



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

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**OKLAHOMA MERIT PROTECTION  
COMMISSION**

*REPORT ON AGREED-UPON PROCEDURES*

*JULY 1, 2004 THROUGH DECEMBER 31, 2005*



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

**Oklahoma Merit Protection Commission**

**Agreed-upon Procedures Report**

**For the Period**

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



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

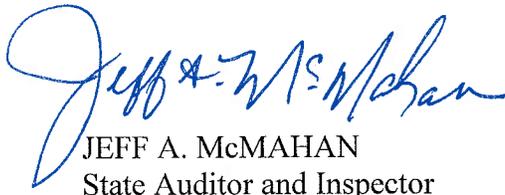
September 11, 2006

**TO THE OKLAHOMA MERIT PROTECTION COMMISSION**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Merit Protection Commission. 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 Oklahoma Merit Protection Commission states their mission as follows: “To Design, Implement, and Enforce a State Dispute Resolution System.”

**Commissioners**

Jerry D. Rackley ..... Chair  
Gene Moses ..... Vice-Chair  
Larry D. Callen ..... Member  
Charles A. Elder, II ..... Member  
Robin Eubank ..... Member  
Jerry E. Jensen ..... Member  
John Nicks ..... Member  
Paula K. Sanford ..... Member  
L. Don Smitherman ..... Member

**Key Staff**

Susan Bussey ..... Executive Director  
Clyde L. McLendon ..... Deputy 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 Merit Protection 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 thru 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 Oklahoma Merit Protection 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;

During our testing of internal controls we noted that the Accountant sometimes receives payments and processes payments. When this occurs, the accountant has control over the security of the receipts and processes vouchers. If duties are not adequately segregated, errors, improprieties or fraud may occur and go undetected. We recommend segregation by function of those who receive and those who process vouchers.

**Managements Response**

The Commission receptionist, a Certified Procurement Officer (CPO) receives all payments except when absent. The Commission Accountant receives payments and issues pre-numbered receipts only during special circumstances as determined by her supervisor.

Management has reviewed the operations to ensure duties are segregated.

### **Auditor's Response**

Management should be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

We reviewed the Office of State Finance (OSF) system access authorization role descriptions for Financials, Budgeting and HRMS. We found incompatible roles of employees with access within the CORE PeopleSoft system. Segregation of duties is a basic control that prevents or detects errors, improprieties, and fraud. We recommend segregation by function of those who authorize transactions and those who initiate transactions.

### **Management Response**

Based on signed invoices by the receiving CPO, vouchers are processed from the financial system and then they are reviewed by the Deputy Director and OSF staff. Budget Work Programs and their revisions from the Budgeting system are reviewed and approved by the Executive Director and the OSF Budget Analyst. Payroll from HRMS system is reviewed and approved by the Executive Director or the Deputy Director. Presently, one Commission Human Resource Program Manager accesses HRMS for HR purpose. The Commission Accountant accesses HRMS for processing payroll. Also the Accountant accesses Financials and Budgeting systems to process accounting data.

Management has segregated processing and approval duties for vouchers in order to prevent potential error and fraud.

### **Auditor's Response**

Management should be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

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 the deposit was made in accordance with 62 O.S., § 7.1c.
- 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.

During our inspections of twenty deposits, we noted two had OST deposit dates later than one day of the agency deposit slip date. One deposit had an OST deposit date of 8/05/04 and an agency deposit slip date of 8/02/04. The second deposit had an OST deposit date of 10/26/04 and an agency deposit slip date of 10/22/04. The agency does safeguard funds in a locked file cabinet between the time of receipt and the time of deposit. We recommend the agency ensure deposits are made timely.

### **Managements Response**

Deposits posted on 8/5/04 and 10/26/04 may have been delivered to Treasurer's Office through the Department of Central Services Interagency Mail per approval of the supervisor.

Presently, the Commission Accountant takes deposits to the bank on the same date as deposit slips.

During our comparison of the nature of the deposit and the account code description, we noted that for 20 of the 20 deposits tested, revenue is put into the same account, Reimbursement of Administrative Expenses. Reporting all of the revenue to this account gives the appearance that all revenue is from Inter-Agency receipts - Reimbursement of Administrative Expenses. An objective of effective accounting control is to provide accurate and reliable information. We recommend that accounts be used that better describe the revenue being posted.

### **Management's Response**

The Commission is a small agency with total revenue made in a fiscal year less than \$25,000. The revolving fund account has been set up to receive all the revenue by the Treasurer's Office for many years. The Treasurer's Office generates monthly clearing account reports and supervises the accounting activities. During the past five years, there have been two audits with no question or finding in regard to the accounting practice. We continue to use the account.

