

**OKLAHOMA SPACE INDUSTRY DEVELOPMENT AUTHORITY
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 28, 2004

To The Honorable Brad Henry
Governor of the State of Oklahoma

Transmitted herewith is the Oklahoma Space Industry Development Authority 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 cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**Oklahoma Space Industry Development Authority
Internal Control Report
For the Fiscal Year Ended June 30, 2003**

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**Oklahoma Space Industry Development Authority
Internal Control Report
For the Fiscal Year Ended June 30, 2003**

COMMISSION MEMBERS

<u>Name</u>		<u>Term Expires</u>
Don Rodolph	Attorney	June 30, 2004
Robert Triplett	Aerospace Industry	June 30, 2004
Louis Sims	Comm. Space Industry	June 30, 2007
Joseph S. King	Comm. Space Industry	June 30, 2007
Ken McGill	Aerospace Industry, DSFI President	June 30, 2007
Harry P. Kliewer	Aerospace Industry	June 30, 2007
Mary E. Smith	Aerospace Industry	June 30, 2007

**ADMINISTRATIVE
STAFF**

	Gen. Jay Edwards Executive Director	
Vicki Petty, Administrative Assistant	William Khourie Operations Manager	Melissa Smith Marketing / Human Resources



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

To The Oklahoma Space Industry Development Authority

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 observed documentation regarding those controls.
2. We reviewed the Authority's policies and procedures, and observed whether they were being followed.

The purpose of these procedures was to identify, on a limited basis, the adequacy of certain aspects of internal controls in place at the Oklahoma Space Industry Development Authority. Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

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 Authority's internal controls 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 Authority's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,

JEFF A. McMAHAN
State Auditor and Inspector

May 13, 2004

Comments and Recommendations

Comment 03-346-001

Control Category: Capital Assets

Criteria: Effective internal controls should provide for adequate segregation of duties that reduces the opportunity for any person to both perpetrate and conceal errors and irregularities in the normal course of their duties.

Condition: The following internal control weaknesses were noted:

One person performs the following duties:

Records asset purchases

Performs asset inventory

Effect: It is possible that capital assets could be misappropriated.

Recommendation: We recommend the Authority establish and implement controls to provide for proper segregation of duties.

Management's Corrective Action Plan

Contact Person: William Khourie

Anticipated Completion Date: Now

Corrective Action Planned: The Administrative Assistant has been responsible for recording asset purchases. Purchases must be approved by the Executive Director prior to any expenditure. Additionally, the Administrative Assistant was charged with appropriately listing the asset on the agency asset inventory index.

New Procedure: New purchases will be recorded by the Administrative Assistant and the Executive Director or Operations Manager upon receipt of an asset. Additionally, the proper entry of assets on the inventory index will be verified by the Executive Director or Operations Manager upon listing the asset.

Comment 03-346-002

Control Category: Capital Assets

Criteria: According to Oklahoma Administrative Code 580:70-3-1, "The inventory report shall be signed by the agency inventory control officer and shall include for each tangible asset:

1. the agency number;
2. the asset number;
3. the model and serial number, if any;
4. the manufacturer;
5. the description;
6. product name;
7. physical location;
8. acquisition date and cost;
9. any other information which may be requested by the Department to ensure the integrity of state inventory records."

According to Oklahoma Administrative Code 580:70-5-1, "An agency shall affix a unique identifier as an inventory tag to all tangible assets. The inventory tag shall be affixed in a location to ensure accessibility by an inventory control officer."

Condition: The Authority's capital asset listing did not include costs of various computer equipment. Also, capital assets (over

\$500.00) were not tagged.

Effect: Misappropriation of capital assets could result from not having a complete master inventory list and assets not being properly tagged.

Recommendation: We recommend the Authority maintain an accurate asset listing and properly tag the assets.

Management's Corrective Action Plan

Contact Person: William Khourie

Anticipated Completion Date: Immediately

Corrective Action Planned: The OSIDA Administrative Assistant added the cost of the computer equipment to the agency inventory list and provided the updated list to representatives from the State Auditor's Office. Additionally, since moving to our new office location in Burns Flat, OSIDA has generated ID Tags for the computers. The computer systems are the only assets we currently have costing over \$500.00.

Comment 03-346-003

Control Category: Capital Assets

Criteria: Effective internal control procedures should ensure proper stewardship of publicly owned capital assets.

Condition: The Authority does not store its laptop computers in a secure manner.

Effect: Misappropriation of assets could occur.

Recommendation: We recommend the Authority maintain security over the laptops that are available for use away from the office.

Management's Corrective Action Plan

Contact Person: William Khourie

Anticipated Completion Date: June 2004

Corrective Action Planned: OSIDA did not have a means to store laptop computers in locked cabinets or file cases due to the fact that none were available in our office. However, we did store the laptop computers in the bottom drawer of a file cabinet in our conference room to provide the best means of security possible. OSIDA's new office location has a storage room that has a keyed entry. OSIDA's laptop computers are currently stored in a locked storage environment.