

# OKLAHOMA STATE FIRE MARSHAL COMMISSION

FOR THE PERIOD  
JULY 1, 2005 THROUGH  
JUNE 30, 2008

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

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

**For the Period  
July 1, 2005 through June 30, 2008**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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November 5, 2008

## TO THE OKLAHOMA STATE FIRE MARSHAL COMMISSION

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma State Fire Marshal Commission for the period July 1, 2005 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 blue ink signature of Steve Burrage, written in a cursive style.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

A blue ink signature of Michelle R. Day, written in a cursive style.

MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

## **Mission Statement**

The Office of the Oklahoma State Fire Marshal is a state law enforcement agency charged with the task of preservation of life and property through enforcement of criminal statutes and mandated fire prevention/life safety codes. The agency is guided by the following principles: a commitment to provide leadership in the fire service through effective communication with the Oklahoma Legislature, public officials, and citizens; a commitment to provide continual public relations and education; a commitment to interact positively with law enforcement, government agencies, and other interested professional entities; and a commitment to the improvement and financial stability of the Office of the State Fire Marshal in order to provide more efficient serve to the citizens of Oklahoma.

## **Commission Members**

Jackie Carner .....	Chair
Keith Bryant .....	Vice-Chair
Diane Abernathy .....	Member
Michael L. Anderson .....	Member
Tom Baker .....	Member
Harold Crews .....	Member
Mark Huff .....	Member

## **Key Staff**

Robert Doke .....	State Fire Marshal
Jerry Pruner .....	Assistant Fire Marshal
Susie Cain .....	Executive Secretary

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## TO THE OKLAHOMA STATE FIRE MARSHAL COMMISSION

We have audited the Oklahoma State Fire Marshal Commission (the Commission) for the period July 1, 2005 through June 30, 2008. The objectives of this audit were to determine if:

- The Commission's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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.

A blue ink signature of Steve Burrage, written in a cursive style.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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MICHELLE R. DAY, ESQ.  
DEPUTY STATE AUDITOR & INSPECTOR

October 30, 2008

## State Fire Marshal Commission Operational Audit

### Background

The Oklahoma State Fire Marshal Commission (the Commission) was originally established in 1910, but then abolished in 1957. Recognizing the need for a State Fire Marshal, the Oklahoma fire service voiced concerns, and the office was reestablished in 1965. Prior to this, fires were investigated by agents within the Oklahoma State Bureau of Investigation (OSBI) and code enforcement/plan review regulations were conducted only in cities having an established code enforcement office.

The Commission currently has three divisions: Administration and Public Education, Fire Investigations, and Code Enforcement, with 29 employees. All agents are sworn peace officers. Field agents are located throughout the state and work out of home offices.

Recently, the Commission has gone to a “neighborhood agency” program. This simply means that each agent is assigned between three and five counties and is charged with code enforcement, fire investigation and public education for the assigned area. This allows the communities in those counties to work with one agent and results in a better working relationship between the Commission and consumers.

The Commission’s operations are governed by 74 O.S. § 314 through 325.4 as well as Title 265 of the Oklahoma Administrative Code.

Oversight is provided by a seven-member Commission appointed by the Governor with the advice and consent of the Senate. Commission members represent safety engineers, state firefighters, Oklahoma municipalities, Oklahoma fire chiefs, professional firefighters, Oklahoma electricians, and one appointed by the Governor. Commission members serve a five-year term. The Commission pays for its operations primarily through state appropriations and fees generated from investigations and code enforcement.

Table 1 summarizes the Commission’s sources and uses of funds for fiscal years 2006, 2007 and 2008.

