

# OKLAHOMA COMMISSION ON CHILDREN AND YOUTH

JANUARY 1, 2006 THROUGH  
DECEMBER 31, 2007

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma Commission on  
Children and Youth**

**For the Period  
January 1, 2006 through December 31, 2007**



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

July 24, 2008

**TO THE OKLAHOMA COMMISSION ON CHILDREN AND YOUTH**

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Commission on Children and Youth for the period January 1, 2006 through December 31, 2007. 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 that reads "Michelle R. Day".

Michelle R. Day, Esq.  
Deputy State Auditor and Inspector

## **Mission Statement**

The mission of the Oklahoma Commission on Children and Youth is to improve services to children by: facilitating joint planning and coordination among public and private agencies; independent monitoring of the children and youth service system for compliance with established responsibilities; and entering into agreements to test models and demonstration programs for effective services.

## **Commission Members**

Bart Bouse .....	Chair
Tammy Jo Bachman .....	Member
Gary E. Miller.....	Member
Darlene Callahan. ....	Member
Glenn Dale Carter .....	Member
Robert E."Gene" Christian .....	Member
Dr. James Michael Crutcher .....	Member
Jerry Fry.....	Member
Terrica Grunewald.....	Member
Mike Fogarty .....	Member
Sandy Garrett.....	Member
Howard Hendrick .....	Member
Mary Ann Karns .....	Member
Ben Loring.....	Member
Linda S. Parker .....	Member
Becky Reuter .....	Member
Claudette Selph.....	Member
Ann Taylor.....	Member
Terri White .....	Member

## **Key Staff**

Janice Hendryx .....	Executive Director
Lisa Smith.....	Assistant Director
Diane Lewis.....	Comptroller



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

**TO THE OKLAHOMA COMMISSION ON CHILDREN AND YOUTH**

We have audited the Oklahoma Commission on Children and Youth for the period January 1, 2006 through December 31, 2007. The objectives of this audit were to determine if:

- The Commission's internal controls provide reasonable assurance that revenues, expenditures and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Commission complied with certain laws and regulations;
- The Commission's corrective actions for reportable conditions noted in prior year's report were implemented.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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.

*Michelle R. Day*

Michelle R. Day, Esq.  
Deputy State Auditor and Inspector

July 8, 2008

## **Background**

The Oklahoma Commission on Children and Youth (OCCY) conducts inspections of all public and private children's facilities. They are a state agency with authority to investigate complaints against public, private, for-profit or not-for-profit agencies or facilities that serve children and youth. Typical complaints include allegations that child welfare is violating policy and procedure in the placement of children outside their homes, a residential facility is not providing required services or programs for the youths who are in residence or in treatment, or children are being denied a free appropriate public education. The Commission's operations are governed by 10 O.S. Chapter 26 § 600 et.seq. and Oklahoma Administrative Code-Chapter 135. Oversight is provided by a nineteen-member Commission. The Commission pays for its operations primarily through state appropriations.

Table 1 summarizes the Commission's sources and uses of funds for fiscal years 2006 and 2007.

**Table 1-Sources and Uses of Funds for FY 2006 and FY 2007**

Sources:	2006	2007
State Appropriations	\$1,724,879	2,101,606
Grants, Refunds & Reimbursement	1,593	35,827
Federal Grants	<u>811,833</u>	<u>695,408</u>
Total Sources	<u>\$2,538,305</u>	<u>\$2,832,841</u>
Uses:		
Personnel Services	\$1,911,647	\$2,382,550
Travel	55,461	65,731
Miscellaneous Administrative	175,688	193,281
Office Furniture and Equipment	60,713	68,261
General Assistance, Awards, Program-Directed	<u>41,326</u>	<u>28,188</u>
Total Uses	<u>\$2,244,835</u>	<u>\$2,738,011</u>

Source: Oklahoma CORE Accounting System.

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**Objective 1** – Determine if the Commission's internal controls provide reasonable assurance that revenues, expenditures and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

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## **Conclusion**

The Commission's internal controls generally provide reasonable assurance that revenues, expenditures and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

## **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 62 O.S. § 7.1 - depositing requirements for agency clearing accounts and agency special accounts, which addresses authorization for depositing directly to state treasury funds;
- Documented internal controls related to the revenue, expenditure and inventory processes;
- Tested controls which included:
  - Determining if checks were endorsed immediately upon receipt;
  - Determining if receipts were stored in a secure location prior to deposit;
  - Determining if the person who prepared the deposit was independent of the receipting process;
  - Reviewing 25 deposits from the period to ensure the monies were deposited within one day of receipt;

