

**OKLAHOMA AERONAUTICS COMMISSION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 22, 2004

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

Transmitted herewith is the Oklahoma Aeronautics Commission Internal Control Report for the fiscal year ended June 30, 2003. By its nature, this report focuses on weaknesses in controls. This focus should not be understood to mean there are not also various strengths and accomplishments.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA AERONAUTICS COMMISSION
INTERNAL CONTROL REPORT
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**OKLAHOMA AERONAUTICS COMMISSION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

COMMISSION MEMBERS

<u>Name</u>		<u>Term Expires</u>
W.D. Kendrick	Chairman	December 31, 2004
Kenneth Adams	Vice-Chairman	December 31, 2004
Robert Jandebour	Secretary	December 31, 2006
Bill Boulton	Member	December 31, 2003
Dave Amis, III	Member	December 31, 2008
D. Weston Stucky	Member	December 31, 2005
Joe Johnson	Member	December 31, 2008

**ADMINISTRATIVE
STAFF**

	Victor N. Bird Director	
Timothy B. Webster Finance Officer		LaDonna K. Autrey Office Administrator



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA AERONAUTICS COMMISSION

We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

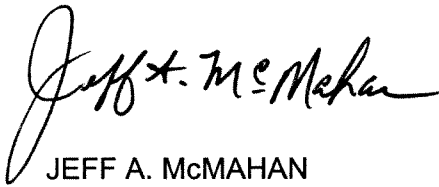
1. We reviewed management's internal controls over financial records and operations, and performed a walk-through of controls to determine whether they have been designed as represented by management. We reviewed controls in the following specific areas:
 - a. Cash receipting and depositing of funds.
 - b. Fixed Assets.
 - c. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
 - d. Segregation of duties regarding authorization, recording, and custody.
2. We reviewed the Commission's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
 - a. Agency's compliance with policies and procedures regarding budgetary matters.
 - b. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Aeronautics Commission, make recommendations in certain areas, and determine whether stated controls were operating as represented to us or if additional controls were necessary to reduce the risk of errors and irregularities.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Agency's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or made an audit of the effectiveness of the Agency's internal controls, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-055-001

Criteria: Effective internal controls include written policies and procedures that have been communicated to all employees.

Condition: There are no documented policies and procedures in the following areas: Acceptable Business Practices, Cash and Revenue procedures, Fixed Assets Management, and Expenditures procedures.

Effect: Errors and/or misappropriations of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission develop and implement written policies and procedures for the areas noted above.

Management's Corrective Action Plan

Contact Person: Victor Bird, Director

Anticipated Completion Date: September 30, 2004

Corrective Action Planned: The Oklahoma Aeronautics Commission shall develop and implement comprehensive policies and procedures concerning Acceptable Business Practices, Cash, Revenue, Fixed Asset Management and Expenditures by no later than September 30, 2004.

Comment 2003-055-002

Criteria: Stewardship of governmental resources includes proper accounting procedures.

Condition: The monthly reconciliation of Cash/Revenue received is not reviewed or approved by someone other than the preparer.

Effect: Errors could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission establish and implement controls to provide proper review and approval of reconciliations of Cash/Revenue received.

Contact Person: Victor Bird, Executive Director

Anticipated Completion Date: September 30, 2004

Corrective Action Planned: The Oklahoma Aeronautics Commission will implement a policy and procedure that will establish the proper review and approval of all reconciliations of agency funds and accounts by someone other than the preparer.

Comment 2003-055-003

Criteria: Stewardship of governmental resources includes proper accounting procedures.

Condition: We noted the Commission accepts gifts and donations; however, they have not developed or implemented relevant policies and procedures for accepting gifts and donations.

Effect: Without proper accountability of assets; there could be an understatement of assets.

Recommendation: We recommend the Commission develop and implement policies and procedures related to the acceptance of gifts and donations.

Management's Corrective Action Plan

Contact Person: Victor Bird, Director

Anticipated Completion Date: September 30, 2004

Corrective Action Planned: The Oklahoma Aeronautics Commission shall develop and implement a comprehensive policy and procedure concerning gifts and donations by no later than September 30, 2004.

Comment 2003-055-004

Criteria: 74 O.S. Supp. 2002, § 110.1 states in part:

A. The Department of Central Services shall maintain a current inventory of tangible assets owned by state boards, commissions, institutions, agencies and institutions comprising The Oklahoma State System of Higher Education and the University Hospitals Authority.

B. The Director of Central Services shall have authority to promulgate rules to implement the provisions of this section.

C. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity, not to exceed the federal capitalization rate specified in the Office of Management and Budget Circular A-21 or future federal circulars or regulations as amended. When establishing the tangible reporting threshold for an entity, the Director of Central Services shall consider the entity's capability to provide tangible asset records, finance and accounting systems, inventory accuracy and other pertinent factors.

D. Tangible assets shall consist of machinery, implements, tools furniture, livestock, vehicles and other apparatus that may be used repeatedly without material impairment of its physical condition and have a calculable period of service and a value exceeding the reporting threshold the Director of Central Services, establishes for the entity.

E. Rules that the Director of Central Services promulgates shall cause all tangible assets to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained.

74 O.S. 2001, § 110.2 states, "The Office of Public Affairs may require inventory records to be maintained at state departments, boards, commissions, institutions, or agencies of the state, of all classes of supplies, books, machinery, implements, tools, furniture, livestock, and other apparatus as the Office deems necessary in order to comply with the provisions of Section 110.1 of this title.

Condition: The Commission did not:

- Have detailed records for all fixed assets including description, serial number, and date of purchase, quantity, cost or other value.
- Have an identifier or tag stating assets were property of the State of Oklahoma.
- Assign custodial accountability for assets.
- Perform a physical inventory count.
- Investigate differences in the physical inventory count and fixed assets list for the fiscal year.

Effect: Errors and/or misappropriation of fixed assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission maintain complete and accurate records regarding for fixed assets.

Management's Corrective Action Plan

Contact Person: Victor Bird, Director

Anticipated Completion Date: June 30, 2004

Corrective Action Planned: A complete and accurate inventory of all fixed assets of the Oklahoma Aeronautics Commission shall be completed by June 30, 2004. The Oklahoma Aeronautics Commission, as noted in finding #2003-060-001, shall implement a fixed asset policy and procedure to address the conditions noted above.

Comment 2003-055-005

Criteria: Effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned assets.

Condition: The Commission has issued laptop computers; however, they do not have controls in place to govern and/or monitor the use of the equipment. The agency was unable to provide documented policies and procedures for the usage of laptop computers.

Effect: Inaccurate records and loss or misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission develop and implement policies and procedures regarding the use of state owned laptop computers.

Management's Corrective Action Plan

Contact Person: Victor Bird, Director

Anticipated Completion Date: September 30, 2004

Corrective Action Planned: The Oklahoma Aeronautics Commission shall develop and implement a comprehensive policy and procedure concerning laptop computers by no later than September 30, 2004.

Comment 2003-055-006

Criteria: Effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned assets.

Condition: The Commission has issued cell phones to staff; however, it does not have controls in place to govern and/or monitor the use of the equipment. The Commission was unable to provide documented policies and procedures for the usage of cell phones.

Effect: Inaccurate records and loss or misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission develop and implement policies and procedures regarding the use of state owned cell phones.

Management's Corrective Action Plan

Contact Person: Victor Bird, Director

Anticipated Completion Date: September 30, 2004

Corrective Action Planned: The Oklahoma Aeronautics Commission shall develop and implement a comprehensive policy and procedure to govern and monitor the usage of agency cell phones by no later than September 30, 2004.