

OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS

FOR THE PERIOD
JANUARY 1, 2006 THROUGH
DECEMBER 31, 2008

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma School of Science and Mathematics

For the Period
January 1, 2006 through December 31, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

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March 19, 2009

**TO THE BOARD OF TRUSTEES FOR THE OKLAHOMA
SCHOOL OF SCIENCE AND MATHEMATICS**

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma School of Science and Mathematics for the period January 1, 2006 through December 31, 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, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

Mission Statement

The Oklahoma School of Science and Mathematics (OSSM) fosters educational development of Oklahoma high school students who are talented in science and mathematics and show promise of exceptional development through participation in a residential educational setting emphasizing instruction in science and math. OSSM is guided by the following principles: a commitment to develop, evaluate and foster science and mathematics instructional programs; and a commitment to serve all schools and students of Oklahoma through research, teacher training and outreach activities.

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Background

The Oklahoma School of Science and Mathematics (OSSM) was created through legislative action in 1983 and graduated its first class of 44 seniors from across the state in 1992. It is designed as a two-year residential public high school for academically gifted students in mathematics and science. Since inception, OSSM has had a total of 1,024 students graduate among who have received a litany of national awards, accolades, and recognition.

OSSM is governed by a 22 member board of trustees which meets once per quarter. Operations are prescribed by 70 O.S. §§ 1210.401 through 1210.404.

OSSM defrays the costs of operations primarily through state appropriations but also receives support through the Oklahoma School of Science and Mathematics Foundation.

Table 1 summarizes OSSM's sources and uses of funds for fiscal years 2007 and 2008.

Table 1 - Sources and Uses of Funds for FY 2007 and FY 2008		
Sources	2007	2008
State Appropriations	\$7,230,501	\$7,597,276
Deposits by Students	19,549	30,655
Reimbursement for Property and Equipment	391	44,340
Other Sources	9,361	7,199
Total Sources	<u>\$7,259,802</u>	<u>\$7,679,470</u>
Uses		
Personnel Services	\$5,050,723	\$5,156,265
Professional Services	67,260	69,490
Travel Expenses	17,676	17,886
Miscellaneous Administrative	473,457	460,451
Maintenance & Repair	317,143	338,522
Production, Safety, and Security	119,143	117,585
General Operating Expenses	438,246	445,345
Bond Indebtedness Expenses	-	543,225
Other Uses	919,563	221,003
Total Uses	<u>\$7,403,211</u>	<u>\$7,369,772</u>

Source: Oklahoma CORE Accounting System (unaudited - for informational purposes only).

Authority, Purpose, and Scope

This audit was conducted in response to 74 O.S. § 212, which requires the State Auditor's Office to audit the books and accounts of state officers whose duty it is to collect, disburse or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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.

The audit period covered was January 1, 2006 through June 30, 2008.

Objective 1 – Determine whether OSSM’s internal controls provide reasonable assurance that the expenditures were accurately reported in the accounting records, and financial operations complied with certain provisions of the Department of Central Services’ purchase card procedures.

Conclusion

OSSM’s internal controls generally provide reasonable assurance that expenditures were accurately reported in the accounting records.

OSSM was in compliance with certain¹ Department of Central Services’ (DCS) purchase card procedures.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the expenditure process;
- Tested controls over the expenditure process (inclusive of purchase card expenditures) which included:
 - Selecting a sample of 55 claims (40 were haphazardly selected while 15 were randomly selected) to ensure they were supported by the necessary supporting documentation (invoice, approved purchase order, requisition, and packing slip, if applicable), the invoice was mathematically accurate, the invoice and purchase order were approved by an appropriate employee, the correct account code was used, the claim jacket was reviewed and approved by the appropriate employee, and the expenditure was reasonable given OSSM’s mission;
- Randomly selected a sample of 10 months’ purchase card claims. From these months, we judgmentally selected a sample of two purchase card transactions from each claim (20 transactions in total) to ensure compliance with the following DCS purchase card policies:
 - The dollar amount of the transaction did not exceed the single purchase limit of \$2,500 (Section 6.1.5.1);
 - The transaction was not for a split purchase (Section 6.2.2);
 - The transaction was not for a prohibited purchase (Section 6.2.3);
 - The transaction was supported by a receipt (Section 6.4);
 - Transaction was made by the employee whose name is identified on the card (Section 6.9);
 - Transaction logs were reviewed and approved by the cardholder (Section 6.9.1 - applicable only to transactions prior to 1-16-08 - policy was revised after this date);
 - Card statements were approved by the cardholder and the approving official (Section 6.8.1.2);
 - Receiving document stated “received” (Section 6.7.1 -applicable only to transactions prior to 1-16-08 - policy was revised after this date) and was signed/dated by the receiving employee (Section 6.6.1);

¹ The Department of Central Services issued policy and procedures related to the state purchase cards. We reviewed these policies and determined certain sections would be tested for compliance. These sections, including the policy reference number, are discussed under the last main bullet in the methodology section above.

- The transaction did not include sales tax (Section 6.5);
- Merchant preference was used (Section 6.2.5);
- The transaction appeared reasonable (Section 6.2.3).

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

Observation

Inadequate Segregation of Duties Related to Expenditures

An effective internal control system provides for adequate segregation of duties. The following duties belong to the OSSM Administrative Service's accountant II:

- Entering disbursement information into the accounting records;
- Receiving warrants from the Office of State Finance (OSF) to be mailed to vendors for payments.

Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend that OSSM segregate incompatible duties by:

- Having someone other than Administrative Service's accountant II receive warrants from OSF, matching them to the appropriate invoice/purchase order, and mailing them to vendors. Ideally, OSSM's vice-president of administrative services should be responsible for receiving warrants from OSF, because he is independent of the expenditure recordkeeping function.

Views of Responsible Officials

The Oklahoma School of Science and Mathematics' Administrative Services Department agrees with the recommendation and intends on making the appropriate implementation.

Objective 2 – Determine whether OSSM's personnel files contain documentation in accordance with best practices.

Conclusion

OSSM's personnel files contain documentation in accordance with best practices.

Methodology

To accomplish our objective, we performed the following:

- Determined what comprised best practices by interviewing the State Auditor's Office's (SA&I) personnel officer. The SA&I personnel officer consulted with the Office of Personnel Management's director of human resources. Together, they determined what a personnel file should contain at a minimum. It should be noted there is no specific criteria addressing this subject;

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- Selected a judgmental sample of 16 (20% of total employees) employees' personnel files to determine if they contained:
 - A signed copy of the loyalty oath as required by 51 O.S. § 36;
 - The most recent performance management process (PMP) evaluation form;
 - An application for employment, if applicable;
 - Documentation of supervisory training, if applicable;
 - Documentation related to annual and/or sick leave used including leave used under the Family and Medical Leave Act;
 - Their salary identified on the latest "Request for Personnel Action" (OPM-14) form. This salary was agreed to the December 2008 payroll register.



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