

**DISPUTE
RESOLUTION
SYSTEM FUND**

**FOR THE PERIOD
JULY 1, 2005 THROUGH
DECEMBER 31, 2007**



OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Dispute Resolution System Fund**

**For the Period
July 1, 2005 through December 31, 2007**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

May 26, 2009

TO THE DISPUTE RESOLUTION ADVISORY BOARD

Following is the audit report of the Dispute Resolution System Fund for the period July 1, 2005 through December 31, 2007. 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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Dispute Resolution System Fund Operational Audit

Background

The Dispute Resolution System is comprised of 12 community-based mediation centers around the state. The program is administered by the Administrative Office of the Courts (AOC). In mediation, a neutral, third party helps those in conflict reach a satisfactory agreement without incurring the time and expense of taking their case to court. Funding for the program is processed through AOC's Dispute Resolution System Fund.

Oversight is provided by a 15 member advisory board. Operations are prescribed by 12 O.S. §§ 1801 through 1813.

Table 1 - Community Based Mediation Centers	
Program Name	Location
Central	Oklahoma City
East Central	Ada
Edmond	Edmond
Norman	Norman
North	Chandler
Northeast	Tahlequah
Northwest	Fairview
Panhandle	Guymon
South Central	Ada
Southeast	Wilburton
Southwest	Mangum
Tulsa	Tulsa

Authority, Purpose, and Scope

This audit was conducted in response to 12 O.S. § 1813, which requires the State Auditor's Office to audit the Dispute Resolution System Fund and the fiscal affairs of the centers.

We conducted this performance audit¹ 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.

The audit period covered was July 1, 2005 through December 31, 2007.

¹ The United States Government Accountability Office's *Government Auditing Standards* defines five types of performance audits: program effectiveness, economy and efficiency, internal control, compliance, and prospective analyses. This engagement focused on the internal controls of the Dispute Resolution System Fund rather than program effectiveness, economy and efficiency, compliance, or prospective analyses.

Objective 1 – Determine whether the internal controls related to the Dispute Resolution System Fund provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

The State Auditor's Office issued a report on July 10, 2008 addressing the AOC's internal controls over revenues, expenditures and inventory. The report concluded that the controls generally provided reasonable assurance that revenues and expenditures were accurately reported but did note two issues which are significant to the objective of this engagement. The report on the AOC's internal controls should be read in conjunction with this report. It can be accessed at www.sai.ok.gov.

Conclusion The internal controls related to the Dispute Resolution System Fund generally provide reasonable assurance that revenues were accurately reported in the accounting records. However, they do not provide the same assurance expenditures were accurately reported in the accounting records.

Methodology

To accomplish our objective, we performed the following:

- Reviewed workpapers of the AOC audit issued July 10, 2008 focusing on the documentation and tests of controls related to revenue and expenditures;
- Documented internal controls specific to the Dispute Resolution System which included discussions with AOC and program personnel as well as review of documents.

Observation

Control activities are the policies and procedures that help ensure that management directives are carried out. Control activities whether automated or manual are applied at various organizational and functional levels.

Policies and procedures to ensure that payments to the community-based mediation centers (centers) are appropriate have not been developed. Based on discussion with program personnel:

- Centers are not required to submit supporting invoices with their written reimbursement of expenditure request; however, most choose to do so. Staff relies upon each center's system of internal control related to expenditures to ensure accuracy and validity of reimbursement requests;
- Centers are visited periodically and an informal review is performed. However, a formal monitoring document is not used;
- There is not a formal monitoring schedule for the centers. When a monitoring review does occur, documentation identifying the results is not retained.

As a result, improper payments to centers could be made.

Recommendation

We recommend a review schedule be developed to ensure periodic monitoring of each center. To ensure that consistent review procedures are performed, a formal monitoring document should be developed for use in the monitoring process and retained by program personnel. This monitoring document should include a review of the expenditure supporting documentation that was not previously submitted to AOC in a sampling of categories and/or amounts of expenditures as determined by the program director. Once a base-line is established, consideration may be given to monitoring on a risk-based approach. For example, more frequent visits to centers with noted issues or a higher percentage of expenditures.

**Views of Responsible
Officials**

All of our centers submit written requests for expense reimbursement, and all but two of our centers routinely submit supporting documentation with their written requests for expenditure reimbursement. For those centers that do not routinely do so, we concur with this recommendation and will implement appropriate procedures to improve documentation of expenditures.

Our Program Director conducts periodic visits to the centers and engages in regular monitoring activities with the centers which include oversight of expenditures, case load, staffing, and performance. We concur with this recommendation to formalize and document the monitoring schedule as well as the documentation of the monitoring activities, and will implement appropriate procedures to meet this objective.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV