



OKLAHOMA INSURANCE DEPARTMENT

Turnover Procedures Report

For the period of January 1, 2018 through January 11, 2019

Cindy Byrd, CPA
State Auditor & Inspector

Turnover Procedures Report of the Oklahoma Insurance Department

**For the Period
January 1, 2018 through January 11, 2019**

May 6, 2019

Glen Mulready, Commissioner
Oklahoma Insurance Department
Five Corporate Plaza
3625 NW 56th, Suite 100
Oklahoma City, OK 73112-4511

Dear Commissioner Mulready,

Per your request, we have performed the turnover procedures listed below for the period of January 1, 2018 through January 11, 2019.

The procedures for this turnover report included the following:

1. We randomly selected four months of deposits and determined if revenues collected were transferred to the proper funds.

SCOPE AND METHODOLOGY

We gained an understanding of the revenue process through discussions with personnel and review of relevant documentation. We then randomly selected four months from the audit period and determined if for each month, revenues deposited by the agency were deposited into the appropriate fund.

FINDINGS AND RECOMMENDATIONS

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

2. We selected a sample of 40 expenditure claims and reviewed them to ensure they were adequately supported, mathematically accurate, properly approved, and reasonable given the Agency's mission.

SCOPE AND METHODOLOGY

We documented the expenditure process through discussion with personnel and review of relevant documentation. We randomly selected 40 non-payroll expenditure claims



from the audit period (a total population of 1,404 claims). We then reviewed the supporting documentation for each claim to ensure the attributes listed above were met.

FINDINGS AND RECOMMENDATIONS

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

3. We reviewed documentation of payroll changes to ensure they were properly approved.

SCOPE AND METHODOLOGY

We discussed payroll changes with personnel to determine how they are documented and approved. From the audit period, we judgmentally selected 39 pay rate changes with a financial impact (including hires, terminations, and pay rate changes). We excluded agency-wide legislative adjustments, and included changes made from November 1, 2018 through January 11, 2019 and changes of 20% or more from the remainder of the audit period.

We reviewed the supporting documentation for the selected changes to ensure they were properly approved. Where explicit approval was not required (such as with terminations), we ensured appropriate documentation was provided and agreed to the Human Capital Management (HCM) system where such changes are applied.

FINDINGS AND RECOMMENDATIONS

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

4. We selected a random sample of clearing account reconciliations for four audit period months and tested to ensure they were mathematically accurate, agreed to supporting documentation, and reconciling items appeared reasonable.

SCOPE AND METHODOLOGY

We gained an understanding of the reconciliation process through discussions with personnel and review of relevant documentation. We then randomly selected four audit period months. We obtained the reconciliation forms and supporting documentation for the selected months and compared to ensure the attributes listed above were met.

FINDINGS AND RECOMMENDATIONS

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

5. We selected 22 inventory assets from the Agency's inventory list and tested to ensure the items existed, were marked as Property of the State of Oklahoma, and the details in the inventory listing were accurate.

SCOPE AND METHODOLOGY

We discussed the inventory process with relevant personnel and obtained the inventory listing of the Agency's IT and non-IT assets. We randomly selected 20 items from the list and judgmentally selected two additional items, and visually inspected them to ensure the attributes listed above were met.

FINDINGS AND RECOMMENDATIONS

No findings were noted for 21 of the 22 assets tested. Asset 385007333 did exist and was identified as Property of the State of Oklahoma, but the location of the asset in the inventory listing was inaccurate.

We recommend management ensure a reliable and accurate annual inventory count is performed and details of each item, including location, are verified. Formal documentation of the inventory count and evidence of any pertinent reviews and changes should be maintained.

VIEW OF RESPONSIBLE OFFICIALS

Asset 385007333 was identified in the inventory system as a desktop computer assigned to an OID staff member. The asset had been identified as a potential security risk and was relocated to the OID IT Department for immediate diagnostic testing. The OID IT Department, under the guidance of the Director of Operations, has full authority to relocate IT equipment in an urgent manner, within the agency, at their discretion for risk assessment of security threats, misuse, or abuse of equipment. The department strives to maintain reliable and accurate inventory records. However, it is within the agency's best practice to allow for relocation of "at risk" IT equipment within the agency to a secure area for assessment.

AUDITOR'S RESPONSE

While we understand the agency's approach for urgent risks, at the time of our testwork, the relocation was not described to us as urgent. A replacement computer had already been issued and that asset's location updated in the inventory records, suggesting the location update for the original computer may simply have been overlooked. We recommend IT personnel communicate changes in equipment location on a regular and timely basis, to support the general inventory process detailed in our original recommendation.

6. We selected 20 items from the Agency's offices and tested to ensure the assets were included in the inventory listing, identified as Property of the State of Oklahoma, and that the details in the inventory listing were accurate.

SCOPE AND METHODOLOGY

We discussed the inventory process with relevant personnel and obtained the Agency's listing of IT and non-IT assets. We then haphazardly selected 20 items present at the

Oklahoma City office and requested remote verification of 1 item from the Tulsa office, and visually inspected the items to ensure the attributes listed above were met.

FINDINGS AND RECOMMENDATIONS

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

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 Insurance for the period of January 1, 2018 through January 11, 2019. This report relates only to the selected items specified above. 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 undetected.

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

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S·A·I
STATE AUDITOR & INSPECTOR



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