



Agreed-Upon Procedures Report

**OKLAHOMA WHEAT
UTILIZATION, RESEARCH AND
MARKET DEVELOPMENT
COMMISSION**

July 1, 2005 to December 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

**Oklahoma Wheat Utilization, Research and Market Development
Commission**

Agreed-upon Procedures Report

For the Period

July 1, 2005 to December 31, 2006



STATE OF OKLAHOMA

OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

April 11, 2007

TO THE COMMISSIONERS OF THE OKLAHOMA WHEAT UTILIZATION, RESEARCH AND MARKET DEVELOPMENT COMMISSION

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Wheat Utilization, Research and Market Development 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

Mission Statement

This mission statement of the Commission is to develop and expand domestic and international markets for US wheat producers while keeping them technologically competitive. This mission also positions the Commission to address issues which affect the Oklahoma wheat producer and his customer, focus on the wheat industry and keep Oklahoma wheat producers competitive in the world market.

Board Members

Tom Stephens Chair
Tom Glazier Vice-Chair
Paul Jackson Secretary
Don Schieber Member
Keith Kisling Member
Terry Peach..... Ex-Officio
Robert Whitson..... Ex-Officio

Key Staff

Mark Hodges Executive Director
Fonda Gentry Administrative Assistant
KC Keffer Director of Communications
Kathy Stevenson, CPA Business Manager II



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 Wheat Utilization, Research and Market Development Commission, solely to assist you in evaluating your internal controls over the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the period of July 1, 2005 to December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

Due to the size of the agency, the Business Manager, is responsible for certain receipting, deposit, disbursement, and reconciliation functions. Without adequate segregation of duties, errors and improprieties could occur and not be detected in a timely manner. We recommend that the agency properly segregate between employees. However, if this is not possible, we recommend mitigating controls be implemented to reduce the possibility of errors and improprieties occurring.

Management Response: We agree with this finding in theory, as it would apply to a large state entity. However, the Oklahoma Wheat Commission's budget limits the number of personnel on staff. Therefore, duties are segregated with relation to the number of Agency personnel to effectively and efficiently mitigate controls.

SA&I Response: We further recommend additional reviews and approvals by the Executive Director be put in place. This would include, but not be limited to, the Executive Director signing off on reconciliations, deposits, and claims.

The Commission has employees with access to PeopleSoft in the General Ledger, Accounts Payable, and Purchasing areas, which are incompatible access roles and reflect an inadequate segregation of duties. We recommend the agency review the access rights/PeopleSoft roles and reallocate them, so that incompatible duties are no longer performed by employees so that proper segregation of duties is maintained within the agency. If management has no alternative to the current situation, mitigating controls should be adopted outside the CORE PeopleSoft system.

Management Response: We agree with this finding in theory, as it would apply to a large state entity. However, the Oklahoma Wheat Commission's budget limits the number of personnel on staff. Therefore, duties are segregated with relation to the number of Agency personnel to effectively and efficiently mitigate controls.

SA&I Response: We further recommend additional reviews and approvals by the Executive Director be put in place. This would include, but not be limited to, the Executive Director signing off on reconciliations, deposits, and claims.

Due to the Access database auto assigning receipt numbers, receipts are not being issued in numerical order and blank receipts are being assigned. Receipts not issued in numerical order, could cause inaccurate accounting records and possible loss or theft of funds. We recommend the agency implement a more accurate way of receipting.

Management Response: We agree with this finding. Since completion of test work, the Access database problem has been repaired.

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

2. We compared the commission's internal control over the safeguarding of capital assets with the following criteria:
 - Inventory records were maintained for capital assets costing \$500 or more;
 - Packing slips were compared to the purchase order when capital assets are received;
 - Inventory records were adjusted promptly when capital assets are acquired, retired, sold, or transferred;
 - Obsolete or unusable assets were disposed of through the Department of Central Services' Surplus Property Division;
 - Physical inventories were performed;
 - Differences between physical inventory counts and inventory records were resolved;

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

3. We selected 20 deposits and:
 - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day.
 - Examined receipts to determine if they were pre-numbered and issued in numerical order.
 - Agreed cash/check composition of deposits to the receipts issued.
 - Agreed the total receipts issued to the deposit slip.
 - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received.
 - Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first.
 - Inspected agency receipts to determine whether receipts were safeguarded.

- Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
- Compared the nature of the deposit to the account code description to determine consistency.

Six of the 20 deposits tested had receipts that were not issued in numerical order due to Access randomly auto assigning receipt numbers. Receipts not issued in numerical order could cause inaccurate accounting records and possible loss or theft of funds. We recommend the agency implement a more accurate way of receipting.

Management Response: We agree with this finding. Since completion of test work, the Access database problem has been repaired.

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

4. We 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.

One of the 60 vouchers tested was not coded consistently with the nature of the disbursement. Disbursements not coded consistently could cause inaccurate accounting records. We recommend the agency code disbursements consistent to the nature of the disbursement.

Management Response: We agree the travel expense was not coded consistently with the nature of the disbursement. However, the Office of State Finance audits 100% of travel claims. The Office of State Finance prior to payment should have detected this error during the initial audit of the travel claim.

SA&I Response: Management has the responsibility to implement internal controls.

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

5. 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.

6. We randomly selected one employee who appeared on the December 2006 payroll but not on the July 2005 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.

7. We randomly selected one employee who appeared on the July 2005 payroll but not on the December 2006 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.

8. We randomly selected one employee from the December 2006 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 2006.

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

9. We selected 10 assets from the capital asset listing and:
- Visually inspected each asset to ensure its existence and that it was identified as property of the State of Oklahoma;
 - Compared the identification number on the listing to that shown on the asset.

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

10. We selected 10 assets from the floor and:
- Traced them to the capital asset listing;
 - Compared the identification number on the asset to that shown on the listing;
 - Inspected the asset to determine it was properly identified as property of the State of Oklahoma.

One of the 10 assets selected for testing was listed on the capital asset listing, but was not tagged with an identification number or properly identified as property of the State of Oklahoma. Oklahoma Administrative Code 580:70-5-1(a) states: An agency shall affix a unique identifier as an inventory tag to all tangible assets. To ensure compliance with the Oklahoma Administrative Code, we recommend the agency properly tag inventory items with an identification number and as property of the State of Oklahoma.

Management Response: We agree with this finding. The capital asset, which was not tagged during test work of this audit, has been properly tagged.

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 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 Wheat Utilization, Research and Market Development 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

April 2, 2007

Protecting Your Tax Dollars



Office of the State Auditor and Inspector
2300 N. Lincoln Boulevard, Room 100
Oklahoma City, OK 73105-4896

www.sai.state.ok.us