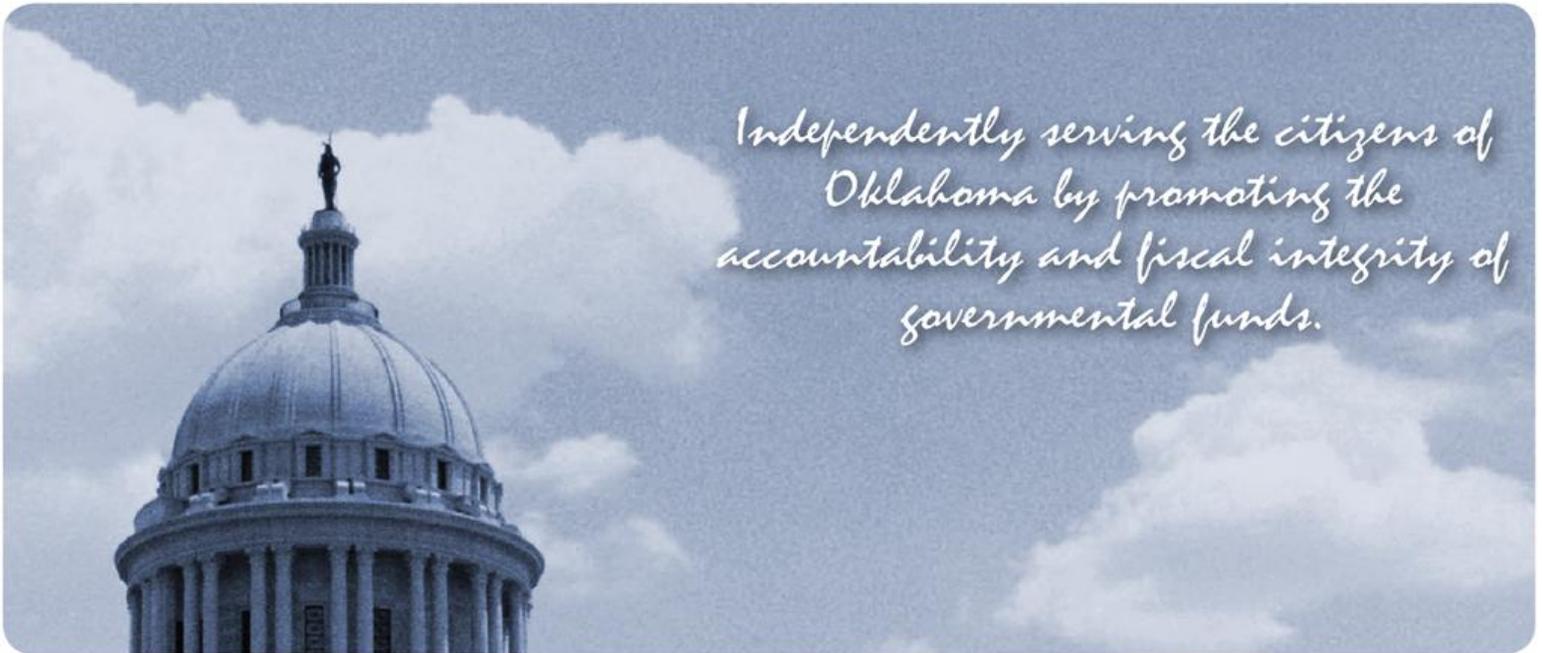


OPERATIONAL AUDIT

OKLAHOMA AERONAUTICS COMMISSION

For the period January 1, 2012 through December 31, 2013



*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

**Audit Report of the
Oklahoma Aeronautics Commission**

**For the Period
January 1, 2012 through December 31, 2013**



Oklahoma State Auditor & Inspector

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

October 13, 2014

TO THE OKLAHOMA AERONAUTICS COMMISSION:

This is the audit report of the Oklahoma Aeronautics Commission for the period January 1, 2012 through December 31, 2013. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Sincerely,

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

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

Oklahoma Aeronautics Commission Operational Audit

Background

The Oklahoma Aeronautics Commission (the Agency) was established as a stand-alone agency in 2002. It was formerly a division of the Oklahoma Department of Transportation. Its mission is to promote aviation by ensuring that the needs of commerce and communities across Oklahoma are met by the State's 110 public airports and to foster the growth and vitality of the state's aerospace industry. It is the Agency's objective to make as many of the State's 49 regional business airports jet-capable as possible (43 are currently jet-capable). The Agency was a driving force behind the formation of the Governor's Aerospace Task Force and is implementing its recommendations, including acting as the catalyst in the establishment and growth of the state's first aerospace trade association, the Oklahoma Aerospace and Defense Alliance.

