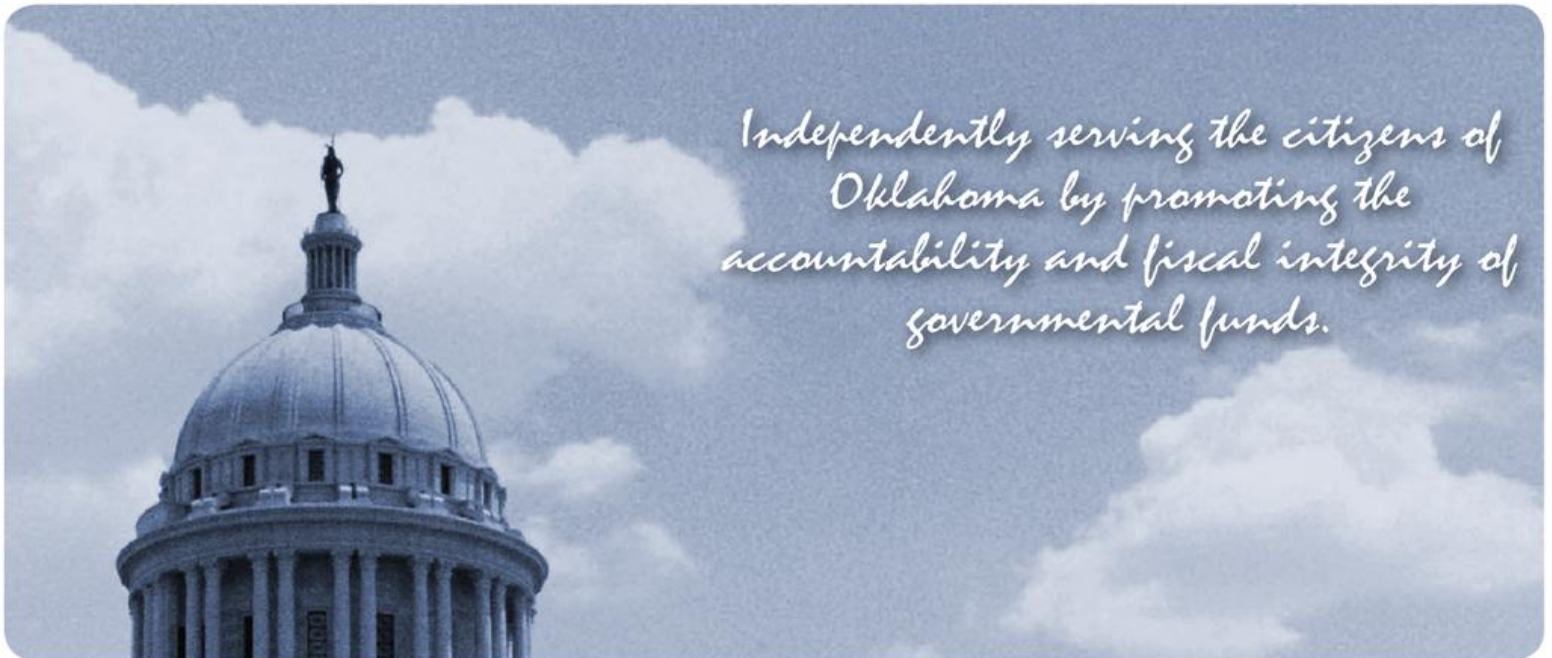


OPERATIONAL AUDIT

# OKLAHOMA ENERGY RESOURCES BOARD

For the period July 1, 2012 through June 30, 2013



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**Audit Report of the  
Oklahoma Energy Resources Board**

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

November 3, 2014

## TO THE OKLAHOMA ENERGY RESOURCES BOARD

This is the audit report of the Oklahoma Resources Board for the period July 1, 2012 through June 30, 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

**Background**

The Oklahoma Energy Resources Board (OERB) was created by the Oklahoma Legislature in 1993 to conduct environmental restoration or orphaned and abandoned well sites and to educate Oklahomans about energy. The OERB is funded voluntarily by oil and natural gas producers and royalty owners through a one-tenth of 1 percent assessment on the sale of oil and natural gas.

The mission of the OERB is to use the strength of Oklahoma’s greatest industry to improve the lives of all Oklahomans through education and restoration.

Oversight is provided by an unpaid, twenty-one member board (the Board). Eighteen members are independent oil or natural gas producers or representatives of major oil companies which do business in the state: six appointed by the Governor, six appointed by the President Pro Tempore of the Senate, and six appointed by the Speaker of the House of Representatives. The remaining three members, appointed by the independent producer and major oil company members of the Board, consist of one member from a royalty owner association and two members representing crude oil purchasing. Members of the Board are appointed for a term of three years.

