

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 31, 2004

TO THE BOARD OF COMMISSIONERS OF THE
OKLAHOMA SCENIC RIVERS COMMISSION

Transmitted herewith is the Special Report of the Oklahoma Scenic Rivers Commission, for the year ended December 31, 2003. This report is in response to a request by the Administrator of the Oklahoma Scenic Rivers Commission.

A report of this type is critical in nature; however, we do not intend to imply that our engagement failed to disclose commendable features in the present accounting and operating procedures of the Oklahoma Scenic Rivers Commission.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue 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". The signature is written in a cursive style with a large initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

TABLE OF CONTENTS

Commission Members.....ii
Introduction and Overview..... iii
Report of State Auditor and Inspector..... 1
Summary of Procedures2

OKLAHOMA SCENIC RIVERS COMMISSION
COMMISSION MEMBERS
DECEMBER 31, 2003

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EXECUTIVE SECRETARY

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INTRODUCTION AND OVERVIEW

In 1977, legislation authorized the formation of a commission to develop and protect Oklahoma's scenic river areas and the adjacent contiguous lands and the quality of the resource waters. Title 82, § 1451 seq. inclusive, as amended and supplemented is known as the "Scenic Rivers Act" and authorizes the Commission to establish standards to carry out the provisions of the Act. The primary emphasis of the Commission is to preserve and protect the aesthetic, scenic, historic, archaeology and scientific features of the Illinois River and its tributaries, which include Lee Creek, Little Lee Creek, Barren (Baron) Fork Creek, Flint Creek and (Upper) Mountain Fork. The operating area for the Scenic Rivers Commission for the Illinois River and Flint Creek is limited to areas within Adair, Cherokee and Delaware Counties and to areas within Cherokee County for Barren Fork Creek.

The Oklahoma Scenic Rivers Commission, when established, operated as a part of the Oklahoma Department of Tourism and Recreation. In 2002, the Scenic Rivers Commission was formed as a separate state agency. Although, the entity is a separate agency, it is still operating in conjunction with the Oklahoma Department of Tourism and Recreation to perform the human resources and purchasing functions of the agency. The Oklahoma Scenic Rivers Commission office is located two miles north on Highway 10 on the outskirts of Tahlequah, Oklahoma.

The Oklahoma Scenic Rivers Commission is governed by a Commission which shall consist of not less than 7 nor more than 15 members. The term of each member shall be 4 years, with provisions for certain initial appointments to run 1 year. The Oklahoma Scenic Rivers Commission employs 7 regular full time employees and 4 seasonal employees, 2 of which are contracted with by the Oklahoma Department of Tourism and Recreation. The peak season runs from May to September.

There are several different revenue sources for the Oklahoma Scenic Rivers Commission:

- Commercial Flotation Device Operators (CFD) - CFD operators purchase permits for use for one year, which is in lieu of tagging their commercial flotation device at a motor vehicle (tag) agency. The Commission approves the application for the permits and the operator must pick up their permits and attach them to the vessel by June 1 for their commercial flotation devices.
- User fees - These fees are imposed on a person using a *commercially* owned and operated flotation device, as well as a person using a *privately owned* and operated flotation device. After July 1, 2003, the fee schedule changed from \$1.00 to \$2.00 per trip per flotation device to \$1.00 per trip *per person*. There are approximately 21 different major CFD operators that collect these user fees and then remit the fees to the Oklahoma Scenic Rivers Commission on a monthly basis.
- Camping fees - This is a fee for the use of camping sites that are located in public use and access areas.
- State appropriations - Funds received by the Commission in the amount of and pursuant to the conditions required by the Oklahoma Legislature.

OKLAHOMA SCENIC RIVERS COMMISSION
DECEMBER 31, 2003

- Private donations – Occasionally, a citizen will give the Commission a private donation, but this is a rare occurrence.
- Proceeds from Surplus property- These proceeds are from the sale of surplus property.
- Reimbursement from Department of Environmental Quality (DEQ) – Currently, the Commission receives a reimbursement from DEQ for one full time employee, the education outreach coordinator, and some trash bags and portable toilets.

The State Auditor and Inspector conducted procedures relating specifically to the camping fees and the user fees. The results of this special report are included herein.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Mr. Edward H. Fite III
Administrator
Oklahoma Scenic Rivers Commission
P.O. Box 292
Tahlequah, OK 74665-0292

Pursuant to your request, we have performed the procedures enumerated below with respect to the Oklahoma Scenic Rivers Commission, for the period January 1, 2003 through December 31, 2003.

