



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

**OKLAHOMA SPACE INDUSTRY
DEVELOPMENT AUTHORITY**

REPORT ON AGREED-UPON PROCEDURES

JULY 1, 2004 TO DECEMBER 31, 2005

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



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**OKLAHOMA SPACE INDUSTRY
DEVELOPMENT AUTHORITY**

Agreed-upon Procedures Report

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



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

JEFF A. McMAHAN
State Auditor and Inspector

August 25, 2006

TO THE OKLAHOMA SPACE INDUSTRY DEVELOPMENT AUTHORITY

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Space Industry Development Authority. 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,

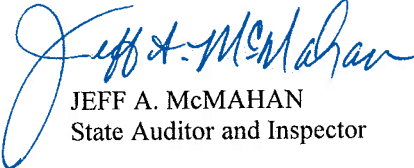

JEFF A. McMAHAN
State Auditor and Inspector

Table of Contents

Mission Statement, Board Members, and Key Staff.....	iii
Accountant’s Report on Applying Agreed-upon Procedures.....	1-6
Other Information	
Schedule of Receipts, Disbursements, and Changes in Cash FY 2005.....	8

Mission Statement

The mission of the Oklahoma Space Industry Development Authority is resolved to be aggressive, deliberate and forceful in the planning and development of spaceport facilities, launch systems and projects and to successfully promote and simulate the creation of space commerce, education and space related industries in Oklahoma.

Create a licensed commercial spaceport in southwest Oklahoma to include facilities necessary for space launch operations and associated industries specialized in space related activities.

Create innovative partnerships with the private sector in order to establish new aerospace industries, enhance existing aerospace industries and retain a significant number of high paying/high tech jobs in Oklahoma.

Promote and stimulate the creation of space related education, research, recreational, and cultural Initiatives in the public interest of Oklahoma.

Enhance economic development of Oklahoma through added diversity of jobs and industries to the new space frontier.

Board Members

Ken McGill..... Authority Board Chairman
Joe King..... Authority Board Vice-Chairman
Don Rodolph..... Chair of Budget & Personnel Committee & Authority Board Member
Louis Sims..... Chair of Policy & Education Committee & Authority Board Member
Phillip Kliewer..... Authority Board Member
Jack Bonny..... Authority Board Member
Todd Russ..... Authority Board Member

Key Staff

Bill Khourie..... Executive Director
Kim McInnerney..... Administrative Assistant
Joe Savage..... Operations Manager
Chirstina Evans..... Marketing and Business Development



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 Space Industry Development Authority, solely to assist you in evaluating your internal controls over the disbursement process and determine whether selected disbursements are supported by underlying records for the period from 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 Authority's 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 expenditures 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;

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

2. 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 objective of an adequate internal control system is to provide accurate and reliable information. To ensure accurate and reliable information, voucher payments should be reviewed prior to payment to ensure proper classification of account codes.

During our testwork, we noted 2 of the 60 disbursement vouchers were not consistent with the nature of the purchase to the account code description. One of the transactions regarding Merrifield Office Supply had a 601100 account code. According to Oklahoma Office of State Finance, account code 601100 must only be used when establishing authority order encumbrances. This code must be replaced with an actual 5xxxxx account code when the vouchers against the authority order are prepared. The more appropriate account code for Merrifield Office Supply should be 536140 OFFICE SUPPLIES (EXPENDABLE).

The second transaction was regarding Compsource Oklahoma. The agency used the 531130 account code. According to Oklahoma Office of State Finance, account code 531130 should be used for Telecommunication Services. The more appropriate account code for Compsource Oklahoma should be 512310 (INSURANCE PREMIUM – WORKERS COMPENSATION).

Due to clerical error, the agency is miscoding the disbursement vouchers which may lead to management not being able to rely on expenditure reports for budgetary and fiscal decisions. We recommend the agency exercise due diligence to ensure consistency of the nature of the purchase to the account code description issued by Oklahoma Office of State Finance.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: This was purely human error. In the future, all object codes will be reviewed for accuracy.

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

3. We selected the 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.

4. We reviewed the payroll data and found there were no employees who appeared on the June 2004 payroll but not on the December 2005 payroll.

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

5. We reviewed the December 2005 payroll data and determined there were no employees whose gross salary had increased since June 2004 excluding legislative pay raises.

