

TURNOVER REPORT

OFFICE OF JUVENILE AFFAIRS

For the period July 1, 2011 through August 31, 2012



*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



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December 4, 2012

The Honorable Mary Fallin
Governor
Office of the Governor
2300 N. Lincoln Boulevard, Room 212
Oklahoma City, OK 73105

Dear Governor Fallin:

Per your request dated July 17, 2012, we have performed the turnover procedures listed below on the Office of Juvenile Affairs (OJA) for the period July 1, 2011 through August 31, 2012:

1. Obtained a selection of vouchers and reviewed to ensure that they were adequately supported, mathematically accurate, properly approved, and reasonable given OJA's mission.

SCOPE AND METHODOLOGY

We reviewed OJA's internal policy related to expenditures and a random selection of 93 vouchers to ensure the above-referenced criteria were met.

FINDINGS AND RECOMMENDATIONS

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

2. Obtained a selection of payroll changes and reviewed to ensure that they were properly approved.

SCOPE AND METHODOLOGY

We reviewed OJA's internal policy related to payroll changes and a random selection of 65 payroll changes that involved a change in dollar amount to ensure the above-referenced criteria were met.

FINDINGS AND RECOMMENDATIONS

No findings were noted as a result of the procedures performed; however, one situation was identified which we believe should be noted:

- The previous executive director received a 24.09% (\$1941.25 monthly) pay raise in June 2012, four months after he had announced his retirement.
 - The Board Chairperson stated that the pay raise was approved to ensure the executive director remained with OJA until a new executive director was hired.
 - This payroll change was properly approved by the OJA Board.
3. Obtained a selection of clearing account reconciliations and ensured that they were mathematically accurate, agreed to supporting documentation, and reconciling items appeared reasonable.

SCOPE AND METHODOLOGY

We discussed OJA's internal policy related to clearing account reconciliations and reviewed a random selection of 5 reconciliations to ensure the above-referenced criteria were met.

FINDINGS AND RECOMMENDATIONS

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

(Note: Items 4 and 5 were tested together; therefore, they will be presented together here)

4. Obtained a selection of assets from the capital asset listing and visually inspected to ensure the asset existed, was identified as property of the State of Oklahoma, and that the details in the capital asset listing agreed to the item.
5. Obtained a selection of assets from the floor of OJA offices and visually inspected to ensure that the asset was identified as property of the State of Oklahoma, was included in the capital asset listing, and that the details in the capital asset listing agreed to the item.

SCOPE AND METHODOLOGY

We reviewed OJA's internal policy related to capital assets, as well as statewide requirements related to capital assets. We reviewed a total of 40 judgmentally selected assets (20 for each procedure) and ensured the above-referenced criteria were met.

FINDING AND RECOMMENDATIONS

Oklahoma Administrative Code (OAC) 580:70-5-1 states, “(a) An agency shall affix a unique identifier as an inventory tag to all tangible assets. (b) The inventory tag shall be affixed in a location to ensure accessibility by an inventory control officer. (1) An agency shall affix inventory tags in a similar fashion and location on tangible assets similar in nature and use. (2) An agency shall place inventory tags for tangible assets that do not have an affixed tag in a central location readily accessible to inventory control officers...”

Further, per OAC 580:70-1-4(b), “To ensure accuracy of state inventory records, an agency shall develop internal procedures for reporting and maintaining information related to the acquisition, reallocation, relocation and disposition of tangible assets to an inventory control officer.”

Finally, a basic objective of Generally Accepted Accounting Principles (GAAP) is to provide accurate and reliable information.

We selected forty inventory items for testing and noted the following:

- One asset without an inventory tag
- Two assets without inventory tags and also not listed in FATS (Fixed Assets Tracking System)
- Three assets had been disposed of but remained on the asset listing provided:
 - Two of the three had been surplused but remained on inventory records
 - One of the three had been improperly disposed of but remained on inventory records
- One incorrectly tagged asset
- Two assets without descriptions in FATS
- One asset not listed in FATS

We recommend that:

- Management review the exceptions discussed above and perform necessary procedures to correct these errors.
- Management discuss the inventory policy with applicable employees to ensure they understand the policy as well as their responsibilities, and that they are aware of the importance of maintaining accurate records.
- OJA’s inventory policies be reviewed by management to determine which employees should be responsible for updating inventory records for changes.
- Someone other than the personnel responsible for making inventory adjustments review records to ensure required adjustments have been

made. Depending on the number of changes, it may not be reasonable for all the changes to be verified. In those cases, a sample of items should be reviewed at a minimum.

- Management ensure all items purchased by OJA are properly marked as such.
- The inventory control officer review the inventory listing for incomplete data (e.g. no serial number, no acquisition date) and perform necessary procedures to obtain this information and complete the listing as required by the OAC.

View of Responsible Officials:

OJA will comply with the above recommendations and as annual field audits are conducted, records will be updated in accordance with OJA policy and procedures.

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 OJA for the period of July 1, 2011 through August 31, 2012. 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 the Governor, as well as the management of the Office of Juvenile Affairs; 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,



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



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