**Table 1 - Sources and Uses of Funds for FY 2006, 2007 and 2008**

Sources:	2006	2007	2008
State Appropriations	\$1,681,378	\$2,029,021	\$2,270,838
Federal Funds from Other State Agencies	134,575	6,346	0
Copies of Other Documents <sup>1</sup>	<u>641,325</u>	<u>514,557</u>	<u>563,917</u>
Total Sources:	<u>\$2,457,278</u>	<u>\$2,549,924</u>	<u>\$2,834,755</u>
Uses:			
Personnel Services	\$2,003,367	\$1,946,114	\$1,808,052
Travel Expense	29,561	24,623	20,090
Miscellaneous Administrative	71,830	70,148	71,699
Rent Expense	245,236	231,968	241,923
Production, Safety, Security Expense	6,324	19,696	173,567
Payments - Local Government Non-Profits	450,000	250,000	0
Other	<u>66,331</u>	<u>43,475</u>	<u>82,436</u>
Total Uses:	<u>\$2,872,649</u>	<u>\$2,586,024</u>	<u>\$2,397,767</u>

*Source: Oklahoma CORE Accounting System (unaudited; for informational purpose only).*

<sup>1</sup> This revenue source includes fees received relating to investigations (copies of reports, expert witness deposition fees) and code enforcement (plan reviews, inspections, fireworks permits, etc.).



**Objective 1 - Determine whether the Commission's internal controls 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. 2.a, 74 O.S. § 324 .20b, and 74 O.S, § 324.21.**

**Conclusion**

The Commission's internal controls do not provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records and should be strengthened.

Compliance procedures were performed with regards to three laws:

- The Commission does not appear to be in compliance with 62 O.S. 7.1.C.2.a - adequate safekeeping of receipts awaiting deposit;
- The Commission does not appear to be in compliance with 74 O.S. § 324.21 - transfer of \$2.00 per page fee for certified copies of fire investigation reports to the State General Revenue Fund;
- We were unable to conclude as to whether financial operations complied with 74 O.S. § 324.20b, which limits the revolving fund balance to \$550,000, due to the vagueness of the statute.

**Methodology**

To accomplish our objective, we performed the following:

- Reviewed 62 O.S. § 7.1 - **depositing requirements for agency clearing accounts and agency special accounts**;
- Documented internal controls related to the receipting and expenditure processes;
- Selected 60 deposits to ensure monies receipted were deposited;
- Determined if expenditure claims were supported by the invoice, the invoice was mathematically accurate, the correct account code was used, and the expenditure was reasonable given the Commission's mission;
- Discussed with Commission personnel procedures performed to ensure funds awaiting deposit are properly safeguarded, including compliance with 62 O.S. 7.1.C.2.a;
- Discussed with Commission personnel procedures performed to transfer funds to the state general fund as required by 74 O.S. § 324.21;
- Discussed with Commission personnel procedures performed to ensure balance of the revolving fund does not exceed the statutory limitation (\$550,000) as required by 74 O.S. § 324.20b.

**Observation**

**Inadequate Safeguarding of Assets**

An effective internal control system provides for adequate safeguarding of assets.

62 O.S. § 7.1.C.2.a. states in part:

Each state agency that has custody of receipts of less than One Hundred Dollars (\$100.00) shall provide adequate safekeeping of such receipts.

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Funds are maintained in a safe prior to deposit; however, the safe does not appear to be locked. In addition, all employees have access to the room which the unlocked safe is located. This could allow misappropriation of assets to occur and not be detected in a timely manner.

**Recommendation**

We recommend the Commission management lock the safe to ensure adequate safeguarding of funds awaiting deposit. In addition, access (key, safe combination) to the safe should be limited to authorized personnel.

**Views of Responsible Officials**

The State Fire Marshal Agency will ensure adequate safeguarding of funds awaiting deposit in a locked safe by limiting access to authorized personnel only.

**Observation**

**Inadequate Segregation of Duties Revenues and Expenditures - Repeat Finding**

An effective internal control system provides for accurate and reliable records as well as adequate segregation of duties. The executive secretary is responsible for:

- Preparing the deposit;
- Reconciling the agency's clearing account;
- Preparing the purchase orders;
- Preparing the claim jacket;
- Approving the claim jacket;
- Receiving warrants from OSF;
- Mailing warrants to vendors.

