

**OKLAHOMA DEPARTMENT OF  
AGRICULTURE, FOOD AND FORESTRY  
TURNOVER REPORT  
FOR THE PERIOD OF DECEMBER 1, 2002  
THROUGH JUNE 1, 2003**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

November 19, 2003

Terry L. Peach, Commissioner  
Oklahoma Department of Agriculture, Food and Forestry  
2800 N. Lincoln Boulevard  
Oklahoma City, OK 73105

Dear Mr. Peach:

Transmitted herewith is the turnover report for the Oklahoma Department of Agriculture, Food and Forestry for the period December 1, 2002 through June 1, 2003.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool: our goal is 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**OKLAHOMA DEPARTMENT OF  
AGRICULTURE, FOOD AND FORESTRY  
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**STATE BOARD OF AGRICULTURE**

**Terry L. Peach** - *President* (term expires 4-26-07)

**Tom Drake** - *Member* (term expires 4-26-05)

**Rick Clovis** - *Member* (term expires 4-26-04)

**Jimmie L. Draper** - *Member* (term expires 4-26-06)

**David Holcombe** - *Member* (term expires 4-26-08)



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

Terry L. Peach, Commissioner  
Oklahoma Department of Agriculture, Food and Forestry  
2800 N. Lincoln Boulevard  
Oklahoma City, OK 73105

Dear Mr. Peach:

Per your request, we have performed the turnover procedures listed below for the Department of Agriculture, Food and Forestry for the period December 1, 2002 through June 1, 2003.

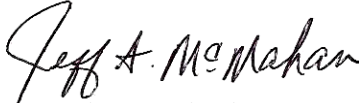
The procedures for the turnover report included but were not limited to the following:

1. On a sample basis, to determine the Department's compliance with the Oklahoma Central Purchasing Act, 74 O.S.2001, § 85.1.
2. On a sample basis, to determine the Department's compliance with the State Travel Reimbursement Act, 74 O.S.2001, § 500.1.
3. On a sample basis, to determine the Department's compliance with 74 O.S.2001, § 110.1 regarding the proper method of tracking assets of the State of Oklahoma.
4. Other matters that may arise upon the mutual agreement of the Department and the State Auditor and Inspector.

Because the procedures performed do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Oklahoma Department of Agriculture, Food and Forestry for the period December 1, 2002 through June 1, 2003. Further, due to the test nature and other inherent limitations of a turnover engagement, together with the inherent limitations of any internal control structure, there is an unavoidable risk that some material misstatements may remain uncovered. This report relates only to the sampled accounts and sampled items specified above and do not extend to any financial statements of the Oklahoma Department of Agriculture, Food and Forestry taken as a whole.

This report is intended for the information and use of the management of the Oklahoma Department of Agriculture, Food and Forestry. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN  
State Auditor and Inspector

October 28, 2003

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**OBJECTIVE 1**

On a sample basis, to determine the Department's compliance with the Oklahoma Central Purchasing Act, 74 O.S.2001, § 85.1.

**SCOPE AND METHODOLOGY**

We obtained from management a listing of contracts that were awarded by the Department and/or the Department of Central Services (DCS) where bids were obtained during the audit period. This listing contained a total of 21 contracts, 18 awarded by the agency and 3 by DCS. We judgmentally selected 7 contracts awarded by the agency and 3 awarded by DCS. We reviewed all documentation related to these contracts for the following:

1. The requisition was approved detailing the justification of the acquisition.
2. Two or more quotes were obtained for purchases of \$2,500 to \$10,000 and documented in the file.
3. Evidence of an invitation to bid notice and the accompanying bids received for purchases of \$10,000 to \$25,000 were documented in the file.
4. Evidence of an invitation to bid notice and the accompanying bids received for purchases over \$25,000 were documented in the file.
5. The lowest and/or best quote was awarded the contract.

**FINDINGS AND RECOMMENDATIONS**

No findings were noted as a result of the procedures performed.

**OBJECTIVE 2**

On a sample basis, to determine the Department's compliance with the State Travel Reimbursement Act, 74 O.S.2001, § 500.1.

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**SCOPE AND METHODOLOGY**

For our testwork, we judgmentally selected 58 travel claims, which is 24.11% of the total travel expenditures. The following procedures were applied to the claims:

1. The claim information agrees to the Office of State Finance report.
2. The per diem amount was correctly calculated.
3. The hotel expenses were correctly calculated.
4. The object coding on the claim was correct.
5. The claimed mileage was correctly calculated.
6. The claimed expenses were properly documented.
7. The claim was properly approved.
8. Miscellaneous expenses appeared reasonable.

**FINDINGS AND RECOMMENDATIONS**

***Criteria:*** The Office of State Finance (OSF) Procedures Manual Chapter 100- Section 165 states in part "Each claim submitted to OSF must carry a four digit expenditure code number. The code number is used to designate the type of disbursement made..."

Effective internal controls provide adequate supporting documentation.

Title 74 O.S.2001, §500.4 C. states in part, "...Distances for which reimbursement for use of privately owned motor vehicles is claimed shall not exceed distances set forth in the latest Transportation Commission road map..."

Title 74 O.S. 2001, §500.18 B. 1. states:

The actual and reasonable expenses of travel and subsistence in pursuing and developing markets for Oklahoma agricultural products incurred by the Commissioner, Deputy Commissioner and such employees designated by the State Board of Agriculture within the marketing development programs of the Oklahoma Department of Agriculture, Food, and Forestry shall be reimbursed to the employee incurring such expenses.



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Reimbursement of such expenses shall be in accordance with rules adopted by the Board. Expenses claimed shall, prior to reimbursement, be reviewed by the Board at a regular meeting and individually approved or disapproved.

The United States General Services Administration's CONUS (Continental United States) per diem rates for meals for San Antonio, Texas is \$46.00 per day and for Waco, Texas is \$34.00 per day.

Effective internal controls provide for the proper reconciliation of records.

OSF Procedures Manual Chapter 300 – Section 330 6. a. states in part:

...To qualify as an allowable miscellaneous travel expense, the purchased item or service must be clearly connected with the purpose of travel...there must be a clear business reason, explicit or implied, for incurring the expense...

OSF Procedures Manual Chapter 300 – Section 330 C. 4. d. states in part:

...Excess odometer mileage over the map miles as recorded from the starting and ending points of travel can be claimed as vicinity mileage...Vicinity mileage appearing to be excessive based on the nature of official business will be questioned if not justified...

**Condition:** During our testwork of fifty-eight (58) travel claims, the following exceptions were noted:

- Two claims had miscoded object codes.
- One claim had inadequate supporting documentation.
- Five claims had miscalculated map mileage.
- Three claims requesting actual and necessary reimbursement were not approved by the agency's board.
- One claim had the per diem rate miscalculated for Waco, Texas and San Antonio, Texas.
- One claim amount did not agree with OSF records.
- One claim had miscellaneous phone charges with the purpose undocumented.
- Three claims had excessive vicinity miles claimed.

**Effect:** The Department is not in compliance with the above-mentioned state statutes and procedures.

**Recommendation:** We recommend management disseminate the procedures and statutes mentioned above to the proper personnel for their review to help ensure the Department's compliance with the State Travel Reimbursement Act, 74 O.S.2001, § 500.1.

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**Management's Response:** The agency agrees to the conditions that were listed with the exception that the 3 actual and necessary reimbursement claims (item 4) were approved on the January, March, and May 2003 board meetings under claims.

- Reviewed findings with accounts payable clerk concerning conditions that were found during audit. Conducted 8-13-03
- Reviewed excessive vicinity miles claimed with Division Directors. New procedure to obtain contact sheets from inspectors to determine if mileage is being reported properly. Instituted 8-16-03.
- Assigned designated finance personnel to audit travel claims prior to being presented to accounts payable clerk. Instituted 8-16-03.
- Provide or update all appropriate division personnel with procedures and statutes to ensure compliance with the State Travel Reimbursement Act. Provide by 8-30-03.
- Conduct intensive training on the auditing of travel claims by division/agency personnel working with travel claims and providing instructions to agency personnel for completing forms accurately. Complete by 10-15-03.

With the reduction in agency personnel over the last years, many areas of responsibilities have shifted back to the division level and appropriate training/information needs to be re-emphasized to give the agency better control over these areas. We feel that instituting these internal controls will greatly reduce the errors that have occurred in the past.

**Auditor Response:** Regarding the reimbursement of actual and necessary expenses, Title 74 O.S. 2001, §500.18.B.1. states in part, "...Expenses claimed shall, prior to reimbursement, be reviewed by the Board at a regular meeting and *individually approved or disapproved.*"

The Board gave blanket approval to all claims paid by the Department. We recommend the Board individually approve or disapprove all actual and necessary claims based on whether the costs were incurred in pursuing and developing markets for Oklahoma agricultural products as required by Title 74 O.S. 2001, §500.18.B.1.

### **OBJECTIVE 3**

On a sample basis, to determine the Department's compliance with 74 O.S.2001, § 110.1 regarding the proper method of tracking assets of the State of Oklahoma.

### **SCOPE AND METHODOLOGY**

We obtained from management a listing of the agency's capital assets for the audit period. Management stated that due to problems with their current inventory system, they were unable to exclude items under \$500 from the listing.

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Due to the nature of the listing, the total population number and value could not be determined. The Department is currently in the process of replacing their current inventory system, which should address these types of concerns. Approximately eight locations exist in the state with equipment and we judgmentally selected three locations to test.

A sample of assets was selected from the listing and the following procedures were performed:

1. We visually inspected each asset to ensure existence.
2. The identification number on the listing agreed to that shown on the asset.
3. The asset had a Department ID tag.

A separate sample of assets was selected from the floor and the following procedures were performed:

1. The asset traced to the capital asset listing.
2. The identification number on the asset agreed to the number on the asset listing.
3. The asset had a Department ID tag.

### **FINDINGS AND RECOMMENDATIONS**

**Criteria:** 74 O.S. 2001, § 110.1 (B)(D) states in part:

B. ...inventory 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 which has a calculable period of service and a value of over Five Hundred Dollars (\$500.00)

D. The Department of Central Services shall cause all such articles 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 thereof...

A component objective of generally accepted accounting principles is to provide for reliability of information.

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Management has the responsibility to establish and maintain a complete and accurate capital asset listing designed to safeguard assets.

**Condition:** During our testwork of 60 assets at the state office in Oklahoma City, 30 assets at the Forestry Division Branch office in Goldsby and 29 assets at the Forestry Division Branch office in Tahlequah, the following exceptions were noted:

Oklahoma City

- Three assets did not have Department ID tags.
- Six assets' serial numbers did not agree to the capital asset listing.
- Two assets did not have their serial number noted on the capital assets listing.
- One asset did not have a visible serial number, but the number was noted on the capital asset listing.
- One asset did not have a Department ID tag and could not be located on the capital asset listing.

Goldsby

- Five assets did not have Department ID tags.
- One asset could not be located (3 ton truck).
- Three assets' serial numbers did not agree to the capital asset listing.
- One asset had a Department ID tag number that did not agree to the capital asset listing.
- Two assets did not have a visible serial number, but the number was noted on the capital asset listing.
- One asset did not have a Department ID tag and could not be located on the capital asset listing.

Tahlequah

- Nine assets did not have a Department ID tag.
- One asset had a Department ID tag number that did not agree to the capital asset listing.
- Two assets did not have a visible serial number, but the number was noted on the capital asset listing.
- One asset's serial number did not agree to the capital asset listing.
- Four assets could not be located (Dodge truck, fire plow, slip on – pumper unit, and electric hose reel).

**Recommendation:** We recommend management update their capital assets listing to ensure its completeness and accuracy. Management should also investigate and resolve the issue of assets that could not be located.

**Management's Response:** The Agency has taken action to correct all the exceptions that were listed on the Audit Finding Input Sheet.

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The missing vehicles and equipment were sold by this agency at state auction.

The Agency is undertaking a complete restructure of the inventory system to include a new computerized tracking system, which will allow the Inventory Officer to better track all equipment.

All equipment purchase orders that are recorded in the purchasing office will be copied and sent to the inventory officer to follow up on to collect pertinent information when items are received.

The Agency will assign a part-time inventory clerk to assist inventory officer to help record information and to conduct spot inventory inspections.

**OBJECTIVE 4**

Other matters that may arise upon the mutual agreement of the Department and the State Auditor and Inspector.

To determine whether the Department complied with Title 2 O.S. 2001, § 8-77.15.

**SCOPE AND METHODOLOGY**

We met with personnel from the Plant Industry and Consumer Services Division regarding the Department's possible non-compliance with Title 2 O.S. 2001, § 8-77.15. They stated the Department had registered a fertilizer product under the direction and instruction of the previous Secretary of Agriculture and believed their authority under the statute did not allow this. We requested all documentation related to this transaction in order to determine whether the Department had complied with the above-mentioned statute.

**FINDINGS AND RECOMMENDATIONS**

**Criteria:** Title 2 O.S. 2001, § 8-77.15 C. 1. a. (1) states in part, "The Department of Environmental Quality shall have environmental jurisdiction over: a. (1) commercial manufacturers of fertilizers...."

**Condition:** Based on conversation with management and observation of a memorandum of agreement between the Department of Agriculture and an unnamed party, it appears the Department has inappropriately registered a fertilizer product under the authority of Title 2 O.S. 2001, § 8-77.15C. 1. a. (1).

**Effect:** The Department may not be in compliance with Title 2 O.S. 2001, § 8-77.15 C. 1. a. (1).

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***Recommendation:*** We are referring this matter to the Oklahoma Attorney General for further consideration.

***Management's Response:*** The subject vendor has requested renewal of their soil amendment registration permit and sent payment. The agency is returning his check and instructing individual to apply to Department of Environmental Quality for the appropriate approval.