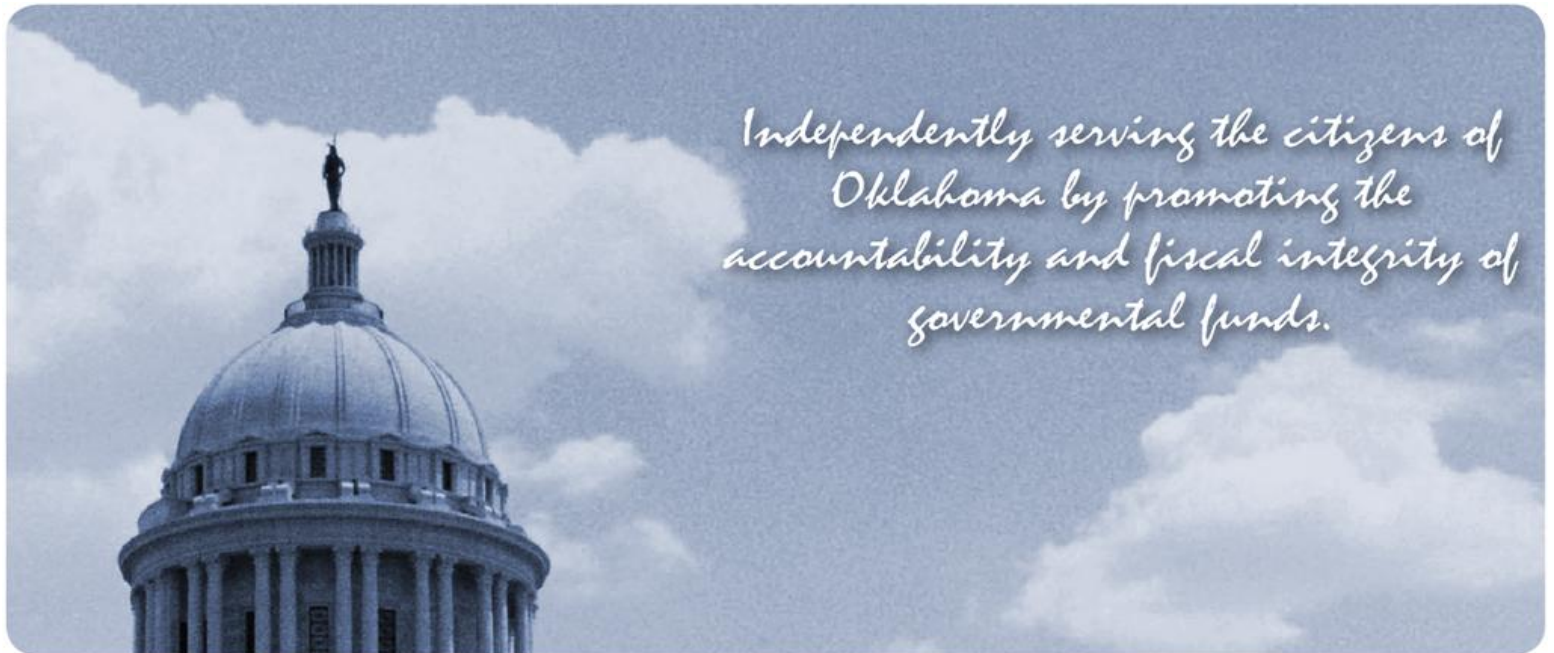


OPERATIONAL AUDIT

OKLAHOMA CONSERVATION COMMISSION

For the period July 1, 2012 through June 30, 2014



*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 Conservation Commission**

**For the Period
July 1, 2012 through June 30, 2014**



Oklahoma State Auditor & Inspector

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

March 4, 2015

**TO THE HONORABLE GOVERNOR MARY FALLIN AND THE COMMISSIONERS OF THE
CONSERVATION COMMISSION**

This is the audit report of the Oklahoma Conservation Commission for the period July 1, 2012 through June 30, 2014. 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 of the Oklahoma Conservation Commission staff for their 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 Conservation Commission Operational Audit

Background

Authorized under the Conservation Act of 1937, the Oklahoma Conservation Commission was created to conserve, protect, and restore Oklahoma’s natural resources, working in collaboration with the conservation districts and other partners on behalf of the citizens of Oklahoma.

