

**OKLAHOMA WHEAT COMMISSION
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

July 8, 2004

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

Transmitted herewith is the Oklahoma Wheat Commission 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. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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COMMISSION MEMBERS

| <u>Name</u> | | <u>Term Expires</u> |
|----------------------|-----------------------|----------------------------|
| Henry Jo Von Tungeln | Chairperson | June 30, 2003 |
| Paul Jackson | Vice Chair | June 30, 2004 |
| Leroy Quance | Secretary / Treasurer | June 30, 2005 |
| Keith Kislung | Member | June 30, 2006 |
| Tom Stephens | Member | June 30, 2007 |
| Tom Glazier | Member | June 30, 2008 |
| Dennis Howard | Ex-Officio | |
| Dr. Sam Curl | Ex-Officio | |

**ADMINISTRATIVE
STAFF**

Mark Hodges
Executive Director

Judith Williams
Assistant Director

Benita Goggin
Business Manager II

Shelley Haley
Communications & Marketing
Specialist



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA WHEAT COMMISSION

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

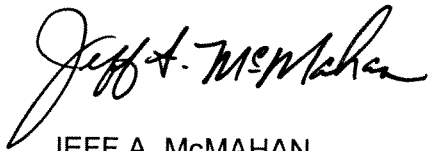
1. We reviewed management's internal controls over financial records and operations, and performed a walk-through of controls to determine whether they have been designed as represented by management. We reviewed controls in the following specific areas:
 - a. Cash receipting and depositing of funds.
 - b. Fixed Assets.
 - c. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
 - d. Segregation of duties regarding authorization, recording, and custody.
2. We reviewed the Board's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
 - a. Agency's compliance with policies and procedures regarding budgetary matters.
 - b. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Wheat Commission, make recommendations in certain areas, and determine 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 made an audit of the effectiveness of the Agency's internal controls, 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. McMahen". The signature is written in a cursive style with a large, looping initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

June 30, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-875-002

Criteria: Effective accounting procedures are necessary to provide proper accounting for funds and to ensure proper stewardship and accountability of publicly owned assets.

Condition: We noted the Commission:

- Accepts gifts and donations; however, they have not developed or implemented relevant policies and procedures for accepting gifts and donations.
- Does not have written policies for handling insufficient checks.
- Does not have written policies for the usage of agency laptop computers.
- Does not have written policies for the usage of agency cellular phones.

Effect: Errors and/or misappropriations of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission develop and implement policies and procedures related to the acceptance of gifts and donations, handling insufficient checks, usage of agency laptop computers and cellular phones.

Management's Corrective Action Plan

Contact Person: Mark Hodges, Executive, Director

Anticipated Completion Date: To be implemented by the Executive Director July 1, 2004, subject to OWC Board of Directors approval during board meeting on July 21, 2004.

Corrective Action Planned: Although these procedures are now formalized in writing, these have been an unwritten policy within the OWC office and board concerning the condition cited.

Auditor Response: We have reviewed the client's new policies/forms and they appear reasonable.

Comment 2003-875-003

Criteria: 74 O.S. Supp. 2002, § 110.1 states in part:

A. The Department of Central Services shall maintain a current inventory of tangible assets owned by state boards, commissions, institutions, agencies and institutions comprising The Oklahoma State System of Higher Education and the University Hospitals Authority.

- B. The Director of Central Services shall have authority to promulgate rules to implement the provisions of this section.
- C. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity, not to exceed the federal capitalization rate specified in the Office of Management and Budget Circular A-21 or future federal circulars or regulations as amended. When establishing the tangible reporting threshold for an entity, the Director of Central Services shall consider the entity's capability to provide tangible asset records, finance and accounting systems, inventory accuracy and other pertinent factors.
- D. Tangible assets shall consist of machinery, implements, tools furniture, livestock, vehicles and other apparatus that may be used repeatedly without material impairment of its physical condition and have a calculable period of service and a value exceeding the reporting threshold the Director of Central Services, establishes for the entity.
- E. Rules that the Director of Central Services promulgates shall cause all tangible assets to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained.

74 O.S. 2001, § 110.2 states, "The Office of Public Affairs may require inventory records to be maintained at state departments, boards, commissions, institutions, or agencies of the state, of all classes of supplies, books, machinery, implements, tools, furniture, livestock, and other apparatus as the Office deems necessary in order to comply with the provisions of Section 110.1 of this title.

Condition: The Commission did not:

- Assign custodial accountability for assets.
- Perform a physical inventory count.
- Investigate differences in the physical inventory count and fixed assets list for the fiscal year.

Effect: Errors and/or misappropriation of fixed assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Commission maintain complete and accurate records for fixed assets.

Management's Corrective Action Plan

Contact Person: Mark Hodges, Executive Director

Anticipated Completion Date: Anticipated completion date – June 18, 2004.

Corrective Action Planned: During transition of personnel the responsible staff member originally assigned to this duty in FY 2002, after leaving, was not replaced and consequently the responsibility was not reassigned until auditors brought it to our attention last fall at which point a staff member was immediately assigned. The FY 2003 inventory was completed even though there was not a specific staff member assigned.

Auditor Response: Based on management's response, and our review of the inventory list provided, it appears the Commission has performed a physical count of assets for fiscal year 2004. However, the Commission was unable to provide evidence that a physical count of assets was performed during fiscal year 2003.