



# OKLAHOMA CORPORATION COMMISSION

## CENTRAL RECEIPTING PROCESS

Performance Audit

For the period July 1, 2020 through June 30, 2022

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

**Audit Report of the  
Oklahoma Corporation Commission  
For the Period  
July 1, 2020 through June 30, 2022**



## Oklahoma Corporation Commission – Central Receipting Process

July 1, 2020 through June 30, 2022

### WHAT WE FOUND

An independent reconciliation of revenues collected to services provided is an effective way to ensure all funds received by the Agency are deposited into the appropriate funds. However, the Public Utility Division, the Transportation Division, the Court Clerk's Office within the office of Judicial and Legal Services for filing fee revenue, and the Oil and Gas Conservation Division do not perform formal reconciliations.

### ENGAGEMENT BACKGROUND & OBJECTIVES

In July 2020, the Oklahoma Corporation Commission (OCC) implemented a new Information Management System (IMS) designed to improve the tracking and management of agency revenue collections. Despite this advancement, several divisions within the OCC have not established independent reconciliation processes for the revenues collected and services provided, resulting in potential financial oversight issues. This report focuses on the specific condition, cause, effect, and recommendations to address these concerns.



June 30, 2025

**TO THE OKLAHOMA CORPORATION COMMISSIONERS AND DIRECTOR OF  
ADMINISTRATION**

We present the audit report of the Oklahoma Corporation Commission (OCC) pursuant to your request and in accordance with the requirements of 74 O.S. § 213.2(B), for the period July 1, 2020 through June 30, 2022. 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,

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

# Oklahoma Corporation Commission

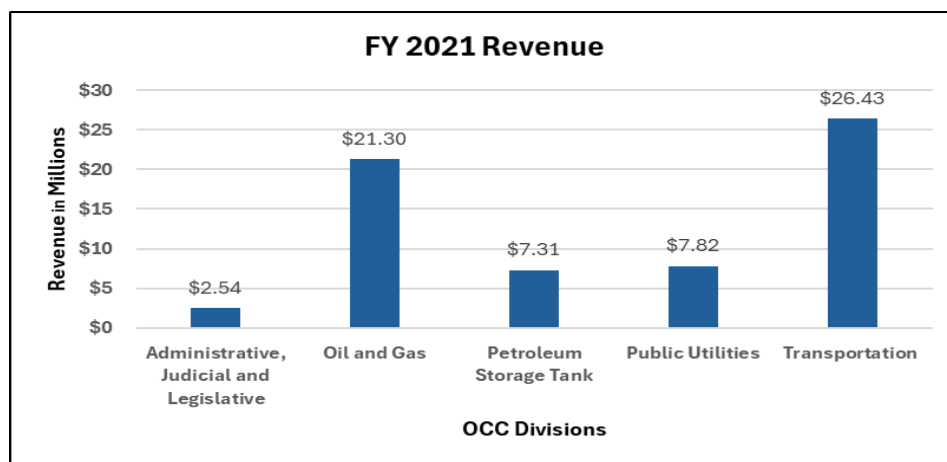
## Central Receipting Performance Audit

### Background

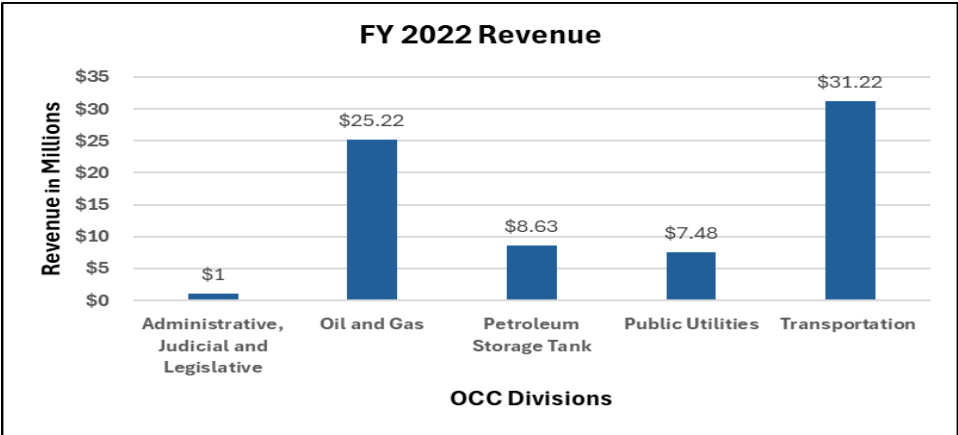
Established in 1907 by Article IX of the Oklahoma Constitution, the First Legislature granted the Oklahoma Corporation Commission (OCC or the Agency) authority to regulate public service corporations, businesses whose services are considered essential to the public welfare. Numerous changes in state and federal laws over the years have altered and expanded the OCC's regulatory authority, but the basic rate-making and anti-monopoly authority mandated under Article IX has remained intact.

The OCC is the primary regulatory authority over several sectors of the state's economy and possesses wide discretion to implement and enforce authority over specified jurisdictional areas through a unique combination of executive, legislative, and judicial powers. Divisions within the Agency that receive revenue for various services provided are as follows:

- Administrative, Judicial, and Legislative Services<sup>1</sup>
- Oil and Gas Conservation Division
- Petroleum Storage Tank Division
- Public Utilities Division
- Transportation Division



<sup>1</sup> The Court Clerk's office is within the Judicial and Legislative Services division.



**Implementation of New System**

Beginning in July 2020, OCC implemented a new Information Management System (IMS). IMS is a detailed revenue tracking system for all agency revenue collections. IMS Phase 1, in summary, allows the Agency to: receipt monies, generate standard division invoices, capture all documentation associated to receipted monies, generate refund checks, and provide reporting functionality for daily, monthly, quarterly, and annual ranges to satisfy the needs of OCC and satisfy current audit findings.

This vast and diverse regulatory authority lends itself to complex operations that require specific expertise, resulting in isolated regulatory jurisdictions. Developing communication and information systems that successfully integrate the regulatory and adjudicatory functions of the Agency to ensure the efficient and effective regulation of industries representing, directly or indirectly, roughly half of the state’s gross state product is challenging.

The Corporation Commission is composed of three commissioners who are elected by statewide vote to serve six-year terms. The terms are staggered so one commissioner vacancy occurs every two years.

As of April 2025, OCC commissioners include:

Kim David..... Chairman  
Todd Hiatt..... Commissioner  
Brian Bingman..... Commissioner

**Scope and  
Methodology**

Our audit was requested by OCC in accordance with 74 O.S. § 213. 2(B), which requires the State Auditor and Inspector to perform an examination upon receiving a written request to do so by the chief executive officer of the governmental entity or another authorized requestor.

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 central receipting system, the divisions that receive revenues, and prior audit findings related to our objectives. We obtained an understanding of the Agency's central revenue collection process and depositing of agency revenue, and each division's independent reconciling of revenue, for the period July 1, 2020 through June 30, 2022.

To assess risk and develop our audit objectives, we held discussions with management and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue funding accounts related data from the state accounting system and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing pertinent statutes and regulations and assessing related risks.

As a result of the procedures performed, we identified two objectives as discussed in the body of the report. No other significant risks were identified.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient and appropriate evidence, a judgmental<sup>2</sup> sample methodology was used. We considered recent IMS updates as we identified specific attributes for testing each of the samples and, when appropriate, we projected our results to the population.

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

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<sup>2</sup> We judgmentally selected our sample to ensure the most relevant months were selected based on the timing and implementation of the IMS system.

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>3</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>3</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>.

**Oklahoma Corporation Commission**  
**Central Receipting**  
**Performance Audit**

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<b>OBJECTIVE I</b>	Determine whether the Agency's internal control system is operating in line with Government Accountability Office (GAO) <i>Standards for Internal Control</i> to ensure all electronic and physical revenues received by OCC are deposited into the appropriate funds.
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<b>Conclusion</b>	Effective internal controls are operating in line with the GAO <i>Standards for Internal Control</i> to ensure all funds received by the Agency are deposited into the appropriate funds.
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<b>Scope &amp; Methodology</b>	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none"><li>• Documented in detail the Agency's process for collecting revenue at physical locations and identified significant controls as applicable given our understanding of the process.</li><li>• Identified each division within OCC that receives revenue, the services provided for the revenue received, and the information systems used for maintaining the applicable service and financial information.</li><li>• Documented our understanding of the revenue processes through discussion with management and review of documentation.</li><li>• Judgmentally selected four monthly reconciliations, two months in fiscal year 2021 and two months in fiscal year 2022, to ensure a representative selection was chosen based on the timing of system process changes.</li><li>• Reviewed the reconciliations to ascertain that they were supported by proper documentation and reviewed and approved by the CFO.</li><li>• Judgmentally selected four monthly fund deposits, two months in fiscal year 2021 and two months in fiscal year 2022, to ensure a representative selection was chosen based on the timing of system process changes.</li><li>• Reviewed internal Monthly Transfer Summary 'Closeout' documentation and compared to Statewide Accounting System (SWAS) Monthly Deposit reports by fund to ensure all electronic and physical funds received are transferred to appropriate agency fund.</li></ul>
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*No findings were noted as a result of our procedures.*

**OBJECTIVE II**

Determine whether the Agency's internal control system is operating in line with GAO *Standards for Internal Control* to ensure the divisions within OCC are performing independent reconciliations of revenues collected and deposited to services provided.