Oversight is provided by seven commissioners appointed by the governor for terms of six years.

Commission members as of September 2014:

Dave Amis III.....	Chairman (District 5)
Tom Stephenson.....	Vice Chairman (At Large)
Michael Ray	Secretary (At Large)
Rick Armstrong.....	District 1 Commissioner
Dr. David Conway	District 2 Commissioner
Joe Harris	District 3 Commissioner
Wes Stucky	District 4 Commissioner

Oklahoma Aeronautics Commission Operational Audit

The following charts illustrate the Agency's primary funding sources, and where those funds are expended.¹

Chart 1 - Revenues by Category for the Period January 1, 2012 through December 31, 2013

Revenues

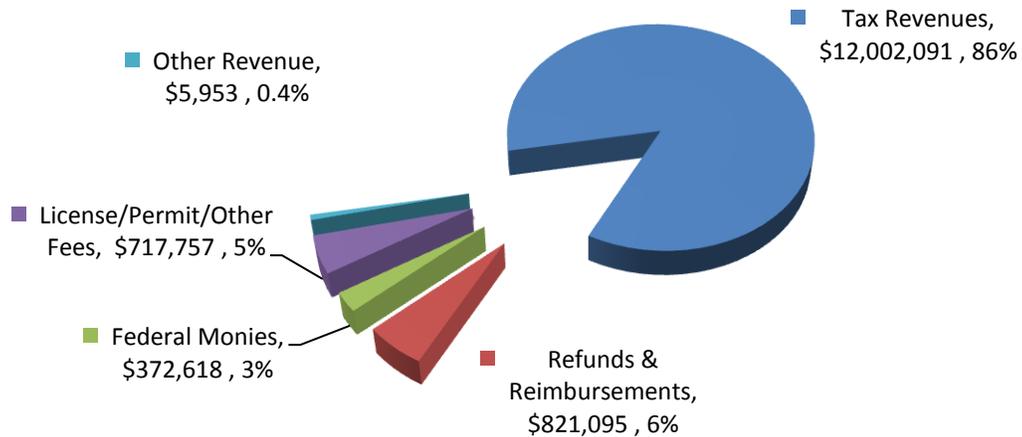
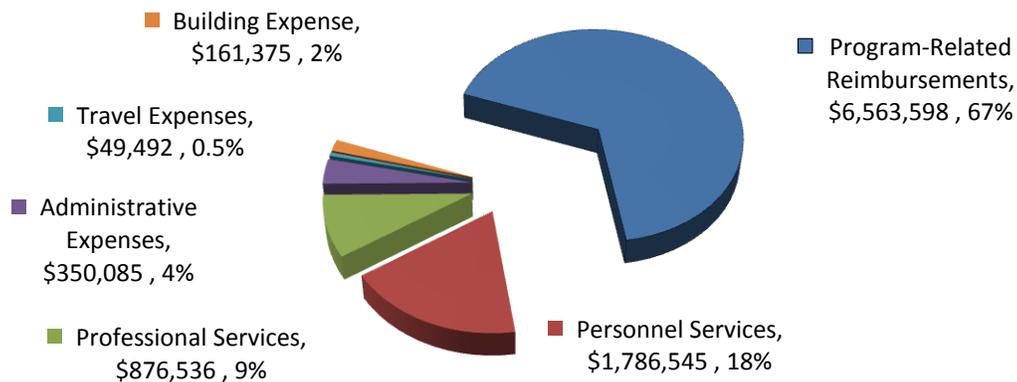


Chart 2 - Expenditures by Category for the Period January 1, 2012 through December 31, 2013

Expenditures



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

Oklahoma Aeronautics Commission Operational Audit

Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duties it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period January 1, 2012 through December 31, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Aeronautics Commission’s operations. We also tested a sample of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

OBJECTIVE

Determine whether the agency’s internal controls provide reasonable assurance that revenues, miscellaneous expenditures, and payroll expenditures were accurately reported in the accounting records.

