

OPERATIONAL AUDIT

OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION

For the period July 1, 2010 through June 30, 2011



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Oklahoma Department of
Career and Technology Education**

**For the Period
July 1, 2010 through June 30, 2011**



Oklahoma State Auditor & Inspector

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April 3, 2012

**TO THE BOARD OF DIRECTORS OF THE
OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION**

This is the audit report of the Oklahoma Department of Career and Technology Education for the period July 1, 2010 through June 30, 2011. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Career and Technology Education Operational Audit

Background

The Department of Career and Technology Education (Agency) provides leadership and resources, and assures standards of excellence, for a comprehensive statewide system of career and technology education. The system offers programs and services in 29 technology center districts operating on 56 campuses, 398 comprehensive school districts, and 15 skill centers.¹

The Agency pays for its operations primarily through state appropriations and federal funds.

Oversight is provided by a nine-member board comprised of the state superintendent of public instruction, who serves as chairperson, two members of the State Board of Education, a representative from each congressional district, one member at large, and the state director of Career and Technology Education who serves as an ex-officio, non-voting member. The two members of the State Board of Education are selected by the governor, and the congressional district representatives and member at large are appointed by the governor, with the consent of the Senate. The appointed members serve a term of six years.

Board members are:

Janet Barresi	Superintendent of Public Instruction and Chairperson of the Board
Phil Berkenbile, Ed.D.	State Director and ex-officio nonvoting member and Executive Officer of the Board
Leo J. Baxter	State Board of Education Member
Amy Ford	State Board of Education Member
H.C. "Will" Williams	Member
Karl Meyers	Member
Harold Anglin	Member
Marilyn Harrel	Member
Randy Gilbert	Member
Dale Nye	Member

Purpose, Scope, and Sample Methodology

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

The audit period covered was July 1, 2010 through June 30, 2011.

Sample methodologies can vary and are selected based on the audit objective and whether the total population 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 selected our samples in such a way that whenever

¹ The skill centers are a program designed to train incarcerated adult and juvenile offenders with job skills that can help them find employment when they are no longer incarcerated.

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possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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.

Objective 1 – Determine whether the materials (MAVCC², CIMC³, and Print Shop) and office supplies inventory were properly safeguarded and accounted for.

Conclusion With respect to the items tested, it appears materials inventories (including MAVCC, CIMC, print shop and office supplies) were properly safeguarded and accounted for.

Methodology To accomplish our objective, we performed the following:

- Obtained an understanding of the Agency’s inventory counting procedures.
- Physically inspected the location of the inventory to ensure it was properly safeguarded.
- Agreed 33 items from the CIMC inventory report, nine items from the MAVCC inventory report, 13 items from the print shop inventory report, and five items from the office supplies inventory report to the floor to ensure the correct quantities were recorded (items were haphazardly selected).
- Agreed 33 items from the CIMC floor, nine items from the MAVCC floor, 13 items from the print shop floor, and five items from the office supplies floor to the applicable inventory reports to ensure the correct quantities were recorded (items were haphazardly selected).
- Reviewed adjusting entries to inventory reports for variances noted during physical count procedures to ensure accounting records were properly modified.

There were no exceptions as a result of these procedures.

² MAVCC is an acronym for Multistate Academic and Vocational Curriculum Consortium. The Agency stores materials produced by MAVCC.

³ CIMC is an acronym for Curriculum and Instructional Materials Center. CIMC develops quality competency based instructional products and services for career and technology education.

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Objective 2 – Determine whether the Agency’s internal controls provide reasonable assurance that inventory (Agency equipment/furniture) was accurately reported in the accounting records.

Conclusion The Agency’s internal controls generally provide reasonable assurance that inventory was accurately reported in the accounting records. However, certain areas could be strengthened.

