

**OKLAHOMA BANKING 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

August 2, 2004

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

Transmitted herewith is the Oklahoma Banking 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 serve 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 BANKING COMMISSION  
INTERNAL CONTROL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**TABLE OF CONTENTS**

	<b>PAGE</b>
Board Members and Administrative Staff.....	ii
Report of the State Auditor and Inspector.....	1
Comments and Recommendations .....	3

**BOARD MEMBERS**

<u>Name</u>	<u>Term Expires</u>
Mick Thompson, Chair	September 1, 2008
Chris Conn	June 1, 2009
Cheri Cartwright	June 1, 2006
John Goad	June 1, 2008
Gordon Greer	June 1, 2005
Gary Huckabay	May 6, 2006
Bob Newcomb	June 1, 2007

**ADMINISTRATIVE STAFF**

- MICK THOMPSON, COMMISSIONER
- CHARLES GRIFFITH, DEPUTY COMMISSIONER
- TONY REEL, ASSISTANT DEPUTY COMMISSIONER
- SHERBIE KIFFIN, ASSISTANT DEPUTY COMMISSIONER
- O. DUDLEY GILBERT, LEGAL COUNSEL
- RHONDA BRUNO, BUDGET DIRECTOR/COMPTROLLER
- ANGELA MORRIS, EXECUTIVE SECRETARY
- STACEY TAYAR, ADMINISTRATIVE ASSISTANT
- DEBBIE MOORE, SECRETARY
- DERON BRUBAKER, COMPUTER SPECIALIST
- ZENIA FIDDES, CLERK



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**TO THE OKLAHOMA BANKING COMMISSION**

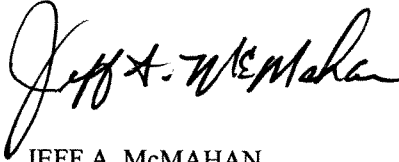
We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

1. We reviewed the 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, disbursements of funds, and reconciliation of funds.
  - d. Segregation of duties regarding authorization, recording, and custody.
  
2. We reviewed the Commission's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
  - a. The Commission's compliance with policies and procedures regarding budgetary matters.
  - b. The Commission'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 Banking 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 Commission'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 Commission's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMAHAN". The signature is written in a cursive, somewhat stylized font.

JEFF A. McMAHAN  
State Auditor and Inspector

July 30, 2004

COMMENTS AND RECOMMENDATIONS

**Comment 2003-065-001**

**REF NO:** 03-065-001

**STATE AGENCY:** Oklahoma Banking Department

**CONTROL CATEGORY:** Internal Controls

**Criteria:** Title 580:70-3.1(c) of the Oklahoma Administrative Code (OAC) states in part:

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 tag 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;

And any other information that may be requested by the Department to ensure the integrity of state inventory records.

**Condition:** The Department's inventory listing of their fixed assets did not reflect the serial numbers of certain fixed assets that had a serial number such as office computer equipment and office printers.

**Effect:** Inaccurate records and a possible loss of fixed assets could result from not having adequate identification. State statutes require a serial number be included on fixed asset inventory list if one is available.

**Recommendation:** We recommend the Board abide by OAC Title 580:70-3.1(c) and maintain complete and accurate records regarding fixed assets. The inventory list should include serial numbers on all assets where a serial number is available.

**Management's Corrective Action Plan**

**Contact Person:** Rhonda Bruno

**Anticipated Completion Date:** 6/30/04

**Corrective Action Planned:** The Department has updated its records relating to those items with serial numbers. Serial numbers have been listed to correspond to the inventory numbers of such items. Therefore, the Department is now in compliance with OAC Title 580:70-3.1(c).



Comment 2003-065-002

**REF NO:** 03-065-002

**STATE AGENCY:** Oklahoma Banking Department

**CONTROL CATEGORY:** Internal Controls

**Criteria:** 74 O.S. 2001 § 500.4, states in part:

Agency heads or their authorized designees may approve the use of motor vehicles for official travel within the State of Oklahoma. If available, agency owned motor vehicles or motor vehicles leased from the State Motor Pool, either on a full-time basis or for individual trips, shall be utilized for such travel...

A basic objective of governmental generally accepted accounting principles is to provide reliable information that will assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability.

**Condition:** The Department currently has limited written policies and procedures regarding the usage of state-owned vehicles and the documentation of that usage.

**Effect:** Without effective policies and procedures in place, there could be misuse of state-owned vehicles. In addition, the Department is unable to provide detailed information regarding the accountability of the usage of state-owned vehicles.

**Recommendation:** We recommend the Department develop and implement written policies and procedures regarding the usage of state-owned vehicles including a method of documenting the usage of state-owned vehicle reflecting persons using the vehicle, the date used, the destination, the purpose of the trip, and the beginning mileage and ending mileage. An example of documentation might include a log that tracks the above-mentioned attributes.

**Management's Corrective Action Plan**

**Contact Person:** Rhonda Bruno

**Anticipated Completion Date:**

**Corrective Action Planned:** The Department has a written policy regarding the use of Department vehicles by office staff. There is no danger of misuse of the state vehicles by employees because access to the vehicles by office staff may only occur by permission granted by the Commissioner or Deputy Commissioner.

**Auditor Response:** Based on management's response, we agree that the Department is in compliance with state law regarding the use of state-owned vehicles. However, we recommend the Department incorporate a more comprehensive official policy as to acceptable use of the state vehicles. This policy should include requirements, which provide that proper documentation be maintained to support the use of the vehicles. This could include, but is not limited to, a log reflecting the date of usage, the person or persons using the state vehicle, the purpose of the trip, and the mileage of the trip.