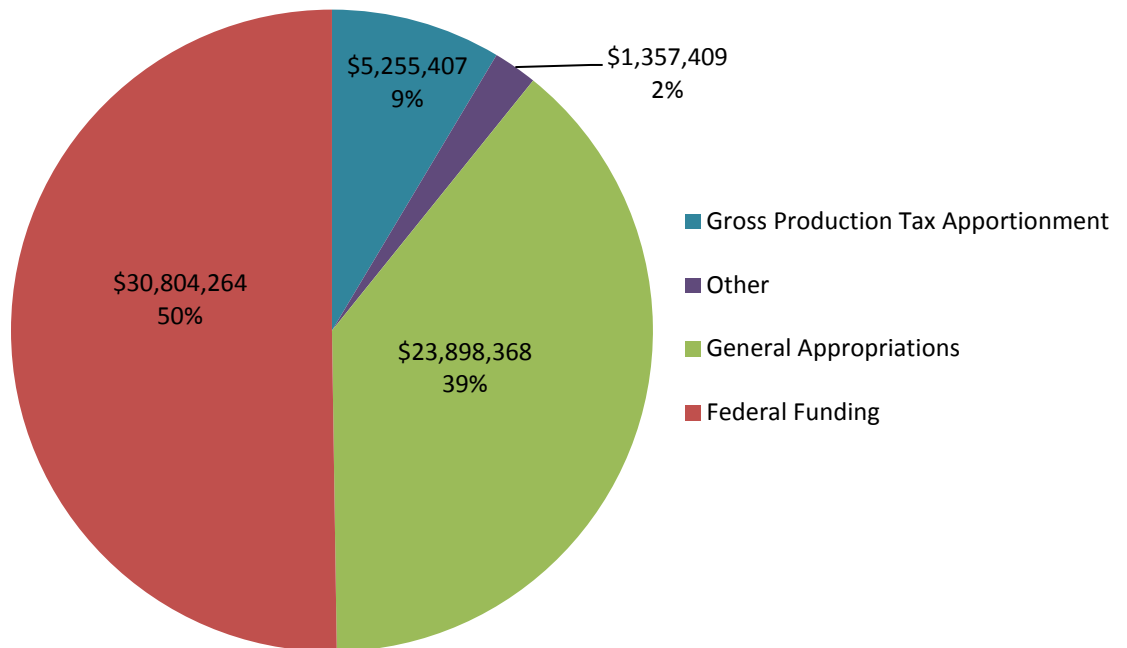
Oversight is provided by five Commissioners (board members) appointed by the governor. Each examiner serves a term of five (5) years.

Board members as of June 30, 2014 are:

Karl Jett.....	Area I Commissioner
Mike Rooker.....	Area II Commissioner
Scotty Herriman.....	Area III Commissioner
Dean Grauman.....	Area IV Commissioner
Jim Grego.....	Area V Commissioner

