



STATE OF OKLAHOMA
OFFICE OF THE STATE AUDITOR & INSPECTOR

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**OKLAHOMA HISTORICAL
SOCIETY**

REPORT ON AGREED-UPON PROCEDURES

JULY 1, 2004 TO DECEMBER 31, 2005



JEFF A. McMAHAN, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Historical Society
Agreed-Upon Procedures Report
For the Period
July 1, 2004 – December 31, 2005



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

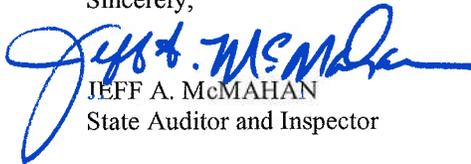
December 13, 2006

TO THE OKLAHOMA HISTORICAL SOCIETY

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Historical Society. 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,



JEFF A. McMAHAN
State Auditor and Inspector

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Mission Statement

To preserve and perpetuate the history of Oklahoma and its people by collecting, interpreting and disseminating knowledge of Oklahoma and the Southwest.

Board Members

Denzil D. Garrison-----Executive Member
Aulena S. Gibson-----Executive Member
Jack D. Haley-----Executive Member
James O. Kemm-----Executive Member
Robert Klemme-----Executive Member
Marvin E. Kroeker-----Executive Member
Leonard Logan-----Executive Member
William D. Pennington-----Executive Member
Emmy Scott Stidham-----Executive Member

Alex Adwan-----Member
Jack D. Baker-----Member
Thomas R. Brett-----Member
Roger Bromert-----Member
William Corbett-----Member
Thalia Eddleman-----Member
LeRoy Fischer-----Member
Deena Fisher-----Member
Daniel W. Lawrence-----Member
John M. Mabrey-----Member
Shirley Ann Nero-----Member
Ken Rainbolt-----Member
Carl K. Sadler-----Member
Sally Soelle-----Member
Barbara Thompson-----Member
James R. Waldo-----Member

Key Staff

Main Offices

Bob Blackburn, Executive Director
Terry Howard, CFO
Kim Chadbourne, Accountant
Darrell Covington, Fixed Assets
Kathy Dixon, Museums Director

State Capital Publishing Museum & Oklahoma Territorial Museum

Valorie Haynes, Assistant Director

Pioneer Woman Museum

Rebecca Brave, Assistant Director



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**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 Historical Society, solely to assist you in evaluating your internal controls over the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the period(s) July 1, 2004 to December 31, 2005. 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 Oklahoma Historical Society internal controls over receipts and disbursements at each of the following locations; State Capitol Publishing Museum (Guthrie), Oklahoma Territorial Museum (Guthrie), and the Pioneer Woman Museum (Ponca City) 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;

We reviewed the Office of State Finance (OSF) system access authorization role descriptions for Financials, Budgeting and HRMS. We found incompatible roles of employees with access within the CORE PeopleSoft system. Segregation of duties is a basic control that prevents or detects errors, improprieties, and fraud. We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

Management Response:

The OHS agrees that segregation of duties is necessary but the overlapping of security functions in the PeopleSoft system is necessary to maintain workflow due to the limited amount of staff in the Finance Division. The security forms for the PeopleSoft system do not adequately distinguish the exact menu items that will be available to the user once they are given access. Often, we have had to add additional access so that employees can adequately function within their scope of work.

The OHS believes that the segregation of duties in the Finance division and Human Resources division, outside of the PeopleSoft system, are adequate enough to detect and prevent errors and fraud. In the event fraud or errors are detected the PeopleSoft system records every user entry and change and it could be determined who was responsible. Passwords are not shared and are kept strictly confidential.

The OHS will make an effort to review the security roles now that we are more familiar with the PeopleSoft system and eliminate access that is unnecessary to facilitate the uninterrupted operations of the agency.

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

2. We compared the Society's internal controls over receipts and disbursements for the following criteria:
 - Disbursements are reconciled to Office of State Treasurer and Office of State Finance records
 - Disbursements are supported by an original invoice.
 - Receipts are reconciled to Office of State Treasurer and Office of State Finance records.

During our inspection of internal controls at the State Capitol Publishing Museum & Oklahoma Territorial Museum over cash and revenues, we noted that deposits are not reconciled to bank records. If deposits are not properly reconciled, errors and improprieties may occur and not be detected in a timely manner. To prevent this from occurring, we recommend a routine reconciliation be performed with bank records for deposits and an approving authority review and approve agency reconciliations for deposits.

Management Response:

Both of the museums above do not receive bank statements. The accounts themselves are set up by the State Treasurer's Office for deposit only and the only statements are sent to the Treasurer's Office. Currently, the field locations that deposit funds send emails to the Finance division notifying us of the deposit. We then use the deposit function of the PeopleSoft system to transfer the funds that were swept from the respective bank to our agency clearing account. We will try to develop a solution for this. A possibility would be to send each field location a copy of the clearing account statement each month. The statement lists the respective bank numbers on it. They could use it to verify that all of their deposits were recorded properly.

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

3. We compared the Oklahoma Historical Society's internal controls over the safeguarding of capital assets at each of the following locations; State Capitol Publishing Museum (Guthrie), Oklahoma Territorial Museum (Guthrie), and the Pioneer Woman Museum (Ponca City) with the following criteria:
 - Inventory records were maintained for capital assets costing \$500 or more;
 - Packing slips were compared to the purchase order when capital assets are received;
 - Inventory records were adjusted promptly when capital assets are acquired, retired, sold, or transferred;
 - Obsolete or unusable assets were disposed of through the Department of Central Services' Surplus Property Division;
 - Physical inventories were performed;
 - Differences between physical inventory counts and inventory records were resolved;

During our inspection of internal controls over capital assets (fixed assets) at the Pioneer Woman Museum, we noted the last time a physical inventory was performed was December 2004. Without a current physical inventory it will be difficult to ensure inventory items are accounted for and properly maintained. We recommend a physical inventory be performed at least one time each calendar year.

Management Response:

Conducting the agency fixed asset inventory count is the responsibility of the Property Resources division. This division had two employees prior to the retirement of one individual. Revenue shortfalls and funding

levels have kept the agency from replacing this employee. Inventories were conducted on a regular basis before the retirement occurred. The last full inventory count was in 2004.

Currently, the OHS has purchased a bar code scanning system to expedite the future inventory control process. Volunteers are being used with the initial setup and inventory count due to the large volume of new fixed assets purchased for the History Center.

When funding levels become sufficient, the OHS will consider replacing the staff person necessary to keep this inventory process up to date.

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

4. We randomly selected 20 deposits at each of the following locations; State Capitol Publishing Museum (Guthrie), Oklahoma Territorial Museum (Guthrie), and the Pioneer Woman Museum (Ponca City) 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.
 - 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.

During our inspection of 20 deposits for **Pioneer Woman Museum**, we noted:

- Fifteen deposits with receipts totaling over \$100 were not deposited on the same banking day as received.

Also, during our inspection of internal controls over deposits for **State Capitol Publishing Museum**, we noted:

- Deposits are not made daily; therefore, donations could exceed \$100 or more and not be deposited on the same day as received.

And, during our inspection of 36 deposits for **Oklahoma Territorial Museum** and the **State Capitol Publishing Museum**, we noted:

- Thirty-three deposits with receipts totaling over \$100 were not deposited on the same banking day as received.

Deposits must be made in accordance with 62 O.S. 2001 § 7.1c.. It requires receipts of less than \$100 be held until accumulated receipts equal \$100, or for five (5) business days, *whichever occurs first*. We recommend all funds received totaling over \$100 be deposited on the same banking day of being received or every five (5) business days, for deposits not totaling \$100.

Management Response:

Reminders have been given to all facility managers of the agency's legal requirement to make daily deposits or when the total exceeds \$100 and at least once a week even if the \$100 threshold was not met.

Daily deposits are not made at the Publishing Museum since there is frequently one staff member on duty and 2 are required to count funds. Also visitation is often low enough during certain periods that \$100 is not deposited in the donation box on a daily basis and there are no sales at the facility.

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

5. 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.

During our inspection of 60 vouchers, we noted:

- Three claims did not include the appropriate supporting documentation and ;
- The account code description for one claim did not agree to the nature of the purchase.