Board members as of October 2014 are:

|                         |               |
|-------------------------|---------------|
| Tim Munson.....         | Chairman      |
| Danny Morgan. ....      | Vice-Chairman |
| Julie S. Musselman..... | Secretary     |
| Rusty Johnson.....      | Treasurer     |
| Terry J. Adamson .....  | Member        |
| Mark Aebi. ....         | Member        |
| Phil Cook.....          | Member        |
| Clay Gaspar. ....       | Member        |
| Bill Gifford. ....      | Member        |
| Tom Goresen.....        | Member        |
| David House.....        | Member        |
| Wade Hutchings. ....    | Member        |
| Ronnie Irani. ....      | Member        |

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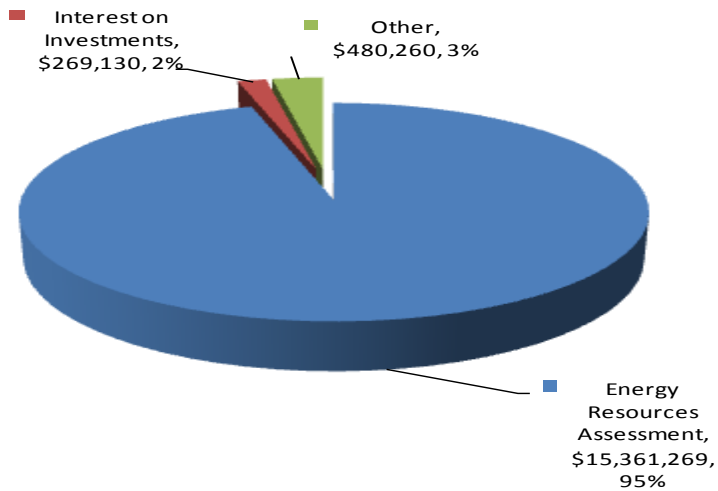
**OERB  
Operational Audit**

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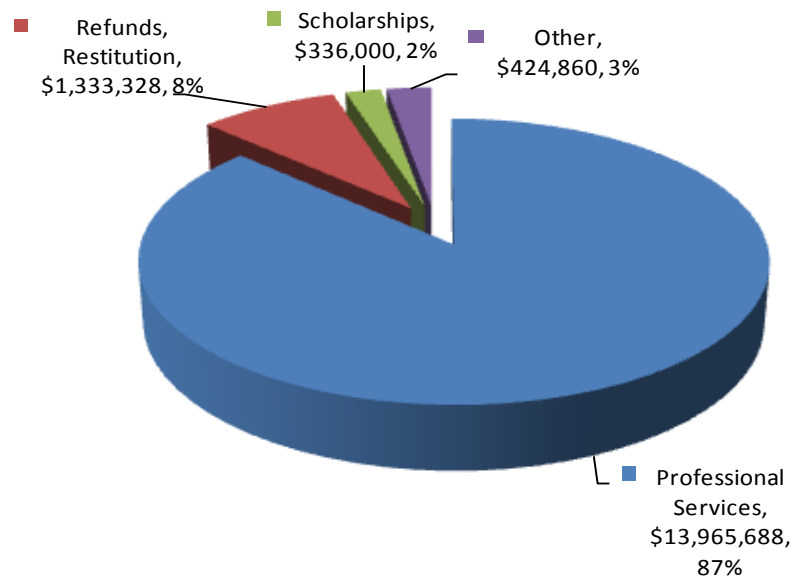
Rob Johnston..... Member  
David Le Norman. .... Member  
Mike McDonald..... Member  
Tony Maranto ..... Member  
Garrett Phelan..... Member  
John Pilkington..... Member  
Will Whitley..... Member

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

**Chart 1 - Revenues by Category for FY 2013**



**Chart 2 - Expenditures by Category for FY 2013**



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

**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 July 1, 2012 through June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the OERB 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 I**

Determine whether the Agency's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records, that expenditures under the contract with the Oklahoma Independent Petroleum Foundation were allowable, and financial operations complied with significant laws and regulations.

**Conclusion**

The Agency's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records and that expenditures under the contract with the Oklahoma Independent Petroleum Foundation were allowable.

Financial operations complied with the following statutes:

- 52 O.S. § 288.4 - no member of the Board shall receive a salary for duties performed as a member of the Board;
- 52 O.S. §288.5 - no member of the Committee (advisory) shall receive a salary for duties performed as a member of the Committee;
- 52 O.S. §288.7 - of the monies collected and not refunded pursuant to Sections 288.8A and 288.9A of this title, a minimum of fifty percent (50%) of said monies collected, including a prorated share of administrative costs incurred from the effective date of this act, and not subsequently refunded, shall be expended on environmental cleanup and remediation projects related to oil and gas pollution;
- 52 O.S. §288.8A - the Board shall be responsible for taking appropriate legal actions to collect any assessment which is not paid or is not properly paid; and
- 52 O.S. §288.9A - any person subject to the assessment levied by Section 288.8A of this title may request a refund as provided in this section of the assessment paid on production for the preceding calendar year.

We have no recommendations as a result of our procedures.





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