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

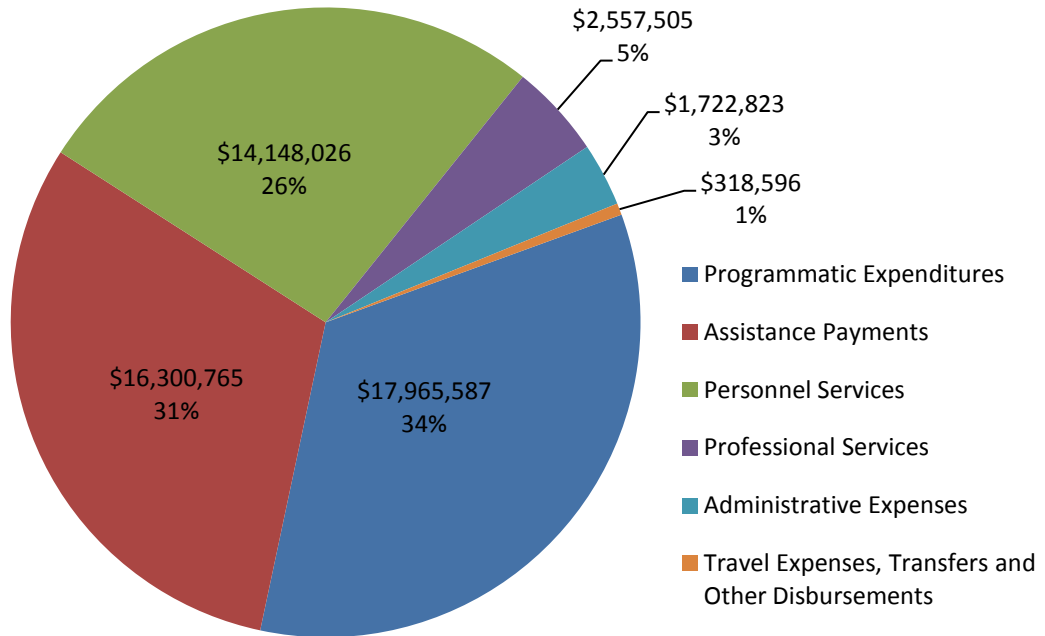
Chart 1 - Revenues by Category (July 1, 2012 through June 30, 2014)



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

Oklahoma Conservation Commission Operational Audit

Chart 2 – Expenditures by Category (July 1, 2012 through June 30, 2014)



Scope and Methodology

Our audit was conducted in response to Governor Fallin’s request in accordance with 74 O.S. § 212(C) and 213.2(B).

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 July 1, 2012 through June 30, 2014. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Conservation Commission’s operations.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to

Oklahoma Conservation Commission Operational Audit

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 financial controls provide reasonable assurance that expenditures and inventory were accurately reported in the accounting records.

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

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties over Expenditures - Repeat Finding

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*(2014 Revision)², provides that key duties and responsibilities need to be segregated among different people to reduce the risk of error or fraud... and no one individual should control all key aspects of a transaction.

The agency has not segregated key duties related to expenditures. The following conflicting conditions were indentified:

- The Comptroller has the ability to create purchase orders and also has the ability to post payments in the CORE system.
- The Comptroller has the ability to post payments into the CORE system as well as provide the Commission with the monthly 6-digit expenditure report.

Without adequate segregation of duties or an independent review of expenditures, improper payments could be made and not be detected in a timely manner.

Recommendation

We recommend

- management segregate duties to ensure that no one individual can post payments as well as create purchase orders and/or

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 Conservation Commission Operational Audit

- implement a process whereby expenditure information is obtained and reviewed by an individual independent of expenditure processes.

Views of Responsible Officials

A monthly 6 digit expenditure report created in PeopleSoft will be provided to the Executive Director each month for review. Once reviewed, the report will be signed and dated and maintained by the Executive Secretary.

Inadequate Controls over Inventory - Repeat Finding

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (2014 Revision)*³, provides that management should establish physical control to secure and safeguard vulnerable assets, and that management should periodically count and compare such assets to control records. The GAO further provides that management should design an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Inventory counts of agency assets are not conducted annually. Additionally, we noted one instance where the agency still had custody of an item that was noted as surplus on the agency's inventory listing.

Without periodic inventory counts, misappropriations of assets could occur and not be detected in a timely manner.

Recommendation

We recommend agency personnel perform annual asset inventory counts and a reconciliation to the previous inventory count to compare additions and deletions made during the period.

Views of Responsible Officials

Agency personnel will be identified and assigned the task to perform an annual asset inventory count and reconciliation to the previous fiscal year's inventory count. Records will be maintained at the Conservation Commission office.

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



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