

OKLAHOMA INDIAN AFFAIRS COMMISSION

JANUARY 1, 2006 THROUGH
DECEMBER 31, 2007

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Indian Affairs Commission**

**For the Period
January 1, 2006 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

November 3, 2008

TO THE INDIAN AFFAIRS COMMISSION:

Pursuant to 62 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Indian Affairs Commission for the period January 1, 2006 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

A handwritten signature in blue ink that reads "Michelle R. Day".

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

Mission Statement

The Oklahoma Indian Affairs Commission is charged with the mission of serving as the liaison between Oklahoma's tribal population and governments and the Oklahoma State government. The Commission carries out its duty with the guidance of four statutorily determined goals: the creation of state and federal legislation; the creation of an advisory committee; the development and implementation of research projects and reports; and the development of cooperative programs between tribes and state, federal, local, private entities, health organizations, educational agencies, tourism, and economic development entities.

Commission Members

Bill Follis OIAC Chairman
John P. Froman OIAC Vice-Chairman
John A. Barrett..... Chairman
Dan Jones..... Chairman
Ken Blanchard Commission Member
Mary Flute-Cooksey Commission Member
Charles Enyart Commission Member
Charles Locust Commission Member
Wanda Stone Commission Member

Key Staff

Barbara A. Warner.....Executive Director
Carol Forbes Jones.....Projects Coordinator
Angie Atauvich..... Administrative Assistant

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

TO THE INDIAN AFFAIRS COMMISSION

We have audited the Oklahoma Indian Affairs Commission for the period January 1, 2006 through December 31, 2007. The objectives of this audit were to determine if:

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

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 handwritten signature in blue ink that reads 'Steve Burrage'.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A handwritten signature in blue ink that reads 'Michelle R. Day'.

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

October 15, 2008

Background

The Oklahoma Indian Affairs Commission (OIAC) is currently in its 41st year of existence as a state agency. The Commission serves as the single point-of-contact between state government and Oklahoma's Indian Nations. The Commission's statutory mission is to serve as the liaison between the American Indian citizens of the state, tribal leaders, tribal governments, private sector entities, various Federal and State agencies, and the Executive and Legislative branches of Oklahoma state government. (74 O.S. § 1201)

The four primary goals of the Commission are to: (1) create state and federal legislation; (2) create an advisory committee; (3) develop and implement research projects and reports; and (4) develop cooperative programs between tribes and state, federal, and local governments, private entities, health organizations, educational agencies, tourism, and economic development entities.

The Commission is governed by nine commissioners who are tribal members appointed by the Governor with the consent of the Senate. Appointees serve on the commission for three-year terms. Four of the appointed members are enrolled members of tribes represented by the Bureau of Indian Affairs Eastern Oklahoma Region (Muskogee) and four are enrolled members of tribes represented by the Bureau of Indian Affairs Southern Plains Region (Anadarko). There is one additional at-large member. A Chairman and Vice-Chairman are elected by the Commission at the annual meeting, which takes place in July of each year.

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

| Table 1-Sources and Uses of Funds for FY 2006 and FY 2007 | | |
|--|------------------|------------------|
| Sources: | 2006 | 2007 |
| Appropriations | <u>\$232,738</u> | <u>\$257,254</u> |
| Uses: | | |
| Salary Expense | 109,739 | 93,219 |
| Insurance Premium-Health-Life, etc. | 11,569 | 12,854 |
| FICA – Retirement Contribution | 19,561 | 18,457 |
| Professional Services | 12,920 | 28,404 |
| Inter/Intra Agency Payment-Professional Services | 15 | 39 |
| Travel – Reimbursements | 7,925 | 6,724 |
| Travel – Agency Direct Payments | 1,205 | 1,925 |
| Miscellaneous Administrative Expenses | 31,252 | 30,936 |
| Rent Expense | 17,912 | 20,739 |
| Maintenance and Repair Expense | 348 | 305 |
| Specialized Supplies and Materials Expense | 213 | 641 |
| General Operating Expenses | 1,362 | 2,721 |
| Office Furniture and Equipment | 8,677 | 2,046 |
| Library Equipment - Resources | <u>1,293</u> | <u>172</u> |
| Total Uses | <u>\$223,991</u> | <u>\$219,182</u> |

Source: Oklahoma CORE Accounting System.

Objective 1 – Determine if the Commission's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

Conclusion

The Commission's internal controls related to revenues, expenditures, and inventory are generally effective; however, some areas, as noted below, need to be strengthened.

Methodology

To accomplish our objective we performed the following:

- Reviewed the Combining Trial Balance and the Summary of Receipts and Disbursements to determine there were no significant revenues other than appropriations; therefore, no control testwork relating to revenue was necessary;
- Documented internal controls related to the expenditure and inventory processes;
- Tested controls which included:
 - Reviewing 25 expenditure claims to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, and the expenditure appeared reasonable given the Commission's mission;
 - Reviewing all 3 employees' timesheets for the period to ensure each employee's time was approved by the Executive Director, compensatory time was documented and approved by the Executive Director, and policies and procedures were followed;
 - Reviewing all 26 cell phone expenditure claims for the period to ensure the minutes used were within the limitations of the cell phone plan, there was no after-hours use of the cell phones, and to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, and the expenditure appeared reasonable given the Commission's mission.