The objectives of our special report include the items listed in the "Summary of Procedures." Our findings and recommendations related to these procedures are presented in the accompanying report.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Oklahoma Scenic Rivers Commission. Further, due to the test nature and other inherent limitations of our procedures, together with the inherent limitations of the internal control structure, there is an unavoidable risk that some material misstatements or items may remain undiscovered. This report relates only to the items as specified above and does not extend to any financial statements of the Commission taken as a whole.

This report is intended to provide information to the Oklahoma Scenic Rivers Commission. This restriction does not limit the distribution of the report, which is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

February 12, 2004

Summary of Procedures

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

As mentioned earlier in this report, we were requested to examine the operating procedures of the Oklahoma Scenic Rivers Commission, with particular respect to the camping fee and the user fee processes. The following is a summary of the procedures and processes with respect to these fees collected by the Oklahoma Scenic Rivers Commission.

Camping Fees

Overview:

The Oklahoma Scenic Rivers Commission is allowed to establish a fee for the use of camping sites located in public use and access areas controlled by the Commission. The fee charged is not to exceed the rate charged by the Oklahoma Department of Tourism and Recreation for their camping sites.

Definition of terms:

“Camping” - means any method used for remaining overnight in a public access area which includes, but is not limited to tents, vehicles, cots, and sleeping bags.

“Campsites”- means a single site located within a public access area which has been designated as open to camping by the Administrator.

“Improved campsite” - means a site where electricity and water are provided.

“Unimproved campsite” - means a site where there are no water, electric or sanitation hookups for recreational vehicles, but at which tables and grills are available in the area.

“Public Access Area” - means an area within the jurisdiction of the Commission which has been designated by the Administrator as open for use by the public for camping and day use activities under the terms and conditions of Administrative Rules – Title 630 Scenic Rivers Commission, Chapter 10. Licensing and Use Permits.

The current fee schedule is as follows:

- \$10 per person per night for the use of improved campsites
- \$8.00 per person per night for the use of unimproved campsites
- \$7.00 per person per night for the use of primitive campsites
- Persons over 62, or those with disabilities or children’s groups are entitled to a 50% discount, but must meet certain criteria.

The Oklahoma Scenic Rivers Commission employs Rangers who are commissioned peace officers certified by the Council on Law Enforcement Education and Training (CLEET). They collect camping fees from May to October, which is the peak period of the camping season. During the peak period of the summer months, the OSRC employs a full-time Ranger to specifically collect the camping fees. When that Ranger is off duty during the summer months on his rotation, then two Rangers will collect the

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

camping fees along with their other duties. There are seven campsites where the Rangers may collect camping fees; Round Hollow, Peavine, No Head, Edmondson, Echota 1, Echota 2, and Todd campsites, respectively.

Control Procedures

- The Oklahoma Scenic Rivers Commission receives prenumbered receipts from the Oklahoma Department of Tourism to be issued for camping fees.
- There are three items issued to the Rangers: prenumbered duplicate receipts, windshield placards for the campers to display in their vehicle, and a sheet that details that the camper was absent and the Ranger would return to collect the camping fees.
- The Rangers sign a sheet that details the numbers of the receipts that are checked out to them. This is maintained in the OSRC office.
- The Ranger, on a daily basis during the peak period, will pick up a bank bag from the OSRC office. These bank bags are kept in a locked vault.
- At around 5pm, the Ranger will begin to make his rounds to collect the camping fees.
- The Ranger will collect the camping fee from the camper and fill out a prenumbered receipt. The receipt details the following: the type of rate applied to the camper, their name and address, tag number, make of vehicle, site, number of nights, mode of payment, and a total line. The Ranger signs the receipt and the white (original) receipt goes to the camper. The Ranger keeps the yellow (duplicate) receipt.
- After the Ranger has made all of his collections for the day, he will then enter all of the camping fees on a summary sheet called a "Camping Fee Tally Sheet." The sheet details the camp site by name and the designated area within the campsite denoted by a number.
- At night, after the Ranger has made all of the collections for the day, he will deposit the bank bag, tally sheet and the corresponding duplicate receipts into a locked drop box inside the Oklahoma Scenic Rivers Commission Office.
- The next morning, an OSRC employee will unlock the drop box and retrieve the bank bag. The cash and checks are counted and reconciled to the camping fee tally sheet and to the duplicate receipts. A difference in reconciling will be verified with the Ranger. All supporting documentation is filed by date received.
- All of the collections are then entered into the Department of Tourism online computer system at approximately 11:00 a.m. daily, unless the receipts are less than \$100.

