



Agreed-Upon Procedures Report

Oklahoma State Election Board

July 1, 2005 through December 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

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Agreed-upon Procedures Report
For the Period
July 1, 2005 to December 31, 2006



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

May 23, 2007

TO THE SECRETARY OF THE STATE ELECTION BOARD

Transmitted herewith is the agreed-upon procedures report for the Oklahoma State Election Board. 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 "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

The mission of the State Election board is to achieve and maintain uniformity in the application, operation and interpretation of the state and federal election laws with a maximum degree of correctness, impartiality, and efficiency.

Board Members

Thomas E. Prince Chair
Susan Turpen Vice-Chair
Ramon Watkins Member

Key Staff

Michael Clingman Secretary
Fran Roach..... Assistant Secretary



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma State Election Board, solely to assist you in evaluating your internal controls over the receipt and disbursement process, and in determining whether selected receipts and disbursements are supported by underlying records for the period of July 1, 2005 to December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the agency's internal controls over receipts and disbursements with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - Receipts were issued for cash and/or checks received;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - Voided receipts were retained;
 - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
 - Disbursements were supported by an original invoice;
 - Timesheets were prepared by employees and approved by supervisory personnel.

Effective internal controls include segregation of duties that reduce the opportunities to allow any person to both perpetrate and conceal errors or improprieties in the normal course of their duties. The Oklahoma State Election Board is using the Financial, HRMS, and Budget modules of the CORE PeopleSoft system. The agency has four (4) employees with roles within the CORE PeopleSoft system that may reflect an inadequate segregation of duties. Inadequate segregation of duties could increase the potential for errors, improprieties, and fraud to occur and not be detected in a timely manner. We recognize the difficulty in segregating these duties for an agency with limited personnel. We recommend that the agency review the access rights/PeopleSoft roles and, if possible, reallocate them so that incompatible duties are no longer performed by employees and so that proper segregation of duties is maintained within the agency. If management has no alternative to the current situation, we recommend additional reviews and approvals by the Board secretary be put in place. This would include, but not be limited to, the Board Secretary signing off on reconciliations, deposits, and claims.

Management Response: The State Election Board is a small agency. The finance staff consists of two employees. While management understands that internal controls should include segregation of duties, we do not believe it is possible to reassign duties and access rights to PeopleSoft to eliminate

incompatible roles. We have added additional reviews to help address this situation. The Secretary or Assistant Secretary will review and sign all reconciliations, deposits, and claims. These procedures are currently in place. The State Election Board does not receive cash; all receipts are in the form of checks or money orders.

A component objective of an effective internal control system is to provide accurate and reliable information. During testing of receipts and disbursements and inquiry of management, it was determined that reconciliations to the Office of State Treasurer and Office of State Finance are not performed on deposits or expenditures. A misappropriation of funds could occur and not be detected in a timely manner. We recommend the agency implement procedures to ensure deposits and expenditures are reconciled to Office of the State Treasurer and Office of State Finance records. Reconciliations should also be approved by management.

Management's response: Management acknowledges that deposits and expenditures should be reconciled to records of the Office of the State Treasurer and the Office of State Finance. Agency procedures have long required these reconciliations; however, due to the unexpected loss of both members of the finance staff within a short time in late 2005, reconciliations were not performed for several months. Both positions in the finance staff have now been filled, and reconciliations are currently being performed monthly. Staff has completed the reconciliations that were not performed at the proper time.

With respect to the other procedures applied, there were no findings.

2. We randomly selected 20 deposits and:

- Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day;
- Examined receipts to determine if they were pre-numbered and issued in numerical order;
- Agreed cash/check composition of deposits to the receipts issued;
- Agreed the total receipts issued to the deposit slip;
- Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received;
- Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first;
- Inspected agency receipts to determine whether receipts were safeguarded;
- Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
- Compared the nature of the deposit to the account code description to determine consistency.

We selected 20 deposits for review. Of the 20 deposits reviewed, only one of the deposits was deposited on the day the checks were received or within five (5) business days after the checks were received. The time lag between the receipt day and the deposit day of the remaining 19 deposits varied from six (6) to thirty (30) days. Failure to deposit receipts on the same banking day as received could result in potential theft or misappropriation of funds. Also, 62 O.S. 2001, § 7.1c states: "(1) Receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received. (2) Receipts of less than One Hundred dollars (\$100.00) may be held until accumulated receipts equal One Hundred Dollars (\$100.00) or for five (5) business days, whichever occurs first, and shall then be deposited no later than the next business day." We recommend the agency implement procedures to ensure accumulated receipts totaling \$100.00 or more, or that have been held for 5 business days are deposited that day.

Management's response: Management acknowledges the requirements of the law regarding deposits. The agency Finance Officer has begun depositing receipts of \$100.00 or more on the same day as received. Receipts of less than \$100.00 are deposited within five business days of receipt. This procedure is currently in effect.

With respect to the other procedures applied, there were no findings.

3. We randomly selected 60 vouchers and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

4. We compared salaries set by statute, if any, to the actual salary paid to determine the statutory limit was not exceeded.

There were no findings as a result of applying the procedures.

5. We randomly selected 2 employees who appeared on the December 2006 payroll but not on the July 2005 payroll and observed the initial "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

There were no findings as a result of applying the procedures.

6. We randomly selected 2 employees who appeared on the July 2005 payroll but not on the December 2006 payroll and:
 - Observed the final "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.
 - Observed the main payroll funding sheet for the month subsequent to termination to determine employee no longer appeared.

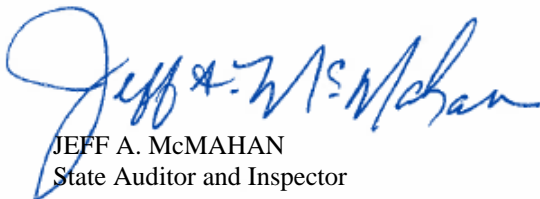
There were no findings as a result of applying the procedures.

7. We randomly selected 3 employees from the December 2006 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 2006.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, and disbursements for the agency. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Oklahoma State Election Board and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN
State Auditor and Inspector

May 4, 2007



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