

TURNOVER PROCEDURES

DEPARTMENT OF LABOR

July 1, 2010 through January 10, 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

**Turnover Procedures Report of the
Department of Labor**

**For the period
July 1, 2010 through January 10, 2011**



Oklahoma State Auditor & Inspector

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April 1, 2011

The Honorable Mark Costello
Commissioner of Labor
Oklahoma Department of Labor
3017 N. Stiles, Suite 100
Oklahoma City, OK 73105

Dear Commissioner Costello:

Per your request dated January 11, 2011, we have performed the turnover procedures listed below for the period of July 1, 2010 through January 10, 2011.

The procedures for this turnover report included the following:

1. Obtained expenditure claim numbers 10310, 10583, 10584, 10585, 10586, 10587, 10588, 10589, 10602, and 10603 and the related purchase order files and reviewed to ensure the following:
 - The purchases followed relevant guidelines set forth in certain sections of the Department of Labor's (Department) purchasing procedures and the State's Central Purchasing Act;
 - The purchases were adequately supported, mathematically accurate, properly approved, and reasonable given the Department's mission.

SCOPE AND METHODOLOGY

We reviewed the Department's internal policy regarding purchasing as well as the State's Central Purchasing Act as it relates to data equipment purchases by agencies, and discussed the general purchasing process and the data equipment purchases that took place during the audit period with relevant personnel. We reviewed the fiscal year 2011 budget for data equipment-related categories. We then reviewed the invoices and purchase order files for the ten claims listed above to ensure the above criteria were met.

FINDINGS AND RECOMMENDATIONS

While reviewing the purchase order (PO) file for PO #4059003683, totaling \$14,025 for ten laptop computers, we noted that no Office of State Finance (OSF) Requisition Review form was included in the file. Management explained that because the majority of funds used for this purchase were from a federal grant, they requested approval from the federal program instead. However, Central Purchasing procedure #AQ-002 issued by the Department of Central Services requires that any information technology related purchases over \$10,000 be approved by OSF, and that requirement appears to apply to this purchase. We recommend management ensure all data equipment purchases over \$10,000 are properly reviewed and approved by OSF.

2. Selected a random sample of 60 expenditure claims from the audit period and reviewed to ensure they were adequately supported, mathematically accurate, properly approved, and reasonable given the Department's mission.

SCOPE AND METHODOLOGY

We discussed the expenditure process with relevant personnel, and then obtained a listing of all of the Department's non-personnel expenditures from the statewide accounting system (PeopleSoft), a total of 1,085 expenditure claims. In order to select a random sample of 60 expenditure claims from this population, we grouped the claims by department (administration; common services; asbestos abatement; regulation and enforcement; statistical research and licensing; and occupational safety and health) and selected a proportionate number of claims from each department based on amount, totaling 60. We then obtained the supporting documentation for each of the claims and reviewed to ensure the above criteria were met.

FINDINGS AND RECOMMENDATIONS

No findings were noted as a result of the procedures performed.

3. Reviewed documentation of all salary changes that occurred during the audit period to ensure they were documented and properly approved.

SCOPE AND METHODOLOGY

We discussed salary changes with personnel to determine how they are documented and approved, then reviewed the documentation for the eight salary changes that occurred during the audit period to ensure they were documented and properly approved.

FINDINGS AND RECOMMENDATIONS

No findings were noted as a result of the procedures performed.

4. Performed the following procedures related to inventory:
 - Selected a judgmental sample of 20 assets from the capital asset listing (17 from the Oklahoma City office and three from the Tulsa office, in proportion to the number of assets housed at each office per the inventory records) and visually inspected to ensure the assets existed, were identified as property of the State of Oklahoma, and that the items agreed to the details in the capital asset listing;
 - Selected a judgmental sample of 20 assets from the floor (17 from the Oklahoma City office and three from the Tulsa office) and visually inspected to ensure the assets were identified as property of the State of Oklahoma and that the details in the capital asset listing agreed to the items.

FINDINGS AND RECOMMENDATIONS

During these procedures we noted the following:

- Inventory item #2275S, a handheld metal detector acquired in 1995, could not be located by staff during our testwork;
- Inventory item #3324S, a digital camera, did not have an inventory tag and was therefore was not labeled as property of the State of Oklahoma. Its serial number did agree to the Department's inventory records;
- Two items we observed at the Tulsa office and attempted to locate in the inventory records (item #4031S, a noise dosimeter, and #3029S, an air sampling pump) were listed in the records as being housed at the Oklahoma City office.

We recommend management:

- Ensure all items are properly labeled as property of the State of Oklahoma, and that if an inventory tag is removed or lost from an item, such as the digital camera mentioned above, a procedure is in place to replace the inventory tag;
- Ensure the capital asset listing is routinely updated to account for items transferred to another location within the Department;

- Research the location of the missing metal detector and, if necessary, remove it from the capital asset listing. Management should also ensure a process is in place to identify and address missing items each time an inventory count is performed.

Because the procedures performed do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Department for the period of July 1, 2010 through January 10, 2011. This report relates only to the selected items specified above. Further, due to the test nature and other inherent limitations of a turnover engagement, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain undetected.

This report is intended for the information and use of management of the Department. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,



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

Oklahoma Department of Labor



Mark Costello
COMMISSIONER OF LABOR

March 28, 2011

Hon. Gary A. Jones, CPA, CRW
Oklahoma State Auditor and Inspector
2300 N. Lincoln Boulevard, Room 100
Oklahoma City, OK 73105
*** HAND DELIVERED ***

Dear Mr. Auditor:

We are in receipt of your report outlining the review of the turnover procedures requested by our office. After reviewing the specific findings and recommendations in this report, as a new administration we agree with your findings. Where needed, we will be taking the following actions to implement the recommendations:

1. Written policies and procedures on purchases will be developed that conform to the Department of Central Services procedures. Additionally, we have implemented several procedural changes to conform to acceptable accounting and auditing methods.
2. No action is needed regarding the Agency's expenditure claims and we will share with our staff your "no findings" results.
3. No action is needed regarding payroll changes during the previous administration.
4. As suggested by the review and random sampling of our inventory, we will conduct an in-depth inventory of the Agency's assets and update our records to reflect the results. Additionally, we will update and revise the Agency's process for maintaining the asset inventory, including a written policy on asset management.

Again, thank you for your time and attention to our requests. You are to be commended on the professionalism of your staff who conducted this review.

Sincerely,

Mark Costello
Commissioner of Labor

MC/cw



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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