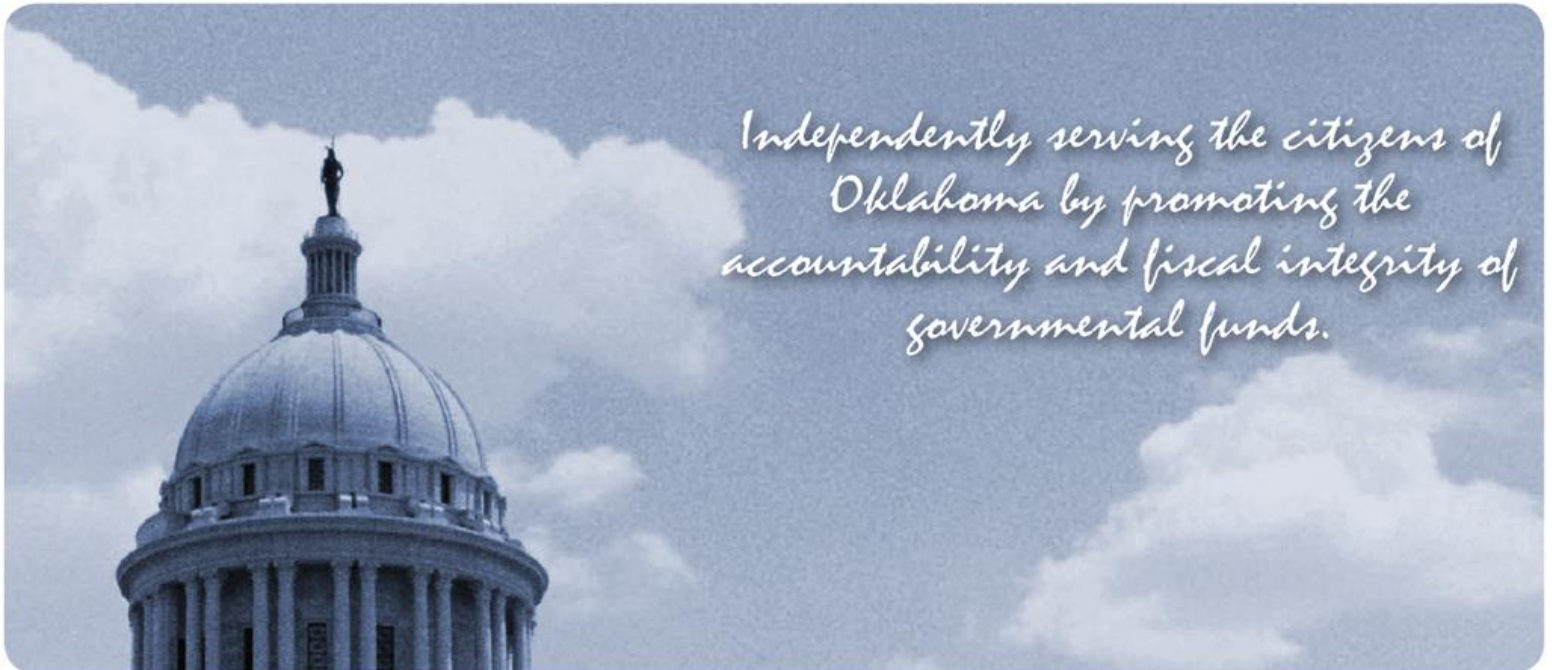


OPERATIONAL AUDIT

OKLAHOMA ABSTRACTORS BOARD

For the period February 1, 2011 through June 30, 2015



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Oklahoma Abstractors Board**

**For the Period
February 1, 2011 through June 30, 2015**



Oklahoma State Auditor & Inspector

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September 9, 2015

TO THE OKLAHOMA ABSTRACTORS BOARD

This is the audit report of the Oklahoma Abstractors Board for the period February 1, 2011 through June 30, 2015. 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 "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Abstractors Board Operational Audit

Background

The Oklahoma Abstractors Board (Agency) was established by the Legislature in 2008 to regulate Oklahoma’s abstract industry. The Board issues Certificates of Authority and Individual Abstractor Licenses, as well as Permits to Develop Abstract Plants.

