

**OKLAHOMA
ACCOUNTANCY
BOARD**

**FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORTS**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008 (as restated)**



**FINANCIAL
AUDIT**



Oklahoma State Auditor
& Inspector

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

**AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008 (as restated)**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

June 28, 2010

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Accountancy Board, State of Oklahoma, audit report and financial statements for the fiscal year ended June 30, 2008 (as restated) and June 30, 2009. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)

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OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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Board Members

Fiscal Year 2009

	Term	
Vicky Petete, CPA, Chairperson	7/1/04 to 6/30/09	Ada, Oklahoma
Carlos E. Johnson, CPA, Vice Chairman	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
Barbara Ley, CPA, Secretary	7/1/07 to 6/30/12	Oklahoma City, Oklahoma
Wade Biswell, CPA	7/1/06 to 6/30/11	Tulsa, Oklahoma
Janice L. Gray, CPA	7/1/03 to 6/30/13	Norman, Oklahoma
Tom Volturo, Public Member	Conterminously with the Governor	Claremore, Oklahoma
E. B. St. John, PA	7/1/06 to 6/30/11	Owasso, Oklahoma

Fiscal Year 2008

	Term	
Tom Volturo, Public Member, Chairman	Conterminously with the Governor	Claremore, Oklahoma
Vicky Petete, CPA, Vice Chairperson	7/1/04 to 6/30/09	Ada, Oklahoma
Wade Biswell, CPA, Secretary	7/1/06 to 6/30/11	Tulsa, Oklahoma
Janice L. Gray, CPA	7/1/03 to 6/30/08	Norman, Oklahoma
Carlos E. Johnson, CPA	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
E. B. St. John, PA,	7/1/06 to 6/30/11	Owasso, Oklahoma
Barbara Ley, CPA	7/1/07 to 6/30/12	Oklahoma City, Oklahoma

STATE AUDITOR AND INSPECTOR

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INDEPENDENT AUDITOR'S REPORT

TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited the accompanying financial statements of the governmental activities and each major fund of the Oklahoma Accountancy Board (OAB), as of and for the year ended June 30, 2009, which collectively comprise the Board'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. The financial statements of the OAB as of June 30, 2008, were audited by other auditors whose report dated December 16, 2008, expressed an unqualified opinion on those statements. Their opinion was issued before the restatement of the 2008 financial statements. As a result, the previously-issued auditor's report is not to be relied on and is replaced by this report on the restated financial statements.

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 and the report of other auditors provide 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 governmental activities, each major fund, and the remaining fund information 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, 2009 and 2008, 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 June 30, 2009 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the OAB, as of June 30, 2009, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America. We also audited the adjustments described in Note 6 that were applied to restate the June 30, 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

As discussed in Note 1.J to the financial statements, the OAB changed its method of computing fund balance - reserved for encumbrances in 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2010 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.

Management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 25, 2010

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)

MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY

The management of the Oklahoma Accountancy Board (OAB) is pleased to provide the accompanying financial statement 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, 2009 and 2008. Management of the OAB is responsible for the fair presentation of this financial statement, 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, 2009 and 2008, the following financial results are considered noteworthy by management. Information related to June 30, 2008 is based upon restated financial information:

