

FINANCIAL AUDIT

# OKLAHOMA ACCOUNTANCY BOARD

FINANCIAL STATEMENT AND  
INDEPENDENT AUDITOR'S REPORT

As of and for the fiscal years ended June 30, 2012 and 2011



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED  
JUNE 30, 2012 AND 2011**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 3, 2012

**TO THE HONORABLE MARY FALLIN  
GOVERNOR OF THE STATE OF OKLAHOMA**

This is the audit report and financial statements of the Oklahoma Accountancy Board for the fiscal years ended June 30, 2011 and June 30, 2012. 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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

**Board Members**

*Fiscal Year 2012*

**Term**

Barbara A. Ley, CPA, Chairperson	07/01/06 to 06/30/12	Oklahoma City, Oklahoma
Janice L. Gray, CPA, Vice Chair	07/01/05 to 06/30/13	Norman, Oklahoma
Mike Sanner, CPA, Secretary	07/01/10 to 06/30/15	Jones, Oklahoma
Jay Engelbach, CPA	07/01/11 to 06/30/16	Oklahoma City, Oklahoma
Karen Cunningham, Public Member	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma
E.B. St. John, PA	07/01/08 to 10/31/11	Tulsa, Oklahoma
Vicky Petete, CPA	07/01/09 to 06/30/14	Ada, Oklahoma
Jody M. Manning	12/01/11 to 06/30/16	Tulsa, Oklahoma

*Fiscal Year 2011*

**Term**

Janice L. Gray, CPA, Chairperson	07/01/05 to 06/30/13	Norman, Oklahoma
Barbara A. Ley, CPA, Vice Chair	07/01/06 to 06/30/12	Oklahoma City, Oklahoma
E.B. St. John, PA, Secretary	07/01/08 to 06/30/11	Tulsa, Oklahoma
Tom Volturo, Public Member	Resigned 4/2011	Ada, Oklahoma
Karen Cunningham, Public Member	Coterminous Beginning 5/2011	Oklahoma City, Oklahoma
Mike Sanner, CPA	07/01/10 to 06/30/15	Jones, Oklahoma
Vicky Petete, CPA	07/01/09 to 06/30/14	Ada, Oklahoma
Kim Shoemake, CPA	12/01/09 to 06/30/11	Yukon, Oklahoma



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

## INDEPENDENT AUDITOR'S REPORT

### TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited the accompanying financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the OAB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the OAB's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the OAB are intended to present the financial position and the changes in financial position of only that portion of the State of Oklahoma that is attributable to the transactions of the OAB. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2012 and 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the OAB, as of June 30, 2012 and 2011, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of the OAB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink, appearing to read "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 AND INSPECTOR

November 27, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY**

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The management of the Oklahoma Accountancy Board (OAB) is pleased to provide the accompanying financial statements to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate the OAB financial condition and activities as of and for the fiscal years ended June 30, 2012 and 2011. Management of the OAB is responsible for the fair presentation of these financial statements, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of contracts.

**Financial Highlights**

For the years ended June 30, 2012 and 2011, the following financial results are considered noteworthy by management.

