



# OKLAHOMA CONSERVATION COMMISSION

## Operational Audit

For the Period July 1, 2014 through June 30, 2020

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Conservation Commission**

**For the Period  
July 1, 2014 through June 30, 2020**



Cindy Byrd, CPA | State Auditor & Inspector

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March 16, 2021

**TO THE OKLAHOMA CONSERVATION COMMISSION**

We present the audit report of the Oklahoma Conservation Commission for the period July 1, 2014 through June 30, 2020. 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 "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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**Background**

Authorized under the Conservation Act of 1937, the Oklahoma Conservation Commission (the Agency) was created to conserve, protect, and restore Oklahoma’s natural resources, working in collaboration with the conservation districts and other partners on behalf of the citizens of Oklahoma.

Oversight is provided by five commissioners (the Commission) appointed by the governor, each serving a term of five years.

The Commission as of February 2021 includes:

- Karl Jett.....Area I Commissioner
- Phillip Campbell ..... Area II Commissioner
- Scotty Herriman.....Area III Commissioner
- Clay Forst .....Area IV Commissioner
- Gary Crawley ..... Area V Commissioner

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2019 and 2020 (July 1, 2018 through June 30, 2020).

**Sources and Uses of Funds for FY 2019 and FY 2020**

	<b>2019</b>	<b>2020</b>
<b>Sources:</b>		
Appropriations	\$ 9,725,596	\$ 12,439,871
Federal Reimbursements	5,775,322	4,294,158
Other Revenues	3,320,029	4,084,644
Gross Production Tax - Oil	2,982,786	3,061,433
<b>Total Sources</b>	<b>\$ 21,803,734</b>	<b>\$ 23,880,106</b>
<b>Uses:</b>		
Assistance, Payments to Local Govn'ts	\$ 6,572,147	\$ 7,290,780
Personnel Services	5,851,950	6,792,395
Property, Furniture, Equipment	5,984,540	5,901,146
Administrative Expenses	1,373,971	1,716,504
Professional Services	969,023	1,149,865
Travel	131,074	106,241
<b>Total Uses</b>	<b>\$ 20,882,705</b>	<b>\$ 22,956,931</b>

*Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 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.

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, 2014 through June 30, 2020. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Review of revenue, expenditure, and asset-related data from the statewide accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks
- Discussion of management’s process for review and approval of detailed expenditure reports and review of several claims in the statewide accounting system
- Review of a comprehensive list of personnel actions from the statewide accounting system to assess the changes that had a financial impact during the audit period
- Review of the report resulting from the Agency’s last purchasing audit conducted by the Office of Management and Enterprise Services (OMES) and verification that the findings have been addressed
- Review of several instances of payroll reports reviewed and approved by Agency management, as well as discussion about the Agency’s compensatory time processes
- Follow-up on audit findings from previous audits

One objective related to inventory counts and records was developed, as discussed in the next section. No other significant risks or findings were identified as a result of these procedures.

Please see additional methodology regarding internal controls, including definitions and information about Government Accountability Office (GAO) *Standards for Internal Control*, in Appendix A.

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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**

Determine whether inventory counts were conducted during the audit period by personnel independent of maintaining inventory records, in accordance with *GAO Standards for Internal Control* and the Statewide Accounting Manual.

**Conclusion**

Inventory counts were not conducted during the audit period by personnel independent of maintaining inventory records, in accordance with *GAO Standards for Internal Control* and the Statewide Accounting Manual.

To accomplish our objective, we performed the following:

- Documented our understanding of the inventory process through discussions with staff and review of relevant records.
- Compared this information to our prior recommendations and applicable guidance from the *GAO Standards* and the Statewide Accounting Manual, as detailed in our finding.
- Evaluated management’s design of inventory control activities to achieve objectives and respond to risks.

**FINDINGS AND RECOMMENDATIONS**

**No Independent Inventory Count Performed**

*Repeat Finding*

One Agency employee, the geographic information services (GIS) specialist, is responsible for maintaining the inventory listing, adding and deleting inventory items, and performing annual inventory counts. The results of the inventory counts were not independently reviewed during the audit period. This creates the opportunity for the GIS specialist to take an item or make errors without detection. Without a reliable and independent inventory count, the listings may be inaccurate, and lost or stolen items are less likely to be identified.

The *GAO Standards for Internal Control* state:

- Assets should be periodically counted and compared to control records.
- Management must design an internal control system to provide reasonable assurance of prevention or detection of unauthorized acquisition, use, or disposition of assets.
- Overall, management is responsible for designing control activities to respond to risks, and for taking adequate and timely actions to correct deficiencies reported by external auditors.

In addition, the OMES Statewide Accounting Manual states, “Internal controls should ensure individuals responsible for monitoring inventories should not have the authority to authorize withdrawals of items



maintained in inventory, and individuals performing physical inventory counts should not be involved in maintaining inventory records.”

**Recommendation:**

After the next full inventory count has been performed by an independent party to confirm the current records are accurate and complete, we recommend regular counts be conducted as appropriate based on the management or the Commission’s own assessment of the inventory risks and the risks identified through audits. The results of each inventory count, and any resulting modifications to inventory records, should be reviewed and approved by management, and documentation of the review should be maintained. The reviewer should also ensure that any significant purchases are reflected in the records and that any items removed are supported by approved surplus documentation.

**Views of Responsible Officials:**

OCC Leadership proposes the following changes to address and correct the findings concerning independent review of the inventory records:

- OCC’s GIS specialist will maintain the agency master inventory record serving as Inventory Manager.
- Division Directors will work with the Inventory Manager throughout the year to update inventory based on new purchase of equipment.
- The Admin Administrative Officer will be responsible to coordination of surplus of agency equipment. The Administrative Officer will consult with Division Directors and the Inventory Manager to ensure items sent to surplus are removed from the inventory system.
- Prior to submission of the inventory report, Trey Lam, Executive Director, will review and verify the results of the annual inventory count.

## APPENDIX A: Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Each of these components includes a subset of principles that are expected to be operating at government entities.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are effectively designed, implemented, and operating together in an integrated manner. As required by *Government Auditing Standards*<sup>2</sup>, we have identified the aspects of internal control significant to each audit objective in this engagement. The table below lists the significant principles and whether they were found to be operating effectively. For those *not* operating effectively, further discussion and related recommendations are included in the body of the report.

Internal Control Component/Principle	Significant to Audit Objective I	Operating Effectively?
<b>Risk Assessment Component</b> – Dynamic process of identifying, analyzing, and managing risks facing the entity.		
<ul style="list-style-type: none"> <li>Management should identify, analyze, and respond to risks related to achieving the defined objectives.</li> </ul>	✓	No
<b>Control Activities Component</b> – Actions management establishes through policies and procedures to protect against risks.		
<ul style="list-style-type: none"> <li>Management should design control activities to achieve objectives and respond to risks.</li> </ul>	✓	No
<b>Monitoring Component</b> – Activities to assess the quality of performance and promptly correct any deficiencies.		
<ul style="list-style-type: none"> <li>Management should remediate identified internal control deficiencies on a timely basis.</li> </ul>	✓	No

The *Standards for Internal Control* further stress that documentation is a necessary part of an effective internal control system. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity’s internal control system.

<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

<sup>2</sup> *Government Auditing Standards*, or the “Yellow Book,” also promulgated by the GAO, guides our performance and operational audits. Last version 2018, accessible online at <https://www.gao.gov/products/GAO-18-568G>.

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