

OPERATIONAL AUDIT

# OKLAHOMA BOLL WEEVIL ERADICATION ORGANIZATION

For the period January 1, 2008 through July 31, 2011



*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

**Audit Report of the  
Oklahoma Boll Weevil  
Eradication Organization**

**For the Period  
January 1, 2008 through July 31, 2011**



# Oklahoma State Auditor & Inspector

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March 13, 2012

**TO THE BOARD OF DIRECTORS OF THE  
OKLAHOMA BOLL WEEVIL ERADICATION ORGANIZATION**

This is the audit report of the Oklahoma Boll Weevil Eradication Organization for the period January 1, 2008 through July 31, 2011. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

# Oklahoma Boll Weevil Eradication Organization Operational Audit

## Background

The goal and purpose of the Oklahoma Boll Weevil Eradication Organization (Agency) is to design and implement boll weevil eradication and post-eradication programs that are economical, producer friendly, and beneficial to all segments of the cotton industry in Oklahoma.

Oversight is provided by five board members (Board) serving three year terms.

Board members are:

Dan Vinyard..... Chairman  
 Phil Bohl .....Member  
 Garlon Riley.....Member  
 Ron Whittenberg.....Member  
 Brad McKinley .....Member

Table 1 summarizes the Agency’s sources and uses of funds for state fiscal years 2011 and 2010 (July 1, 2009 through June 30, 2011).

**Table 1 - Sources and Uses of Funds for SFY 2011 and SFY 2010**

	2011	2010
Sources:		
Fees and Assessments	\$ 540,528	\$ 537,729
Interests on Investments	61,011	80,957
Federal Reimbursements	-	255,370
Other	21,713	29,408
<b>Total Sources</b>	<b>\$ 623,252</b>	<b>\$ 903,464</b>
Uses:		
Personnel Services	\$ 696,877	\$ 717,439
Professional Services	16,228	6,416
Miscellaneous Administrative	38,663	52,251
Maintenance and Repair	10,935	101,607
Specialized Supplies and Materials	35,064	37,995
Office Furniture and Equipment	72,379	60,132
Other	46,634	38,389
<b>Total Uses</b>	<b>\$ 916,780</b>	<b>\$ 1,014,229</b>

*Source: Oklahoma PeopleSoft Accounting System (unaudited, for informational purposes only)*

## Purpose, Scope, and Sample Methodology

This audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s Office to audit the books and accounts of all state agencies whose duty it is to collect, disburse or manage funds of the state.

The audit period covered was January 1, 2008 through July 31, 2011.

Sample methodologies can vary and are selected based on the audit objective and whether the total population data was available. Random sampling is the

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preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

**Objective - Determine if the Agency's internal controls provide reasonable assurance that revenues, expenditures (including payroll), and inventory were accurately reported in the accounting records.**

## **Conclusion**

The Agency's internal controls provide reasonable assurance that revenues, payroll expenditures and inventory were accurately reported in the accounting records; however, they do not provide the same assurance for miscellaneous expenditures.

## **Methodology**

To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the receipting, expenditure (including payroll) and inventory processes through discussions with Agency personnel, observation, and review of documents.
- Tested controls using the following procedures:
  - Determining the person responsible for inventory recordkeeping is independent of initiating the transaction (purchasing, transferring, or deleting).
  - Determining periodic inventory counts were performed.
  - Inspecting 13 judgmentally selected high-appeal<sup>1</sup> items from the inventory report to ensure the items were present and their descriptions, asset tag numbers and serial numbers agreed to the inventory report. The same procedures were performed for five judgmentally selected items from the floor.
  - Reviewing payroll documentation from five haphazardly selected months to determine whether payroll expenditures were approved and ensuring two employees' salaries from each of these months agreed to the PeopleSoft accounting system.

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<sup>1</sup> High appeal items were defined as easily convertible to personal use or susceptible to theft.

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- Reviewing six of 58 payroll changes from the audit period to ensure the changes were approved by the executive director and properly reflected in approved payroll expenditure documentation.
- Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded.
- Determining the person responsible for receipting is independent of preparing the deposit and reconciliation.
- Ensuring a clearing account reconciliation was completed for every month of the audit period by an employee independent of the receipting process.
- Ensuring all clearing account reconciliations were accurate and reviewed by an employee independent of the receipting process.
- Determining the approximate amount of fees the Agency should have received from cotton sales, comparing this amount to what they actually receipted and deposited for cotton sales, and evaluating whether the variance between the two amounts was reasonable<sup>2</sup>.

## Observation

### **Inadequate Segregation of Duties Related to Expenditures**

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*<sup>3</sup> states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud. . . . No one individual should control all key aspects of a transaction."

The field clerk is responsible for:

- Purchasing
- Posting expenditures to the PeopleSoft accounting system
- Receiving the warrants

The business and finance officer is responsible for:

- Approving expenditures for payment
- Reconciling the warrants to the warrant register
- Posting expenditures to the PeopleSoft accounting system, if needed

This lack of adequate segregation of duties due to the Agency's small size could allow errors and improprieties to occur and not be detected in a timely manner.

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<sup>2</sup> Reasonable was defined as the amounts being within 5% of each other.

<sup>3</sup> Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

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**Recommendation** Different options exist for reducing the risks associated with this deficiency. Management should implement one of the following:

- Remove the business and finance officer's ability to post expenditures
- Review of PeopleSoft's "six digit detail expenditure report" by the executive director to ensure the expenditures are appropriate given the mission of the Agency

If management decides not to implement either recommendation, other mitigating controls should be implemented.

**Views of Responsible  
Officials**

We concur with the observation. The executive director will review PeopleSoft's "six digit detail expenditure report" to ensure all expenditures are appropriate.



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