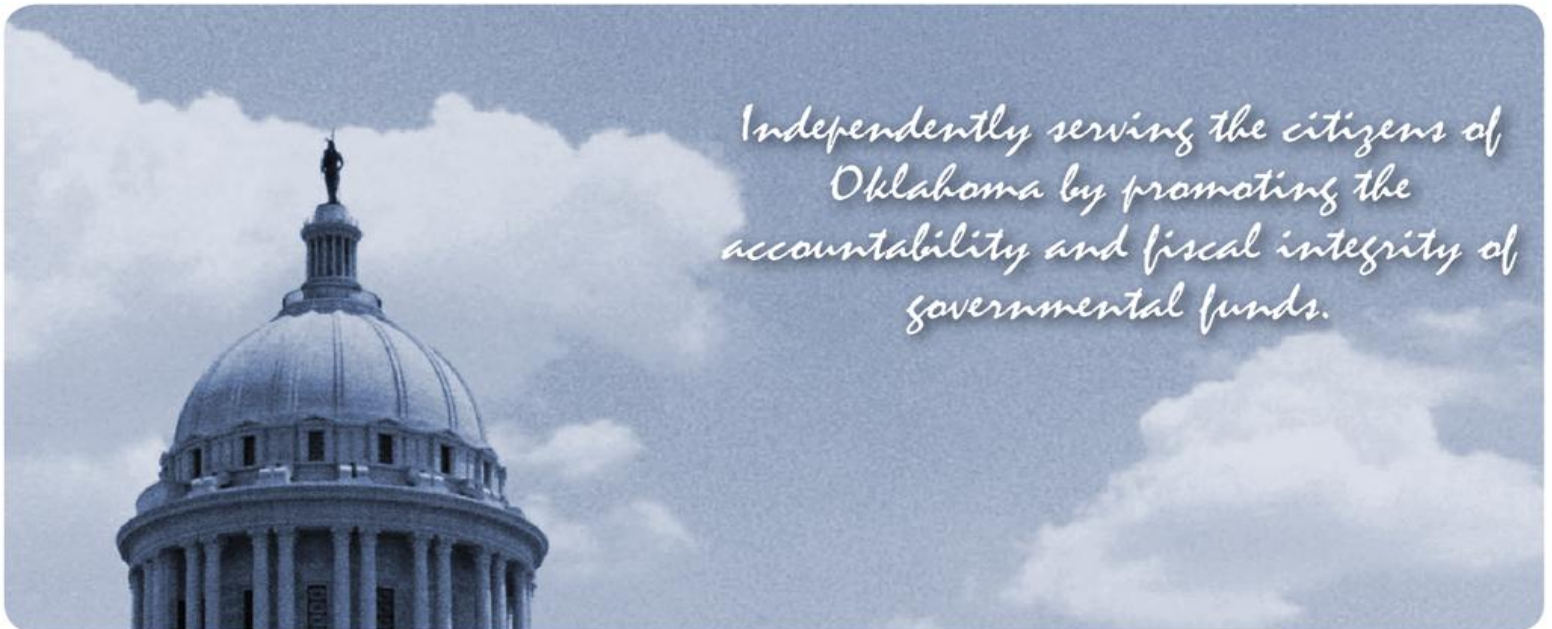


OPERATIONAL AUDIT

# OKLAHOMA DEPARTMENT OF CAREER & TECHNOLOGY EDUCATION

For the period July 1, 2011 through June 30, 2013



*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 & Technology Education**

**For the Period  
July 1, 2011 through June 30, 2013**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

August 20, 2014

## TO THE OKLAHOMA DEPARTMENT OF CAREER & TECHNOLOGY EDUCATION:

This audit report of the Oklahoma Department of Career & Technology Education is for the period July 1, 2011 through June 30, 2013. In addition to our operational audit results, this report includes recommendations for further areas of study at the Department. 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.

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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

# Oklahoma Department of Career & Technology Education Operational Audit

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## Background

The Oklahoma Department of Career & Technology Education (ODCTE) provides leadership and resources to ensure standards of excellence throughout a statewide system, which offers its programs and services throughout nearly 400 public school districts, 29 technology centers with 57 campus sites and 16 skills centers located in correctional facilities. Each technology center works closely with advisers from local industry to ensure that students learn the skills needed to be valued members of the workforce.

Oversight is provided by nine board members appointed by the governor and confirmed by the State Senate.

Board members as of May 2014 are:

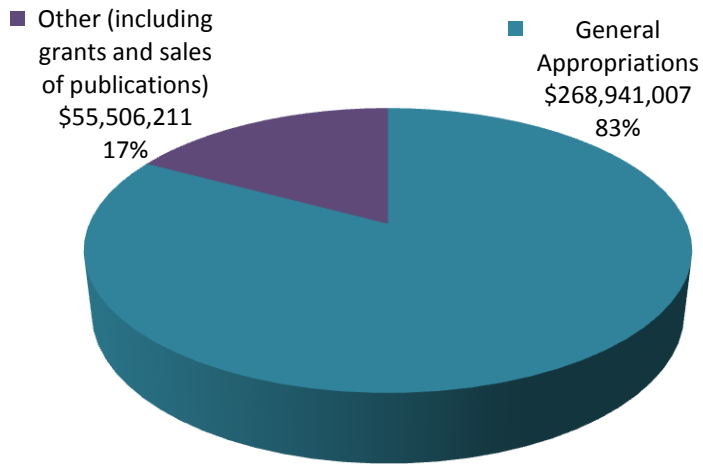
Janet Barresi .....	Chairperson
Leo J. Baxter .....	Member
Amy Ford .....	Member
H.C. "Will" Williams .....	Member
Karl Meyers .....	Member
Philip Kennedy .....	Member
Marilyn Harrel .....	Member
Randy Gilbert .....	Member
Tim Burg .....	Member

