

**OKLAHOMA STATE BOARD OF  
PRIVATE VOCATIONAL SCHOOLS**

**Agreed-upon Procedures Report**

**For the Period  
JULY 1, 2005 THROUGH DECEMBER 31, 2006**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

April 11, 2007

**TO THE OKLAHOMA STATE BOARD OF PRIVATE VOCATIONAL SCHOOLS**

Transmitted herewith is the agreed-upon procedures report for the Oklahoma State Board of Private Vocational Schools. 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 black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**Mission Statement**

To protect the people of Oklahoma by licensing, monitoring, and regulating the private vocational schools, and their representatives, which are offering or conducting training in Oklahoma.

**Board Members**

Ms. Gina Wekke..... Chair  
Mr. Brian L. Major ..... Vice-Chair  
Mr. Glen D. Johnson ..... Chancellor, Oklahoma State Regents for Higher Education  
Dr. Phil Berkenbille..... Director, Oklahoma Department of Career & Technology Education  
Ms. Sandy Garrett..... Superintendent of Public Instruction  
Mr. Robert R. Birkenmaier ..... School Member  
Ms. Linda L. Andrews ..... School Member  
Mr. Del Cockrell ..... School Member  
Mr. Jack Moore..... School Member  
Dr. Joe Robinson..... Proxy  
Mr. Randy McLerran ..... Proxy

**Key Staff**

Dennis Rea.....Executive 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 State Board of Private Vocational Schools, 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, 2005 through 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 Oklahoma State Board of Private Vocational Schools' 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;

We compared the Office of State Finance (OSF) system access authorization role descriptions for Financials, Budgeting and HRMS. We found roles within the CORE PeopleSoft system that were not segregated. Segregation of duties is a basic control that prevents or detects errors, improprieties, and fraud.

We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of the Board's operations and periodic review of operations.

**Management Response:** Our inquiry to CORE shows only two employees with access to Financials, and those employees do not share access to all areas. The only employee with access to budgeting is the Director, and since OPM does the agencies payroll and personnel input, no agency FTE is currently approved for HRMS access.

Management realizes that separation of duties is important for controls, but when the agency has two full time FTE, and one of those is a field representative, and one part time employee, it is not always possible to have a segregation of duties and comply with all accounting standards for separation of duties.

Upon comparison of the internal controls for the agency, we noted that the administrative assistant, who is a part-time employee, receives payments and records them in the receipt book. The Executive Director posts the payments into CORE and performs the monthly clearing account reconciliation to the State Treasurers Office. The Executive Director also reconciles deposit slips to the receipt book. However, when the administrative assistant is not in the office, the Executive Director performs all of these duties. We believe a mitigating control to the lack of segregation of duties would be to reconcile the number of licenses and permits issued to the receipts deposited. This could be accomplished by modifying the tracking spreadsheet currently used for license and permits to gather additional information. For example, the tracking spreadsheet to record school licensing fees could be modified as shown below (highlighted items are currently tracked by the Board):

<b>BOARD OF PRIVATE VOCATIONAL SCHOOLS</b>										
<b>SCHOOL FEES</b>										
							<b>Renewal's</b>		<b>Branch Locations</b>	
<b>School</b>	<b>School Location</b>	<b>Date of Payment</b>	<b>License #</b>	<b>Date License Issued</b>	<b>New School License Fee^^</b>	<b>Renewal License (check)</b>	<b>Tuition Income*</b>	<b>Renewal Fee*</b>	<b>In-State Fee^</b>	<b>Out-of State Fee^</b>
* Based on the most recent financial statement from the school. The charges for a school that is renewing is from \$700 to \$1500 based on tuition income										
^ All schools that have Branch locations (both in-state and out-of state) will be assessed a fee of \$300.										
^^ New School licenses are \$1,200.										

