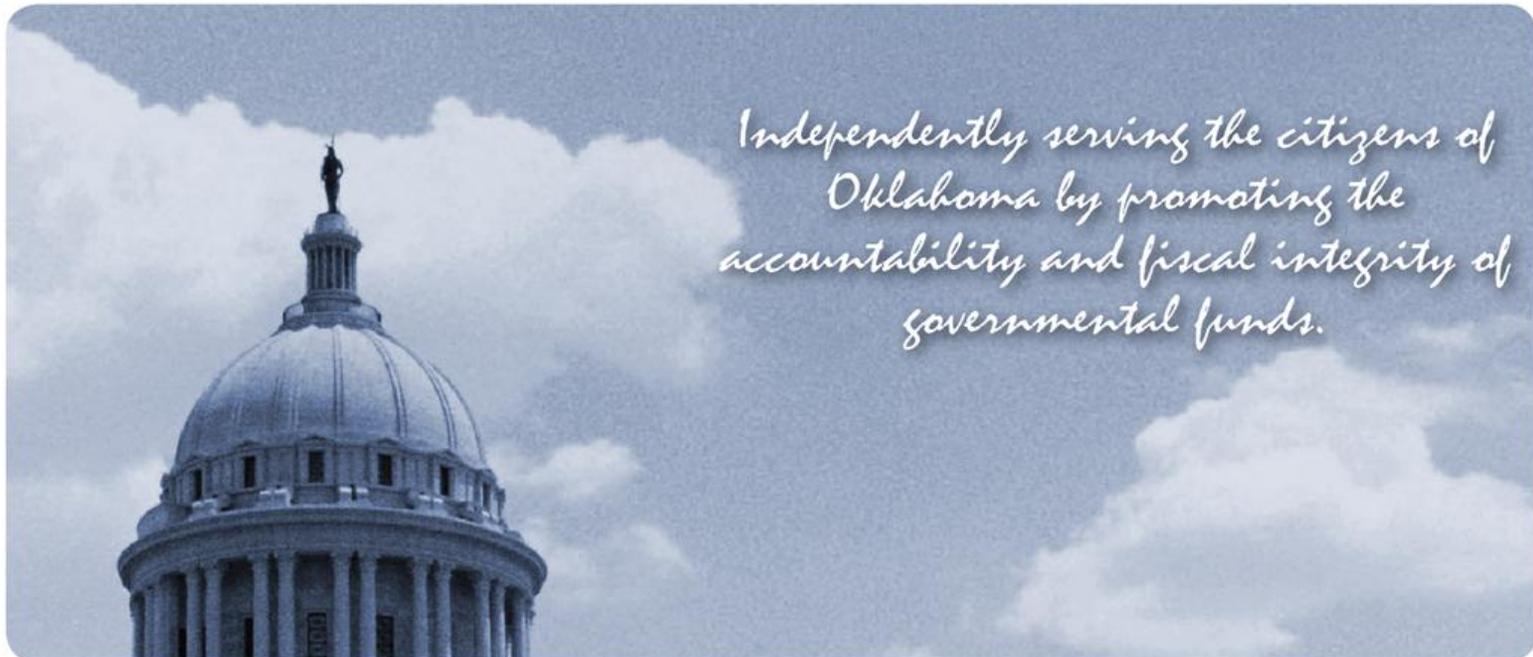


OPERATIONAL AUDIT

# OKLAHOMA DEPARTMENT OF HUMAN SERVICES AGENCY SPECIAL ACCOUNTS

For the time period July 1, 2010 through June 30, 2012



*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 Human Services  
Agency Special Accounts**

**For the Period  
July 1, 2010 through June 30, 2012**



# Oklahoma State Auditor & Inspector

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January 21, 2014

**TO THE DIRECTOR OF THE OKLAHOMA DEPARTMENT OF HUMAN SERVICES:**

This is the audit report of the Oklahoma Department of Human Services - Agency Special Accounts for the period of July 1, 2010 through June 30, 2012. 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".

