

OPERATIONAL AUDIT

# OKLAHOMA OILSEED COMMISSION

For the period November 1, 2008 through June 30, 2015



*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 Oilseed Commission**

**For the Period  
November 1, 2008 through June 30, 2015**



# Oklahoma State Auditor & Inspector

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August 27, 2015

## TO THE OKLAHOMA OILSEED COMMISSION

This is the audit report of the Oklahoma Oilseed Commission for the period November 1, 2008 through June 30, 2015. 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.

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.

Sincerely,

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

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

**Oklahoma Oilseed Commission  
Operational Audit**

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**Background**

The Oklahoma State Legislature established the Oklahoma Oilseed Commission in 2008. The purpose of the Oklahoma Oilseed Commission is to develop programs that will enhance oilseed production, oilseed research, promote market development and education, and improve profitability of Oklahoma oilseed.

Oversight is provided by five board members (Board) elected by oilseed producers from the district they represent. Each board member serves a term of five years. In addition to the elected members, the Secretary of the Oklahoma State Board of Agriculture, or his designated representative, acts as an ex officio nonvoting member of the Board.

Board members as of August 14, 2015 are:

- Brent Rendel .....Chairman (District 4)
- Kelly Chain ..... Vice-Chairman (District 1)
- Alan Mindemann .....Secretary/Treasurer (District 2)
- Jamey Allen ..... Ex Officio Member
- Matt Gard .....Member (District 3)
- Brent Thompson .....Member (District 5)

# Oklahoma Oilseed Commission Operational Audit

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## Scope and Methodology

Our audit was conducted at the request of the agency in response to 2 O.S. § 18-273(B)(1) which states, “the Commission shall: Make available for inspections during an annual independent audit each fiscal year by a competent accountant or auditor, all books, records of account, and minutes of proceedings maintained by the Commission.”

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period November 1, 2008 through June 30, 2015. Detailed audit procedures focused on the period of July 1, 2013 through June 30, 2015, addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Oilseed Commission operations. Due to the agency only having one staff member and the small number of revenue and expenditure transactions, we determined to test 100 percent of expenditures between July 1, 2013 and June 30, 2015 and 100 percent of revenues between July 1, 2014 and June 30, 2015. Specific attributes were designed for performing detailed testing procedures.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

## OBJECTIVE

Determine whether the Agency’s internal controls provide reasonable assurance that revenue and non-payroll expenditures were accurately reported in the accounting records.

## Conclusion

The Agency’s internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records. However, the Agency’s internal controls did not provide reasonable assurance that revenues were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

**Inadequate Segregation of Duties over Revenues**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government (2014 Revision)*<sup>1</sup> states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Duties regarding receipts are not properly segregated due to the following:

- The Executive Director is the only employee of the agency and therefore responsible for receiving payments, making deposits and performing the reconciliation.
- In addition, no reconciliation of payments received and deposited is performed by a person (board member) independent of the receipting process.

Without a detailed reconciliation performed by someone independent of the receipting and depositing functions, payments could be misappropriated without detection.

**Recommendation**

A board member independent of the receipting and depositing functions should receive an independent copy of the reviews of First Purchaser<sup>2</sup> records conducted by the Department of Agriculture (directly from the reviewer) and compare the amounts that should have been remitted by First Purchasers to the agency's deposit records.

**Views of Responsible Officials**

The Oklahoma Oilseed Commission (OOC) accepts the recommendation indicated in the audit findings and recommendations. The following actions will be implemented immediately.

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<sup>1</sup> Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

<sup>2</sup> First Purchasers are the first commercial enterprises to purchase oilseed from the oilseed producers. They are tasked with collecting and remitting the 0.5% assessment to the OOC.

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The OOC Chair is independent of the receipting and depositing functions of OOC. When the auditor for the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF) submits to the OOC Executive Officer results of the records reviews conducted on oilseed First Purchasers, the ODAFF auditor will simultaneously send a copy of all reviews directly to the OOC Chair. The Chair will compare the amounts that should have been remitted by First Purchasers, as per the ODAFF reviews, to the OOC collection/deposit records.



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