

# OKLAHOMA DEPARTMENT OF AGRICULTURE, FOOD & FORESTRY

JULY 1, 2006 THROUGH  
APRIL 30, 2008

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Department of Agriculture,  
Food and Forestry**

**For the Period  
July 1, 2006 through April 30, 2008**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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November 4, 2008

## TO THE OKLAHOMA STATE BOARD OF AGRICULTURE

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Department of Agriculture, Food and Forestry for the period July 1, 2006 through April 30, 2008. 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,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads "Michelle R. Day".

MICHELLE DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

## **Mission Statement**

The Oklahoma Department of Agriculture, Food and Forestry looks at agriculture with a vision as to what it will be in the next one hundred years. The agency must increase the value of agriculture produce and enhance the value of life in the rural communities. The agency also must develop the state's food and fiber resources in a manner that will always protect consumer health and safety, natural resources, and the environment.

## **Board Members**

Terry Peach.....	President
David Holcombe.....	Member
Don E. Britton. ....	Member
Joe Farris .....	Member
Rod Carver.....	Member

## **Key Staff**

Terry Peach.....	Commissioner and Secretary of Agriculture
Rick Maloney .....	Assistant Commissioner
Steve Thompson .....	Associate Commissioner
Jeanette Limpke.....	Comptroller/Financial Officer
John Burwell.....	State Forester
Jim Pitts .....	Area Forester

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## TO THE OKLAHOMA STATE BOARD OF AGRICULTURE

We have audited the Oklahoma Department of Agriculture, Food and Forestry (the Department) for the period July 1, 2006 through April 30, 2008. The objectives of this audit were to determine:

- The costs associated with collecting federal surplus equipment under the Firefighter Program;
- The Department's corrective actions for reportable conditions noted in prior period's report were implemented.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This report is 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.

A blue ink signature of Steve Burrage, CPA, is written over the printed name.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A blue ink signature of Michelle R. Day, ESQ., is written over the printed name.

MICHELLE DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

October 9, 2008

## Department of Agriculture, Food and Forestry

### Operational Audit

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#### Background

The Department of Agriculture, Food and Forestry (the Department) was created in 1907. It has since branched into services such as animal and plant disease control, crop and livestock market reporting, agricultural product marketing, laboratory services, water quality, animal damage control, and forestry.

The Department's operations are governed by 2 O.S. § 2 and Title 35 of the Oklahoma Administrative Code.

Oversight is provided by a five member Board appointed by the Governor with the advice and consent of the Senate. The commissioner serves as the Board's president. Four of such members shall be appointed from within and represent the agricultural district established by 2 O.S. § 2.1.B. One member shall be appointed from the state at large. Board Members are appointed for terms of four years. The at-large member shall serve a term coterminous with that of the Governor.

Within the Department is the Forestry Services Division (Forestry), whose mission is to conserve, enhance and protect the forests and natural resources of Oklahoma for present and future generations. As a way of achieving its mission, Forestry facilitates the process of providing surplus equipment to rural fire departments (RFD) to use for fire and emergency services. This program is overseen by Rural Fire Defense Division (the Division), located in Goldsby, Oklahoma.

The Division has participated in the Firefighter Program (FFP) since April 2006. Before April 2006, the Division participated in the Federal Excess Property Program (FEPP). Both programs were created to allow the Division to obtain surplus equipment from the Department of Defense or other federal agencies to use for fire and emergency services at no charge. The Division collects and transports the equipment at its own expense. In order to fund this program, the Department uses state appropriated dollars and Volunteer Fire Assistance grants received from the federal government.

The Division has five employees (screeners) who review the Federal Excess Property Management Inventory System (FEPMIS) for equipment the RFDs may be able to use for fire and emergency services. To determine if the equipment will be collected, the screeners review the identified condition of the equipment, review any available pictures, and may contact the base for additional information related to the equipment. Once equipment is located and is believed to be in usable condition, a request for acquisition of the equipment is sent to the Defense Reutilization and Marketing Service (DRMS) in Battle Creek, Michigan for approval. The Division transports the equipment from its location (usually a military base) using semi-trucks back to Goldsby. There are three semi-trucks used primarily for this purpose.

