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
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,

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

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

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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.
• 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.

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government (2014 Revision)*, 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 surplused 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.

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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.