### **Auditor's Response**

The agency receives revenue from the following sources: cellular wireless payments (revenue code 473310), tape sales (revenue code 474100), photocopies (revenue code 474105), training (revenue code 478105), vending machine proceeds (revenue code 474122), and transcripts and reference manual sales (revenue code 474141). It appears certain receipts are not inter-agency receipts. Revenue codes exist on the chart of accounts that better describe the revenue being posted.

In addition, the scope of prior engagements involved internal controls only; therefore, account code testing has not previously been performed.

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.

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

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 June 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 June 2005 payroll and:
  - Observed the final "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.
  - Observed the main payroll funding sheet for the month subsequent to termination to determine employee no longer appeared.

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

7. We randomly selected 10% of the employees whose gross salary at June 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.

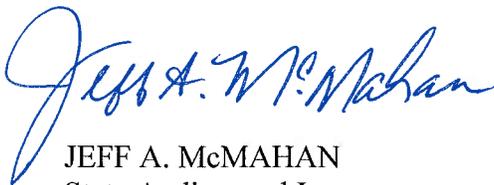
8. We randomly selected 10% (but no more than 20) of the employees from the June 2005 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for June 2005.

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

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 Oklahoma Merit Protection 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

August 21, 2006

## **Other Information**

**OKLAHOMA MERIT PROTECTION COMMISSION  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH  
FOR THE FISCAL YEAR ENDING JUNE 30, 2005  
(UNAUDITED)**

**RECEIPTS:**

Appropriations	\$ 512,154
Reimbursement for Administrative Expenses	<u>11,267</u>
<b>Total Receipts</b>	<u><u>523,421</u></u>

**DISBURSEMENTS:**

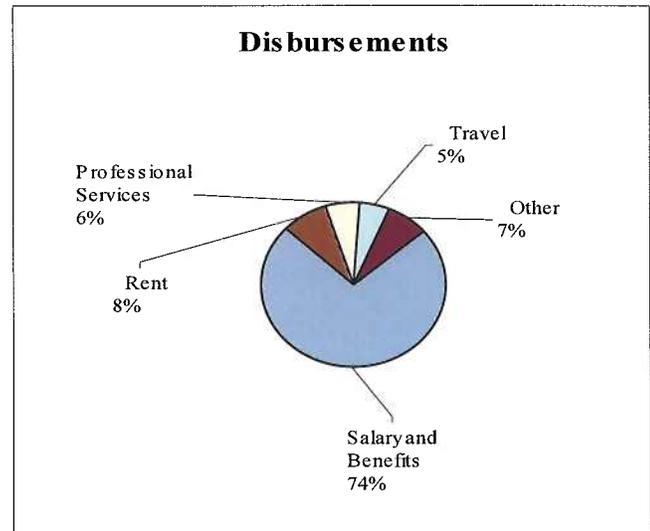
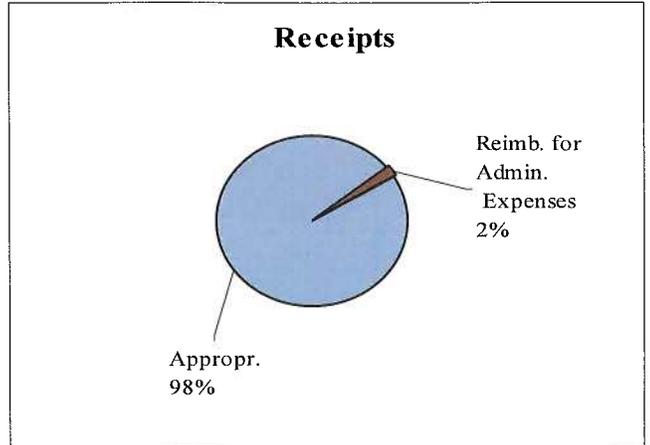
Salary and Benefits	362,850
Rent	41,439
Professional Services	28,580
Travel	26,819
Misc. Admin.	14,281
General Operating	9,577
Maintenance and Repair	6,612
Furniture and Equipment	5,270
Loans, Taxes, and Other Disbursements	<u>1,187</u>

Total Disbursements 496,614

RECEIPTS OVER (UNDER)  
DISBURSEMENTS 26,807

CASH--Beginning of Year 30,610

CASH--End of Year \$ 57,417



See Independent Accountant's Report

Solely for the information and use by the management of the Oklahoma Merit Protection Commission and not intended to be and should not be used by any other party.



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