The Division uses 11 Rural Fire Coordinators to assign the equipment obtained to RFDs throughout the state. It is the RFD's responsibility to collect the equipment from the Division. Once the RFD takes custody of the equipment and meets certain eligibility requirements, they have ownership of the equipment. The transfer of ownership distinguishes the FFP program from the FEPP.

Although the Division is no longer acquiring equipment under the FEPP program, it is still responsible for the equipment previously collected. Under the FEPP, ownership of the equipment does not pass on to the RFDs. Instead, it remains in ownership of the federal government, and when a RFD no longer has use for the equipment, it is the Division's responsibility to find another RFD who can use the equipment. If another RFD cannot use the equipment or the equipment has become unusable, the Division is responsible for ensuring the items are returned to the federal government or properly



## Department of Agriculture, Food and Forestry Operational Audit

surplused by the General Services Administration. One driver and one semi-truck are primarily responsible for transporting this equipment within the state of Oklahoma.

### Objective 1 - Determine the costs associated with collecting federal surplus equipment under the Firefighter Program.

**Conclusion** The Department expended approximately \$93,754 in fuel (\$71,328) and travel (\$22,426) costs<sup>1</sup> collecting 269 pieces of equipment and 2,077 tires under the Firefighter Program (FFP). An additional \$1,285 in fuel and travel costs were incurred for four trips during which no equipment was collected. Of these unsuccessful trips, one was due to the poor condition of the equipment, two were due to weather conditions, and one was due to the base not allowing the driver to load the equipment.<sup>2</sup>

Our analysis used to reach the conclusion noted above also determined the Department expended an additional \$32,367 (or 25% of the total expenditures) for in-state fuel and travel costs. These costs were as follows:

- \$26,127 in fuel (\$23,771) and travel (\$2,356) costs<sup>1</sup> collecting equipment from throughout Oklahoma under the Federal Excess Property Program (FEPP);
- \$6,240 in fuel (\$5,619) and travel (\$621) costs<sup>1</sup> related to other divisions, training, repairs, and trips not related to acquiring equipment.<sup>3</sup>

**Methodology** To accomplish our objective, we obtained the following:

- Vehicle logs for the vehicles used to collect the federal excess property equipment;
- Fuel cost records for the vehicles;
- Travel costs for the employees collecting the equipment;
- Records of federal excess property collected according to the Federal Excess Property Management Inventory System (FEPMIS);
- The Division's records of federal excess property collected;
- Milstrip paperwork (documenting driver who signed for the equipment, date signed, and location of equipment).

Using this information, we performed the following:

- Interviewed Department and Division personnel;

<sup>1</sup> Personnel service costs associated with collecting the equipment were not considered in this analysis because these employees receive their salary and benefits regardless of whether they are reviewing prospective equipment, traveling to transport the equipment, or performing other assigned job duties which may or may not be related to acquiring equipment. We also excluded vehicle maintenance costs from the analysis because the information provided to us could not be validated. See pages 5 and 6 for further discussion.

<sup>2</sup> Three additional vehicles (505, 530, and 532) were used to collect equipment once or twice. However, these trips and equipment were excluded from our analysis because it was determined it would not have a significant effect on our conclusion. Another vehicle (04-076) was excluded because logs were not retained by the Division. Trips for vehicles 524 and 526 were included in the analysis; however, only the months in which equipment was collected were included. As a result of these limitations, it is possible other unsuccessful trips could have occurred and not appear in our analysis.

<sup>3</sup> While performing our analysis, we noted the vehicles assigned to the FFP/FEPP programs were used for other purposes that did not appear to relate to acquiring equipment. For example, the nature of business for a trip may have been to pick up seedlings or for inventory counts.