- For the year ended June 30, 2012, the OAB's total net assets decreased \$63,782, or 3.0%, from the prior year. This compares to a decrease of \$79,658, or 3.6%, for the year ended June 30, 2011 and a decrease of \$38,152, or 1.7%, for the year ended June 30, 2010.
- For the year ended June 30, 2012, OAB program revenue decreased \$12,555, or 1.0%, over the prior year, while total expenses decreased \$14,473, or 1.1%. The decrease in revenue is due to the change in collection of licenses and registrations based on the birth month process. For the year ended June 30, 2011, OAB program revenue decreased \$45,269, or 3.3%, over the prior year, while total expenses increased \$9,350, or .7%. The decrease in revenue is due to the change in collection of licenses and registrations based on the birth month process.
- For the year ended June 30, 2012, OAB accounts receivable decreased \$397,023, or 94.3% over the prior year. This compares to a decrease of \$131,186 for June 30, 2011, and a decrease of \$62,725 for June 30, 2010. For the year ended June 30, 2012, OAB deferred revenue decreased \$559,285, or 47.0% over the prior year. This decrease compares to a decrease of \$176,040 or 12.9% for June 30, 2011 and \$25,500 or 1.8% for June 30, 2010. The decrease in accounts receivable and the decrease in deferred revenue for 2012 are due to the Board's decision to change the license and registration payment process. The OAB began assessing licenses and registrations annually rather than biannually and in the registrants' birth month beginning in January 2012.
- Fines Receivable decreased by \$37,921 or 42.1% in FY 2012, while Due to State decreased by \$37,921, or 42.1%. These decreases were due to an increase in the uncollectable portion of fines assessed for violations of the Oklahoma Accountancy Act and/or the Oklahoma Administrative Code.
- During Fiscal Year 2011, the Board changed its' basis of accounting to the accrual basis of accounting due to a change in fund reporting structure. The OAB now reports its financial activity as an enterprise fund.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

**USING THIS REPORT**

These financial statements are presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

***The OAB's Reporting Entity***

These financial statements include all activities for which the OAB is fiscally responsible. These activities, defined as the OAB's reporting entity, are operated within a single government agency. The OAB's financial statements are reported as a part of the financial presentation of the State of Oklahoma.

***Overview of the OAB's Reporting Entity Presentation***

The financial statements consist of three parts as follows:

**Financial Statements:** The fund financial statements report information, on the accrual basis of accounting and economic resources measurement focus, about the OAB as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all the OAB's assets and liabilities as of the fiscal years presented. All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets regardless of when cash is received or paid.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of these financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management Discussion and Analysis represents financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the financial statements and notes (collectively referred to as the basic financial statements). The benchmarks presented throughout Management's Discussion and Analysis are for guidance and measurement by the OAB and its constituents. The benchmarks are not required by either the State of Oklahoma or GASB Statement No. 34.

**AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB**

**Management's Discussion and Analysis on the Economic Basis Financial Condition:**

One of the most important questions asked about the OAB is, "Has the entity utilized its resources to accomplish its mission assigned by the legislature of protecting the public?"

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the status of its pending projects, to assess the overall health of the OAB. These economic basis statements include all OAB assets and liabilities, including capital assets.

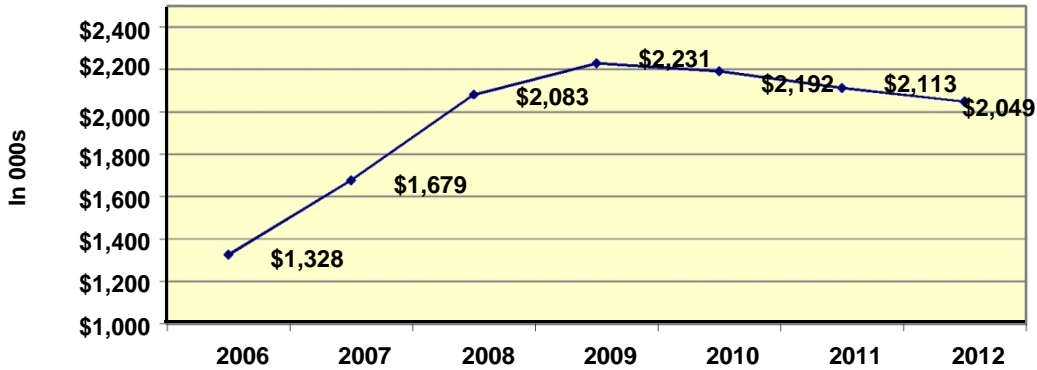
(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

**AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.**

For the years ended June 30, 2012, 2011, and 2010, the OAB's overall financial condition changed as noted below.

**Chart 1  
Total Economic Net Assets at Fiscal Year End**



	2008	2009	2010	2011	2012
Percentage Change in Net Assets	+24.1%	+7.1%	-1.7%	-3.6%	-3.0%

For the year ended June 30, 2012, the OAB's total net assets decreased by \$63,782, or 3.0%. This was a result of the change in the collection processed for program revenues to the birth month process. For the year ended June 30, 2011, the OAB's total net assets decreased by \$79,658, or 3.6%. This was a result of the decrease in program revenues for licenses, permits and fees. For the year ended June 30, 2010, the OAB's total net assets decreased by \$38,152, or 1.7%.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD  
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**Chart 2  
Percentage of Expenses by Classification as Compared to Total Expenses**

	2007	2008	2009	2010	2011	2012
Administrative	18%	16%	19%	18%	17%	21%
Personal Services	55%	48%	49%	46%	48%	58%
Professional Services	19%	30%	23%	33%	31%	16%
Other	8%	6%	9%	3%	4%	5%
Total	100%	100%	100%	100%	100%	100%

### **FUTURE OUTLOOK**

The Oklahoma Accountancy Board proceeded with plans to replace their current licensing system with a new system to be utilized by multiple licensing agencies throughout state government. The OAB is a pilot agency for the project and became the first state agency in Oklahoma to implement the AMANDA licensing system. The new system became operational February 1, 2012. The OAB successfully completed the transition to birth month registration which ended June 30, 2012.

### **ABOUT OAB**

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2010, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA), and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

### **CONTACTING OAB**

This report is designed to provide citizens, taxpayers, registrants, and creditors with a general overview of the OAB's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the OAB Executive Director's Office by mail at 201 N.W. 63<sup>rd</sup> Street, Suite 210, Oklahoma City, OK 73116, by telephone at (405) 521-2397, or by e-mail at [www.ok.gov/oab](http://www.ok.gov/oab).

(Unaudited. See accompanying auditor's report.)

**BASIC FINANCIAL STATEMENTS**

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
As of and for the Years Ended June 30, 2012 and 2011

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**Statement of Net Assets**  
**June 30, 2012 and 2011**

	June 30,	
	2012	2011
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,682,074	\$ 2,921,043
Accounts receivable	24,241	421,264
Fines receivable, net of allowance of \$2,082,275 and \$2,027,793, respectively	52,108	90,029
Accounts receivable-cost recovery, net of allowance \$104,892 and \$85,896, respectively	30,821	44,795
Prepaid assets	3,960	1,043
Capital assets, net of accumulated depreciation	40,199	55,089
Total assets	2,833,403	3,533,263
<b>LIABILITIES:</b>		
Accounts payable	\$ 51,183	\$ 105,630
Deferred revenue	631,125	1,190,410
Due to State	52,108	90,029
Compensated absences:		
Current	15,056	10,383
Non-current	35,129	24,226
Total liabilities	784,601	1,420,678
<b>NET ASSETS:</b>		
Invested in capital assets	40,199	55,089
Unrestricted	2,008,604	2,057,496
Total net assets	\$ 2,048,803	\$ 2,112,585

See accompanying footnotes to these statements.

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
As of and for the Years Ended June 30, 2012 and 2011

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**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Program Revenues:</b>		
License, permits and fees	\$ 1,258,027	\$ 1,272,035
Cost recovery	35,930	34,477
Total operating revenues	<u>1,293,957</u>	<u>1,306,512</u>
<b>Operating Expenses:</b>		
Personnel services	765,800	638,527
Professional services	218,976	410,407
Travel	39,897	37,587
Administration expense	273,005	226,614
Depreciation expense	26,341	25,357
Total operating expenses	<u>1,324,019</u>	<u>1,338,492</u>
<b>Operating income (loss)</b>	(30,062)	(31,980)
<b>Non-Operating Revenues (Expenses):</b>		
Other income	<u>7,624</u>	<u>3,596</u>
Total non-operating revenues	<u>7,624</u>	<u>3,596</u>
Income (loss) before contributions and transfers	(22,438)	(28,384)
Transfers out	<u>(41,343)</u>	<u>(51,274)</u>
<b>Change in net assets</b>	(63,781)	(79,658)
<b>Total net assets - beginning</b>	2,112,585	2,192,243
<b>Total net assets - ending</b>	<u>\$ 2,048,803</u>	<u>\$ 2,112,585</u>

See accompanying footnotes to these statements.