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

6. We selected one employee 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.

7. We compared the Authority's (OSIDA) internal controls over purchase cards with the following criteria:
 - o Purchase card policies and procedures were incorporated into the Authority's policies and procedures;
 - o Purchase card Administrator, designated back-up Administrator, and Approving Official were established;
 - o 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;
 - o Cardholders submitted monthly transaction logs with supporting documentation which were reviewed and approved by the appropriate personnel;
 - o Mandatory categories of controls and limits were established for each purchase card, i.e. credit limit, single purchase limit, and Merchant Category Code Group;
 - o Controls were established to ensure that purchase cards are not used for prohibited purchases, i.e. travel, cash advances, motor fuel, etc...;
 - o 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.

8. We identified employees that are purchase card holders and determined that the Authority 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.

9. We examined all purchase card transactions to determine:
 - o A credit limit (dollar amount per cycle) was established for each cardholder;
 - o The dollar amount of each transaction did not exceed the single purchase limit of \$2,500;
 - o 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.

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

According to section 6.10 *Card Security* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services:

"Use of the p/card and Statewide Contract p/card is limited to the person whose name is embossed on the card. The card shall not be loaned to another person...In the event that a cardholder changes jobs, the p/card shall be returned to the State Entity P/Card Administrator and shall not move with the cardholder to the new job. State entities shall establish an internal procedure to ensure that a p/card held by a terminated employee is promptly provided to the State Entity P/Card Administrator. The State Entity P/Card Administrator shall document the date a p/card is cancelled with JP Morgan Chase."

During our testwork we noted that a terminated employee's purchase card was still active and used for several months after the employee was terminated. The terminated employee's card was charged for a fixed monthly rental fee for the usage of a postage meter.

We recommend that the Authority establish procedures to ensure that terminated employees' purchase cards are promptly canceled at the time of employment termination and that they document this cancellation as required by the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: 07/31/06

Corrective Action Planned: The former employee mentioned was not terminated but resigned from the agency. The Executive Director destroyed the card at the time of the employee's resignation. The former employee assisted the new administrative assistant for a period of one week before leaving the agency and there was an apparent oversight with reference to the monthly charge for the usage of the postage meter. We are currently developing internal exit procedures related to departing employees to verify P/Card termination.

According to section 6.9.1 *Cardholder responsibility* of the *State of Oklahoma State Purchase Card Procedures* issued by the Department of Central Services, "[...] the cardholder shall sign and date the memo statement verifying that the transaction log and memo statement have been reconciled. 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."

Additionally, according to section 6.9.2 *Entity approving official(s) responsibility* of the *State of Oklahoma Purchase Card Procedures*, "[...] to indicate concurrence with the reconciled statement, the State Entity Approving Official shall sign and date the memo statement and forward the memo statement and supporting documentation for payment as required by entity p/card procedures."

During our testwork, memo statements for six out of the seven transactions were not available. Therefore, there was no evidence of the cardholder signing or dating the memo statement to verify that the transaction log and memo statement have been reconciled. Additionally, there is no evidence of the approving official signing and dating the memo statement.

We recommend that the Authority ensure that memo statements are retained and that they are signed and dated by the cardholder and approving official as required by the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: We were just running off the invoice and reconciling the invoice to the monthly P/card log. It appears that during our training there was an apparent misunderstanding with respect to pulling a memo statement each month. The logs were being signed by the agency approving official. We are now pulling the memo statements.

According to section 6.7.1 *Goods or services received at the time of purchase* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services, "[...]the receiving document should be annotated "Received" and signed and dated by the receiving employee."

During our inspection of the transactions, we noted that four of the seven transactions were not dated by the receiving employee and one of the seven transactions was not dated and annotated "Received."

We recommend that the Authority ensure that the receiving document is annotated "Received", signed, and dated by the receiving employee so that they are in compliance with the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: We are now getting two sets of initials and writing received on the document and also dating the document.

According to section 6.6 *State sales tax* of the *State of Oklahoma Purchase Card Procedures* issued by the Department of Central Services, "State entity purchases are exempt from the State of Oklahoma sales tax. Cardholders should exercise care to ensure that they are not being charged nor paying such tax."

During our testwork, we noted that the cardholder had paid taxes on one of the transactions. We recommend that the Authority review all transactions carefully to ensure they are not charged or paying State of Oklahoma sales tax.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: There was a charge for \$1.80, which was tax on the Pitney Bowes postage meter rental. We sent them a letter on 10-1-04 and also again on 10-28-04. The tax was never refunded, but they did finally quit billing us for it. We are now extremely careful that we don't get charged tax.

