

OPERATIONAL AUDIT

OKLAHOMA PEANUT COMMISSION

For the period January 1, 2008 through June 30, 2013



*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 Peanut Commission**

**For the Period
January 1, 2008 through June 30, 2013**



Oklahoma State Auditor & Inspector

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July 16, 2014

TO THE OKLAHOMA PEANUT COMMISSION

This is the audit report of the Oklahoma Peanut Commission for the period January 1, 2008 through June 30, 2013. 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 that reads "Gary A. Jones".

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

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Background

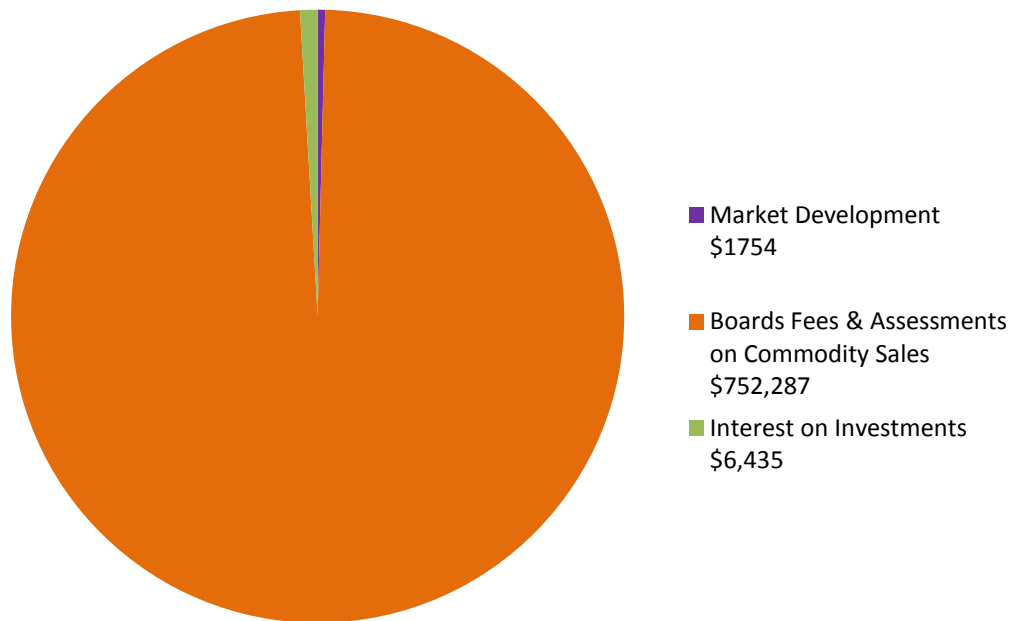
The Oklahoma Peanut Commission, created by the Oklahoma Legislature in 1965, is composed of six peanut growers appointed by the governor. The commission engages in various promotional activities to encourage the production and sale of peanuts and peanut products. It also participates in research to develop better production methods and new uses for peanuts.

Board members as of June 30, 2013 are:

Joe D. White Jr.	Chairman
Les Crall.....	Vice-Chairman
John Clay.....	Secretary
Duane Stevens	Member
Mike Mayes.....	Member
Anthony Reed.....	Member

The following charts illustrate the Agency's primary funding sources, and where those funds are expended.¹