# Oklahoma Department of Career & Technology Education Operational Audit

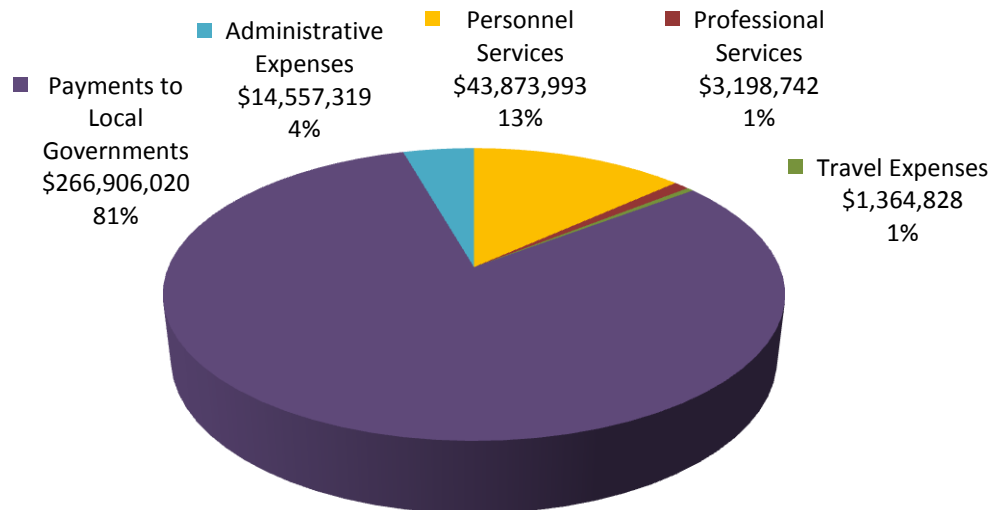
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The following charts illustrate the Agency's primary funding sources, and where those funds are expended.<sup>1</sup>

**Chart 1 - Revenues by Category (July 1, 2011 through June 30, 2013)**



**Chart 2 - Expenditures by Category (July 1, 2011 through June 30, 2013)**



<sup>1</sup> This information was obtained from Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

# Oklahoma Department of Career & Technology Education Operational Audit

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## Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212 B.1., which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duties 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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2011 through June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the ODCTE's operations. Our procedures did not address program-specific processes or other items independent of those central financial operations. However, we do recommend some areas for further study at the end of this report.

We also tested a sample of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

## OBJECTIVE I

**Determine whether the agency's financial controls provide reasonable assurance that revenues, expenditures (both miscellaneous and payroll) and inventory were accurately reported in the accounting records.**

## Conclusion

The Agency's internal controls provide reasonable assurance that revenues and expenditures (both miscellaneous and payroll) were accurately reported in the accounting records. The Agency's internal controls generally provide assurance that inventory was accurately reported in the accounting records; however, one area could be strengthened.

FINDINGS AND RECOMMENDATIONS

**Inadequate  
Maintenance  
of Inventory  
Records**

The United States Governmental Accountability Office's *Standards for Internal Control in the Federal Government*<sup>2</sup> states in part, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as . . . the creation and maintenance of related records which provide evidence and execution . . . as well as appropriate documentation."

Although the ODCTE has implemented processes to record and track inventory, it appears the processes could be improved to avoid lost or misappropriated assets. As a result of procedures performed on 82 items (79 items selected randomly, and 3 items selected judgmentally) from the ODCTE's inventory listing, we noted the following:

- Serial numbers for three laptop computers, valued at \$3,821.64 total, were not accurately recorded in the inventory records.

This lack of complete recordkeeping appears to be due to inconsistent management oversight. Discussion with the Agency's audit manager indicate that asset tags are prone to damage and removal, and for this reason we consider that accurate recording of serial numbers is essential to ensure that all inventory items are properly identified and safeguarded.

- Three ODCTE-owned freightliners, valued at \$298,506.00 total, were recorded in the inventory records approximately three months after being purchased.

According to the ODCTE's service center division manager, the delay was related to internal discussion regarding how the freightliners should be recorded in inventory. Failure to record inventory acquisitions in a timely manner results in incomplete records and could also increase the risk that agency property is not adequately identified and safeguarded.

**Recommendation**

- Serial numbers should be accurately recorded to ensure that all inventory items are properly identified and safeguarded.
- Management should accurately record all inventory items to the ODCTE inventory listing in a timely manner.

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<sup>2</sup> Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

# Oklahoma Department of Career & Technology Education Operational Audit

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## Views of Responsible Officials

With respect to these findings and recommendations, we concur.

Based on the recommendations of your office, the manager of fixed assets is responsible for ensuring equipment information is properly entered into the system in a timely manner. We will revise our agency's Fixed Assets Guidelines to reflect the necessity of accurately recording serial numbers and recording assets in a timely manner.

## PROSPECTIVE AREAS FOR FURTHER STUDY

During the course of the audit, the following issues came to our attention. While further procedures related to these issues were not considered within the scope of this objective, these issues merit future study:

- Analysis of the Agency internal auditor's responsibilities to ensure they are compatible with the position's duties and the position is appropriately independent according to the Institute of Internal Auditors (IIA) standards.
- Risk-based assessment of Agency programs to ensure the programs have been properly implemented and that effective processes and controls are in place. This may include examination of controls related to distributions and pass-through of funds to school districts.
- Per management's request, a detailed review of written procedures as compared to internal processes could be performed and an assessment of policies and procedures produced.





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