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
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**Statement of Cash Flows**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts of license, permits, fees, and cost	\$ 1,153,292	\$ 1,267,810
Payments to suppliers	(589,243)	(606,386)
Payments to employees	(750,224)	(637,465)
	<u>(186,175)</u>	<u>23,959</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out - State of Oklahoma	(41,343)	(51,274)
	<u>(41,343)</u>	<u>(51,274)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of capital assets	(11,451)	(73,013)
	<u>(11,451)</u>	<u>(73,013)</u>
Net Cash provided by (Used in) capital and related financing activities	<u>(11,451)</u>	<u>(73,013)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(238,969)	(100,328)
<b>Balances - beginning of the year</b>	<u>2,921,043</u>	<u>3,021,371</u>
<b>Balances - end of the year</b>	<u>\$ 2,682,074</u>	<u>\$ 2,921,043</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (30,062)	\$ (31,980)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Other income	7,624	3,596
Depreciation expense	26,341	25,357
Change in assets and liabilities:		
Decrease (Increase) in accounts receivable	397,023	131,186
Decrease (Increase) in fines receivable	37,921	140,196
Decrease (Increase) in costs receivable	13,974	30,461
Decrease (Increase) in prepaid assets	(2,917)	5,322
Increase (Decrease) in accounts payable	(54,447)	62,900
Increase (Decrease) in deferred revenue	(559,285)	(176,040)
Increase (Decrease) in due to State	(37,921)	(168,101)
Increase (Decrease) in accrued compensated absences	15,576	1,062
Net Cash Provided by (Used In) Operating Activities	<u>\$ (186,173)</u>	<u>\$ 23,959</u>

See accompanying footnotes to these statements.



**FOOTNOTES TO THE FINANCIAL STATEMENTS**

**OKLAHOMA ACCOUNTANCY BOARD  
FINANCIAL STATEMENT REPORT  
As of and for the Years Ended June 30, 2012 and 2011**

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**Footnotes to the Statement of Net Assets and Statement of Activities:**

**1. *Summary of Significant Accounting Policies***

The accompanying financial statements of the Oklahoma Accountancy Board (OAB) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of OAB.

**A. *Reporting Entity***

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2010, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA) or an individual that meets the education requirements to sit as a Public Accountant, and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

**B. *Fund Financial Statements***

The fund financial statements (the statement of net assets and the statement of revenues, expenses and changes in net assets) report information for OAB. OAB is classified as an enterprise activity; its function is the Regulatory Services function. The OAB is accounted for and presented similar to a special-purpose government engaged solely in business type activities. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”). Under the guidelines of GASB Statement 20, the OAB has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Operating revenues consist primarily of fees for licenses and permits to practice public accounting remitted by Certified Public Accountants, Public Accountants and Firms. Also included in operating revenues are fees paid by candidates to sit for the examination.

Starting in FY 2011, the OAB changed its’ basis of accounting to the accrual basis of accounting due to a change in the fund reporting structure. The OAB now reports its financial activity as an enterprise fund.

**OKLAHOMA ACCOUNTANCY BOARD  
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**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

***Revenue Recognition:***

Fund Financial Statements

The fund financial statements display information about OAB as a whole. They are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**D. Net Assets Accounting Policies**

Net assets are normally displayed in three components (two of which are applicable to the OAB):

- a. *Invested in capital assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. *Restricted net assets*—Consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws and regulations.
- c. *Unrestricted net assets*—All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**E. Cash**

All cash balances are held by the Oklahoma Office of the State Treasurer. OAB’s cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

**F. Accounts Receivable**

Accounts receivable reflect monies received within sixty (60) days after the end of the year for renewal notices sent prior to June 30. Renewal notices relate to permits and registrations for Certified Public Accountants, Public Accountants and firms. Amounts shown as accounts receivable and deferred revenue are for permits and registrations for year’s beginning on or after July 1, 2012. For FY 2011, the OAB billed all registrants for licenses and permits in June, creating a large receivable and deferred revenue. In January 2012, the OAB began license and permit renewal based upon the registrant’s birth month. This significantly reduced the accounts receivable at June 30 and any deferred revenues.

