

**OKLAHOMA FUNERAL BOARD
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 17, 2004

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Funeral Board Internal Control Report for the fiscal year ended June 30, 2003. By its nature, this report focuses on weaknesses in controls. This focus should not be understood to mean there are not also various strengths and accomplishments.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of the 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 to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA FUNERAL BOARD
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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BOARD MEMBERS

<u>Name</u>		<u>Term Expires</u>
Chris Craddock	President	July 1, 2004
Stephen Huston	Vice President	July 1, 2007
Charles Brown, Ph.D.	Member	July 1, 2006
Terry Clark	Member	July 1, 2004
Joe Harris	Member	July 1, 2006
Keith Stumpff	Member	July 1, 2005
John Temple	Member	July 1, 2008

**ADMINISTRATIVE
STAFF**

	Terry McEnany, Agency Director	
Lloyd Brown, Inspector/Field Representative		Chris Ferguson, Business Manager



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA FUNERAL BOARD

We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

1. We reviewed management's internal controls over financial records and operations, and perform a walk-through of controls to determine whether they have been designed as represented by management.
2. We reviewed procedures for remitting portions of fees to the State of Oklahoma and test a sample of remittances for adherence to these procedures.
3. We reviewed the Board's policies and procedures and test compliance with such policies and procedures.
4. Audit procedures were performed on the clearing account deposits and disbursements, for the periods July 2001 through March 2004, as requested by management.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Funeral Board and to make recommendations in certain areas, and whether stated controls were operating as represented to us or if additional controls were necessary to reduce the risk of errors and irregularities.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Agency's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of the Agency's internal control, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

June 17, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-285-002

Criteria: According to 59 O.S. Supp. 2003 § 396.1C: "... The executive director is hereby authorized and empowered to collect, in the name and on behalf of the Board, the fees prescribed in the Funeral Services Licensing Act, and all fees so collected shall at the end of each month be deposited by the executive director with the State Treasurer. The State Treasurer shall place ten percent (10%) of the money so received in the general fund of the state, and the balance in a special fund to be known as the "Fund of the Oklahoma Funeral Board"..."

Condition: During our testwork of the Board's transfers to the General Revenue Fund for FY 03, we noted the Board received \$220,952.30 in gross fees and transferred \$17,206.07 to the General Revenue Fund. The aforementioned state statute requires 10% (\$22,095.23) be transferred.

In addition, we noted there were no transfers made to the General Fund during:

- March, April, May, and June SFY 2002
- August, October, November, December, January, February, and March SFY 2003; and
- November, December, and January SFY 2004

Effect: The Board may not be in compliance with State Statutes.

Recommendation: We recommend the Board establish and implement policies and procedures to ensure 10% of gross fees collected for licenses, registrations, and examinations are transferred to the General Fund monthly, as required by State Statute.

Management's Corrective Action Plan

Contact Person: Terry McEnany, Agency Director

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: Management agrees. The Board has entered into a financial services agreement with another state agency to comply with this effective July 1, 2004.

Comment 2003-285-003

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: Based on discussion with management and testwork performed, it appears monthly reconciliations are not performed consistently for the Board's Agency Clearing Account.

Effect: Errors could occur and not be detected in a timely manner.

Recommendation: We recommend the Board establish and implement controls to ensure monthly reconciliations are performed for the Board's Agency Clearing Account.

Management's Corrective Action Plan

Contact Person: Terry McEnany, Agency Director

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: Management agrees. The Board has entered into a financial services agreement with another state agency to comply with this effective July 1, 2004.

Comment 2003-285-004

Criteria: According to 62 O.S. Supp. 2003 § 7.1: "It shall be the duty of each state agency, officer or employee, to deposit in the agency clearing account, or agency special account, established under Section 7.2 of this title, all monies of every kind, including, but not limited to: 2. Receipts from licenses, examinations, per diem and all other reimbursements, fees, permits, fines, forfeitures and penalties."

Condition: During our testwork of the Board's deposits, we noted deposits were being made directly to the Fund 200 account instead of the agency clearing account. This occurred during the period of October 2002 through March 2003.

Effect: The Board may not be in compliance with State Statutes.

Recommendation: We recommend the Board establish and implement controls to provide for the proper depositing of funds.

Management's Corrective Action Plan

Contact Person: Terry McEnany, Agency Director

Anticipated Completion Date: April, 2003

Corrective Action Planned: Management agrees. The Board has entered into a financial services agreement with another state agency to comply with this effective July 1, 2004.

Comment 2003-285-005

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: The Board does not have written policies and procedures regarding insufficient fund checks.

Effect: Without written policies and procedures, inconsistencies may occur in the resolution of insufficient fund checks.

Recommendation: We recommend the Board establish and implement controls to provide for the proper resolution of insufficient fund checks.

Management Corrective Action Plan

Contact Person: Terry McEnany, Agency Director

Anticipated Completion Date: August 12, 2004

Corrective Action Planned: Management agrees. Will develop policies and procedures to be presented to the Board for approval at the August 12, 2004 meeting.