## Department of Agriculture, Food and Forestry Operational Audit

- Compared the equipment collected according to the FEPMIS and the Division to ensure we had a complete listing of the equipment collected under the FFP;
- Identified the nature of the trip and if equipment was collected by:
  - Comparing the trips made per the vehicle log to dates and location equipment was reported as being collected per the Division's equipment spreadsheet to determine successful equipment related trips;
  - Comparing travel claim information and vehicle logs to identify potential unsuccessful trips or trips made for other purposes (i.e. training);
  - Discussing the purpose of out-of-state trips with no equipment shown as being collected with Division personnel;
- Compared number of gallons of fuel purchased per the vehicle log to fuel invoices to ensure the accuracy of the gallons purchased and to determine the cost of the fuel;
- Compared the maintenance costs listed on the vehicle log to claims and purchase-card payments to ensure the accuracy of maintenance cost;
- Estimated the fuel cost of the trips by:
  - a. Calculating the average miles per gallon (mpg) for each vehicle used;
  - b. Calculating the average cost per gallon for each vehicle used;
  - c. Calculating the total miles driven for the FFP, FEPP, or other purposes;
  - d. Dividing the total miles driven for each purpose (c) by the average miles per gallon (a) multiplied by the average cost per gallon of fuel (b) to determine the fuel cost of the trips.

### Observations

The FEPMIS database offers limited information about the condition of the surplus equipment; however, it appears the screeners are able to obtain enough information to make decisions on what equipment should be acquired so that a large number of unsuccessful trips are not made.<sup>4</sup>

In addition, it appears most equipment collected comes from four surrounding states (Texas, Colorado, Kansas or Missouri). Eighty-eight pieces of equipment were collected from other states. This represents 33% of the equipment collected and 58% of the total expenditures.

**Table 1 - Breakdown of Equipment From Non-Regional States**

<u>State</u>	<u># Pieces of Equipment</u>	<u>Est. Fuel Costs</u>	<u>Travel Costs</u>	<u>Total Expenses</u>
Indiana	32	\$10,884	\$2,783	\$13,667
Mississippi	21	8,028	2,344	10,373
Ohio	14	6,770	2,490	9,260
Georgia	8	5,632	1,618	7,251
Wisconsin	4	1,967	490	2,457

<sup>4</sup> We did not evaluate whether the equipment was actually placed with a RFD as this was not related to the objective. Additionally, the value of the equipment was not evaluated against the cost of the trip. Records identify the equipment's acquisition cost but not its salvage value. It is important to consider even if the current value of the equipment was less than the cost to transport the equipment, the importance a fire truck provides to a rural fire department may be immeasurable (life/property).



**Department of Agriculture, Food and Forestry**  
**Operational Audit**

**Table 1 - Breakdown of Equipment from Non-Regional State (cont.)**

<u>State</u>	<u># Pieces of Equipment</u>	<u>Est. Fuel Costs</u>	<u>Travel Costs</u>	<u>Total Expenses</u>
New Mexico	2	855	388	1,242
South Carolina	2	2,701	687	3,388
Virginia	2	3,022	895	3,917
Alabama	1	284	217	502
Kentucky	1	846	195	1,041
Nebraska	<u>1</u>	<u>168</u>	<u>403</u>	<u>571</u>
	<u>88</u>	<u>\$41,157</u>	<u>\$12,510</u>	<u>\$53,669</u>

SOURCE: Auditor analysis of fuel cost invoices, vehicle logs, FEPMIS database, and travel claims.

**Maintaining of Records**

Although we were ultimately able to determine the trips made to collect equipment for the FFP, this information was fragmented and not readily available. The Division does not maintain centralized documentation that identifies:

- the purpose of the trip;
- the drivers who made the trip;
- what equipment was collected;
- if equipment was driven back instead of hauled.

Instead, multiple different source documents must be reviewed to make this determination. These documents include the vehicle logs, travel reimbursement claims, milstrip paperwork, FEPMIS database, and the Division equipment spreadsheet.

**Recommendation**

If Department management wishes to have the type of information provided in this analysis on a more cyclical basis, we recommend:

- the Division develop a method of accumulating all relevant data associated with the trips in a centralized format to enable management to analyze the costs in real-time. The documentation should include, but not be limited to:
  - the purpose of the trip;
  - all costs associated with the trip;
  - any equipment acquired from the trip with applicable detail;
  - vehicle(s) used to acquire the equipment;
  - the driver(s) who made the trip.

**Views of Responsible Officials**

After discussion with the Division management, all expenses associated with this program will be recorded in a centralized format by trip and associated documentation (as listed above in Recommendations) will be maintained in a file in order to track all expenses. It is important to document the revenues and expenses for each program annually in order to justify and analyze the progress of the program.