- For the year ended June 30, 2009, the OAB's total net assets increased \$147,466, or 7.1%, from the prior year. This compares to an increase of \$404,361, or 24.1%, for the year ended June 30, 2008 and \$350,739, or 26.4%, for the year ended June 30, 2007.
- For the year ended June 30, 2009, OAB program revenues decreased \$37,888, or 2.9%, over the prior year, while total expenses increased \$177,458, or 20.1%. The decrease in revenues is due to the Board's decision to postpone registration deadlines by one month for the fiscal year 2009 due to technical difficulties with the online registration system in 2008 resulting in a decrease of late fees for 2009. The increase in expenses is primarily related to an increase in personal services and administrative expenses. For the year ended June 30, 2008, OAB program revenues decreased \$4,802, or .4%, over the prior year, while total expenses decreased approximately \$14,402, or 1.6%.
- For the year ended June 30, 2009, OAB accounts receivable increased \$481,675, or 361% over the prior year. This compares to an increase of \$132,750 for June 30, 2008 and \$150 for the year ended June 30, 2007. For the year ended June 30, 2009, OAB's deferred revenue increased \$868,175, or 166% over the prior year. This increase compares to a decrease of \$358,200, or 40.6% for June 30 2008 and \$44,075, or 5.3%, for the year ended June 30, 2007. The increase in accounts receivable and the increase in deferred revenue for 2009 are due to the Board's decision to postpone registration deadlines by one month due to technical difficulties with the online registration system in 2008. For 2009, the deadlines were changed back to the original deadlines of June 30.
- For the year ended June 30, 2009, OAB fund balance reserved for encumbrances decreased \$263,284, or 70% from the prior year. This decrease was a result of a detailed review of outstanding encumbrances which resulted in the closing of prior open purchase orders. This compares to an increase of \$272,400, or 268% for June 30, 2008 and \$22,358, or 28%, for the year ended June 30, 2007.
- The unreserved fund balances of the OAB's General Fund at June 30, 2009, 2008 and 2007, increased \$421,294 or 24.2%, \$138,167 or 8.6%, and \$330,502 or 26.0% respectively.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

Other Highlights

- Effective April, 2004, the OAB began providing the Certified Public Accountants' (CPA) examination through a computer-based test (CBT). The CBT provides flexibility for the candidate, with examination availability for the first two consecutive months during each quarter, giving them the choice of taking one examination per attempt at any provider site in the fifty-five jurisdictions, and the use of a computer to administer the examination. Since the implementation of the CBT, examination application fees have increased from \$53,000 in fiscal year 2005 to \$75,200, \$77,010 and \$63,550 in fiscal years 2009, 2008 and 2007 respectively.

USING THIS FINANCIAL STATEMENT

This financial statement is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

The OAB's Reporting Entity

This financial statement includes 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 four parts as follows:

Government-Wide Financial Statements: The government-wide 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 "Statements of Net Assets" include 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 "Statements of Activities" regardless of when cash is received or paid.

These government-wide financial statements report information about the OAB's net assets and how they have changed. Measuring changes in net assets (the difference between the OAB's total assets and liabilities) is one way to measure the OAB's financial health or position.

- To assess the overall financial health of the OAB, the reader needs to consider additional non-financial factors such as changes in the regulatory requirements, enforcement policies, and other similar issues utilizing financial resources.

Fund Financial Statements: Fund financial statements provide financial information about the OAB's single fund—the General Fund—on a different basis of accounting and measurement focus than the government-wide financial statements. The fund financial statement presentation measures spendable financial resources and the changes therein.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

USING THIS FINANCIAL STATEMENT, Continued

The OAB accounts for all financial activity in a single governmental fund. A governmental type fund focuses on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances at year-end available for expenditure. Consequently, governmental fund statements provide a short-term view that helps the reader determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the future to finance the OAB's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

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

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the fund 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 Activities" 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.

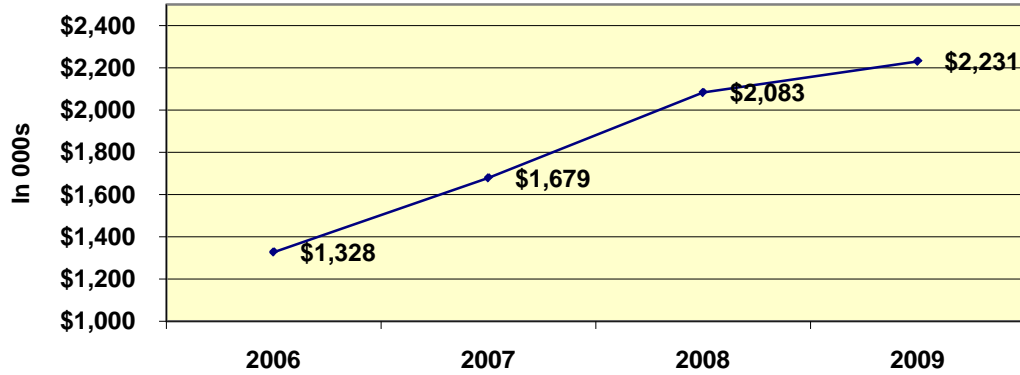
(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.

For the years ended June 30, 2009, 2008 and 2007, the OAB’s overall financial condition changed as noted below.

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



	2009	2008	2007
Percentage Change in Net Assets	+7.1%	+24.1%	+26.4%

For the year ended June 30, 2009, the OAB’s total net assets increased by \$147,466, or 7.1%. For the year ended June 30, 2008, the OAB experienced a \$404,361, or 24.1%, increase in net assets. For the year ended June 30, 2007, the OAB experienced a \$350,739, or 26.4%, increase in net assets. The increase in net assets was primarily due to revenues exceeding expenses in each year.

A FUND-BASED FINANCIAL ANALYSIS OF OAB

Management’s Discussion and Analysis on the General Fund Financial Condition:

The OAB accounts for all its activities in a single fund—the General Fund. The General Fund presentation focuses on how money flows in and out of the Fund and the balances remaining at year-end are available for expenditures (fund balance).

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

A FUND-BASED FINANCIAL ANALYSIS OF OAB, Cont.

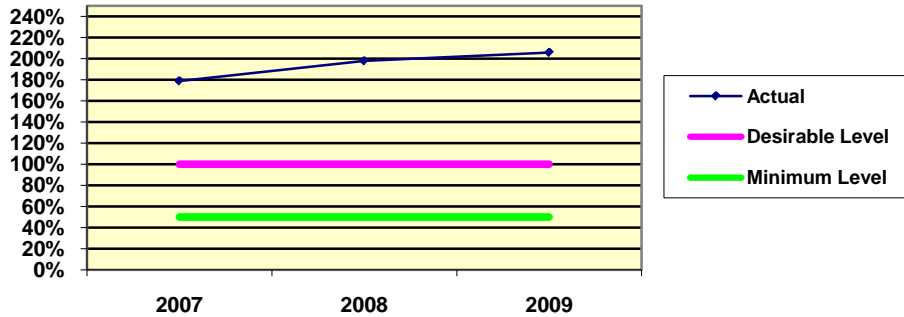
The General Fund reports activities on a modified accrual basis of accounting and current financial resources measurement focus that is different from the economic basis of presentation. For example, the General Fund reports the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. General Fund information helps the reader determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be expended in the near future to finance the OAB programs.

For the years ended June 30, 2009, 2008, and 2007, the General Fund experienced an increase in fund balance of \$158,010, \$410,567 and \$352,860, respectively.

Chart 2

Unreserved-Undesignated Fund Balance as a Percentage of Annual Expenditures

Management Benchmarks	Desired	Minimum
	100%	50%



Unreserved Fund Balance	2009	2008	2007
Percentage	206%	198%	179%

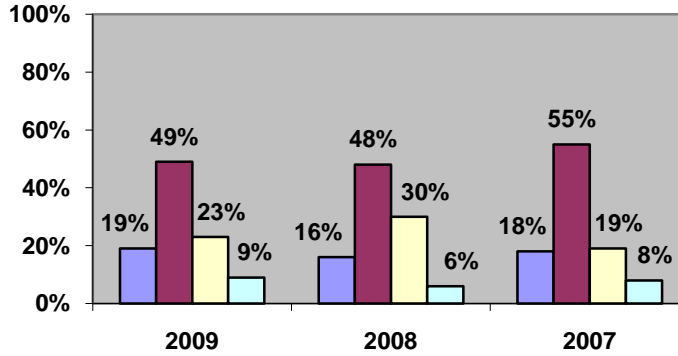
The OAB desires to maintain an unreserved fund balance of one year (100%) of annual expenditures. This fund balance is needed to provide resources for unexpected enforcement actions, technology and software to be purchased in 2010-2011, expansion of the OAB's Outreach Program, and expansion of the oversight function related to continuing professional education (CPE).

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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A FUND-BASED FINANCIAL ANALYSIS OF OAB, Cont.

**Chart 3
Percentage of Expenditures by Classification as Compared to Total Expenditures**



■ Administrative
 ■ Personal
 ■ Professional
 ■ Other

	2009	2008	2007
Administrative	19%	16%	18%
Personal Services	49%	48%	55%
Professional Services	23%	30%	19%
Other	9%	6%	8%
Total	100%	100%	100%

MANAGEMENT’S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS

Management’s Discussion and Analysis on the Budgetary Results:

For the year ended June 30, 2009, the General Fund actual budgetary basis revenues exceeded final estimates by \$396,619, or a 34.0% positive variance. This is directly attributable to the Board’s decision in 2008 to grant an extension for individual and firm registration due to technical difficulties with the online registration system. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$704,793, or a 47.2% positive variance.

For the year ended June 30, 2008, the General Fund actual budgetary basis revenues were less than final estimates by \$233,560, or a 22.9% negative variance. This is directly attributable to the Board’s decision to grant an extension for individual and firm registration due to technical difficulties with the online registration system. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$109,721, or an 8.7% positive variance.

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS, Cont.

For the year ended June 30, 2007, the General Fund actual budgetary basis revenues were in excess of final estimates by \$108,189, or a 9.1% positive variance. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$309,812, or a 25.2% positive variance.

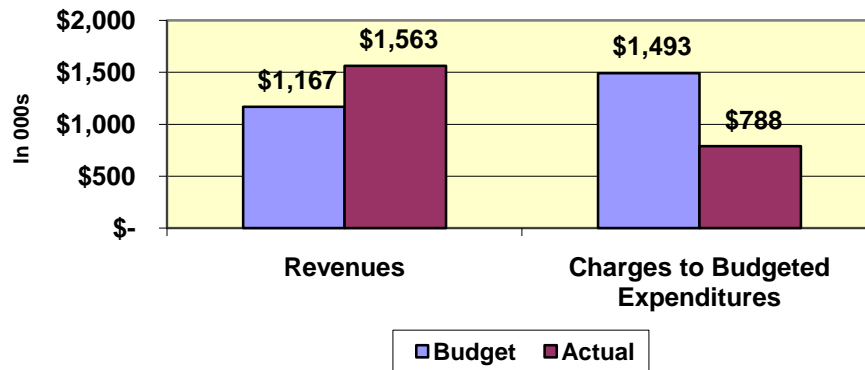
Chart 4 illustrates the budget versus actual results for revenues and charges to budgeted expenditures.

Chart 4

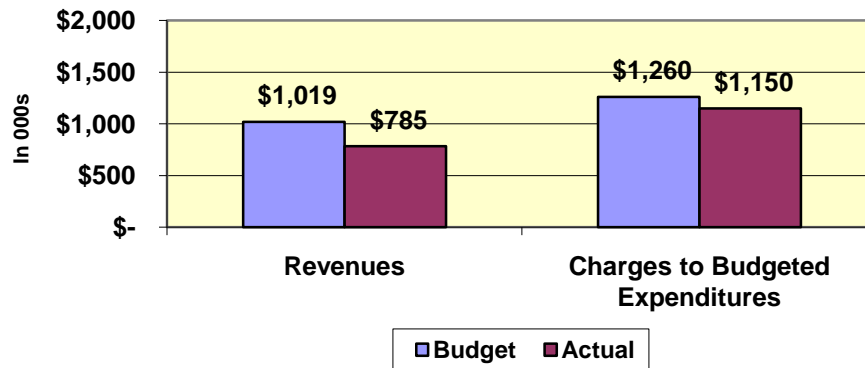
**Budget versus Actual Comparison of Revenues and Charges to Budgeted Expenditures
(How well did we stay within our budget?)**

Management Benchmarks	Desired	Minimum
	Positive Variance	No Variance

2009 Fiscal Year



2008 Fiscal Year



Percentage Variance	2009	2008	2007
Revenues	34.0% P	22.9% N	9.1% P
Charges to Budgeted Expenditures	47.2% P	8.7% P	25.2% P

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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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 2004, 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 4545 North Lincoln, Suite 165, Oklahoma City, OK 73105-3413, by telephone at (405) 521-2397, or by e-mail at www.ok.gov/oab.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

BASIC FINANCIAL STATEMENTS

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)

Statement of Net Assets

	June 30,	
	2009	Restated 2008
ASSETS:		
Cash and cash equivalents	\$ 3,067,460	\$ 2,528,365
Accounts receivable	615,175	133,500
Fines receivable	131,310	37,000
Accounts receivable - cost recovery, net of allowance of \$10,528 and zero, respectively	44,645	12,294
Prepaid assets	5,979	17,823
Capital assets, net of accumulated depreciation	5,020	8,529
Total assets	3,869,589	2,737,511
LIABILITIES:		
Accounts payable	\$ 69,744	\$ 54,652
Deferred revenue	1,391,950	523,775
Due to State	131,310	37,000
Compensated absences:		
Current	20,762	26,450
Non-current	25,428	12,705
Total liabilities	1,639,194	654,582
NET ASSETS:		
Invested in capital assets	5,020	8,529
Unrestricted	2,225,375	2,074,400
Total net assets	\$ 2,230,395	\$ 2,082,929

See accompanying footnotes to these statements.

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

Balance Sheets – General Fund

	June 30,	
	2009	Restated 2008
ASSETS:		
Cash and cash equivalents	\$ 3,067,460	\$ 2,528,365
Accounts receivable	615,175	133,500
Fines receivable	131,310	37,000
Account receivable - cost recovery, net of allowance of \$10,528 and zero, respectively	44,645	12,294
Prepaid assets	5,979	17,823
Total assets	\$ 3,864,569	\$ 2,728,982
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 69,744	\$ 54,652
Deferred revenue	1,391,950	523,775
Due to State	131,310	37,000
Total liabilities	1,593,004	615,427
Fund Balance:		
Reserved for encumbrances	110,752	374,036
Unreserved	2,160,813	1,739,519
Total fund balance	2,271,565	2,113,555
Total liabilities and fund balance	\$ 3,864,569	\$ 2,728,982

See accompanying footnotes to these statements.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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Statements of Revenues, Expenditures, and Changes in Fund Balance - General Fund

	<u>For the years ending June 30,</u>	
	<u>2009</u>	<u>Restated 2008</u>
Revenues		
Licenses, permits, and fees	\$ 1,246,883	\$ 1,307,885
Grants, refunds, and reimbursement	41,432	17,959
Other	380	739
Total revenues	<u>1,288,695</u>	<u>1,326,583</u>
Expenditures		
Personal services	516,513	417,800
Professional services	240,934	261,141
Travel	46,687	50,871
Administrative	200,581	146,113
Property and equipment	46,322	1,992
Total expenditures	<u>1,051,037</u>	<u>877,917</u>
Revenues Over (Under) Expenditures	237,658	448,666
Other Financing Requirements		
Transfers out to State General Fund	<u>(79,648)</u>	<u>(38,099)</u>
Change in Fund Balance	158,010	410,567
Fund Balance - Beginning of Year	<u>2,113,555</u>	<u>1,702,988</u>
Fund Balance - End of Year	<u>\$ 2,271,565</u>	<u>\$ 2,113,555</u>

See accompanying footnotes to these statements

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)

Reconciliation of Balance Sheets - General Fund and Statement of Net Assets:

	June 30,	
	2009	Restated 2008
Total Fund Balance—General Fund	\$2,271,565	\$2,113,555
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund—		
Capital assets, net of accumulated depreciation	5,020	8,529
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund—		
Compensated absences	(46,190)	(39,155)
Net Assets per the Statements of Net Assets	\$2,230,395	\$2,082,929

See accompanying footnotes to these financial statements

**Reconciliation of Statements of Revenue, Expenditures, and Changes in Fund Balance -
General Fund and Statement of Activities:**

	For the years ended June 30,	
	2009	Restated 2008
Change in Fund Balance—General Fund	\$ 158,010	\$ 410,567
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	6,184	659
Depreciation expense	(9,693)	(12,066)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease (Increase) in accrued compensated absences	(7,035)	5,201
Change in Net Assets per the Statements of Activities	\$ 147,466	\$ 404,361

See accompanying footnotes to these statements

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2009 and 2008 (as restated)**

NOTES TO THE FINANCIAL STATEMENTS

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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Footnotes to the Statements of Net Assets and Statements 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 2004, 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.

B. *Government-wide and Fund Financial Statements*

The government-wide financial statements (the statement of net assets and the statement of activities) report information for OAB. OAB is classified as a governmental activity; its function is the Regulatory Services function.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. For OAB, program revenues consist primarily of fees for licenses and permits to practice remitted by from Certified Public Accountants and Public Accountants. Also included in program revenues are fees paid by candidates to sit for the examination.

Separate financial statements are provided for the governmental fund, the General Fund.

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

Revenue Recognition:

Government-wide Financial Statements

The government-wide 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.

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Governmental Fund

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, usually within 60 days. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2009 and June 30, 2008, has been reported only in the government-wide financial statements.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

D. Fund Accounting

In fund accounting, activities are recorded in individual funds, each of which is deemed to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund – This fund accounts for all activities of OAB not specifically required to be accounted for in other funds. This fund is the operating fund of OAB, and all transactions are accounted for in this fund.

E. 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.”

F. 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.

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G. Accounts Receivable

Accounts receivable consist of amounts due from Certified Public Accountants' and Public Accountants' for registration and permit fees, including firms.

H. 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 costs receivable 365 days or older were considered to be uncollectible resulting in an allowance being recognized.

In addition to the Fines Receivable, related amounts Due to State which is reflected in the financial statements, fines in the amount of \$22,220 and \$33,345 were collected and remitted to the State General Fund during the fiscal years 2009 and fiscal year 2008 respectfully.

I. Capital Assets

Capital assets are recorded as expenditures in the governmental fund statement of revenues, expenditures and changes in fund balance, but 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.

J. Accounts Payable and Encumbrances

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.

The fund balance reserve for encumbrances represents commitments related to unperformed contracts for the delivery of goods and services to the OAB. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reserve that portion of fund balance, is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The reserve for encumbrances as of June 30, 2009, was determined in a manner different than in previous financial statements including June 30, 2008. Due to encumbrances not being closed after final payments being made, the reserve for encumbrance was determined by reviewing all payments made during the months of July, August, and September of 2009 which applied to encumbered amounts relating to the fiscal year ending June 30, 2009. Any encumbrance having a payment applicable to it was carried at the full amount. In addition, any encumbrance in which a known payment had not been made was also considered. For financial statements issued prior to June 30, 2009, all open purchase orders at June 30 were recorded as encumbrances.

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K. 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.

L. 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 years 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, 2009 and 2008, 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 2009 and 2008 fiscal years were approximately \$47,200 and \$48,000, respectively.

4. Capital Assets

For the years ended June 30, 2009 and 2008, changes in capital assets were as follows:

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>
Capital assets	\$ 136,673	6,184	(6,288)	136,569
Accumulated depreciation	<u>(128,144)</u>	<u>(9,693)</u>	<u>6,288</u>	<u>(131,549)</u>
	<u>\$ 8,529</u>	<u>(3,509)</u>	<u>-</u>	<u>5,020</u>
	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Capital assets	\$ 176,699	659	(40,685)	136,673
Accumulated depreciation	<u>(156,763)</u>	<u>(12,066)</u>	<u>40,685</u>	<u>(128,144)</u>
	<u>\$ 19,936</u>	<u>(11,407)</u>	<u>-</u>	<u>8,529</u>

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5. Long-term Obligations

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2009 and 2008, the liability for accrued compensated absences liabilities changed as follows:

<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
\$ 39,155	27,797	(20,762)	46,190	20,762

<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>	Amounts Due Within <u>One Year</u>
\$ 44,356	21,249	(26,450)	39,155	26,450

6. Net Assets/Fund Balance

Financial statements for the year ended June 30, 2008, were restated for changes in deferred revenue resulting in the recognition of income in the appropriate period and the adoption of the accounting methodology used for costs recovery. The restatements resulted in ending fund balance/net assets being overstated by \$132,426 in fiscal year 2008. Restatements were as follows:

	<u>Net Assets</u> <u>2008</u>	<u>Fund Balance</u> <u>2008</u>
Net assets/fund balance as previously reported	\$ 2,215,355	\$ 2,245,981
Understatemnt of deferred revenue/overstatement of revenue	(122,475)	(122,475)
Understatement of accounts receivable-cost recovery	12,294	12,294
Overstatemnt of cash/understatement of expenses	(22,245)	(22,245)
Net assets/fund balance, restated	<u>2,082,929</u>	<u>2,113,555</u>

7. 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 Department of Central Services 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 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.

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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.

8. *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 contribution rate for both 2009 and 2008 fiscal years was 14.5% and 13.5%, respectively, of all salaries for State agencies, and for State employees, 3.5% of their annual covered salary. For the years ended June 30, 2009, 2008, and 2007, the OAB contributions to the plan were \$49,726, \$37,492, and \$42,772, respectively.

9. *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.

10. *Payment to State General Revenue Fund*

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.” 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 OAB paid \$79,648 to the State General Revenue Fund in fiscal year 2009 and \$38,099 in fiscal year 2008. 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.

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**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES**

OKLAHOMA ACCOUNTANCY BOARD
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Budgetary Comparison Schedule (Budgetary Basis) – General Fund for the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits, and fees	\$ 1,166,577	\$ 1,166,577	\$ 1,553,735	\$ 387,158
Other	-	-	9,461	9,461
Total Revenues	<u>1,166,577</u>	<u>1,166,577</u>	<u>1,563,196</u>	<u>396,619</u>
Expenditures:				
Personal services	840,592	840,592	515,727	324,865
Professional services	293,350	293,350	114,360	178,990
Travel	110,004	110,004	42,445	67,559
Administrative	223,100	223,100	106,954	116,146
Property and equipment	25,000	25,000	8,267	16,733
Other	500	500	-	500
Total expenditures	<u>1,492,546</u>	<u>1,492,546</u>	<u>787,753</u>	<u>704,793</u>
Excess (deficiency) of revenues over expenditures / net change in fund balance	(325,969)	(325,969)	775,443	1,101,412
Fund Balance, June 30, 2008	<u>2,117,500</u>	<u>2,117,500</u>	<u>2,117,500</u>	<u>-</u>
Fund Balance, June 30, 2009	<u>\$ 1,791,531</u>	<u>\$ 1,791,531</u>	<u>\$ 2,892,943</u>	<u>\$ 1,101,412</u>

See accompanying footnotes to this schedule.

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund for the Year Ended June 30, 2008, as restated

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits, and fees	\$ 1,018,800	\$ 1,018,800	\$ 778,836	\$ (239,964)
Other	-	-	6,404	6,404
Total revenues	<u>1,018,800</u>	<u>1,018,800</u>	<u>785,240</u>	<u>(233,560)</u>
Expenditures:				
Personal services	693,686	693,686	418,636	275,050
Professional services	237,100	237,100	401,450	(164,350)
Travel	85,000	85,000	57,407	27,593
Administrative	227,252	227,252	200,306	26,946
Property and equipment	17,000	17,000	42,162	(25,162)
Other	-	-	30,356	(30,356)
Total expenditures	<u>1,260,038</u>	<u>1,260,038</u>	<u>1,150,317</u>	<u>109,721</u>
Excess (deficiency) of revenues over expenditures / net change in fund balance	(241,238)	(241,238)	(365,077)	(123,839)
Fund Balance, June 30, 2007	<u>2,482,577</u>	<u>2,482,577</u>	<u>2,482,577</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 2,241,339</u>	<u>\$ 2,241,339</u>	<u>\$ 2,117,500</u>	<u>\$ (123,839)</u>

See accompanying footnotes to this schedule.

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that reports revenues on a cash basis modified for the due from state, and charges to expenditures on a cash basis modified for reporting encumbrances, accounts payable and prepaid assets.
2. Because accounting principles applied for purposes of presenting the budgetary comparison information differ from those used in the presentation of the basic financial statements prepared in accordance with U.S. generally accepted accounting principles, a reconciliation resulting from those differences is presented as follows for the General Fund.