**OKLAHOMA ACCOUNTANCY BOARD**  
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**G. Fines Receivable, Accounts Receivable – Cost Recovery, and Due to State**

The OAB in its enforcement program assesses fines and costs of investigation by certain registrants for violations of the Oklahoma Accountancy Act. When collected, the amount of the fines is remitted to the State General Fund and the costs are retained by the OAB. Beginning in fiscal year 2008, the OAB adopted the accounting methodology needed to more appropriately account for the fines receivable, cost receivable, and the related amount due to the state. All fines and costs receivable 365 days or older were considered to be uncollectible.

	Cost Recovery		
	Accounts Receivable	Allowance	Net
June 30, 2012	\$135,713	\$104,892	\$30,821
June 30, 2011	\$130,691	\$85,896	\$44,795

	Fines Receivable		
	Fines Receivable	Allowance	Net
June 30, 2012	\$2,134,383	\$2,082,275	\$52,108
June 30, 2011	\$2,117,822	\$2,027,793	\$90,029

In addition to the Fines Receivable and the related amounts Due to State which are reflected in the financial statements, fines in the amount of \$69,921 and \$78,023 were collected and remitted to the State General Fund during the fiscal years 2012 and fiscal year 2011 respectively.

At June 30, 2011 and 2012, the Due to State of \$90,029 and \$52,108, respectively, reflects fines receivable due to the state (see footnote 9).

**H. Capital Assets**

Capital assets are capitalized in the statement of net assets. Capital assets are reported at actual or estimated historical cost and net of accumulated depreciation. Capital assets are defined as assets that have a cost in excess of \$500 at the date of acquisition and have an expected useful life of 3 or more years, and consist primarily of information systems equipment, furniture, and other equipment. Depreciation is computed on the straight-line method over the estimated useful life of 6 years for office furniture and equipment and 3 years for information systems and related equipment.

**OKLAHOMA ACCOUNTANCY BOARD**  
**FINANCIAL STATEMENT REPORT**  
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**I.     Accounts Payable**

Accounts payable include charges for all services or claims incurred on or before June 30. These payables represent amounts incurred in the ordinary course of business and are primarily owed to vendors.

**J.     Deferred Revenue**

Deferred revenues arise when resources are received by the OAB before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met or when OAB has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**K.     Compensated Absences**

Employees earn annual vacation at the average rate of 10 hours per month for up to 5 years service and may accumulate to a maximum of 240 hours. Employees earn an average of 12 hours per month for 5 to 10 years, an average of 13.33 hours per month for 10 to 20 years, and an average of 16.67 hours per month for over 20 years of service. Annual leave for employees with over 5 year's service may accumulate to a maximum of 480 hours. All accrued annual leave is payable upon layoff, resignation, retirement, or death.

**2.     Cash**

Cash and cash equivalents include amounts on deposit with and under the control of the State Treasurer. These amounts are collateralized in accordance with 62 O.S. 2001, § 72.1, the Security for Public Deposits Act. The bank balances as of June 30, 2012 and 2011 were fully insured or collateralized with securities held by the State's agent in the State's name.

**3.     Operating Leases**

The OAB entered into operating lease agreements for office space, off-site storage, copier, and postage machines. Payments under these operating leases for the 2012 and 2011 fiscal years were approximately \$64,642 and \$71,006, respectively.

**4.     Capital Assets**

For the years ended June 30, 2012 and 2011, changes in capital assets were as follows:

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	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets	\$ 170,597	11,451	(54,996)	127,052
Accumulated depreciation	<u>(115,508)</u>	<u>(26,341)</u>	<u>54,996</u>	<u>(86,853)</u>
	<u>\$ 55,089</u>	<u>(14,890)</u>	<u>-</u>	<u>40,199</u>

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets	\$ 113,318	73,013	(15,734)	170,597
Accumulated depreciation	<u>(105,885)</u>	<u>(25,357)</u>	<u>15,734</u>	<u>(115,508)</u>
	<u>\$ 7,433</u>	<u>47,656</u>	<u>-</u>	<u>55,089</u>

**5. Long-term Obligations**

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2012 and 2011, the liability for accrued compensated absences liabilities changed as follows:

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
<u>\$ 34,609</u>	<u>39,909</u>	<u>24,333</u>	<u>\$ 50,185</u>	<u>\$ 15,056</u>

<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
<u>\$ 33,457</u>	<u>25,637</u>	<u>(24,575)</u>	<u>\$ 34,609</u>	<u>\$ 10,383</u>

**6. Risk Management**

As part of the primary government, the State of Oklahoma, the risk of losses to which the OAB may be exposed is covered through the risk management activities of the State, and any losses and liabilities are the responsibility of, and financed through, the State's risk management activities. The Risk Management Division of the Office of Management and Enterprise Services (OMES) Division of Capital Assets Management (DCAM) is empowered by the authority of 74 O.S., Section 85.34 et seq. The division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs

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adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The State Risk Management is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as prescribed by 51 O.S., Section 154. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State.

**7. *Pension Plan***

The OAB contributes to the Oklahoma Public Employees Retirement Plan, which is a state-wide cost-sharing, multi-employer defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS). A separately issued annual report for OPERS may be obtained from the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The pension benefit provisions are established and amended by the State Legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature.

Plan members and the agencies are required to contribute at a rate established by State law. The OAB's contribution rate for 2012 and 2011 fiscal years was 16.5% and 15.5%, respectively of the employee's salary. In addition, State employees are required to contribute 3.5% of their annual covered salary. For the years ended June 30, 2012, 2011, 2010, 2009, 2008, and 2007, the OAB contributions to the plan were \$85,976, \$64,148, \$72,651, \$49,726, \$37,492, and \$42,772, respectively.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county and local government employees, except for elected officials and hazardous duty members.

**8. *Other Postemployment Benefits***

In addition to the pension benefits described above, the State provides post-retirement healthcare benefits (OPEB) to employees. OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, toward the cost of the monthly insurance premium for all retirees of OPERS who elect coverage at the time of retirement and retain health insurance coverage with the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB). The retiree must pay the balance of the monthly health insurance premium plus any dependent coverage premiums. There is no OPEB obligation information available specific to the OAB.

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**9.     *Payment to State of Oklahoma***

Under provisions of 59 O.S., Section 15.7, the “Board shall pay into the General Revenue Fund of the State ten percent (10%) of all annual registration fees so charged, collected, and received, and no other portion shall ever revert to the General Revenue Fund or any other fund of the state.” The OAB paid \$41,343 to the State General Revenue Fund in fiscal year 2012 and \$51,274 in fiscal year 2011 related to the 10% General Revenue Fund.

In addition, under the provision of 59 O.S., Section 15.24, “all monies, excluding costs, collected from civil penalties authorized in this section, such penalties being enforceable in the district courts of this state, shall be deposited with the State Treasurer to be paid into the General Revenue Fund of the state.” The amount assessed for civil penalties are recorded as Fines Receivable and a Due to State. During fiscal year 2012 and 2011, the OAB collected and remitted \$69,921 and \$78,023, respectively, and remitted these amounts to the State.

The OAB maintains a clearing account in which all amounts are deposited. When these transfers are made to the State General Revenue Fund, they are made directly from the OAB’s clearing account.





# Oklahoma State Auditor & Inspector

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited the financial statements of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the OAB's basic financial statements, and have issued our report thereon dated November 27, 2012. The report includes an explanatory paragraph stating that the financial statements of the OAB are intended to present the financial position and results of daily operations of only that portion of the State of Oklahoma attributable to the transactions of the OAB.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the OAB is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered OAB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the OAB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OAB's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OAB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not

an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the OAB and is not intended to be and should not be used for anyone other than these specified parties. This report is also a public document pursuant to the 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, appearing to read "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 AND INSPECTOR

November 27, 2012



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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