Oversight is provided by a board of nine members (the Board), including six holders or employees of holders of abstracting certificates of authority, one per each of six state districts, a licensed real estate broker, an attorney, and a bank officer. Each member is appointed by the governor and confirmed by the Senate for a term of four years.

Board members as of August 3, 2015 are:

Chaney Haynes	Chairman (District 3)
Charles Nichols	Vice-Chairman (District 5)
Mark Luttrull	Secretary (District 4)
John Bailey	Member (District 2)
Robert J. Getchell.....	Member (Attorney)
Ralph Harrison.....	Member (District 1)
Earl Heard, III.....	Member (Real Estate Broker)
Ken McDowell.....	Member (District 6)
J Charles Thomas	Member (Bank Officer)

Oklahoma Abstractors Board Operational Audit

The following information illustrates the Agency's budgeted-to-actual revenues and expenditures and year-end cash balances.¹

BUDGET TO ACTUAL COMPARISON						
	FY 2014			FY 2015		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
REVENUES						
Licenses, Permits, and Fees	276,255	298,518	22,263	282,150	297,504	15,354
Grants, Refunds and Reimbursements	-	30	30	-	746	746
Total Revenues	276,255	298,548	22,293	282,150	298,250	16,100
EXPENDITURES						
Personnel Services	203,236	191,044	(12,192)	208,171	162,861	(45,310)
Professional Services	47,175	42,230	(4,945)	48,593	41,724	(6,869)
Travel Expenses	23,130	18,802	(4,328)	21,500	11,071	(10,429)
Administrative Expenses	26,265	16,852	(9,413)	25,574	18,730	(6,844)
Property, Furniture, Equipment, and Related Debt	4,641	225	(4,416)	3,500	260	(3,240)
General Assistance, Awards, Grants, and Other Program-Directed Payments	-	849	849	300	-	(300)
Total Expenses	304,447	270,002	(34,445)	307,638	234,646	(72,992)
Expenditures Over (Under) Revenues			(28,546)		(63,604)	

Year-End Cash Balances: FY 13 - FY 15			
	FY 13	FY 14	FY 15
Non-Appropriated Funds	259,136	288,130	351,737

Summary of agency responses² to budgeted-to-actual variances

Expenditures and Year-End Cash Balances

- The variance in Personnel Services and Travel Expenses in FY 2015 as well as the increase in Non-Appropriated funds between FY 2014 and FY 2015 were due to the field inspector position being vacant for the last six months of the fiscal year.

¹ This information was obtained from the Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

² This information is a summary of responses obtained from the Oklahoma Abstractors Board. It is for informational purposes only and has not been audited.

Oklahoma Abstractors Board Operational Audit

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 duties 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 February 1, 2011 through June 30, 2015. Detailed audit procedures focused on the period of July 1, 2013 through June 30, 2015, addressing the most current financial processes and providing the most relevant and timely recommendations for management. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Abstractors Board operations.

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.

OBJECTIVE

Determine whether the Agency’s internal controls provide reasonable assurance that revenue was accurately reported in the accounting records.

Conclusion

The Agency’s internal controls did not provide reasonable assurance that revenue was accurately reported in the accounting records.

FINDING AND RECOMMENDATION

Inadequate Segregation of Duties over Revenue
Repeat Observation

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government (2014 Revision)*³ states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Duties regarding receipts are not properly segregated due to the following:

- The administrative assistant receives payments, receipts funds into the agency's internal receipting system – QuickBooks (QB), and has the ability to delete or void a record from QB.
- The executive director receives payments after they are entered into QB, and prepares and makes the deposit. She also has the ability to delete or void a record from QB. In addition, she approves the monthly reconciliation prepared by ABS.
- There is no reconciliation of payments deposited to licenses issued and/or fines assessed.

This provides either employee with the opportunity to misappropriate payments without detection.

Recommendation

Due to the limited staff size we recommend that management implement a mitigating control, performed by a Board Member independent of the receipting and deposit process, which would provide assurance that all payments received by cash or check were deposited.

Views of Responsible Officials

The Board will immediately take action to change the internal controls of the related committees, so that revenue of any licensing products is assured prior to authorizing licensing products of the Board. Moreover, the Board will assess and correct any deficiencies in our financial processes, to assure direct Board member involvement in all financial areas.

³ Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.



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