By adding this additional information, the administrative assistant could then reconcile license fees deposited to the tracking spreadsheet on a monthly basis. A key control on this tracking spreadsheet would be the issuance of license numbers in sequential order. Should the license numbers be issued out of sequence, this would be a red flag to management that monies may have been received but not deposited. Similar spreadsheets could be used to record solicitor's fees and other fees such as workshops and new school packets.

Creating and using these tracking spreadsheets would also provide staff with a mechanism to easily gather financial information and statistical data to present to the Board.

**Management Response:** As stated previously, due to the lack of FTE, separation of duties is not always possible. Management is willing to work with the State Auditor's Office to develop a system that they feel develops better safeguards for this lack in segregation of duties; however, we do not feel that the above example would accomplish the desired purpose. Licensing numbers are currently issued in sequential order, but are normally not issued in the same month or order that the fees were received. In addition, the Board receives thousands of dollars each year that are not tied to a licensing number, such as catalog change fees, change of location fees, and annual workshop fees.

**SA&I Response:** Based on further discussion with management, we were informed that starting January 2007 a revenue tracking log by revenue source and receipt number was implemented. As a result, our only recommendation is that the administrative assistant perform the monthly clearing account reconciliation by agreeing the agency's deposits per the clearing account to the receipt log.

With respect to the other procedures described, 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 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.

During our inspection of deposits, we noted only two transfers from the agency clearing account to the 205 fund for the period July 1, 2005 through December 31, 2006. According to statute 62 O. S. § 7.1e, at least once a month each state agency shall transfer monies deposited in agency clearing accounts to the various funds or accounts, subdivisions of the state, or functions as may be provided by statute and no money shall ever be disbursed from the agency clearing account for any other purpose, except in refund of erroneous or excessive collections and credits. We recommend the agency make transfers from the clearing account in accordance with statute 62 O. S. § 7.1e.

**Management Response:** Transfers will be made monthly.

During our inspection of deposits, we noted the only 2 transfers made from the clearing account to fund 205 were done using an incorrect account code. The agency used account code #455101 (Federal Grants-in-Aid). Based on the description of the deposits, the Agency should have used revenue code 423623 (Solicitors Fee), revenue code 424228 (Private Schools Licenses), or revenue code 428199 (Other Licenses, Permits, and Fees). An objective of having an effective system of internal control is to provide accurate and reliable information. We recommend the agency use accounts that better describe the revenue being posted.

**Management Response:** Transfers that used the incorrect account code will be corrected where possible and all future transfers will use the account codes recommended.

With respect to the other procedures described, 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.

During our inspection of 60 claims, we noted two (2) claims were processed using an incorrect account code. The agency used account code #531310 (Premium Property/Liability Insurance) for Voucher #188 to Department of Central Services for printing services of \$109.00 and \$269.85. The nature of the deposit is printing services and should have been coded to account code #531150 (Printing and Binding Contrs). Also, the agency used account code #532120 (Rent of Land) for Voucher #197 to Xerox Corporation for copier maintenance of \$81.00. The nature of the deposit is copier maintenance and should have been coded to account code #533120 (Mtce-Rep-Equipment-Vendors). An objective of having an effective system of internal control is to provide accurate and reliable information. We recommend the agency use accounts that better describe the expenditure being posted.

**Management Response:** Of the two incorrect account codes used, management feels that one, 532120 instead of 533120, was a result of a typographical error. Management has prepared a list of recurring account codes and will use this list to prepare and check future claims.

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

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 one (1) employee who appeared on the July 2005 payroll but not on 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.

6. We randomly selected one (1) employee whose gross salary at December 2006 had increased since July 2005 (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.

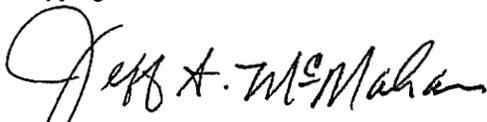
There was no finding as a result of applying the procedure.

7. We randomly selected one (1) 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.

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, 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 State Board of Private Vocational Schools 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 6, 2007