**Conclusion**

Not all divisions have internal controls operating in line with GAO *Standards for Internal Control* to ensure an independent reconciliation of revenues collected and deposited to services provided is performed.

**Scope &  
Methodology**

To accomplish our objective, we performed the following:

- Identified each division within OCC that receives revenue, the services provided for the revenue received, and the information systems used for maintaining the applicable service and financial information.
- Discussed with each division's Comptroller and/or division fiscal staff to obtain an understanding of what independent reconciliation is performed comparing revenues received and deposited to the division's services provided.
- Evaluated significant internal controls and process factors related to the receiving of revenue by divisions.
- Gained an understanding of division information systems to determine if each has the capability to generate financial activity reports to be used as an independent record in the reconciliation process.
- Judgmentally selected four monthly financial activity reports, two months in fiscal year 2021 and two months in fiscal year 2022, and examined to determine whether the reports contained the necessary information to perform an independent reconciliation of services provided and revenue received to finance records for the following division:
  - Petroleum Storage Tank (PST),
  - Oil and Gas Conservation Division (OGCD) - Mineral Owner's Escrow Account (MOEA),
  - Transportation, and
  - Public Utilities Division (PUD) divisions
- Judgmentally selected four monthly reconciliations, two months in fiscal year 2021 and two months in fiscal year 2022, from PST and MOEA.

- Evaluated the PST and MOEA monthly reconciliation processes and examined the reconciliations to determine if independent financial reports were used during the reconciliation process.

<b>FINDINGS AND RECOMMENDATIONS</b>
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**Independent reconciliations are needed by some divisions to ensure all revenues are collected and deposited**

***Repeat Finding***

The PUD, Transportation Division, Court Clerk's Office, and the OGCD do not perform formal reconciliations between their respective information systems and finance deposit records to ensure services provided align with IMS receipts.

For each of these divisions, a reconciliation process has not been established, or their respective information system or reports lack sufficient data for such a reconciliation.

Without an independent reconciliation of revenues collected, the Agency cannot be assured that all funds owed to the agency are collected.

According to GAO *Standards*, "Management must obtain relevant data from reliable sources in a timely manner based on identified information requirements. Reliable internal and external sources must provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management must evaluate both internal and external sources of data for reliability, with data sourced on a timely basis for effective monitoring."

In addition, the Commission's Finance policies and procedures state each division fiscal staff should reconcile division system of record to IMS receipts, generate IMS Advanced Search reports for all payments received for the division each month and match internal division systems to ensure that all payments received were applied appropriately to issue credentials, licenses, permits, etc.

It should be noted that OGCD MOEA and PST divisions are performing independent reconciliations.

**Recommendation**

Management should ensure that comprehensive and reliable financial records are maintained for all services provided, along with the corresponding receipts received for each division within the Agency. These records should serve as an independent source when performing reconciliations. The reconciliation process should include, but not be limited to, comparing independent records from the divisions, IMS

reports, and the Oklahoma Treasury Statement. This process should be formalized within the Agency's official policies and procedures, requiring monthly reconciliation of all services provided, revenues received, and deposits posted. The policies and procedures should outline responsibilities clearly, promoting collaboration between the divisions and finance to ensure the accurate collection and deposit of all funds owed to the Agency.

#### **Views of Responsible Officials**

The Commission remains committed to providing comprehensive and reliable financial records on the expenditure of public funds. We appreciate the auditor's comprehensive review and diligence throughout the performance audit. We support the noted deficiency and have initiated a full review of current policies to develop new procedures, as needed, to address the conditions noted. Updated written policies will clearly outline the procedures for performing proper agency reconciliations. The reconciliations will include comparing independent records from each division to IMS and Oklahoma Treasury statements.

This deficiency will be placed on an agency tracker with monthly updates of progress made until the finding is fully resolved. Tasks will be added to applicable performance evaluations to ensure future compliance.



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