Observations

Cell Phone Policy, Procedure and Usage

OIAC policy states in part:

"...cellular telephones used by the staff of the OIAC are to be used for the conducting of agency business. Any calls that result in incurred charges to the agency will require reimbursement to the agency. To monitor the usage of state-owned cellular phones, phone records are reviewed upon receipt or prior to submission of a claim, by a staff person designated by the Executive Director or the position for which the duty is permanently assigned by job description. Should it be determined that phone records indicate that phone calls for other than agency business have occurred that have resulted in costs to the agency, the records will be reviewed with the person that had been assigned the agency cellular phone for that time period to determine the purpose of the call. If non-state business calls are conclusively identified and have cost incurred, the staff member responsible will be required to reimburse the agency for any expenses incurred by personal check, cashier's check, or money order. Failure to adhere to this policy by any staff member of the OIAC may result in personnel action."

We reviewed all 26 cell phone expenditures claims and noted the following:

- Ten claims included minutes used that were not within the limitations of the cell phone plan.
- Twenty-five claims included cell phones being used after regular work hours. The Executive Director's cell phone had several calls and data transfers occurring during non-business hours (Saturday and Sunday as well as Monday through Friday 6:00 PM to 6:00 AM). The Executive Director does travel for work frequently, but if the phone was used when traveling, there was no documentation for work related purposes.
- Six claims were not approved by the Executive Director or any other supervisory personnel.
- Ten claims included excessive texting and downloads occurring during non-business hours (Saturday and Sunday as well as Monday through Friday 6:00 PM to 6:00 AM). Texting and downloads from the internet are not included with the current cell phone plan; therefore, this is a cause for consistent overages.

Title 62 O.S. § 41.4a requires payments for goods or services to be paid within 45 days of the date the invoice is received.

- All twenty-six statements carried an overdue balance averaging \$793. The Commission only pays the monthly service charges for the period billed instead of the entire bill, which would include any past due amounts.

Recommendation: We recommend the Commission enforce their policies and procedures concerning state-owned cell phones to ensure that overages will not consistently occur. Each cell phone bill must have an itemized statement of all calls coming in and out and any other use of the phone should be documented so the staff can be held accountable for any misuse of the cell phone. We recommend texting and internet use be limited, considering the amount of extra charges that build up because of this. If staff is traveling for work, they must supply all documentation for business-related cell phone usage. We also recommend the Commission take the appropriate steps to pay their cell phone bill in full each month. This would include any past due amounts, not just the amount for that billing cycle. By paying the bill in full, the likelihood of past due payments and excessive late fees will be reduced, making the cell phones more economical for the Commission to use.

Views of Responsible Officials:

The Oklahoma Indian Affairs Commission will review the policies and procedures regarding cell phone usage and ensure that all staff get a copy for their reference along with discussion so that future enforcement will not be necessary. Should infractions occur, however, enforcement policies will take place.

The problem with the cell phones in the past was not in keeping with the current methods used by the OIAC. One individual, who is no longer with the agency, was a younger person that could not resist using the office phone to text and, apparently, downloading. At that time, also, phones were used more interchangeably by staff members, as we had considerable problems with phones (due to breakage or malfunction; some you could talk on but could not hear on). Texting is not an option on our current phones at all so the problem will not continue. The OIAC will revise any policy language to ensure that texting and downloading is strictly prohibited.

The plan the office had during this timeframe was not the best and we have gotten a new plan that is more in keeping with our needs. We also have a contract with OSF for our payables, receivables, and purchasing. Invoices are forwarded to OSF as soon as they are received so the problem of late payment is no longer a problem. It appears that some invoices were sent over without the supporting sheets for each phone, but that is not the normal practice and does not occur currently.

Objective 2 – Determine if the Commission complied with certain laws and regulations and the Department of Central Services’ (DCS) Purchase Card Procedures.

Conclusion

The Commission is in compliance with 2005 O.S.L. 331, SB 139; 2006 O.S.L. 22, HB 1089 and 2007 O.S.L. 299, SB 260 which set limitations on salaries, and DCS Purchase Card Procedures.

Methodology

To accomplish our objective, we performed the following:

- Compared the director’s salary from the payroll funding sheet to the appropriate Senate and House Bills;
- Reviewed DCS’ Purchase Card Procedures;
- Tested ten purchase card transactions for the following:
 - A credit limit (dollar amount per cycle) had been established;
 - The dollar amount of the transaction did not exceed the single purchase limit of \$2500;
 - The transactions were not for split purchases;
 - The transactions were not for prohibited purchases;
 - The transactions appeared to be supported by receipts and/or other supporting documentation and reconciled to the supporting monthly memos;
 - The transactions were limited to purchases made by only the employee whose name is embossed on the card;

- The transaction logs were reviewed and approved by the cardholder (signed and dated);
- The memo statements were approved by the cardholder, and the approving official (signed and dated);
- The receipts and/or other supporting documentation were annotated “Received”, signed, and dated by the receiving employee;
- The transactions did not include state sales tax;
- The Commission used merchant preference before making a transaction (Statewide contracts);
- Documents were retained in accordance with the Commission’s procedures;
- The transactions were compared to the nature of the Commission’s mission for consistency;
- Account codes agreed with the type of expenditure.

Objective 3 – Determine the recommendations included in prior engagements were implemented

Conclusion

The Office of the State Auditor and Inspector report issued September 22, 2006, included seven findings which were considered significant to this engagement. Corrective action on five of the findings has been implemented, while corrective action on the remaining two findings related to expenditure claims have not been implemented or have been partially implemented.

Methodology

See methodology for Objective #1 and #2.



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

WWW.SAI.STATE.OK.US