

**DEPARTMENT OF  
HUMAN SERVICES  
AGENCY SPECIAL  
ACCOUNTS**

**FOR THE PERIOD  
JULY 1, 2006 THROUGH  
JUNE 30, 2008**

**OPERATIONAL AUDIT**



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Department of Human Services  
Agency Special Accounts**

**For the Period  
July 1, 2006 through June 30, 2008**

# STATE AUDITOR AND INSPECTOR

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January 27, 2010

## **TO THE OKLAHOMA COMMISSION FOR HUMAN SERVICES**

This is the audit report of the Department of Human Services Agency Special Accounts for the period July 1, 2006 through June 30, 2008. 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 "Steve Burrage".

STEVE BURRAGE, CPA  
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. Its function as prescribed in Article XXV of the Oklahoma Constitution is "...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 provide or care for themselves..." In 1980 the Department's name was changed to the Department of Human Services.

The Department of Human Services is under the governance of the Human Services Commission which is 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. Members are appointed to staggered nine-year terms, with one term expiring each August. Commission members are to be at least thirty years of age, a citizen of the United States, and an Oklahoma resident for at least five years. The commission chairman is designated by the Governor. The commission formulates policies and adopts rules and regulations for the effective administration of the duties of the department. The commission appoints the director of the department.

The mission of the Oklahoma Department of Human Services is to help individuals and families in need help themselves lead safer, healthier, more independent and productive lives.

Commission members are:

- Richard DeVaughn, D.D.S. .... Chairman
- Ronald Mercer ..... Vice-Chairman
- Jay Dee Chase ..... Member
- Michael Peck, O.D. .... Member
- Robert Rawlings. .... Member
- Garoldine (Gerri) Webb ..... Member
- Aneta Wilkinson ..... Member
- Rev. George Young, Sr ..... Member

**Purpose,  
Scope, and  
Sample  
Methodology**

This audit was conducted in response to 74 O.S. § 226, which requires the State Auditor and Inspector's Office to audit all special, revolving, depository, canteen or other nonstate funds existing within any state agency, department, institution or subdivision of state government. This audit was also conducted in response to 47 O.S. § 1104.1, which requires the State Auditor's Office to audit the Department of Human Services "Adaptive Grant Program for Oklahomans with Mental Retardation Revolving Fund".

The audit period covered was January 1, 2006 through June 30, 2008. We audited the department's agency special accounts. (Funds 245, 700, 710, 715, 720, 725, and 730)

Our samples were selected in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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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. 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.

**Objective 1 - To determine if the Agency’s internal controls over agency special accounts provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 7.1.C, 47 O.S. § 1104.1.C, and 47 O.S. § 1104.1.D.**

**Conclusion** The Agency’s internal controls over agency special accounts (ASA) generally provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records. However, some areas could be strengthened.

Financial operations complied with the following statutes:

- 62 O.S. § 7.1.C – Receipts shall be deposited within one day of receipt and adequate safekeeping of receipts awaiting deposit;
- 47 O.S. § 1104.1.C – Administration of the Adaptive Grant Program for Oklahomans with Mental Retardation;
- 47 O.S. § 1104.1.D – Adaptive Grant Program for Oklahomans with Mental Retardation Program annual report preparation.

**Methodology** To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
  - Random samples of 25 deposits were selected from Funds 700, 715, 720, 725, and 730. Each of these samples were reviewed to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were properly posted in the accounting records, and the nature of the receipt was allowable per the ASA application.

Additionally, samples were reviewed for funds 700, 715, and 725 to ensure the deposit traced to the daily transaction register, fund 720 to ensure the deposit traced to the ADM-12 and the F-S-17, and fund 730 to ensure the deposit traced to the AS400 posting.

- Reviewing a sample of 3 months Fund 700 system reports to ensure the reports were reviewed by agency personnel, the sample selections were made by agency personnel, and recalculations were performed by agency personnel;
- Reviewing the 5 deposits from Fund 710 to ensure the monies were deposited within one day of receipt as required by 62 O.S. § 7.1.C.1, receipts were supported by adequate documentation, receipts were

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properly posted in the accounting records, and the nature of the receipt was allowable per the ASA application for Fund 710;

- Reviewing a random sample of 3 months Fund 700, 710, 715, 720, 725 and 730 reconciliations to ensure the reconciliations were performed by someone independent of the receipting process, were mathematically correct, were properly supported, and reconciling items appear reasonable;
- Reviewing a random sample of 3 months to ensure an Oklahoma Tax Commission written notification of Fund 245 monthly deposits was received and traced to a corresponding Fund 245 deposit;
- Reviewing a random sample of 3 months Fund 245 reconciliations to ensure the reconciliations were performed by someone independent of the receipting process, were mathematically correct, were properly supported, and reconciling items appear reasonable;
- Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
- Random samples of 25 disbursements were selected from Funds 700, 715, 720, 725, and 730. Each of these samples were reviewed to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was consistent with the ASA purpose according to the ASA application.