Without proper documentation supporting the claim, it will be difficult to ensure purchasing procedures were followed and funds were expended correctly. It is important for the nature of the purchase to compare to the account code description. If the appropriate account code is not entered the disbursement will be reported incorrectly. Without the correct account code, it will be difficult to properly track and assess the disbursements accordingly. We recommend all disbursement claims be supported by the appropriate documentation and the account code to be entered according to the nature of the purchase.

Management Response:

The claim files along with other files in filing cabinets in the Finance division were mishandled during the move from the Wiley Post building to the History Center. We were told that the file cabinets could be moved without removing the files. However, when the movers brought the cabinets to the History Center they laid the cabinets on their sides. Many documents were shuffled and some lost in the process. The OHS made a reasonable effort to recompile the files but limited staff kept us from going through every document in every folder.

The OHS agrees that every document should be stored and accounted for and will make every effort possible to maintain a complete and accurate filing system.

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

6. 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.
7. We compared the Society's internal controls over samples of timesheets with the following criteria:
 - Timesheet was prepared by employees and approved by supervisory personnel.

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

8. We identified all employees who appeared on the June 2004 payroll but not on the December 2005 payroll and observed the initial "Request for Personnel Action" (OPM-14) or equivalent form to determine if it was signed by the appointing authority.

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

9. We identified all employees who appeared on the December 2005 payroll but not on the June 2004 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.

10. We identified all employees whose gross salary at December 2005 had increased since June 2004 (excluding legislative pay raises) and observed the "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.

11. We selected 10% (but no more than 20) of the employees from the December 2005 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 2005.

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

12. We selected 10 assets from the capital asset listing at each of the following locations; State Capitol Publishing Museum (Guthrie), Oklahoma Territorial Museum (Guthrie), and the Pioneer Woman Museum (Ponca City) and:
- Visually inspected each asset to ensure its existence and that it was identified as property of the State of Oklahoma;
 - Compared the identification number on the listing to that shown on the asset.

Also, we selected 10 assets from the floor at each of the following locations; State Capitol Publishing Museum (Guthrie), Oklahoma Territorial Museum (Guthrie), and the Pioneer Woman Museum (Ponca City) and:

- Traced them to the capital asset listing;
- Compared the identification number on the asset to that shown on the listing;
- Inspected the asset to determine it was properly identified as property of the State of Oklahoma.

During our inspection of capital assets, we noted:

State Capitol Publishing Museum

- Three items listed on the inventory list with inventory #'s 34-219, 34-226 and 34-228 could not be located.
- Two items selected from the Museum's floor with inventory #'s 35-442 and 35-434 were not on the inventory list

Oklahoma Territorial Museum

- One item listed on the inventory list with inventory # 35-429 could not be located.
- One item listed on the inventory list with inventory #35-326 was moved to the State Capitol Publishing Museum without the proper documentation of a transfer form.

Pioneer Woman Museum

- We were unable to track five items (#28-114, #28-133, #28-136, #28-184 and #28-187) to the floor location.

Without the property item, we were unable to verify the asset does exist, is identified as property of the State of Oklahoma, and an identification number on the listing compared to that shown on the asset listing. We recommend all assets be identified with a description of the properties location and updated upon any occasion of the properties change in location or removal.

Management Response:

Conducting the agency fixed asset inventory count is the responsibility of the Property Resources division. This division had two employees prior to the retirement of one individual. Revenue shortfalls and funding levels have kept the agency from replacing this employee. Inventories were conducted on a regular basis before the retirement occurred. The last full inventory count was in 2004.

Currently, the OHS has purchased a bar code scanning system to expedite the future inventory control process. Volunteers are being used with the initial setup and inventory count due to the large volume of new fixed assets purchased for the History Center.

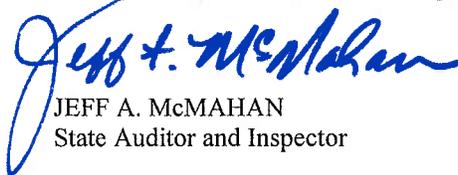
When funding levels become sufficient, the OHS will consider replacing the staff person necessary to keep this inventory process up to date.

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

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, disbursements, and capital assets 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.

We have also compiled a Schedule of Receipts, Disbursements and Changes in Cash from information obtained from the statewide CORE accounting system, which is presented in the "Other Information" section. The schedule, compiled for fiscal year 2005 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, has been included for informational purposes only. A compilation is limited to presenting financial information that is the representation of management. We have not audited or reviewed the accompanying Schedule of Receipts, Disbursements and Changes in Cash, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of management of the Oklahoma Historical Society 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

August 3, 2006

Other Information

Oklahoma Historical Society
 Schedule of Receipts, Disbursements, and Changes in Cash
 For the Fiscal Year Ending June 30, 2005
 (UNAUDITED)

RECEIPTS:

Transfers In	\$ 11,043,707
Private Grants & Donat.	2,585,610
Reimbursements	872,399
Fed Fds from Other State Ags.	620,959
Other	684,059
	15,806,734

Total Receipts 15,806,734

DISBURSEMENTS:

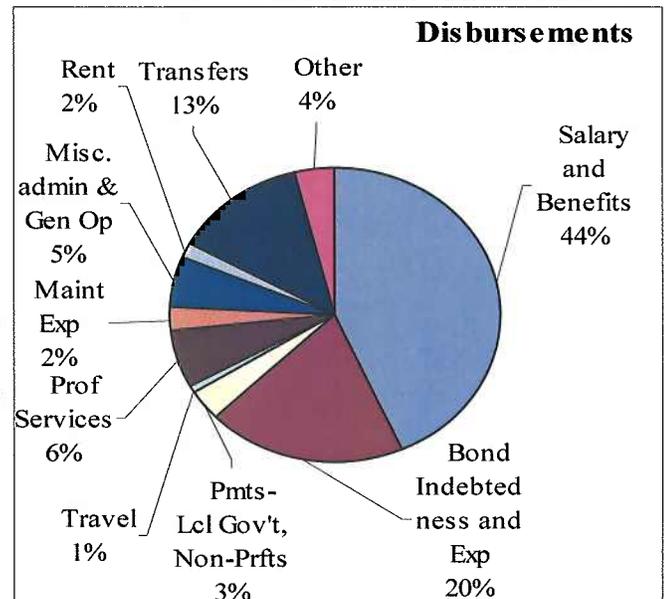
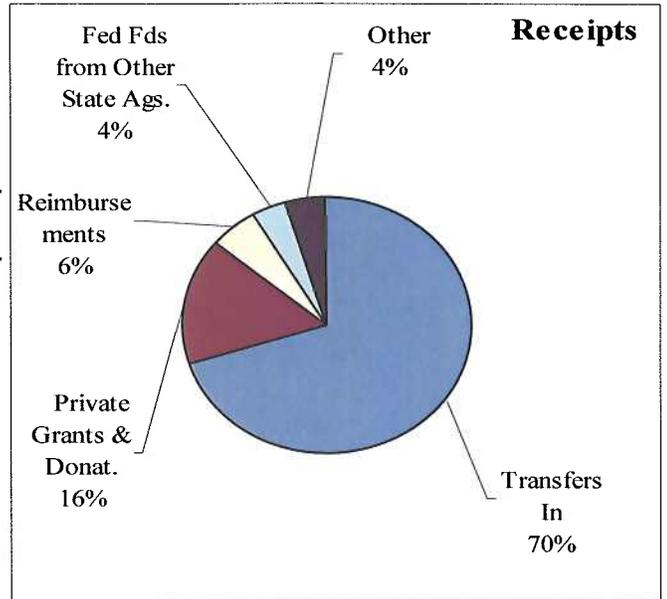
Salary and Benefits	\$ 6,137,618
Bond Indebtedness and Exp	2,755,908
Pmts-Local Gov't, Non-Profits	470,600
Travel	125,508
Prof Services	907,396
Maint Exp	331,072
Misc. Admin & Gen Op	776,568
Rent	239,550
Transfers	1,859,743
Other	553,745
	14,157,708

Total Disbursements \$ 14,157,708

RECEIPTS OVER (UNDER) DISBURSEMENTS \$ 1,649,026

CASH--Beginning of Year \$ 3,987,466

CASH--End of Year \$ 5,636,492



SEE ACCOUNTANT'S REPORT

This Schedule is presented solely for the information and use by the management of the Oklahoma Historical Society and not intended to be used by any other party.



Office of the State Auditor and Inspector

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