

**OKLAHOMA HISTORICAL SOCIETY  
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 20, 2004

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

Transmitted herewith is the Oklahoma Historical Society 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. McMahan".

JEFF A. McMAHAN

State Auditor and Inspector

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**OKLAHOMA HISTORICAL SOCIETY  
INTERNAL CONTROL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**BOARD MEMBERS**

<u>Name</u>		<u>Term Expires</u>
Adwan, Alex	Elected, at large	2005
Baker, Jack D.	Elected, District 5	2005
Corbett, William	Elected District 2	2003
Duffe, Mary F.	Appointed, at large	2004
Eddleman, Thalia	Appointed, District 5	2005
Fischer, LeRoy*	Elected, at large	2003
Garrison, Denzil D. *	Appointed, at large	2003
Gibson, Aulena S. *	Appointed, at large	2005
Gustafson, Bill*	Appointed, at large	2005
Haley, Jack D. *	Elected, at large	2004
James, Louise B.	Elected, District 6	2005
Keating, Daniel	Appointed, District 1	2004
Kemm, James O. *	Elected, District 1	2004
Kroeker, Marvin E. *	Elected, District 3	2004
Lawrence, Daniel	Appointed, District 4	2003
Logan, Leonard*	Appointed, District 2	2003
Matthews, Paul	Appointed, at large	2004
Morgan, Ruth Eager	Elected, at large	2003
Pennington, William D.	Elected, at large	2004
Pippin, Danna	Appointed, at large	2004
Rainbolt, Ken	Appointed, District 3	2003
Renfro, Carolyn	Appointed, District 6	2005
Soelle, Sally	Elected, District 4	2003
Stidham, Emmy Scott*	Elected, at large	2005

\* Executive Committee Member

**ADMINISTRATIVE STAFF**

Bob Blackburn  
Executive Director

Geneva Little  
Executive Secretary

Sandra Stratton  
Development Officer



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**TO THE OKLAHOMA HISTORICAL SOCIETY**

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.
2. We reviewed the Oklahoma Historical Society's policies and procedures and tested compliance with such policies and procedures.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Historical Society, 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 Oklahoma Historical Society'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 Oklahoma Historical Society's internal control, 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. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector  
July 8, 2004

**COMMENTS AND RECOMMENDATIONS**

**Comment 2003-350-01(Repeat Finding)**

**Criteria:** According to OAC 580:70-3-1 Inventory Report:

- (c) Inventory report contents: The inventory report shall be signed by the 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;
  - (9) any other information, which may be requested by the Department of Central Services to ensure the integrity of state inventory records.

In addition, effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned assets.

**Condition:** During documentation of internal controls, the Society indicated they had eight laptop computers used by designated administrative staff. We requested a listing of these laptops and the name of the assigned staff members. The Society did not have this listing and had to create it for us. We then reviewed the inventory listing, dated June 2003, and tried to find the listed laptops on the inventory listing. We were unable to locate the laptops on the inventory list.

**Effect:** Misappropriation of assets could occur and not be detected in a timely manner. Also, the inventory listing is not complete.

**Recommendation:** We recommend the Oklahoma Historical Society maintain documentation of staff members assigned laptop computers. In addition, we recommend Oklahoma Historical Society add these laptop computers to the inventory listing and take proper measures to ensure this listing is complete.

**Management's Corrective Action Plan**

**Contact Person:** Tom Zweiacher

**Anticipated Completion Date:** July 30, 2004

**Corrective Action Planned:** Any laptops not yet added to the inventory list will be added immediately. A form will be prepared for each person responsible for a laptop computer and each laptops disposition will be monitored. The inventory list and the process of adding items to the list will be reviewed and procedures will be changed if necessary.

**Comment 2003-350-002**

**Criteria:** Effective internal controls include adequate segregation of duties to reduce the opportunity for any person(s) to both perpetrate and conceal errors and irregularities in the normal course of business practices. Agency policies and procedures in this matter should be written and communicated to all employees.

**Condition:** We noted the Society had the following issues regarding segregation of duties:

- 1.) The same person responsible for performing a physical inventory count of fixed assets is also assigned to post and maintain the records for those assets.
- 2.) The same person (at the smaller museum sites) is in charge of collecting, recording, depositing, and reconciling the monetary gifts and donations.

**Effect:** Errors or irregularities could occur in the following areas and may not be detected in a timely manner:

- 1.) The recording, processing, summarizing, and reporting of the Society's inventory of fixed assets and
- 2.) The collecting, recording, depositing, and reconciling of funds collected as monetary gifts and donations at the smaller museum sites.

**Recommendation:** We recommend the Oklahoma Historical Society:

- 1) Document, develop, and implement policies and procedures regarding the inventory of fixed assets and provide for proper segregation of duties between the recording, processing, summarizing, and reporting of the Society's inventory of fixed assets.
- 2) Provide the proper segregation of duties between the collecting, recording, depositing, and reconciling of funds collected as monetary gifts and donations at the smaller museum sites. For example, the small museum sites could have a dual key system to open the donation boxes. The single employee at the museum could have one key and the bank where the money is deposited could have the other key. This would lower the risk of errors or irregularities if two people were present to open the donation boxes.

***Management's Corrective Action Plan***

**Contact Person:** Terry Howard

**Anticipated Completion Date:**

**Corrective Action Planned:** Both conditions above are indicative of the severely reduced staff levels of the agency due to hiring freezes and revenue shortfalls. When staffing levels are sufficient to address these levels, the OHS will ensure that these conditions are resolved in an efficient manner. A review of staff duties and OHS procedures will be reviewed and modified as soon as staffing levels becomes sufficient.