

**DEPARTMENT OF MINES
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2001**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

October 20, 2003

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Department of Mines Internal Control Report for the fiscal year ended June 30, 2001. By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the Department during the course of the engagement, and we look forward to a continuing professional relationship.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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**DEPARTMENT OF MINES
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

DEPARTMENT BOARD MEMBERS

Name		Term Expires
Pat L. Lair	Chairman	Coterminous with Governor
George E. Fraley	Vice-Chairman	January 1, 2006
Larry Ennis	Secretary	January 1, 2007
Jewett Scott, Jr.	Member	January 1, 2006
Bill Willis	Member	January 1, 2007
Jan Kunze	Member	January 1, 2005
J. Clement Burdick III	Member	January 1, 2008
Bennie Cox	Member	January 1, 2002
Linda Martin	Member	January 1, 2004

ADMINISTRATIVE STAFF

Mrs. Mary Ann Pritchard
Executive Director

Mrs. Suzen M. Rodesney
Chief Financial Officer



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE DEPARTMENT OF MINES

We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2000 through June 30, 2001.

- A. We reviewed the management internal controls over the cash receipting and depositing of funds.
- B. We reviewed the management controls over fixed assets.
- C. We reviewed the management controls over the recording of cash receipts, disbursement of funds, and reconciliation of funds.
- D. We tested a sample of cash disbursements for propriety, reasonableness, and compliance with State purchasing regulations.
- E. We reviewed procedures for remitting required portions of fees to the State of Oklahoma and tested a sample of remittances for adherence to these procedures.
- F. We reviewed the Department's compliance with policies and procedures regarding budgetary matters.
- G. We reviewed the Department's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.
- H. We reviewed the management internal controls for adequate segregation of duties regarding authorization, recording, and custody.

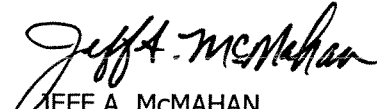
The purpose of these procedures was to identify, on a limited basis, the adequacy of certain aspects of internal controls in place by the Department of Mines.

Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Department's internal control or any

part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of the Department's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,


JEFF A. McMAHAN
State Auditor and Inspector

January 20, 2003

COMMENTS AND RECOMMENDATIONS

Comment 2001-755-001

Criteria: Agency policies and procedures should be written and communicated to all current employees, as well as to any new hires.

Condition: There are no written guidelines to perform accounting functions [documented polices and procedures] in the following areas:

- ◆ Day to Day Business Practices (Policies and Procedures)
- ◆ Expenditures - (Accounting and Recording,[i.e, an unauthorized credit card])
- ◆ Fixed Assets - (i.e, Cellular Telephones and Laptop Computers)

Effect: Errors could occur.

Recommendation:

We recommend the Commission develop and implement written policies and procedures for the above areas.

Management's Corrective Action Plan–

Contact Person: Mrs. Suzen Rodesney, Chief Financial Officer

Anticipated Completion Date: December 31,2003

Corrective Action Planned:

Agency personnel will work on creating documented policies and procedures in the above listed areas. Since the new statewide CORE software system will be implemented October 1, 2003, policies and procedures will be created with workflow that correlates to the new software.

Comment 2001-755-002

Criteria: The state has implemented a purchasing card program administered by the Department of Central Services. The charge card issued through this program (P-Card) is the only charge card authorized for state use to ensure proper controls over this form of purchasing.

Condition: The Agency had a credit card to a vendor.

Effect: Credit cards other than the P-Card do not have the necessary controls in place to ensure compliance with constitutional and statutory provisions.

Recommendation:

We recommend the Agency destroy all credit cards not issued through the purchasing card program.

Management's Corrective Action Plan–

Contact Person: Mrs. Suzen Rodesney, Chief Financial Officer

Anticipated Completion Date: June 30, 2003

Corrective Action Planned:

All staff will be notified that any credit cards not issued through the purchasing card program are not authorized. They will also be instructed to destroy any cards in their possession. All related vendors will be notified to close any open accounts and to cancel any issued credit cards.

Comment 2001-755-003

Criteria: Effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned fixed assets.

Condition: Upon inquiry it came to our attention, the Agency allows designated administrative staff the use of laptop computers away from the office. However, the Agency does not govern and/or monitor the use of said equipment with written policies and procedures.

Effect: Assets could be lost or misappropriated and not detected in a timely manner.

Recommendation:

We recommend the Agency develop and approve policies and procedures regarding the use of laptop computers away from the office.

Management's Corrective Action Plan--

Contact Person: Mrs. Suzen Rodesney, Chief Financial Officer

Anticipated Completion Date: September 30, 2003

Corrective Action Planned:

The agency will develop and approve policies and procedures regarding the use of laptop computers away from the office. Each individual assigned a computer will be presented with a copy of the policy.

Comment 2001-755-004

Criteria: Effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned fixed assets.

Condition: Upon inquiry it came to our attention, the Agency has issued Cellular Telephones to some members of its staff. However, upon inquiry about the controls in place to govern and/or monitor the use of said equipment. The agency was unable to provide documented policies and procedures.

Effect: Assets could be lost, misused, or abused in the absence of controls.

Recommendation:

We recommend the Agency develop and employ policies and procedures regarding the use of cellular telephones.

Management's Corrective Action Plan--

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Contact Person: Mrs. Suzen Rodesney, Chief Financial Officer

Anticipated Completion Date: September 30, 2003

Corrective Action Planned:

The agency will develop and approve policies and procedures regarding the use of cellular telephones for the Department of Mines employees. All employees will notified of the policy.

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