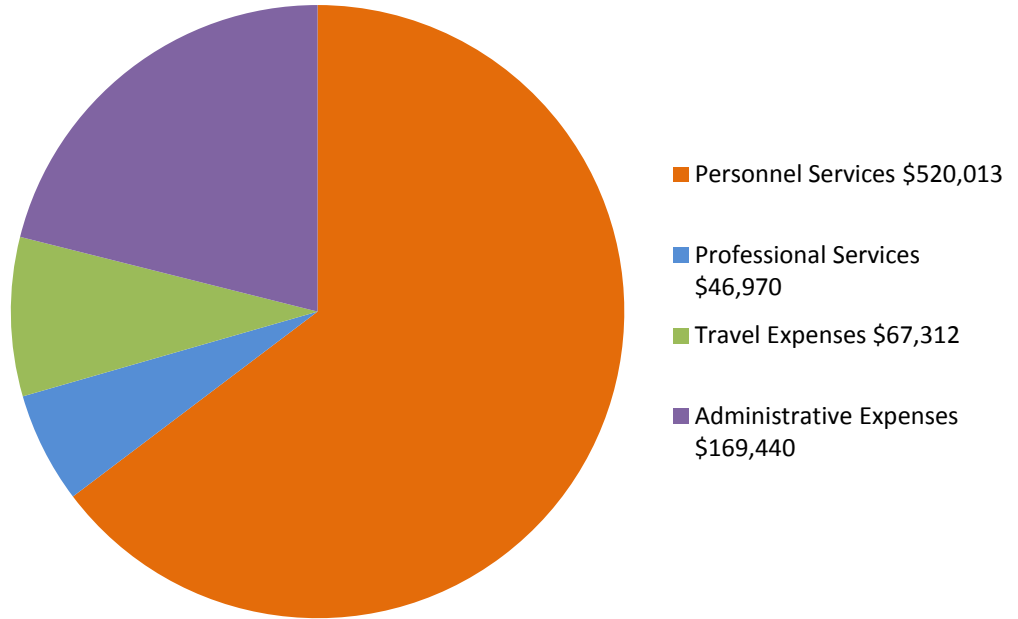
Chart 1 - Revenues by Category (January 1, 2008 through June 30, 2013)



¹ This information was obtained from Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

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Chart 2 - Expenditures by Category (January 1, 2008 through June 30, 2013)



Scope and Methodology

Our 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 duties it is to collect, disburse, or manage funds of the state.

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 January 1, 2008 through June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Peanut Commission’s operations. 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 expenditures were accurately reported in the accounting records, and financial operations complied with significant laws and regulations.

Conclusion

Because the agency has only one employee, which creates a lack of segregation of duties within the office, and no mitigating controls are in place, the Agency’s internal controls do not provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Financial operations complied with statute 74 O.S. § 3601.2 – salaries of Chief Executive Officers.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of duties in Financial Operations

The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government*² states in part, “Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction.”

The Agency’s sole employee, the executive director, is responsible for both receipting payments, preparing the daily deposit, and reconciling revenues, as well as processing expenditures. This creates the risk that the director could misappropriate funds received, and that misappropriation may not be detected.

Recommendation

In order to address the risks created by the executive director’s conflicting duties, we recommend the following:

- A responsible party independent of the revenue and expenditure processes (such as the board chair) should review USDA tonnage

² Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

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reports and PeopleSoft deposit reports to ensure that assessment revenues collected and deposited appear reasonable.

- Board members should receive a copy of the PeopleSoft 6-Digit Expenditure Detail Report and the Summary of Receipts and Disbursements, prepared in PDF format to limit the potential for report manipulation, as part of their board meeting packets, and should question any unusual or unexpected information.

Views of Responsible Officials

During the course of this audit, management adopted the reviewer's recommendation to include the PeopleSoft 6-Digit Expenditure Detail Report and the Summary of Receipts and Disbursements to compliment financial documents the Executive Director includes in the Board member meeting notebooks for their review and approval.

In response to the reviewer's recommendation "A responsible party independent of the revenue and expenditure processes (such as the board chair) should review USDA tonnage reports and PeopleSoft deposit reports to ensure that assessment revenues collected and deposited appear reasonable" is acknowledged by management as an appropriate policy.

Currently, the Board reviews the assessments collected from each remitting source at its quarterly meetings and the USDA tonnage summary report after it becomes available in April of each year. Not only does this report provide a reasonable assurance of assessments collected, it allows the Commission to establish average production yields for each type of peanut grown in Oklahoma...valuable information as the Board implements programs to meet the needs of the producers, processors and consumers.



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