	June 30,	
	2009	2008
Budgetary basis fund balance	\$ 2,892,943	\$ 2,117,500
Add:		
Accounts receivable	659,820	145,794
Encumbrances	110,752	374,036
Subtract: Deferred revenue	(1,391,950)	(523,775)
GAAP basis fund balance	\$ 2,271,565	2,113,555

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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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 governmental activities and each major fund of the Oklahoma Accountancy Board, as of and for the year ended June 30, 2009, which collectively comprise the Oklahoma Accountancy Board's basic financial statements, and have issued our report thereon dated June 25, 2010. The report includes an explanatory paragraph stating that the financial statements of the Oklahoma Accountancy Board 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 Oklahoma Accountancy Board. The report also includes an explanatory paragraph concerning the Oklahoma Accountancy Board's change in method of computing fund balance - reserved for encumbrances in 2009. 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

In planning and performing our audit, we considered the Oklahoma Accountancy Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. [09-020-002, 09-020-003, 09-020-005]

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oklahoma Accountancy Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

The Oklahoma Accountancy Board's written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Oklahoma Accountancy Board and should not be used for any other purpose. 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 25, 2010

**OKLAHOMA ACCOUNTANCY BOARD
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Reference Number: 09-020-002

Account: Licenses, Permits, and Fees (Revenue)

Criteria/Condition: An effective internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties.

The administrative assistant is responsible for preparing the deposit and receives the bank deposit receipt.

Cause/Effect: Although management has tried to ensure all duties are segregated given the small staff size, they were unaware of the risk associated with having these duties assigned to one person. Errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend an employee other than the administrative assistant receive the bank deposit receipt and compare the amount to the system generated deposit slips to ensure all funds processed were deposited.

Agency Management Response: Management has implemented procedures insuring that an employee other than the administrative assistant will receive the bank deposit receipts and compare the amount to the system generated deposit slips to ensure all funds processed were deposited.

Reference Number: 09-020-003

Account: Licenses, Permits, and Fees (Revenue)

Criteria/Condition: An effective internal control system should provide reasonable assurance all funds received are deposited.

Exam and application fees are processed using the CANSYS system. Beginning in November 2008, the examination coordinator cannot print an "Official Depository" form or the "Deposit Summary" report from the system. To document the amounts processed, the total amount to be deposited was written on a piece of paper and initialed by the examination coordinator. However, no independent verification of the deposit amount to the days' activity per CANSYS was performed to ensure the amount reported agreed.

Cause/Effect: A system upgrade disabled the examination coordinator's printing ability, and the software vendor has not corrected the problem. Errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend management continue to work with the software provider to correct the printing malfunction. However, until the system can be fixed, management should implement alternative procedures to verify the amount reported by the examination coordinator agrees to the CANSYS system. Documentation of this verification should be retained.

Agency Management Response: Management will continue to work with the software provider to correct the printing malfunction. However, until the system can be fixed, management has implemented alternative procedures to verify that the amount reported by the examination coordinator agrees with the CANSYS system. Documentation of this verification will be retained.

Reference Number: 09-020-005

Account: Accounts Receivable, Deferred Revenue, Fines Receivable, Cost Recovery Accounts Receivable

Criteria/Condition: An effective internal control system should provide reasonable assurance that accounting records are accurate and properly retained.

The administrative assistance uses queries from the ARSYS to calculate the accounts receivable amount. However, the results of these queries were not retained.

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In addition, the agency does not appear to have written policies and procedures detailing how the accounts receivable, encumbrances, fines receivable, and cost recovery accounts receivables amounts should be calculated.

Cause/Effect: The agency does not appear to have policies and procedures specifying which accounting records should be retained and for how long. Without detailed policies and procedures, it is possible errors in the calculation of financial accounts could occur or records may not be properly retained.

Recommendation: We recommend the agency establish and implement written policies and procedures outlining which accounting records should be retained by employees. The policy should also address the length of time the records should be retained. In addition, written policies and procedures should be established for all accounting functions. Management should also ensure the new policies are communicated to all employees.

Agency Management Response: The agency has established and implemented written policies and procedures outlining which accounting records are to be retained by employees. The policy will also address the length of time the records are to be retained. Additionally, written policies and procedures will be established for all accounting functions. The new policies will be communicated to all employees.



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