commission.

We also prepared 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. This schedule has been included for informational purposes only.

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.

This report is intended solely for the information and use of management of the Oklahoma Indian Affairs 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

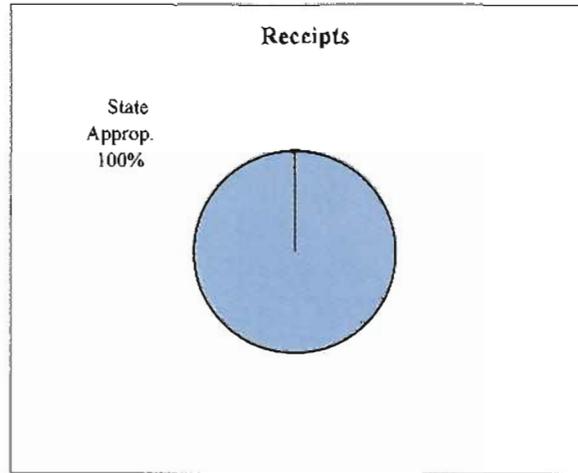
July 17, 2006

## **Other Information**

**Oklahoma Indian Affairs Commission**  
**Schedule of Receipts, Disbursements, and Changes in Cash**  
**For the Fiscal Year Ending June 30, 2005**  
**(Unaudited)**

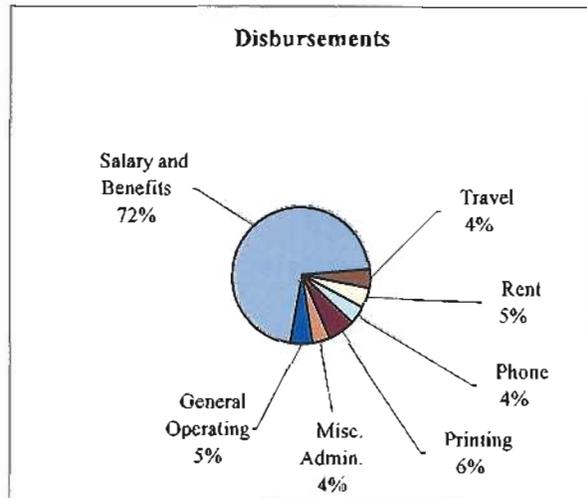
**RECEIPTS:**

State Appropriations	\$ 248,942
<hr/>	
Total Receipts	248,942



**DISBURSEMENTS:**

Salary and Benefits	164,801
Travel	9,838
Rent	11,107
Telephone	9,890
Printing	14,787
Miscellaneous Administrative	9,799
General Operating/Other	12,181
<hr/>	
Total Disbursements	232,403



RECEIPTS OVER (UNDER) DISBURSEMENTS	16,539
CASH--Beginning of Year	<u>55,106</u>
CASH--End of Year	<u><u>\$ 71,645</u></u>

SEE ACCOUNTANT'S REPORT

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



## Office of the State Auditor and Inspector

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

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