



# OKLAHOMA MERIT PROTECTION COMMISSION

## Operational Audit

For the Period January 1, 2016 through June 30, 2019

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

**Audit Report of the  
Merit Protection Commission**

**For the Period  
January 1, 2016 through June 30, 2019**



Cindy Byrd, CPA | State Auditor & Inspector

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August 24, 2020

**TO THE MERIT PROTECTION COMMISSION**

We present the audit report of the Oklahoma Merit Protection Commission for the period January 1, 2016 through June 30, 2019. 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



**Background**

The Oklahoma Merit Protection Commission (MPC or the Agency) was created in July 1982. The commission has essentially three functions: (1) to investigate allegations of violations of the Oklahoma Personnel Act and employment discrimination in state service; (2) to serve as an administrative appeal agency for state employees having disputes with their agency; and (3) to enforce the provisions of the Oklahoma Personnel Act. In addition to its original functions, this agency is now responsible for providing specific training on grievance resolutions in state employment and training for its administrative law judges. Agency functions also include a component designed to assist agencies in voluntarily complying with the Oklahoma Personnel Act.

Oversight is composed of nine members, two appointed by the President pro Tempore of the Oklahoma Senate, two by the Speaker of the Oklahoma House of Representatives, and five by the Governor of Oklahoma. The Commission in turn, appoints an Executive Director and administrative law judges to hear disputes.

Board members as of August 2020 (there are only 8 members currently due to one being pulled recently for special duty) are:

Dewade Langley .....	Chairman
Charles Burton.....	Vice-Chairman
Eric Blakeney .....	Commissioner
Scott Gesell.....	Commissioner
Bob Braudrick.....	Commissioner
Roger Cates .....	Commissioner
Marianne Miller.....	Commissioner
Kim Neese .....	Commissioner

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2018 and 2019 (July 1, 2017 through June 30, 2019).

**Sources and Uses of Funds for FY 2018 and FY 2019**

	2018	2019
<b>Sources:</b>		
Appropriations	\$ 361,497	\$ 361,044
Reimb for Administrative Expense	9,900	7,625
Copies of Other Documents	1,830	14
Refunded Money Prev. Disb-Gds & Svc	76	23
<b>Total Sources</b>	<b>\$ 373,303</b>	<b>\$ 368,706</b>
<b>Uses:</b>		
Personnel Services	\$ 221,309	\$ 191,605
Professional Services	96,206	117,523
Administrative Expenses	62,992	58,689
Travel	2,850	3,530
<b>Total Uses</b>	<b>\$ 383,357</b>	<b>\$ 371,347</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 January 1, 2016 through June 30, 2019.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Merit Protection Commission's operations. Further details regarding our methodology are included in Appendix A.

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***

Government Auditing Standards produced by the U.S. Government Accountability Office (GAO Standards<sup>1</sup>) provide professional guidance regarding the importance and implementation of internal controls at all levels of government entities. The structure begins with the five overarching components: the control environment, risk assessment, information and communication, monitoring, and detailed internal control activities. Each of these components includes a subset of principles that are expected to be operating at government entities; these are detailed in Appendix B for your reference.

The GAO emphasizes that an internal control system is effective only when the five components of internal control are effectively designed, implemented, and operating, and are operating together in an integrated manner. As required by these standards, we have identified the aspects of internal control significant to each audit objective in this engagement and our assessments are detailed in Appendix B.

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<sup>1</sup> Accessible at <https://www.gao.gov/yellowbook/overview>. See sections 9.30 through 9.33 for general discussion.

<b>OBJECTIVE</b>	Determine whether the Agency's internal control system and control environment are operating effectively as defined by Government Auditing Standards.
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<b>Conclusion</b>	The Agency's overall internal control system and control environment are operating effectively as defined by Government Auditing Standards.
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<b>Objective Methodology</b>	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the agency-wide components and underlying principles of internal control: control environment, risk assessment, information/communication, and monitoring (outlined further in Appendix B). We analyzed the design of the controls and determined they have been placed in operation.</li><li>• In relation to the first bullet, we obtained an internal control self-assessment completed by management and assessed the results, along with further discussions and review of documentation to verify and confirm as necessary. We also reviewed the agency's procedures manual and performed other preliminary procedures and analysis as outlined in Appendix A.</li></ul>
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No findings were identified as a result of these procedures.

## APPENDIX A: Detailed Methodology

In gaining an understanding of the agency and developing our objective, in addition to routine discussions, analysis, and research, we performed the following:

- Reviewed revenue, expenditure, and asset-related data from the State-Wide Accounting System and gathered information from Agency personnel to assess the related financial processes and trends for any notable risks. No significant risks were identified in these general areas.
- Followed up with the Agency regarding past audit findings and the implementation of related recommendations. No significant risks were identified related to prior findings.
- Reviewed HR Records from the Statewide Accounting System for all months of the audit period to ensure the director's salary complied with guidance set forth in 74 O.S. § 3601.2.A.

## APPENDIX B: Internal Control Components and Principles

The table below outlines the components and principles of internal control, identifies those considered significant to our specific objective in this engagement, and notes whether those principles were found to be operating effectively.

As recommended by GAO Standards section 9.32, the full outline of the fundamental components of internal control and their underlying principles is included for your reference.

Internal Control Component/Principle	Significant to Audit Objective	Operating Effectively?
<b>Control Environment Component</b> – Foundation that provides processes and structure to help an entity set expectations and achieve its objectives.		
1. The oversight body and management should demonstrate a commitment to integrity and ethical values.	✓	Yes
2. The oversight body should oversee the entity's internal control system.	✓	Yes
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	✓	Yes
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	✓	Yes



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5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	✓	Yes
<b>Risk Assessment Component</b> – Dynamic process of identifying, analyzing, and managing risks facing the entity.		
6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.	✓	Yes
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.	✓	Yes
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	✓	Yes
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.	✓	Yes
<b>Control Activities Component</b> – Actions management establishes through policies and procedures to protect against risks.		
10. Management should design control activities to achieve objectives and respond to risks.		
11. Management should design the entity's information system and related control activities to achieve objectives & respond to risks.		
12. Management should implement control activities through policies.		
<b>Information and Communication Component</b> – Quality information communicated and used to support the internal control system.		
13. Management should use quality information to achieve the entity's objectives.	✓	Yes
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.	✓	Yes
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.	✓	Yes
<b>Monitoring Component</b> – Activities to assess the quality of performance and promptly correct any deficiencies.		
16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	✓	Yes
17. Management should remediate identified internal control deficiencies on a timely basis.	✓	Yes

The GAO also stresses that documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system.

Additional details are available in the GAO Standards for Internal Control or “Green Book,” accessible online at <https://www.gao.gov/products/GAO-14-704G>.



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