The Fund 715, 720, and 730 samples were additionally reviewed to ensure the voucher traced to the warrant register which included an agency personnel signature indicating an audit was performed.

The Fund 700 sample was additionally reviewed to ensure the voucher traced to the AS400 transmittal, the voucher was signed by the client owner of the account and an approving authority, and the voucher traced to the warrant register and transaction sheet.

The Fund 715 sample was additionally reviewed to ensure the voucher was signed by an authorized agency official and supported by documentation from the institution.

The Fund 720 sample was additionally reviewed to ensure the voucher included a listing of children for which allowances were being requested, had been reviewed by the appropriate agency personnel, and voided vouchers were returned to the client account and transferred back to the group home's adjustment account and operating fund.

The Fund 725 sample was additionally reviewed to ensure the voucher was signed by two authorized personnel, the voucher was supported by a valid vendor invoice bearing an approval signature, and for those disbursements for special outing spending money the voucher included a signed receipt from the client, and unused funds were returned for redeposit.

The Fund 730 sample was additionally reviewed to ensure the voucher was authorized by the Social Security Administration.

- Reviewing the 5 disbursements from Fund 710 to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was

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consistent with the ASA purpose according to the Fund 710 ASA application, the voucher was supported by an Office of Inspector General (OIG) SA/01 form that was approved by authorized personnel, the voucher was signed by two agency personnel listed on the signature card, and the supporting OIG SA/01 form was signed by an OIG employee indicating the voucher was received;

- Reviewing the 1 disbursement from Fund 245 from the period to ensure the voucher was supported by an original invoice, the voucher amount and payee agree to the invoice amount and payee, the nature of the purchase was consistent with the purpose as outlined by 47 O.S. §1104.1, the voucher was supported by an approved Office of State Finance Form 15A, and the voucher was audited by the claims audit unit;
- Reviewing the policies and procedures established by the contractor for the Adaptive Grant Program for Oklahomans with Mental Retardation to ensure the items required in 47 O.S. §1104.1.C. were addressed; and
- Reviewing the annual reports for the Adaptive Grant Program for Oklahomans with Mental Retardation for FY07 and FY08 to ensure they were prepared as required by 47 O.S. §1104.1.D.

**Observation**

**Fund 725 Deposits**

The State of Oklahoma Administrative Plan states, “A component objective of an adequate internal control system is to provide accurate and reliable information.”

During our testing of 25 deposits for Fund 725 (Agency Special Account 1830U), we noted the supporting documentation for one deposit selected could not be located. Therefore, we were unable to test the deposit.

**Recommendation**

Deposits must be supported with the appropriate receipt(s), or any other documentation needed to verify that all incoming funds are properly recorded. We recommend that the Department ensure deposit documentation is adequately maintained.

**Views of Responsible Officials**

Concur. This deposit was made on 12/07/07 by a county that is no longer participating in the Fund 725 program. We contacted this county trying to obtain a copy of the missing deposit slip but were informed that all documentation pertaining to Fund 725 had been destroyed.

**Observation**

**Fund 710 Disbursements**

The Agency Special Account Application for Fund 710 (Agency Special Account 1830E) states, “this account will be for the purpose of providing funds for food stamp related investigations as set forth in S.B. 576 § 24.”

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During our testing of all five disbursements and all five deposits for Fund 710 (Agency Special Account 1830E), we noted one disbursement and corresponding deposit where the nature of the transaction was not allowable according to the specific purpose of the ASA. Based on review of support documentation, we determined that these funds were disbursed for an emergency mailroom purchase. The fund was then reimbursed from the mailroom budget at a later date.

**Recommendation**

If the nature of the disbursement/deposit is inconsistent with the specific purpose of the ASA it could result in improper usage of funds. We recommend that the nature of all disbursements and deposits be consistent with the purpose set forth in the OSF Agency Special Account Applications.

**Views of Responsible  
Officials**

Concur. This activity occurred due to unique circumstances. It is not our normal operating procedure.





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