Financial reports are provided to the state fire marshal and members of the Commission; however, the information provided is summary level and is prepared by the executive secretary. This could allow misappropriations to occur and not be detected in a timely manner.

In addition, no verification of the amounts received through walk-ins and mail is performed prior to deposit to help ensure all monies received are being deposited.

**Recommendation**

We recommend the Commission segregate incompatible duties by:

- Someone other than the executive secretary posting the deposit to CORE using the deposit slips and bank receipts;
- Someone other than the executive secretary approving the claim jackets;
- Someone other than the executive secretary receiving warrants from OSF, matching them to the appropriate invoice/purchase order, and mailing them to the vendors.

If the Commission is unable to adequately segregate the duties, other mitigating controls (i.e., independent reviews) should be established to minimize the risk.

We also recommend the person who prepares the deposit perform a comparison of the funds received by the Commission to the amount deposited to ensure all funds received were deposited.

**Views of Responsible Officials**

Due to limited personnel in State Fire Marshal Agency's Oklahoma City office, the Executive Secretary is currently the person with the training and knowledge of OSF and State Treasurer CORE procedures. When adequate funding is provided by the



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Legislature to hire vacant support staff, the Agency will be in a position to delegate some of the above-described duties to assist the Executive Secretary. The Executive Secretary will implement a monthly comparison of the funds receipted to the amount deposited to ensure all funds receipted are deposited.

**Auditor Response**

We understand the agency's staff size could limit its ability to properly segregate duties. However, it is management's responsibility to implement alternative (mitigating) controls that would minimize this risk. We recommend management evaluate their processes and determine what alternative/mitigating controls (i.e., independent reviews) could be implemented to reduce the risk associated with improper segregation of duties.

**Observation**

**Transfers to State General Revenue Fund**

74 O.S. § 324.21 states:

The Office of the State Fire Marshal shall be authorized to prepare under the Seal of the Office and deliver upon request, a certified copy of fire investigation reports, as authorized in Section 314 of Title 74 of the Oklahoma Statutes, charging a fee of Two Dollars (\$2.00) per page for each document so authenticated. Fees collected by the Office of State Fire Marshal shall be deposited in the State Treasury for credit to the General Revenue Fund of the state.

According to Commission personnel, they do not track funds received for certified copies and have not made a transfer to the state general fund for these fees received. We reviewed the "Transfers to State General Fund" PeopleSoft report for the period of July 1, 2005 through June 30, 2008 and confirmed no transfers from the Commission appear to have occurred. From discussion with Commission personnel, it appears they may not have been aware of this state statute.

**Recommendation**

We recommend the Commission implement procedures allowing for recording of fees received for certified copies and procedures to transfer funds received to the state general fund.

**Views of Responsible Officials**

The State Fire Marshal Agency is requesting statutory language clean-up regarding this statute to reflect all fees collected be deposited in the State Fire Marshal Revolving Fund.

**Observation**

**State Fire Marshal Revolving Fund Balance Limitation**

74 O.S. § 324.20b states in part:

There is hereby created in the State Treasury a revolving fund for the State Fire Marshal to be designated the "State Fire Marshal Revolving Fund." . . . The fund shall consist of no more than Five Hundred Fifty Thousand Dollars (\$550,000). . .

The OSF Summary of Receipts and Disbursements for state fiscal years (SFY) 2006, 2007 and 2008 indicates the fund's ending cash balance exceeded this amount for all months, except three. According to Commission personnel, the revolving fund limit is set by each year's appropriation bill. We did note the SFY 2006 appropriation bill included a revision to 74 O.S. § 324.20b, revising the fund limit from \$400,000 to \$550,000. The remaining appropriations bills did not contain any additional revisions to the limitation amount.

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**Recommendation**

We recommend the Commission consult their legal counsel to determine at what point the fund is determined to exceed this limit (monthly or at the end of the state fiscal year), and then in cases where the fund exceeds the limit, where those funds should be transferred.

**Views of Responsible  
Officials**

The State Fire Marshal Agency is requesting statutory language clean-up regarding this statute to remove the reference to a specified dollar amount.



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