Section 6.2.5 *Merchant preferences* of the *State of Oklahoma Purchase Card Procedures* states, "P/card purchases shall comply with the following preferences for certain merchants or types of contracts. The following are listed in the order of preference:

- 6.2.5.1 State Use Committee
- 6.2.5.2 Oklahoma Corrections Industries (OCI)
- 6.2.5.3 Mandatory statewide contracts
- 6.2.5.4 Additional information

During our testwork, we noted that all items purchased on three of the seven transactions and two of three items purchased on one transaction were on a mandatory statewide contract that the Authority did not use. The Authority is not in compliance with *State of Oklahoma Purchase Card Procedures* section 6.2.5 stated above.

We recommend that the Authority use merchant preference as set forth in the *State of Oklahoma Purchase Card Procedures* by regularly reviewing statewide contracts before making a p/card purchase.

Views of Responsible Official(s)

Contact Person: Bill Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: We are now going through the proper channels to verify that procedures are followed.

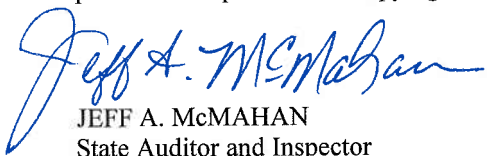
With respect to the other procedures applied, there were no findings.

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 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 ending June 30, 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 Space Industry Development Authority and its Board Members 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 SPACE INDUSTRY DEVELOPMENT AUTHORITY
Schedule of Receipts, Disbursements, and Changes in Cash
For the Fiscal Year Ending June 30, 2005
(UNAUDITED)

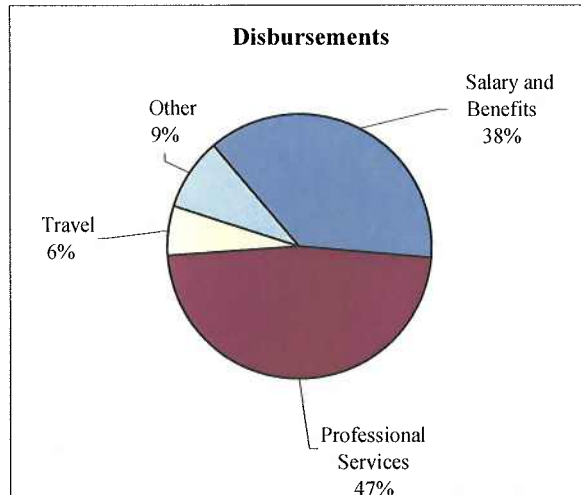
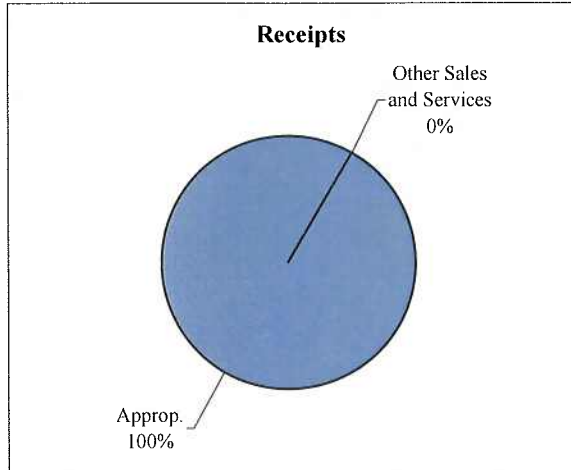
RECEIPTS:	
Appropriations	\$ 518,323
Other Sales and Services	17
Total Receipts	<u>518,340</u>

DISBURSEMENTS:	
Salary and Benefits	180,849
Professional Services	228,850
Travel	28,359
Other	<u>43,224</u>
Total Disbursements	<u>481,282</u>

RECEIPTS OVER (UNDER)	
DISBURSEMENTS	37,059

CASH--Beginning of Year	<u>370,702</u>
-------------------------	----------------

CASH--End of Year	<u>\$ 407,761</u>
-------------------	-------------------



This information is solely for the information and use by the management of Oklahoma Space Industry Development Authority and its Board Members and not intended to be and should not be used by any other party. See Accountant's Report.



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