Methodology To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the inventory process through discussions with Agency personnel, observation, and review of documents.
- Tested inventory controls using the following procedures:
 - Determining the person responsible for recordkeeping is independent of initiating the transaction (purchasing, transferring, or deleting).
 - Determining periodic inventory counts were performed.
 - Observing 20 judgmentally selected items, five chosen from each of four judgmentally selected locations’ (Elk City, Weatherford, Fort Cobb, and El Reno) inventory reports⁴ to ensure the item was present and its description, asset tag number and serial number agreed to the inventory report. The same procedures were performed for 20 judgmentally selected items from the floor.
 - Observing 20 judgmentally selected items from the Stillwater location’s inventory reports to ensure the item was present and its description, asset tag number and serial number agreed to the inventory report. The same procedures were performed for 20 judgmentally selected items from the floor.

Observation

Inaccurate Inventory Records

To protect against errors or irregularities, an effective internal control system should provide reasonable assurance that inventory records are accurate and reliable by requiring periodic physical inventory counts.

Oklahoma Administrative Code 580: 70-5-1(a) states, “An agency shall affix a unique identifier as an inventory tag to all tangible assets.”

The following was noted as a result of procedures performed on 80 judgmentally selected inventory items:

- Five items had serial numbers that were not recorded in the inventory records.
- Five items’ serial numbers did not agree to the inventory records.
- Four items did not have an asset tag attached.

⁴ We did not have a feasible method of identifying the complete inventory population.

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Although the Agency has a process in place for conducting inventory counts, they do not appear to have been completely effective. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation To ensure inventory records are accurate and reliable, the Agency should continue conducting the inventory counts with management stressing the importance of ensuring serial numbers are accurate and recorded, as applicable, as well as ensuring all applicable items have an accurate asset tag attached.

Views of Responsible Officials We concur with the finding. The Agency continues to improve each year in the area of fixed assets. We have developed guidelines to inventory assets on a yearly basis. All items reviewed during the audit were identified and accounted for. We will review our Fixed Assets guidelines with staff to ensure that serial numbers are accurately recorded in the fixed assets system and asset tags are adhered to all equipment.

Objective 3 – Determine whether the Agency has complied with certain provisions of the Temporary Assistance for Needy Families (TANF) contracts with the Department of Human Services (DHS).

Conclusion With respect to the items tested, the Agency complied with certain provisions (identified in the methodology) of the TANF contracts with the DHS.

Methodology To accomplish our objective, we performed the following:

- Reviewed the two TANF contracts and identified significant provisions of each using professional judgment:
 - **Job Search and Job Readiness**
 - Section I – allowable expenditures
 - Section III.1 – application approval
 - Section III.3 – activities must be offered at least 30 hours per week
 - Section IV.2 – program monitoring
 - Section IV.3 – guidebook development
 - **Skills Training**
 - Section I – allowable expenditures
 - Section II.2 – percentage of federal, state, and local funds expended on the program
 - Section VI.1 – application approval
 - Section VI.7d – activities must be offered at least 30 hours per week
 - Section VI.7e and 8 – program monitoring
- Obtained an understanding of internal controls related to the Agency’s compliance with the certain provisions of the contracts through discussions with Agency and DHS personnel, observation, and review of documents.
- Tested controls as well as compliance using the following procedures:
 - **Job Search and Job Readiness**

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- Reviewed the program review report to ensure it was approved and expenditures were allowable.
 - Reviewed three of four quarterly reimbursement requests (totaling \$57,596) to ensure only allowable expenditures were reimbursed.
 - Reviewed the program application to ensure it was approved.
 - Reviewed a random sample of attendance records for six two-week periods to ensure the program was offered at least 30 hours per week, and interviewed Agency and DHS personnel.
 - Ensured the program guidebook was available on the Agency's website.
- **Skills Training**
- Reviewed 40 quarterly reimbursement requests (totaling \$2,261,656) from the 10 tech centers receiving the greatest total reimbursements to ensure the requests were approved and only allowable expenditures were reimbursed.
 - Reviewed supporting documentation to ensure the appropriate percentages of federal, state and local funds were expended.
 - Reviewed the program applications from the 10 tech centers receiving the greatest total reimbursements to ensure the applications were approved.
 - Reviewed a random sample of attendance records for 60 two-week periods (from all locations) to ensure the program was offered at least 30 hours per week, and interviewed Agency and DHS personnel.
 - Reviewed the program evaluations for the 10 tech centers receiving the greatest total reimbursements to ensure the evaluations were complete and approved.

There were no exceptions as a result of these procedures.



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