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

- On those days when receipts total more than \$100, the OSRC employee will take the deposit to the bank with the deposit slip. The deposit slip and the official depository sheet and the memorandum of journal entry, which are filled out prior to the deposit, are date stamped by the bank. All information is maintained in the office files.
- A spreadsheet is filled out on each day a deposit is made that details the type of fee collected, the revenue code and the amount, which aids in tracking the bank deposit.
- At this point, the Oklahoma Department of Tourism and Recreation tracks the deposit from the point it is uploaded to the Department until it reaches the Oklahoma State Treasurer's Office as received. Reconciliations are performed by the Department of Tourism to the Treasurer's Office.

Procedures Performed:

Lengthy discussions were held with the OSRC personnel concerning their control procedures. Source documents and tracking documents were examined to determine the documentation flow within the agency. Also, all of the controls were observed to determine that the procedures were operating in the manner described.

A list of all revenue sources was compiled to determine the amount of money attributed to the various fees: The following is a recap of the revenue received from January 1, 2003 to December 31, 2003:

Revenue Source	Totals
Other Licenses, Fees & Permits	\$ 105,077.00
Donations from Private Sources	1,701.00
Refunds Received	1,516.63
Unimproved Campgrounds	5,877.00
Community Bldg/Meeting Room	47.00
Surplus Property Sales/Non Tax	<u>1,890.00</u>
Total Revenue Received	\$ <u>116,108.63</u>

Camping fees collected are shown as "Unimproved Campgrounds" revenue source. The camping fees collected for the calendar year 2003 totaled \$5,877.00.

Test Procedures Performed:

After examining the internal control structure of the camping fee process, the amount of the camping fees collected were tested to determine if the internal controls were working effectively. The auditor sampled 30 camping fee tally sheets out of a total of 133 tally sheets, which was 56% of the total camping fee dollars collected for the calendar year 2003. The sample selection method was judgmental in order to

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

ensure that both high volume camping days during the peak season were selected, as well as low volume camping days.

The auditor examined the source documents: the tally sheet, duplicate camping fee receipt, memorandum of journal entry, official depository sheet, advice of deposit from the Oklahoma State Treasurer's Office and the revenue spreadsheet prepared by OSRC personnel. All documents were examined for accuracy and completeness.

Recommendations:

It appears that for the camping fees collected, the controls as mentioned in the overview are effective and in place and operating, with the exception of the following area:

Recommendation #1

Background:

The Oklahoma Scenic Rivers Commission Rangers are issued prenumbered receipts in duplicate at a given time. These prenumbered receipts are issued and signed for by the Ranger.

Finding:

Although the receipts are prenumbered, which is a good internal control, the receipts when turned back to the Commission, are not accounted for sequentially. This precludes the Commission from tracking, at any one time, the number of receipts that are missing and the number outstanding.

Recommendation:

We recommend that the Rangers be issued a receipt booklet that is "bound" with triplicate copies. This will aid in ease of keeping the receipts together and will aid in accountability of the receipts that are used and unused. The Commission could then account for each receipt, the Ranger would have a copy of the receipt, and the Commission would have another copy for the records. This will also aid in independent accountability between the Ranger and the person receiving, recording and depositing the monies for the Commission.

User Fees

Overview:

The Oklahoma Scenic Rivers Commission is charged with establishing procedures and fee schedules for submission of commercial and private user fees from commercial flotation device operators. In layman's terms, these are fees collected that are from private users who have their own flotation device and fees that are collected from different resort sites that rent flotation devices commercially.

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

There are currently 21 different commercial flotation device operators. Another 12 rangers and one site at the OSRC headquarters are able to collect user fees on site. This totals 34 points of entry where monies may be collected for user fees. The following is the fee schedule effective July 1, 2003:

- \$5 Annual Use Fee per commercially owned and operated flotation device in Illinois River and Flint Creek.
- \$1.00 per trip per flotation device or a user fee of \$2.00 per raft for commercial flotation device users and private users. This was prior to July 1, 2003.
- \$1.00 per trip for commercial flotation device users and private users after July 1, 2003.
- Property owners adjacent to the river may own and operate one flotation device for their personal use without paying the user fees.

Control Procedures

- The Oklahoma Scenic Rivers Commission maintains user fee tally sheets as well as prenumbered wristbands.
- Resort sites will obtain from the Commission user fee tally sheets and the prenumbered wristbands and will sign a "receipt" acknowledging that the resort site owner has received a certain number sequence of wristbands. The resort sites issue the wristbands to users of private flotation devices. The commercial rental user does not have to wear a wristband.
- For each month's worth of collections of user fees, the resort owner is to remit the month's collections by the 10th of the following month. (e.g. June collections by July 10)
- By the 10th of the following month, the resort owner remits with the fees paid, the tally sheet to show all of the collections for private and commercial flotation devices.
- The resort owner will usually remit the total collections in the form of check, since most user fees are paid by the individual in cash. This collection is part of the normal process for the commercial flotation device operators. The user fee tally sheet will accompany the check. This tally sheet is signed by the resort owner and the mode of payment is written on the tally sheet along with a check number received, if applicable. Also, the OSRC personnel dates the tally sheet with the date received by OSRC. The OSRC personnel will then sign off on the tally sheet that the amount was received and the payment and the tally sheet reconcile.
- On those days when receipts total more than \$100, the OSRC employee will take the deposit to the bank with the deposit slip. The deposit slip and the official depository sheet and the memorandum of journal entry, which are filled out prior to the deposit, are date stamped by the bank. All information is maintained in the office files.
- A spreadsheet is filled out on each day a deposit is made that details the type of fee collected, the revenue code and the amount, which aids in tracking the bank deposit.

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

- At this point, the Oklahoma Department of Tourism and Recreation tracks the deposit from the point it is uploaded to the Department until it reaches the Oklahoma State Treasurer's Office as received. Reconciliations are performed by the Department of Tourism to the Treasurer's Office.

Procedures Performed:

Again, more discussions and inquiry were made with the Oklahoma Scenic Rivers Commission personnel regarding the documentation that they used for user fee collections. The above procedures were observed, as much as possible, at the time of audit, since this was off-peak season during our portion of the fieldwork. On the chart noted under camping fees, these user fees are denoted as the "Other licenses, fees and Permits" line item in the chart noted earlier in the amount of \$105,077.00.

Test Procedures Performed:

The process regarding the collection of user fees was tested to determine if it was operating effectively. We sampled 34 user fee tally sheets, which was one from each point of entry (either a commercial flotation device operator or OSRC individual collecting the user fee). The sample selection method was judgmental in order to ensure that all collection points were chosen.

We examined the source documents: the user fee tally sheet, the monthly user fee tally sheet, mode of payment, official depository sheet, deposit slip, advice of deposit, revenue source sheet, revenue spreadsheet, numbered wristband inventory, wristband checkout sheet, and monthly agency statements received from the State Treasurer's Office. These documents were examined for accuracy and completeness.

Recommendations:

The results of the testwork reflected that the controls were in place and were operating effectively.

We noted two areas which could be enhanced to improve an already strong system of controls. Those areas are following as Recommendations # 2 and # 3.

Recommendation #2

Background:

Wristbands are given only to users of privately owned flotation devices. The wristbands are neon orange and are prenumbered. The wristbands are worn by the user during the day of operation of the flotation device on the river.

Finding:

Wristbands are not given to users of commercially owned flotation devices after paying their user fee. They are only issued to users of privately owned flotation devices.

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Recommendation:

We recommend that wristbands be required of both users of commercially owned flotation devices and users of privately owned flotation devices. Implementation of this recommendation would aid rangers in identifying those users of the river that have properly paid for their trips and are authorized to use the river. In addition, this would aid the Oklahoma Scenic Rivers Commission in tracking the number of the users of the river, which will aid in meeting their mission.

Recommendation #3

Background:

Pre-numbered wristbands are issued to the CFD operator or Ranger for users of privately owned flotation devices.

Finding:

Wristbands are not always tracked after being issued to the CFD operator or Ranger. Currently, there is not a list of wristbands that are issued, nor is there an inventory of the remaining wristbands maintained at the Commission. Additionally, if an employee leaves, there is not a requirement that the wristbands that are in their possession be returned to the Commission.

Recommendation:

We recommend an increased attention to tracking the wristbands that have been issued to the CFD operators, the Rangers, and employees that are leaving the agency. A perpetual inventory of wristbands should be maintained.

General

The following concern has not resulted in problems thus far and is not easily rectified in agencies of this size. It is presented here only to remind management of its importance is the internal control process.

Recommendation #4

Background:

A basic objective of an effective internal control structure is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To ensure proper accounting for funds, the duties of receiving, receipting, recording and depositing cash and checks should be segregated.

Finding:

Based on inquiries of personnel, it was noted that the receiving, receipting, recording, depositing and reconciling collections are concentrated with one individual and are not adequately segregated.

**OKLAHOMA SCENIC RIVERS COMMISSION
SPECIAL REPORT
SUMMARY OF PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Recommendation:

Management should be aware of these conditions and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. These conditions could result in unrecorded transactions, misstated reports, undetected errors or misappropriation of assets.

Overall Conclusion:

We recommend that the Oklahoma Scenic Rivers Commission Board members and personnel review the above recommendations in order to improve and strengthen the controls over the camping fee and user fee processes.

We also commend them for the existing controls that were operating effectively and recommend that they continue to be diligent about maintaining the strong internal control structure elements currently in place.