- Reviewing 25 deposits from the period to ensure the deposit was correctly posted into CORE within one day of being deposited at the bank;
- Reviewing three allotment budget and available cash report reconciliations prepared by the Commission to ensure the reconciliation was reviewed by someone other than the preparer, the reconciliations were mathematically accurate, traced and agreed to supporting documentation, and reconciling items appeared reasonable;
- Reviewing 25 expenditure claims to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, and the expenditure was reasonable for the agency's mission;
- Reviewing six expenditure claims to ensure the packing slip or other receiving documentation was signed and dated to indicate the condition and quantity of the item(s) was verified;
- Reviewing 15 assets from inventory records to ensure the asset existed, was accurately described in the inventory records, was identified as property of the State of Oklahoma with an affixed tag number and the identification tag number agreed with the identification number affixed to the asset;
- Reviewing 15 assets from the Commission's floor to ensure the asset was recorded in inventory records, was accurately described in the inventory records, was identified as property of the State of Oklahoma with an affixed tag number and the identification tag number agreed with the identification number recorded on the inventory records;
- Determining the Commission performed a physical inventory of assets each year and the physical inventory was approved by someone independent of the inventory process;
- Determining the number of assets removed from inventory records during the audit period and ensuring the assets were included on a completed DCS Form 001 "Surplus Property Transfer" form and the form was approved as required.

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**Objective 2** – Determine if the Commission complied with certain laws and regulations.

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### **Conclusion**

The Commission is in compliance with 74 O.S. §85.39 A.1 and 74 O.S. §85.39 A.3 of the Central Purchasing Act, which requires each state agency to develop internal purchasing procedures and obtain approval of those procedures from the Director of the Department of Central Services. In addition, the Commission appears to be in compliance with the Department of Central Service's Purchase Card Procedures.

### **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 74 O.S. §85.39 A.1 and 74 O.S. §85.39 A.3;
- Reviewed the Commission's internal purchasing procedures;
- Reviewed the Department of Central Service's Purchase Card Procedures;
- Reviewed 10 purchase card transactions and tested compliance by determining:
  - A credit limit (dollar amount per cycle) had been established;
  - The dollar amount of the transaction did not exceed the single purchase limit of \$2,500;
  - The transactions were not for split purchases;
  - The transactions were not for prohibited purchases;
  - The transactions appeared to be supported by receipts and/or other supporting documentation and reconciled to the supporting monthly memos;
  - The transactions were limited to purchases made by only the employee whose name is embossed on the card;
  - The transaction logs were reviewed and approved (signed and dated) by the cardholder;
  - The memo statements were approved (signed and dated) by the cardholder, and by the approving official;
  - The receipts and /or other supporting documentation were annotated "Received", signed, and dated

- by the receiving employee;
- The transactions did not include state sales tax;
- The Commission used merchant preference (Statewide contracts) before making a transaction;
- Documents were retained in accordance with the Commission's procedures.
- Tested transactions to determine they were consistent with the nature of the Commission's mission.

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**Objective 3** – Determine if the Commission's corrective actions for reportable conditions noted in prior year's report were implemented.

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### **Conclusion**

The prior engagement report issued by the State Auditor's Office on July 6, 2006 contained two findings. The findings were related to timely depositing of receipts and purchase card training. Management's corrective actions on both of the findings have been implemented.

### **Methodology**

To accomplish our objective, we performed the following:

- See methodology for Objective 1 and Objective 2;
- Inquired with management regarding the P-card Approving official training requirements.

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### **Other Items Noted**

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#### **Cell Phone Policy**

The Commission maintains a "Policy on Use of Electronic Communication Systems" which all employees are required to sign upon employment with the agency. Cell phone invoices are reviewed by the Fiscal Administrative Officer for any abuse of this policy; however, no formal policy exists documenting who is authorized to have a cellular phone or determination of the plan to be purchased.

**Recommendation:** Agency management should implement and follow the cell phone usage policy to ensure personal use of Agency cell phones is either not permitted or the following procedures should be implemented. Itemized calls on the monthly statement should be highlighted by the employee as personal or business. The employee should timely reimburse the agency for the cost of any personal calls, and the employee should be charged a pro rata share of the monthly charge. The value of the business use portion of the phone is not taxable to the employee and the employee should retain any supporting evidence of the business calls. This information should be submitted to the Agency, who must maintain these records to support the exclusion of the phone use from the employee's wages. In summary, we recommend policy be developed and implemented which, at a minimum, includes:

- Personal use (allowable, limitations on frequency);
- Need of a phone based on job duties;
- Size of plan (minutes/features required).

#### **View of Responsible Officials:**

Although the agency does have policy on the use of telecommunications and computer resources, we did not have a written policy that described our practices concerning cell phones. A policy has been prepared that specifies the use of cell phones and prohibits the use of agency provided cell phones for personal business.



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