

TURNOVER REPORT

# OKLAHOMA INSURANCE DEPARTMENT

For the period July 1, 2010 through January 10, 2011



*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

**Turnover Procedures Report of the  
Oklahoma Insurance Department**

**For the period  
July 1, 2010 through January 10, 2011**



# Oklahoma State Auditor & Inspector

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June 14, 2011

The Honorable John Doak  
Insurance Commissioner  
Oklahoma Insurance Department  
Five Corporate Plaza  
3625 NW 56th, Suite 100  
Oklahoma City, OK 73112-4511

Dear Commissioner Doak:

Per your request, we have performed the turnover procedures listed below for the period of July 1, 2010 through January 10, 2011.

The procedures for this turnover report included the following:

1. Selected a sample of 75 (45 were randomly selected, and 30 were judgmentally selected) expenditure claims from the audit period and reviewed to ensure they were adequately supported, mathematically accurate, properly approved, and reasonable given the Insurance Department's (Department) mission.

## **SCOPE AND METHODOLOGY**

We discussed the expenditure process with relevant personnel, and then obtained a listing of all of the Department's non-personnel expenditures from the statewide accounting system (PeopleSoft), a total of 1,092 expenditure claims. In order to select a random sample of 45 expenditure claims from this population, we arranged the claims based on dollar amount into five groups and selected a proportionate number of claims from each group based on the percentage the group represented of the total. The 30 judgmentally selected claims were chosen based on either account code or dollar amount (every transaction of \$20,000 or more was selected). We then obtained the supporting documentation for each of the claims and reviewed to ensure the above criteria were met.

## **FINDINGS AND RECOMMENDATIONS**

During these procedures, we noted five claims totaling \$1,680 where employees were reimbursed for items such as membership dues to associations (e.g. Oklahoma Bar Association, Society of Financial Examiners, etc.), payments for testing fees related to obtaining a Certified Financial Examiner designation, and registration for a CPA license. According to Chapter 318.C.3 of the Office of State Finance (OSF) Procedures manual, these are prohibited acts. Agencies can pay for these items if they have specific statutory authority, or the fee is for a specific position and the membership is transferable, or when specific coverage of individual memberships are within the terms of a grant contract. Department personnel did provide us with internal policies addressing these types of expenditures; however, no specific statutory authority was provided as support for these policies.

In addition, Chapter 319.M.5.d. of OSF Procedures manual states "...testing and licensing costs as well as any costs associated with obtaining or maintaining a CPA permit to practice are not eligible state costs under any circumstances..."

We recommend management discontinue paying for personal organizational memberships or dues unless they are authorized to do so by a specific statute or meet a specified exception. In addition, management should discontinue paying for any fees related to obtaining or retaining a CPA license or permit to practice.

*Views of Responsible Officials:* We agree with the auditor's comments and the following action will be taken to improve the situation as of January 10, 2011. We will make the necessary changes to the agency's internal policies regarding these types of expenditures to make them compliant with Office of State Finance (OSF) procedures and state law.

2. Reviewed documentation of all payroll changes that occurred during the audit period to ensure they were documented and properly approved.

#### **SCOPE AND METHODOLOGY**

We discussed payroll changes with personnel to determine how they are documented and approved, then reviewed the documentation for 21 salary changes and 14 new hires that occurred during the audit period to ensure they were documented and properly approved.

#### **FINDINGS AND RECOMMENDATIONS**

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

3. Selected a sample of three monthly clearing account reconciliations to ensure they were mathematically accurate, agreed to supporting documentation, and the reconciling items appeared reasonable.

#### **SCOPE AND METHODOLOGY**

We discussed the reconciliation process with relevant personnel, and then randomly selected three of the six monthly reconciliations in our period. We then obtained the reconciliation forms and supporting documentation for the selected months to ensure the above criteria were met.

#### **FINDINGS AND RECOMMENDATIONS**

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

4. Selected a random sample of 30 assets from the inventory report (seven furniture items, one office equipment item, and 22 computer equipment items, in proportion to the number of items listed in each category) and visually inspected them to ensure the assets existed, were identified as property of the State of Oklahoma, and the items' information (e.g. tag number and serial number, where applicable) agreed to the inventory report.

#### **SCOPE AND METHODOLOGY**

We discussed the inventory process with relevant personnel, and obtained an inventory report of the Department's assets valued at \$500 or more. We divided the items into three categories (furniture, office equipment, and computer equipment) and randomly selected the 30 assets based on the percentage the category represented to the total number of assets on the report. We then physically observed each item and confirmed the items' information (e.g. tag number and serial number, where applicable) to the inventory report.

#### **FINDINGS AND RECOMMENDATIONS**

During these procedures we noted the following:

- Inventory item #385004299, a wooden desk, was not affixed with an asset tag, identifying it as property of the State of Oklahoma;

- Five items could not be located (item #6363 - a six shelf bookcase, item #385004614 - a credenza, item #231000064 - a desk, item #385040820 - a five drawer legal size file cabinet, and item #901010421 - a CPU). Surplus documentation was provided for item #901010421; however, the tag number on the surplus document did not agree to the inventory report and a serial number was not included on the documentation;
- Two items were affixed with an asset tag number; however, the numbers did not agree to the inventory records (item #901010202 - a CPU, was tagged with #901001202 while item #901133000 - a color printer, was tagged with #901001330).

We recommend management:

- Ensure the inventory report is accurate by performing a physical inventory count on an annual basis. This count should confirm at a minimum the location, and the items' information (e.g. tag number, serial number) as reported on the inventory report;
- Ensure the inventory report is routinely updated to account for items surplused. The item's serial number, where available, should also be reported on the surplus documentation.

**Views of Responsible Officials:** We agree with the auditors' comments, and the following action will be taken to improve the situation. We will perform a physical inventory count on an annual basis. The count will include confirmation of the asset location and identifying information. We will ensure that the acquisition and disposition of assets will be recorded in a timely manner with the inclusion of the asset's identifying information, including serial numbers, where applicable.

5. Selected a haphazard sample of 30 assets from the floor and visually inspected them to ensure the assets were identified as property of the State of Oklahoma, the asset could be located on the inventory report, and the items' information (e.g. tag number and serial number, where applicable) agreed to the inventory report.

#### **SCOPE AND METHODOLOGY**

We discussed the inventory process with relevant personnel, and haphazardly selected 30 assets that appear to have a value of \$500 or more located through the Department. The items' information (e.g. description, tag number and serial number, where applicable) was compared to the inventory report.

#### **FINDINGS AND RECOMMENDATIONS**

During these procedures we noted one item (item #901001249 – HP Laser Jet Printer) could not be located on the inventory report by either the asset tag number or serial number.

We recommend management ensure the inventory report is accurate by performing a physical inventory count on an annual basis. This count should confirm at a minimum the location, and the items' information (e.g. tag number, serial number) as reported on the inventory report.

**Views of Responsible Officials:** We agree with the auditors' comments, and the following action will be taken to improve the situation. We will perform a physical inventory count on an annual basis. The count will include confirmation of the asset location and identifying information. We will ensure that the acquisition and disposition of assets will be recorded in a timely manner with the inclusion of the asset's identifying information, including serial numbers, where applicable.

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 Department for the period of July 1, 2010 through January 10, 2011. 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 Department. 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 the course of 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,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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



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