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

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**Background**

The Oklahoma Department of Public Welfare was established in 1916 when the voters of Oklahoma approved a constitutional amendment providing for a Department of Public Welfare to carry out the functions prescribed in Article XXV of the Oklahoma Constitution: "...to provide by appropriate legislation for the relief of needy aged...and other needy persons who, on account of immature age, physical infirmity, disability, or other cause, are unable to care for themselves..." In 1980 the department's name was changed to the Oklahoma Department of Human Services (OKDHS).

The mission statement of the OKDHS reads: "We help individuals and families in need help themselves lead safer, healthier, more independent and productive lives."

Prior to November 6, 2012, the OKDHS was under the governance of the Human Services Commission which was composed of nine members appointed by the Governor and selected on the basis of recognized interest in and knowledge of the problems of public welfare. The commission chairman was designated by the Governor. The commission formulated policies and adopted rules and regulations for the effective administration of the duties of the department. The commission appointed the director of the department. As of November 5, 2012, the Human Services Commission was made up of the following persons:

- Wes Lane ..... Chairperson
- Aneta Wilkinson ..... Vice-Chairperson
- Myron Pope ..... Member
- Pam Kanaly ..... Member
- Brandon Clabes ..... Member
- Karen Waddell..... Member
- Mike Peck..... Member
- Linda English Weeks ..... Member
- Brad Yarbrough..... Member

On November 6, 2012, the voters of Oklahoma approved State Question 765 which abolished the Human Services Commission. The director now reports directly to the Governor.

**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

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state agencies whose duties it is to collect, disburse, or manage funds of the state and all funds collected, disbursed, or managed by a state agency including, but not limited to, all special, revolving, depository, canteen, or other non-state funds.

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 areas of operations related to the OKDHS Agency Special Accounts (ASA) for the period July 1, 2010 through June 30, 2012. This consisted of a total of six ASA's as listed below:

Fund 700 – Client Trust/Auxiliary Fund

Fund 710 – Food Stamp Investigation Fund

Fund 715 – Canteen Fund

Fund 720 – Juvenile Allowance Fund

Fund 725 – Agency Auxiliary Fund

Fund 730 – Past-Due Supplemental Security Income Client Benefit Fund

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the OKDHS operations as it pertained to its ASA's. 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.

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**OBJECTIVE I**

Determine whether the Agency's internal controls provide reasonable assurance that revenue and expenditures, were accurately reported in the accounting records, and financial operations complied with significant laws and regulations.

**Conclusion**

The Agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records for Funds 700, 715, 720 and 730. The Agency's internal controls generally provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records for Fund 725 except as noted in the *Findings and Recommendations* section below. The Agency's internal controls do not provide reasonable assurance that revenues and expenditures of funds 710 were accurately reported in the accounting records.

Financial operations complied with 62 O.S. § 34.57 (depositing of receipts and adequate safekeeping of receipts awaiting deposit).

<b>FINDINGS AND RECOMMENDATIONS</b>
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***Food Stamp  
Investigation  
Fund - Ineffective  
Review of  
Expenditures***

A basic objective of generally accepted accounting principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for adequate review and approval of expenditure related transactions.

We reviewed the one expenditure of the Food Stamp Investigation Fund (Fund 710) during the audit period. This disbursement was a \$600 expenditure to the OKDHS Facilities Management Unit. This expenditure was incurred to make a 2000 Toyota Camry safe and roadworthy. This vehicle was seized as part of a 2008 Food Stamp investigation and was to be used for investigations performed by the Office of Inspector General (OIG).

This expenditure was coded to expenditure code 3132 - Evidence Funds Expenses. According to the OMES Procedures Manual Appendix A3 - Object of Expenditure Code Listing and Definitions this code is to be used for "payments made under special provisions of state statutes providing

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for the disbursement of funds to obtain evidence". It does not appear that this account code is appropriate for the nature of this expenditure. Further, there are no expenditure codes listed on the Food Stamp Investigation Fund ASA application related to either the purchase or maintenance of vehicles. Finally, the OIG special account internal policy does not authorize expenditures from the Food Stamp Investigation Fund related to the purchase or maintenance of vehicles.

Therefore, it appears this claim was not adequately reviewed to detect the discrepancies noted prior to payment. The lack of adequate review could result in improper or inaccurate expenditures from the Food Stamp Investigation Fund.

**Recommendation**

We recommend that OKDHS ensure all claims are properly reviewed and approved prior to payment. In addition, we recommend that the agency review the approved ASA application and the OIG internal policy to ensure that all allowable types of activities are properly listed on both to help ensure expenditures from this fund are appropriate.

**Views of Responsible Officials**

Concur. Appropriate OKDHS personnel have been notified to review and update, if necessary, both the ASA Application and OIG internal policy. Based on review of the Object of Expenditure Code listing published by the Office of Management and Enterprise Services the expenditure in question has been confirmed to be allowable. The anticipated completion date for the review and updates is November 29, 2013.

*Inadequate  
Controls over  
Agency Auxiliary  
Fund*

A basic objective of generally accepted accounting principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for the issuance of vouchers in a sequential order without gaps.

We noted 10 of 376 vouchers from Fund 725, Agency Auxiliary Fund, were not issued in proper sequence and there was no adequate documentation to support the reason for the sequence gaps.

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Additionally, we were unable to determine the ultimate disposition of 2 Fund 725 vouchers. OKDHS had no record of either voucher apart from when each was sent to an operating location in the stock of vouchers to be issued as payment for a Fund 725 expenditure transaction.

Therefore, it appears that there is no adequate process in place to account for all Fund 725 vouchers. The lack of an adequate process to ensure that all Fund 725 vouchers are accounted for could result in improper or fraudulent expenditures from the Agency Auxiliary Fund.

**Recommendation**

We recommend that OKDHS develop and implement a process to ensure that all Fund 725 vouchers are issued sequentially and without gaps, ensuring that all vouchers are accounted for.

**Views of Responsible Officials**

*Sequential Control Observation:*

Partially Concur. The process for paying vendors from vouchers issued involves the Office of State Treasurer (OST) comparing the issue records against each voucher presented for payment. An issue record is created when the voucher is keyed into the OKDHS system and transmitted to OST. Should a voucher be presented for payment that does not have an issue record OST would contact OKDHS to verify the legitimacy. Due to this comparison of the voucher issue records against vouchers presented for payment we do not fully concur with the finding as the likelihood of improper or fraudulent expenditures is still mitigated.

OKDHS does concur on the portion of the finding related to the tracking system. The tracking system in place allowed for un-keyed vouchers to be undetected. However, based on review of the vouchers in question, it appears the vouchers are not fraudulent in nature and are for allowable costs.

*Unpaid Voucher Observation:*

Concur. The two vouchers noted as outstanding have been voided as of 9/3/2013. Voiding of a voucher does not allow the voucher to be keyed-in; thus, preventing an issue record from being produced.

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*Anticipated Changes:*

A review of the policies and procedures related to the entering of, review of, and tracking of the vouchers is being performed and appropriate changes will be made. We expect the changes to be completed by September 30, 2013.

*Food Stamp  
Investigation  
Fund - Ineffective  
Review of  
Deposits*

A basic objective of generally accepted accounting principles is to provide accurate and reliable information. Furthermore, an effective internal control system provides for the adequate review of receipts of funds.

We reviewed the 17 deposits to Fund 710 for the period of this engagement and noted that all 17 did not reflect the correct revenue code. Of these 17 deposits, 9 were coded to revenue codes that were not listed as an allowable source of funds per the Fund 710 ASA application. The other 8 deposits appeared to have been coded to an incorrect revenue code.

Therefore, it appears the internal control regarding adequate review of receipts into the Food Stamp Investigation Fund was not operating effectively. The lack of adequate review could result in inaccurate financial reporting caused by incorrect coding of revenues.

**Recommendation:**

We recommend that OKDHS ensure that all receipts of Food Stamp Investigation Funds are properly reviewed. In addition, we recommend that the agency review the approved ASA application to ensure that all allowable sources of funds are properly listed.

**Views of Responsible Officials:**

Concur. Appropriate OKDHS personnel have been notified to review and update the ASA Application. Based on review of the Revenue Code Listing published by the Office of Management and Enterprise Services the revenue in question has been confirmed to be allowable. The anticipated completion date for the review and updates is November 29, 2013.



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