OPERATIONAL AUDIT

Oklahoma Commission
For Teacher Preparation

For the period of July 1, 2008 through February 29, 2012

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 Commission for Teacher Preparation

For the Period
July 1, 2008 through February 29, 2012
May 23, 2013

TO THE OKLAHOMA COMMISSION FOR TEACHER PREPARATION

This is the audit report of the Oklahoma Commission for Teacher Preparation for the period July 1, 2008 through February 29, 2012. 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,

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

The Oklahoma Commission for Teacher Preparation (the Commission) was created as an independent professional standards board. The Commission developed a competency-based teacher preparation, candidate assessment, and professional development system.

Oversight is provided by 24 Commission members comprised of four ex officio, non-voting members, five voting members appointed by the Speaker of the House of Representatives, five voting members appointed by the President Pro Tempore of the Senate, and ten voting members appointed by the Governor.

Board members, as of April 12, 2012, are:

Dr. Ruth Ann Carr ................................................................. Chair
Dr. Kim Boyd ................................................................. Vice-Chair
Ms. Linda Sholar ............................................................. Chair Emeritus
Dr. Deborah Blue ............................................................ Member
Mr. Louis Buchanan ......................................................... Member
Mr. Weldon Davis .......................................................... Member
Ms. Carrie DeMuth ......................................................... Member
Mr. Reed Downey .......................................................... Member
Ms. Teresa Gandara ........................................................ Member
Mr. Ike Glass ................................................................. Member
Dr. Chris Ormsbee ........................................................ Member
Mr. Bill Price ................................................................. Member
Mr. Sonny Richards ........................................................ Member
Mr. John Smith .............................................................. Member
Dr. Peter Sherwood ........................................................ Member
Ms. Heather Sparks ........................................................ Member
Ms. Leahna West .......................................................... Member
Mr. Perry Zeiset .......................................................... Member
Vacant ............................................................................ Member
Vacant ............................................................................ Member
Dr. Phil Berkenbile, Dept. of Career Technology Education Director ... Ex-Officio
Dr. Janet Barresi, State Superintendent of Public Instruction ......... Ex-Officio
Dr. Glen Johnson, Chancellor of Higher Education .................. Ex-Officio
Dr. Phyllis Hudecki, Secretary of Education ......................... Ex-Officio
Table 1 summarizes the agency’s sources and uses of funds for state fiscal years 2010 and 2011 (July 1, 2009 through June 30, 2011).

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$5,651,030</td>
<td>$5,642,292</td>
</tr>
<tr>
<td>Federal Grants-In-Aid</td>
<td>273,308</td>
<td>279,501</td>
</tr>
<tr>
<td>Other (Payroll deductions)</td>
<td>8,487</td>
<td>(424)</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>$5,932,825</td>
<td>$5,921,369</td>
</tr>
<tr>
<td><strong>Uses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Services</td>
<td>$776,422</td>
<td>$718,116</td>
</tr>
<tr>
<td>Professional Services</td>
<td>2,971,826</td>
<td>4,307,925</td>
</tr>
<tr>
<td>Miscellaneous Administrative</td>
<td>61,922</td>
<td>87,396</td>
</tr>
<tr>
<td>Travel</td>
<td>49,167</td>
<td>43,863</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>72,797</td>
<td>60,889</td>
</tr>
<tr>
<td>Office Furniture and Equipment</td>
<td>14,243</td>
<td>31,720</td>
</tr>
<tr>
<td>Scholarships/Tuition Payments</td>
<td>92,320</td>
<td>98,226</td>
</tr>
<tr>
<td>Other (Includes Program Reimb.)</td>
<td>1,448,651</td>
<td>54,814</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>$5,487,348</td>
<td>$5,402,949</td>
</tr>
</tbody>
</table>

*Source: Oklahoma CORE 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 July 1, 2008 through February 29, 2012. However, in September of 2011, the Commission contracted with Agency Business Services (ABS), a division of Office of Management and Enterprise Services (OMES), to provide financial services. During the same time, key staff related to control processes left the Commission. As a result of these changes, there were two sets of control processes in place during the audit period. We were unable to determine the control processes in place prior to the Commission engaging the services of ABS on September 9, 2011; therefore, we documented and tested the most recent control process in place as of September 9, 2011 through February 29, 2012.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical
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 whether the agency’s internal controls provide reasonable assurance that revenues, expenditures (including payroll), and inventory were accurately reported in the accounting records, and financial operations complied with 70 O.S. § 6-191, 70 O.S. § 6-204.3, and 70 O.S. § 6-204.5.

Conclusion

With respect to the period of September 9, 2011 through February 29, 2012, the Agency’s internal controls generally provide reasonable assurance that inventory and expenditures, including payroll expenditures, were accurately reported in the accounting records; however, they do not provide the same assurance for revenues.

