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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,

JEFF A. McMAHAN
State Auditor and Inspector
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BOARD MEMBERS

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

* Executive Committee Member

ADMINISTRATIVE STAFF

Bob Blackburn
Executive Director

Geneva Little
Executive Secretary

Sandra Stratton
Development Officer
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,

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
doctor 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 were 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.