

**OKLAHOMA
MILITARY
DEPARTMENT**

**CAMP GRUBER
ACTIVITY BOARD
86 FUND**

**FOR THE PERIOD
JULY 1, 2006 THROUGH
DECEMBER 31, 2008**

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Military Department –
Camp Gruber Activity Board 86 Fund**

**For the Period
July 1, 2006 through December 31, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

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June 3, 2009

TO THE OKLAHOMA MILITARY DEPARTMENT

Following is the audit report for the Oklahoma Military Department – Camp Gruber’s Activity Board 86 Fund for the period of July 1, 2006 through December 31, 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 handwritten signature in blue ink that reads "Steve Burrage". The signature is written in a cursive style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

Mission Statement

The mission of the Oklahoma Military Department is to preserve the state and the nation through the organization and training of the Oklahoma National Guard, to be ready for federal duty when called upon by the president of the United States, pursuant to congressional authority, and to be ready for state duty when called upon by the governor of Oklahoma.

Key Staff

Major General Myles L. Deering..... Adjutant General
Lisa Smith..... Comptroller
Lieutenant Colonel Billy Robison Camp Gruber Base Operations Manager
Specialist Katheryn Stewart..... Camp Gruber Support Services Supervisor
Mary Fowler State Office Head Accountant

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Background The Oklahoma Military Department (Agency) was established in 1951 and serves as the administrative agency for all matters concerning the Oklahoma National Guard and other military organizations. The governor, as commander-in-chief of the National Guard, appoints the adjutant general, the executive and administrative officer.

Camp Gruber (Gruber) is part of the Agency and is located in Braggs, Oklahoma. Activity Board 86 is a fund used to provide quality support and recreational services that contribute to the retention, readiness, mental, physical, and emotional well-being of soldiers stationed at Gruber. This could include recreational games, electronic equipment, or utility payments. Receipts to the fund result from a golf ball driving range, a laundry facility and a small fee tied to the number of beverage cases sold in vending machines at Gruber.

**Authority,
Purpose, and
Scope**

This audit was conducted at the request of Gruber management.

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. 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.

The audit period covered was July 1, 2006 through December 31, 2008.

Objective 1 - To determine whether the Agency's internal controls for Camp Gruber's Activity Board 86 Fund provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Conclusion Key personnel involved in certain processes no longer work for Gruber. This prevented us from obtaining an understanding of the internal control structure in place for the period of July 1, 2006 through December 31, 2006. As a result, we did not conclude on controls for this period.

For the period January 1, 2007 through December 31, 2008, the internal controls:

- Generally provide reasonable assurance that expenditures were accurately reported in the accounting records. However, one area does need to be strengthened;
- Do not provide reasonable assurance that revenues were accurately reported.

Methodology

To accomplish our objective, we performed the following:

- Reviewed the Activity Board 86 Fund Standard Operating Procedures manual;
- Documented internal controls related to the receipting and expenditure processes;
- Tested expenditure controls, which included:
 - Ensuring all utility payment claims 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 was reasonable given the Activity Board 86 Fund's mission;

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- Determined whether the person receiving warrants from the Office of State Finance (OSF) was independent of the posting and approval process.

Observation

Inadequate Segregation of Duties Related to Receipting Process

An effective internal control system provides for adequate segregation of duties. The board custodian is responsible for:

- Receipting monies from the driving range and laundry facility;
- Preparing deposits;
- Reconciling the fund.

An inherent risk to this situation is the golf ball driving range machine and laundry facility machines have no mechanism in place to allow the comparison of inputs (funds received) to outputs (golf balls/wash cycles dispensed). Additionally, the number of beverages stocked in vending machines by the vending machine vendor¹ is not being monitored by Gruber and compared to receipts.

Management does not consider lack of segregation of duties or the lack of monitoring related to the vending machine receipts a risk. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend:

- Two employees be responsible for collecting funds from the golf ball driving range and laundry facility;
- The person(s) responsible for receipting not be responsible for reconciling the fund;
- Gruber management request a report from the vendor each time they refill the vending machines, including a beginning balance of beverages currently in the machines, and a listing identifying the number of beverages added to the machines each visit. This will allow management to compare its vending machine receipts to actual outputs (beverages dispensed);
- Gruber management monitor the inventory of laundry items in its soap dispenser unit in the laundry facility, allowing them to compare receipts to laundry soap used.

Views of Responsible Officials

We concur.

Observation

Lapsed Vending Machine Contract with Vendor

The Activity Board 86 Fund Standard Operating Procedures §§ 3-3-1 through 3-3-2 require that vending machine agreements be in writing and include a commission rate or fixed amount, provide for written documentation of all transactions, and require documentation of annual agreement by all parties to continue the vending agreement.

¹ Gruber management states 24 vending machines are on the base. The Activity Board 86 Fund receives \$1.50 per case of beverages sold. Prior to our questions, Gruber management was unsure of the fee received from the vendor or the number of machines on base. The parties do not have a current agreement detailing this arrangement.

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Gruber's most recent contract with the vending machine vendor is from 2005 and has expired. Without a service contract, there could be an interruption in service to the vending machines or in payment of Gruber's fees.

Recommendation We recommend Gruber management request the vendor provide a current agreement specifying the details of the fee per case arrangement to ensure compliance with the Standard Operating Procedures criteria listed above.

Views of Responsible Officials We concur.

Observation **Inadequate Review of Certain Expenditure Claims**

An effective internal control system provides for a detailed review of expenditure claims.

The accountant in the Agency's state office is responsible for reviewing and approving non-utility invoices from the Activity Board 86 Fund. She stated to us on multiple occasions there was no activity in this fund. We reviewed six claims (56 claims totaling \$20,687 made up the population) paid from the fund and noted three of them (\$3,494.04) had originally been approved by the accountant to be paid from another Activity Board's fund. When assigning the funding source to the claim, the accountant's supervisor (head accountant) made the correction and adjusted the expenditure to Activity Board 86. As a result, we felt the accountant's review for allowable activity was not sufficient.

The accountant appeared unclear as to the requirements of Activity Board 86 Fund. Unallowable expenditures could occur and not be detected in a timely manner.

Recommendation Regarding the claims in question, we recommend the head accountant discuss the discrepancies with the accountant and why the adjustments were made. In the future, when adjustments are made by the head accountant, discussion should occur at that time to prevent the error from occurring again.

In addition, we recommend the accountant review the Activity Board 86 Fund Standard Operating Procedures manual.

Views of Responsible Officials We concur.

Additional Procedures Performed

Methodology As a result of the control deficiencies identified under objective 1 of this report, the following procedures were performed:

- Reviewed all utility payment expenditure claims submitted to the Agency's state office between July 1, 2006 and December 31, 2006 for reasonableness given the Activity Board 86 Fund's mission. No exceptions were noted.
- Reviewed all non-utility payment expenditure claims submitted during the audit period for reasonableness given the Activity Board 86 Fund's mission. No exceptions were noted.



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