



# OKLAHOMA STATE FIRE MARSHAL COMMISSION

## Operational Audit

For the period July 1, 2016 through June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma State Fire Marshal Commission**

**For the Period  
July 1, 2016 through June 30, 2021**



Cindy Byrd, CPA | State Auditor & Inspector

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March 7, 2022

**TO THE OKLAHOMA STATE FIRE MARSHAL COMMISSION**

We present the audit report of the Oklahoma State Fire Marshal Commission for the period of July 1, 2016 through June 30, 2021. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**Oklahoma State Fire Marshal Commission  
Operational Audit**

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**Background**

The mission of the Oklahoma State Fire Marshal Commission (Agency) is to promote safety and awareness and reduce the loss of lives and property to the citizens and businesses of Oklahoma through public education, fire investigations, life safety inspections, building plan reviews, code assistance, enforcement, and statistical data collection.

The Oklahoma State Fire Marshal Commission (Commission) is composed of seven members appointed by the Governor and confirmed by the Senate.

Board members as of January 2022 are:

Julie Lynn..... Chair  
 Kent Lagaly..... Vice-Chair  
 Cecil Clay ..... Member  
 Cary Williamson ..... Member  
 Harold Thompson..... Member  
 Tom Palmer..... Member  
 Brady Bond ..... Member

The following table summarizes the Agency’s sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

**Sources and Uses of Funds for FY 2020 and FY 2021**

	2020	2021
<b>Sources:</b>		
Taxes	\$ 1,800,000	\$ 1,800,000
Licenses, Permits and Fees	767,260	790,397
Other Sources	964	27,635
<b>Total Sources</b>	<b>\$ 2,568,224</b>	<b>\$ 2,618,032</b>
<b>Uses:</b>		
Personnel Services	\$ 1,325,736	\$ 1,400,719
Administrative Expenses	251,326	307,424
Professional Services	192,488	217,606
Travel Expenses	32,193	20,068
Property and Other Payments	21,785	83,901
<b>Total Uses</b>	<b>\$ 1,823,528</b>	<b>\$ 2,029,718</b>

*Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2016 through June 30, 2021. To assess risk and develop our audit objectives, we held discussions with management, distributed surveys to the Agency's personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the Statewide Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Analyzing top vendors and expenditures by dollar amount and reviewing a selection of miscellaneous expenditure claims and supporting documents in detail.
- Reviewing the Agency's HR All Actions report from the Statewide Accounting System to assess changes that had a financial impact during the audit period.
- Reviewing a selection of payroll approval documentation for payroll changes that occurred during the audit period and gathering information regarding the payroll approval processes.
- Reviewing IT, non-IT, and field operations inventory listings and discussing the inventory count process with staff.
- Reviewing the Agency's board meeting minutes and pertinent statutes laws and regulations and assessing related risks.

Three objectives were developed as a result of the procedures performed, as discussed in the body of the report. No other significant risks or findings were identified.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

### Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE I** Determine whether effective internal control activities are in place to ensure the plan review fees received by the Agency are deposited, in line with GAO *Standards for Internal Control*.

**Conclusion** We determined effective internal control activities are not in place to ensure the plan review fees received by the Agency are deposited, in line with GAO *Standards for Internal Control*.

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

- Documented our understanding of the revenue processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

**FINDING AND RECOMMENDATION**

**Formal Reconciliation of Plan Review Activity to Bank Deposits Needed**

*Repeat Finding*

Payments received by mail or walk-in are opened by the Fire Secretary, given to the Code Secretary for processing and entry into the Access database, then given back to the Fire Secretary for entry on a revenue log and deposit preparation. The Executive Secretary compares the revenue log to the deposit slip before taking the deposit to the bank and entering it into the statewide accounting system. While our objective focused on plan review fees, which account for 67% of revenues physically received by the Agency, this process generally applies to the other payments physically received as well.

Without a comparison of receipts to plan review activity, the Fire Secretary could take a check, or the Code Secretary could record a plan review without a corresponding payment. Such a reconciliation would decrease risks related to the revenue process and ensure plan review data for decision making is accurate and complete.

There is also a risk that the Executive Secretary could alter the bank deposit, as there is no independent comparison of the bank deposit receipt to other revenue documentation.

For a short period of time during the audit period, the previous Fire Marshal or Assistant Fire Marshal reportedly conducted informal reconciliations of receipts to the revenue log, but these reconciliations were not consistent or documented and did not incorporate plan review activity.

According to GAO *Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications,

reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.

- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.
- Management should remediate identified internal control deficiencies on a timely basis.

### **Recommendation**

As recommended in our previous audit, the Agency should update the Access database (using IT expert assistance as needed) to produce reliable reports detailing plan review activity, including the revenue type and payment amount. This can be used for deposit reconciliation purposes and could also be useful for decision making by those charged with governance.

In addition, the Fire Secretary should complete the revenue log *before* giving the payments to the Code Secretary. The Executive Secretary can then agree the revenue log, plan review activity, and deposit documentation.

In addition, someone independent from the receipting and deposit processes, such as the Fire Marshal or Assistant Fire Marshal, should reconcile the bank deposit receipt to supporting deposit documentation. This could be performed on a regular or random basis, and documentation of this review should be retained.