Conclusion

The Agency’s internal controls provide reasonable assurance that payroll and miscellaneous expenditures were accurately reported in the accounting records. The Agency’s internal controls do not provide reasonable assurance that revenues were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties over Receipts

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*² states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction."

The Agency's administrative assistant receives incoming payments, prepares the bank deposit, and subsequently delivers that deposit to the bank. This arrangement appears to have developed due to the work load of the other staff members of the Agency's operations department.

With control over the majority of the receipting process, someone in the administrative assistant's position has the opportunity to misappropriate funds by taking payments when received, without detection by management. There is no formal control in place at the Agency to identify payments received but not deposited.

Recommendation

We recommend that the Agency develop a process to reconcile deposits to goods and services provided, in order to provide assurance that all funds received are deposited.

Views of Responsible Officials

Effective immediately, the Administrative Assistant will open the mail and either the Assistant Operations Officer or the Chief Operations Officer will observe. If monies are received via check, then the Administrative Assistant will fill out a receipt for the funds and the other party who observed the transaction will initial the receipt as well. Documentation, if any, will accompany the receipt and copy of check that is then given to the Assistant Operations Officer for deposit to the bank and entry into the People Soft system as a deposit. The Chief Operations Officer will then transfer the funds from the clearing account to the agency's 200 revolving fund once that person is given a copy of the Form 11 Reconciliation to the Clearing Account. This process will become part of the agency's policies and procedures along with a process to identify payments received but not deposited and the reasons for that {i.e. Aircraft Pilot, Passenger and Protection Act (APPPA) permit application fees}.

² Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Oklahoma Aeronautics Commission Operational Audit

Timely Deposit of Funds

Oklahoma Statute 62 O.S. § 34.57.C requires that receipts greater than \$100 be deposited on the same banking day as received and receipts of less than \$100 be deposited when funds received equal \$100 or after five business days.

As discussed earlier, after the Agency receives funds, the administrative assistant prepares the deposit and delivers those funds to the bank. Our procedures indicated that bank deposits were not consistently made on a timely basis according to the statute.

This condition appears to be present because priority is sometimes given to other tasks prior to processing the deposit slip and depositing the funds. A result of not depositing funds in a timely manner could provide for a higher risk of misappropriation and the agency risks noncompliance with state statute.

Recommendation

We recommend the Agency make any necessary changes to its deposit procedures to ensure funds are deposited in accordance with 62 O.S. § 34.57.C.

Views of Responsible Officials

Effective immediately, all monies received will be deposited in compliance with Oklahoma State Statute 62 O.S. § 34.57.C. This deposit process will become part of the agency's policies and procedures.

Deposits Entries Not Posted in a Timely Manner

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*³ states in part that properly designed internal controls ensure that, "Transactions are promptly recorded to maintain their relevance and value to management..."

The Assistant Operations Officer (AOO), or, in the AOO's absence, the Chief Operations Officer (COO), enters deposits into PeopleSoft (the State's accounting system) after funds are deposited by the Administrative Assistant. Based on our procedures, it does not appear the Agency's deposits are consistently entered into PeopleSoft in a timely manner. Deposits that are not entered timely could cause the Agency's deposit records to be misstated.

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

Oklahoma Aeronautics Commission Operational Audit

Recommendation

We recommend that the Agency post deposit entries to PeopleSoft promptly after funds are deposited.

Views of Responsible Officials

Effective immediately, all monies will be entered into PeopleSoft promptly after funds are deposited. This task will be handled by the Assistant Operations Officer or in their absence, the Chief Operations Officer. This deposit process will become part of the agency's policies and procedures and will ensure that the agency's internal controls address the need that transactions be promptly recorded in order to maintain their relevance and value to management.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV