

Oklahoma Energy Resources Board

Agreed-upon Procedures Report

**For the Period
July 1, 2005 – June 30, 2006**

This publication is printed and issued by the State Auditor and Inspector, as required by 74 O.S. §212. Pursuant to 74 O.S., §3105, 40 copies have been prepared and distributed at a cost of \$33.57. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 30, 2007

TO THE OKLAHOMA ENERGY RESOURCES BOARD

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Energy Resources Board. 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. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

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

Sincerely,

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

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

To educate Oklahomans about the importance of petroleum (oil and gas) in their lives through traditional and non-traditional school curriculum, advertising, and public relations; to environmentally restore abandoned well sites to productive land use; to promote environmentally sound production methods and technologies; and to research and provide educational activities concerning the petroleum exploration and production industry.

Board Members

Steve Agee.....	Chairman
Rodney Myers	Vice Chairman
Sue Ann Hamm	Secretary
Julie S. Kruger.....	Treasurer
Terry J. Adamson	Board Member
Mark Aebi	Board Member
Dewey F. Bartlett, Jr.....	Board Member
Lee Boothby	Board Member
Mike Cross	Board Member
Brian Engel.....	Board Member
Bill Gifford.....	Board Member
Tom Goreson.....	Board Member
David W. House	Board Member
Linda Lambert	Board Member
Bruce McIninch.....	Board Member
E.M. Shipp.....	Board Member
Steve Slawson	Board Member
Vaughn Vennerberg, II.....	Board Member

Key Staff

Mindy Stitt.....	Executive Director
Diana Mathis	Controller
Cheryl Standage	Assessment Auditor



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Energy Resources Board (the Board), solely to assist you in evaluating your compliance with 52 O.S., §288, 74 O.S., §85.39, and Title 243 of the Oklahoma Administrative Code for the period of July 1, 2005 to June 30, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We calculated the amount deposited into Fund 200 (Energy Resources Revolving Fund) under revenue code 424262 (energy resources assessment) for three months and compared to the Board's supporting documentation and calculations for agreement.

There were no findings as a result of applying the procedure.

2. We randomly selected three months of reconciliations between the Board and the Office of State Finance (OSF) and inspected for:
 - Segregation of duties between preparer and reviewer;
 - Reconciliations were prepared within 45 days after month-end;
 - Reconciling items can be traced to subsequent reconciliations.

There were no findings as a result of applying the procedures.

3. We reviewed Board meeting minutes to determine whether the Fiscal Year 2006 budget was approved by the Board.

There were no findings as a result of applying the procedure.

4. We obtained the Board's internal listing of any grants, contributions, or gifts and agreed the total receipts to the deposits per the CORE deposit report for revenue account codes 456101, 456102, and 455201.

There were no findings as a result of applying the procedure.

5. We randomly selected 20 vouchers and:
 - Determined the expenditure was authorized;
 - Determined the expenditure was supported;
 - Compared the nature of the expenditure (and the vendor to whom it was paid) to the Board's mission for consistency;
 - Ensured the expenditure was not to compensate Board members, with the exception of travel reimbursement.

One (1) of the twenty (20) vouchers that we tested was not signed by the approving officer. To help ensure that agency expenditures are necessary, reasonable, and allowable, we recommend an appropriate official of the agency review, and indicate approval by signing, all claims for expenditure.

Management Response: OERB has reviewed this finding and concur that Voucher #1635 in the amount of \$45.00 was sent to the Office of State Finance for payment, without having the voucher jacket signed by OERB's Chairman. The invoice itself was approved by the Education Director and OERB's Executive Director. In the future, all Claim Jackets will be reviewed for a signature of the approving officer.

With respect to the other procedures applied, there were no findings.

6. We randomly selected 5 assessment refunds (expenditure account code 553190) paid to persons subject to the assessment levied by 52 O.S., § 288.8A.A and compared for consistency with State law and Board policy.

There were no findings as a result of applying the procedure.

7. We obtained the Oklahoma Tax Commission apportionment journal for the energy resources assessment for each month of the engagement and calculated the total collected. We subtracted the \$2,000 processing fee retained by the Oklahoma Tax Commission and compared the total to the amount deposited to Fund 200;

There were no findings as a result of applying the procedure.

8. We obtained the Board's internal purchasing procedures to determine if they had been approved by the Department of Central Services.

There were no findings as a result of applying the procedure.

9. We selected 15 contracts and compared them to the following criteria:
 - An Invitation to Bid was sent to potential bidders (between \$2,500 and \$10,000 only);
 - An ad soliciting bids was placed in the newspaper (\$10,000 and over only);
 - The formal contract was approved by the executive director.

There were no findings as a result of applying the procedures.

10. We randomly selected 15 Beacon Environmental Assistance Corporation claims to assist the Board in evaluating Beacon Environmental Assistance Corporation's compliance with the terms of their contract with the Board by comparing the claims with the following criteria:
 - Charges were allowable under the provisions set forth in the contract;
 - Claims were supported by adequate documentation as set forth in the contract.

Six (6) of the fifteen (15) Beacon claims that we tested contained charges in excess of the allowable lodging rate. Using the GSA lodging rates as referenced by state statute, we determined the total lodging charges for the six claims were \$448.33 in excess of the charges allowable. Section 2.2 of the Environmental Services Agreement between the agency and Beacon Environmental Assistance Corporation states: "OERB will pay Consultant based on pre-approved rates as set forth on Schedule A attached to this Services Agreement and incorporated herein by this reference". Schedule A indicates that lodging is paid at cost, not to exceed state allowable per day. To ensure Beacon's compliance with the agreement, we recommend the agency review all Beacon claims and recoup any charges in excess of the rates allowed by the agreement. We also recommend the agency review the rates and make any changes they deem necessary for future contracts.

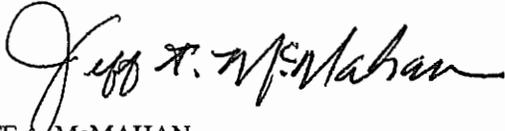
In addition, we were unable to determine whether copies, which were charged at ten (10) cents per copy, were allowable since an allowable amount is not specified in the contract. We recommend the agency establish a rate in the contract to ensure Beacon's copy charges are allowable.

Management Response: OERB has reviewed the invoices in question and concur that there are hotel overcharges in the amount of \$448.33. Beacon Environmental will be submitting a credit for these overcharges on their next invoice. As for the copy charge of ten (10) cents per copy, OERB has always paid Beacon Environmental this rate for copies. Both the hotel and copy charges will be addressed in Beacon's next contract extension, which is July 1, 2007.

With respect to the other procedures applied, there were no findings.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the Board's compliance with 52 O.S., §288, 74 O.S., §85.39, and Title 243 of the Oklahoma Administrative Code. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Board and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN
State Auditor and Inspector

April 17, 2007