

OPERATIONAL AUDIT

OKLAHOMA HISTORICAL SOCIETY

For the period January 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 Historical Society**

**For the Period
January 1, 2008 through February 29, 2012**



Oklahoma State Auditor & Inspector

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February 22, 2013

TO THE OKLAHOMA HISTORICAL SOCIETY BOARD OF DIRECTORS

This is the audit report of the Oklahoma Historical Society for the period of January 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,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

Oklahoma Historical Society Operational Audit

Background The Oklahoma Historical Society (the Agency) was founded in 1893 by members of the Oklahoma Territory Press Association. In 1918, the Agency was relocated to the State Capitol, and in 1930 moved to the Wiley Post building. Over the years, the Agency has developed numerous collections and programs, and now has 35 museums and historic sites statewide. In 2005 came the opening of the Oklahoma History Center, with world-class museum exhibits and a state of the art Research Center.

The Agency's operations are governed by 53 O.S. § 1.1 through 5.1

Oversight is provided by a twenty-five member Board of Directors. Thirteen members of the Board are elected by the Oklahoma Historical Society members and twelve are appointed by the Governor of Oklahoma. The Agency pays for its operations primarily through state appropriations.

Board members are:

Emmy Scott Stidham	.....	President
James R. Waldo*	.....	Vice President
Leonard Logan*	.....	Secretary/Treasurer
Jack D. Baker	.....	Executive Member
Sherry Beasley*	.....	Member
Bob Burke	.....	Member
William Corbett	.....	Executive Member
Betty K. Crow	.....	Member
Frederick F. Drummond*	.....	Member
Cheryl Evans*	.....	Member
Deena Fisher	.....	Executive Member
Denzil D. Garrison*	.....	Executive Member
Karen Keith*	.....	Member
Daniel W. Lawrence*	.....	Executive Member
Martha Lipperty*	.....	Member
Guy W. Logsdon	.....	Member
Patricia Loughlin	.....	Member
John M. Mabrey*	.....	Executive Member
Shirley Ann Nero*	.....	Member
Sandra Olson	.....	Member
Martha Pennington	.....	Member
Betty Price	.....	Member
Ken Rainbolt*	.....	Member
Lewis Stiles	.....	Member
Barbara Thompson	.....	Member

*Appointed

Oklahoma Historical Society Operational Audit

Table 1 summarizes the agency's sources and uses of funds for state fiscal years 2010 and 2011

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

	2010	2011
Sources:		
State Appropriations	\$13,494,949	\$12,913,634
Payroll Deductions In/Out	265	20
Income From Money and Property	201,292	151,510
Grants, Refunds & Reimbursements	2,573,411	2,176,246
Federal Grants	930,164	877,613
Sales and Services	1,713,493	1,554,959
Non-Revenue Receipts	259,112	1,811
Sales Tax	0	1,092,314
Use Tax	0	98,440
Other	1,502	1,216
Total Sources	\$19,174,188	\$18,867,763
Uses:		
Personnel Services	\$11,065,953	\$9,994,426
Travel	101,908	210,219
Miscellaneous Administrative	2,599,988	2,340,901
Property, Furniture and Equipment	7,818,807	5,543,542
General Assistance, Awards, etc.	861,217	761,600
Other	702,579	494,564
Total Uses	\$23,150,452	\$19,345,252

Source: Oklahoma CORE Accounting System (unaudited, for informational purposes)

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 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 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 1 - Determine if the Agency's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 34.57.C.

Conclusion

The Agency's internal controls:

- Provide reasonable assurance that expenditures were accurately reported in the accounting records.
- Generally provide reasonable assurance that revenues were accurately reported in the accounting records; however, one area could be strengthened.
- Do not provide reasonable assurance that inventory was accurately reported in the accounting records.

Financial operations did not comply with 62 O.S. § 34.57.C (deposits).

Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the receipting, expenditure and inventory processes through discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
 - Reviewing a random sample of 12 monthly agency clearing account reconciliations to ensure the monthly deposits were reconciled to the OST bank statement, the OMES/OST and Agency records reconciled on the OMES Agency Clearing Account report and were properly supported and approved;
 - Reviewing 5 deposits for compliance with 62 O.S. § 34.57.C;
 - Reviewing a random sample of 25 expenditure claims (totaling \$185,408.07) to ensure the invoice supported the payment, was properly approved, was mathematically accurate, and was reasonable given the Agency's mission;
 - Reviewing payroll documentation from 12 randomly selected months to determine the payroll claim detail agreed to the payroll register and payroll documents were properly approved;
 - Reviewing payroll change forms from 27 randomly selected payroll changes to ensure the forms were properly approved;
 - Reviewing 60 judgmentally selected inventory items from the list that are susceptible to loss or theft, such as laptops, cameras, DVDs to ensure the identification tags are affixed to the items and agree with the tag number of the item on the list.

Oklahoma Historical Society Operational Audit

Observation

Daily Deposits

62 O.S. § 34.57 C states, “All such monies collected pursuant to this section shall be deposited as follows in the agency clearing account or agency special account established therefore: 1. Receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received...”

During our testing of internal controls over deposits, we selected five deposits to ensure the controls were designed and implemented. On four of the five deposits tested, we noted the Office of State Treasury (OST) deposit date was more than one banking day from the deposit slip date. In addition, for all five deposits, receipts of One Hundred Dollars (\$100.00) or more were received more than one banking day from the OST deposit date.

Five of the five deposits tested were not in compliance with 62 O.S. § 34.57 C. Therefore, no further procedures were performed.

Recommendation

We recommend the central office deposit receipts of \$100 or more on the same banking day as received to ensure compliance with 62 O.S. § 34.57 C.

Views of Responsible Officials

The OHS will review its procedures for making deposits and cross train more employees so that, in the absence of the person responsible, deposits will still be made in a timely manner.

Observation

Items susceptible to theft or loss such as, Laptops, Digital Cameras, DVD’s, and other similar items are not tracked or logged out to the individual responsible for the item.

An effective internal control system includes the safe guarding of assets susceptible to theft or loss.

Based on information obtained from management, it appears inventory items that are highly susceptible to theft or loss are not being tracked or logged out to the individuals responsible for the item.

The agency does not have an effective internal control system in place to provide for the safeguarding of assets susceptible to theft or loss.

Recommendation

We recommend inventory items that are highly susceptible to theft or loss (laptops, digital cameras, DVD’s or other similar items) be tracked or logged out to the individuals responsible for the item.

Views of Responsible Officials

The OHS has already developed an internal form to use for these types of inventory items and is in the process of implementing this form into our fixed asset documentation routine.

Oklahoma Historical Society Operational Audit

Observation **Annual physical inventory counts are not performed and the inventory list is not properly maintained.**

An effective internal control system includes the safeguarding of assets through physical inventory counts and accurate inventory records.

Based on information obtained from management, it appears annual physical inventory counts are not performed, which is a repeat finding from the prior period audit (finding #08-350-001). In addition, we selected 60 high appeal items susceptible to loss or theft from the inventory list and noted the following:

- Six items could not be located.
- The tag number on 14 items did not agree with the tag number on the list.
- The serial number on 3 items did not agree with the serial number on the list.
- One of the line items was a duplicate of the item listed directly above it and was assigned a separate tag number creating an inventory count error on the list.
- Three items were purchased with grant funds and routed across the country for a specific purpose. It appears these items should not have been on the list.
- The serial number on 2 items agreed with the serial number on the list; however, a tag could not be located on the items.
- One item was surplused on 10/21/10 and should not have been included on the list. It appears the inventory list was not adjusted when the inventory item was retired.

Errors noted for 30 of the 60 items tested (50%) indicates a pervasive problem exists.

Recommendation Agency management should implement procedures to ensure the inventory list is accurate, all inventory items are listed, and inventory records are updated as soon as changes occur. Furthermore, it is strongly recommended that procedures for an annual physical inventory count be implemented and performed.

Views of Responsible Officials A completely new inventory count will be conducted and any errors in fixed asset tags, serial numbers, etc. will be corrected. Fixed asset inventory counts were suspended during the large budget cut fiscal years. The OHS currently has one half FTE person assigned to fixed asset tracking due to those budget cuts. New technology such as RFID tags are also being looked at as a more efficient method of inventory control. The OHS is currently working on equipping the entire OHS headquarters with a wireless network which will make this possible. The OHS will also look into using temporary employees for future inventory counts on an annual basis and will have a completed fixed asset inventory count by June 30, 2013.



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