An alternative option that could decrease risk related to these revenues would be to require payments be made electronically.

### **Views of Responsible Officials**

The plan review database contains all payment information received by the Agency. Reports reflecting these payments are available to be printed and reviewed. Effective immediately the Assistant State Fire Marshal, on random dates throughout the fiscal year, will review the plan review report generated from the database, the receipt register, the revenue log, the bank transaction receipt and the statewide accounting system deposit report to verify that all revenue received by the Agency have been receipted, documented on the revenue log, bank deposited, and posted in the statewide accounting system.

### **Auditor's Response**

Multiple staff members reported that the plan review database was not able to run reports detailing payment information. If the Agency has now

developed this capability and is confident that such reports are complete and reliable, we support incorporating them in a reconciliation process.

**OBJECTIVE II** Determine whether inventory counts are conducted by personnel independent of maintaining inventory records, in accordance with GAO *Standards for Internal Control* and the *Statewide Accounting Manual*.

**Conclusion** We determined inventory counts are not conducted by personnel independent of maintaining inventory records, in accordance with GAO *Standards for Internal Control* and the *Statewide Accounting Manual*.

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

- Documented our understanding of the inventory processes through discussion with management and review of documentation. Through this process we determined Field Operations inventory, which includes firearms and other field equipment, bore the highest risk and we would therefore focus our procedures on this area.
- Evaluated relevant inventory processes and identified and assessed significant internal controls related to our objective.

**FINDING AND RECOMMENDATION**

**Formal, Independent Count of Field Operations Inventory Needed** The previous Assistant Fire Marshal was responsible for maintaining the Field Operations inventory listing, which includes firearms and other field equipment. This listing was last updated in 2019, and the Assistant Fire Marshal left the Agency in 2020. While supervisors do a visual verification of equipment assigned to their field agents, the Agency does not conduct a complete inventory count of all Field Operations inventory.

**Repeat Finding** As a result, Field Operations inventory, which includes firearms, could be lost or stolen without detection, field agent equipment inspections could be incomplete, or the listing may be out of date regarding new purchases.

It was also discovered in the course of our audit that the Agency does not provide the Office of Management and Enterprise Services (OMES) their Field Operations inventory listing. We discussed this with OMES, who stated they were not aware that the Agency was in possession of sensitive items (firearms) and that they would be requesting the listing in the future.

The GAO *Standards for Internal Control* state that “Management should design control activities to achieve objectives and respond to risks, and management should remediate identified internal control deficiencies on

a timely basis.” The Statewide Accounting Manual states that “individuals performing physical inventory counts should not be involved in maintaining inventory records.”

**Recommendation**

Management should assign an individual to be responsible for maintaining the Field Operations listing and a separate individual to be responsible for conducting a comprehensive physical inventory count of Field Operations inventory to ensure the listing is complete and accurate. Visual verification of agents’ field inventory by their supervisors could continue as long as the individual responsible for the overall inventory count receives documentation of that verification and ensures all items are accounted for. The personnel responsible for performing the inventory counts should not have access to modify inventory records.

**Views of Responsible Officials**

The Agency will annually provide the Office of Enterprise and Management Services (OMES) a complete and detailed listing of all Agency inventory which will include Field Operations state-issued equipment and firearms.

**Auditor’s Response**

In order to ensure the inventory listing is accurate and complete, we reiterate that a regular count should be completed by an individuals or individuals who do not maintain the listing.

**OBJECTIVE III** Determine whether the State Fire Marshal Revolving Fund exceeded the \$550,000 limit set in 74 O.S. § 324.20b.

**Conclusion** We determined the State Fire Marshal Revolving Fund exceeded the \$550,000 limit set in 74 O.S. § 324.20b.

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

- Met with management and gathered information regarding the State Fire Marshal Revolving Fund.
- Reviewed the fund balances using reports from the Statewide Accounting System for the State Fire Marshal Revolving Fund for the audit period to compare each month-end balance to the limit set in statute.

<b>FINDING AND RECOMMENDATION</b>
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**Revolving Fund  
Balance Exceeds  
Statutory Limit**

Statute 74 O.S § 324.20b requires the State Fire Marshal Revolving Fund consist of no more than Five Hundred Fifty Thousand Dollars (\$550,000.00).

*Repeat Finding*

The fund's month-end cash balance exceeded \$550,000 for all but six months (September 2017 through February 2018) during the audit period, and as a result the Agency is not in compliance with 74 O.S § 324.20b.

The Agency has been made aware of non-compliance with this statute multiple times in the past and provided evidence that they attempted to have the statute revised in the 2021 legislative session but were not successful. According to management, they will attempt to have the law changed again in the 2022 legislative session.

**Recommendation**

We recommend that the Agency comply with the limitation set forth in 74 O.S § 324.20b while it is still in place.

**Views of Responsible Officials**

Currently Section 4 of Senate Bill 1374 addresses the Agency's request for the \$550,000 limit to be removed.

**Auditor's Response**

We reiterate our recommendation that the Agency comply with state statute until it is updated.

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