**Observations**

**Maintenance Costs**

The Division maintains a record of the fuel purchases and maintenance costs for each vehicle on a monthly vehicle log. While performing our analysis, we performed procedures to verify the accuracy of the maintenance costs reported on the logs. These procedures included comparing the cost to the paid claim or the purchase card transaction

## Department of Agriculture, Food and Forestry Operational Audit

detail. In some cases, the amounts reported for labor and materials could not be traced to either source document.

Through discussion with Division personnel, it was determined some of the labor costs reported were employee labor costs. The labor cost is an estimate of the time spent performing their own labor for items such as oil changes and other routine maintenance. As a result, no payment documentation would be present to support these charges.

The Division will also purchase general maintenance items such as air and oil filters, tires, oil, etc. in bulk and maintain them on-site for use on all vehicles. The use of the supplies is reported on the vehicle log at the time of usage; in order to capture the cost of these supplies, the employee performing the maintenance will contact the Administrative Assistant responsible for paying the claims to obtain the cost of the item. However, the log does not designate when “stock” items are used.

We attempted to validate the cost reported on the vehicle log for several items listed as stock and were unable to confirm the amounts reported were accurate. As a result, maintenance costs were not included as part of our analysis.

### Recommendation

Assuming the previous recommendation is implemented, we recommend:

- procedures be implemented to ensure all vehicle logs are retained and the information on the logs is accurate and reliable. This could include:
  - indicating on the log the item as “stock”, “employee labor” or identifying the type of payment method (claim, purchase card) used. In addition, documentation should be retained to support the amount reported for “stock” items;
  - comparing the fuel invoices to the vehicle logs to ensure fuel has been properly reported. This comparison should also include verification of the “bulk” purchases reported on the log.

### Views of Responsible Officials

The Department will establish Fleet Maintenance Procedures for the agency in order to ensure that vehicle logs are completed correctly and that the information is accurate and reliable. Copies of all invoices and fuel receipts will be attached to each vehicle log. A procedure to compare the fuel invoices to the vehicle logs will be implemented.

## Objective 2 - Determine the Department’s corrective actions for reportable conditions noted in prior period’s report were implemented.

### Conclusion

The Office of the Auditor and Inspector’s report issued June 21, 2006, included six findings which were considered significant to this engagement. Corrective action on all six of the findings has been implemented.

### Methodology

To accomplish our objective, we performed the following:

- Discussed the receiving of funds through the mail and walk-ins with Department personnel and determined if receipts are being issued at time funds are received;
- Discussed the depositing process with responsible employee and determined if receipts have been issued prior to deposit;
- Discussed the receiving of funds through the mail and walk-ins with Department personnel and determined if checks are restrictively endorsed immediately upon receipt;

## Department of Agriculture, Food and Forestry Operational Audit

- Observed the depositing process with Department personnel and determined if checks have been restrictively endorsed prior to the deposit preparation;
- Reviewed the Department's purchasing procedures and determined if they included purchasing card procedures and were approved by the Department of Central Services;
- Reviewed a sample of 60 purchase card transactions to determine:
  - the transaction was supported by a receipt or equivalent documentation;
  - the transaction appeared on the transaction log;
  - the transaction log was reconciled with the monthly memo statement and signed by the cardholder;
  - the Department used merchant preference (Statewide contracts) before making a transaction.

### Other Items Noted

#### Observations

#### Safeguarding of Assets

Although the Department has established one central receipting area, it appears payments received through the mail can be received in several different divisions. The Department has pre-printed envelopes directing the payments to the Accounts Receivable/Receipts Division. However, if these envelopes are not used, the payments could be sent directly to the applicable licensing division. This appears to be occurring because the license and other applications forms only contain the applicable division's information instead of the Accounts Receivable/Receipts Division. As a result, payments are being received in several different divisions. This could result in misappropriation of funds.

#### Recommendation

To minimize the risk of funds being received throughout the Department, we recommend the Department revise their applications to remove the individual division addresses and include a statement instructing mailed applications to be sent to the "Accounts Receivable/Receipting" Division.

#### Views of Responsible Officials

All divisions will be instructed to include mailing instructions on statements so that all payments received in the mail will be mailed directly to the Accounts Receivable/Receipts Division.



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