Financial operations complied with the following statutes:

- 70 O.S. § 6-191 which states in part, “Expenditures from said fund [Fund 220] shall be made to maintain the competency examination process set out in the Oklahoma Teacher Preparation Act.”

- 70 O.S. § 6-204.3 which states in part, funds (Fund 205) “…may be expended by the Oklahoma Commission for Teacher Preparation to provide assistance and scholarships for candidates seeking National Board certification.”

- 70 O.S. § 6-204.5 which states in part the fund (Fund 215) should be used to, “…develop and administer professional development programs for teachers and administrators and training for residency committee members.”

Methodology

To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to inventory, revenue, and expenditures (including payroll) which included discussions with Agency personnel, observation, and review of documents;

- Tested controls and compliance with the above statutes, which included:
  - Review of the 5 purchase orders (totaling $37,800) initiated during the period to ensure the purchase was properly approved, was supported by appropriate documentation, and was coded correctly;
Review of p-card logs from three randomly selected months to ensure they were properly approved and supported by appropriate documentation;

Review of a sample of 40 randomly selected expenditure claims (totaling $121,775.08) to ensure the invoice supporting the payment was properly approved, was supported by appropriate documentation, the good/service was received, and was approved by the appropriate department. We also ensured the expenditures were paid from the correct fund and were in compliance with 70 O.S. § 6-191, 204.3, and 204.5;

Review of Administrative Committee notes for three randomly selected months to ensure the Administrative Committee reviews the financial reports in detail each month;

Review of payroll documentation and timesheets from six randomly selected weeks to ensure the timesheets and payroll documents were properly supported and approved;

Review of 3 monthly Payroll Claim Documents to ensure they were properly approved and that changes (increases, decreases, hires, and separations) are properly reflected in the payroll claims;

- Review of 11 high appeal inventory items to ensure the items were present and were appropriately recorded in the agency records.

Observation

Revenue Receipting

An effective internal control system provides for adequate segregation of duties between receiving revenues and the deposit process.

The Assistant for Business Operations will occasionally pick up mail if the secretary is gone for any length of time, which may put her in the position of receiving checks, preparing the receipt for the repayment, adjusting the amount due from each student in the file, and preparing/making the deposit. Although the fund deposit report is reviewed by the Executive Director, repayments (checks) are not received on a scheduled basis and there is no way to identify whether all checks received in the mail are deposited.

Misappropriation of receipts could occur and not be detected.

Recommendation

To minimize the risk associated with this deficiency, someone other than the Assistant for Business Operations could pick up the mail and endorse checks before they are sent to the Assistant for Business Operations for deposit. In addition, checks received could be recorded in a log as they are received, by someone other than the Assistant for Business Operations, and used as supporting documentation in the review of the fund deposit report.

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1 High appeal items were defined as easily convertible to personal use or susceptible to theft.
If management decides not to implement these recommendations, other mitigating controls should be implemented.

**Views of Responsible Officials**

In order to segregate duties between receiving revenue and the deposit process the Oklahoma Commission for Teacher Preparation (OCTP) has implemented the following procedure:

Mail will be picked up and opened by an OCTP staff member other than the Assistant for Business Operations. Checks received will be stamped with the OCTP endorsement then delivered to the Assistant Director of Educator Preparation and Development to be logged before given to the Assistant for Business Operations for deposit. In times when the Assistant Director of Educator Preparation and Development is not available, an alternative staff member (other than the Assistant for Business Operations) will log receiving revenues.

At the end of each month the receiving revenue log and deposit records will be reconciled by the Executive Director.

**Other Items Noted**

Although not considered significant to the audit objective, we feel the following issue should be communicated to management.

**Observation**

Inventory listings should contain accurate model numbers and serial numbers to ensure proper accountability of assets and deter theft or improper use of government property.

All high appeal inventory items tested were present at the agency; however, 4 of the 11 assets tested had incorrect model numbers on the inventory listing and 2 of the 11 items tested had incorrect serial numbers on the inventory listing.

It appears there is a lack of knowledge on how to record inventory, and review of the inventory listing is not sufficient to detect errors. Without the correct model number or serial number of assets in the inventory, the potential exists for theft of the asset that would be untraceable by serial number. The potential also exists for a broken or older item not owned by the agency to be exchanged for the agency asset.

**Recommendation**

To minimize the risk associated with inventory, training could be provided for personnel responsible for inventory recording, which should include guidance on how to identify model numbers and serial numbers. In addition, the reviewer could perform a more thorough review of the assets listed to detect incorrectly recorded asset information.
If management decides not to implement these recommendations, other mitigating controls should be implemented.

Views of Responsible Officials

To insure proper accountability of assets the Oklahoma Commission for Teacher Preparation (OCTP) will train staff on asset management and inventory control. OCTP will also perform an annual review of inventory records for accuracy.