

**OKLAHOMA STATE ELECTION BOARD
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

August 3, 2004

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma State Election Board 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,

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

JEFF A. McMAHAN

State Auditor and Inspector

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TABLE OF CONTENTS

	PAGE
Board Members and Administrative Staff.....	1
Report of the State Auditor and Inspector.....	2
Comments and Recommendations	3

**OKLAHOMA STATE ELECTION BOARD
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BOARD MEMBERS

<u>Name</u>	<u>Term Expires</u>
Glo Henley, Chairman	2007
Kenneth Monroe, Vice Chairman	2007
Thomas E. Prince	2007

ADMINISTRATIVE STAFF

Mike Clingman Secretary	
Carol Slater Assistant Secretary	Sharon Simmons Comptroller



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA STATE ELECTION BOARD

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 State Election Board'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 State Election Board and to make recommendations in certain areas, and 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 State Election Board'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 State Election Board'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,

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

JEFF A. McMAHAN
State Auditor and Inspector

June 14, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-270-01

Criteria: According to 62 O.S. 2001 § 7.1.C.

“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.
2. Receipts of less than One Hundred Dollars (\$100.00) may be held until accumulated receipts equal One Hundred Dollars (\$100.00) or for five (5) business days, whichever occurs first, and shall then be deposited no later than the next business day.”

Additionally, an effective internal control system includes policies and procedures that establish and sustain adequate segregation of duties to reduce the opportunity for any person to both perpetrate and conceal errors and irregularities in the normal course of their duties. Also, good internal control procedures includes reconciliations which are necessary to ensure stewardship and accountability of public funds and assets.

Condition: During our review of internal controls, we noted the Board did not have controls to ensure funds were deposited at least on a weekly basis.

We also noted that one person performs the following:

- Reconciles expenditures
- Prepares the budget
- Writes receipts
- Prepares & makes the deposit
- Reconciles the deposit
- Prepares Payroll

Effect: The agency is not in compliance with state statutory requirements regarding deposits. In addition, inadequate segregation of duties may allow errors or irregularities to occur and not be detected within a timely manner.

Recommendation: We recommend the Oklahoma State Election Board develop and implement controls to provide for proper segregation of duties to ensure that the same person does not write receipts, prepare the deposits, make the deposits, reconcile the deposit, and post and reconcile expenditures to OSF records. We also recommend that the Oklahoma State Election Board implement controls to ensure deposits are made in accordance with 62 O.S. § 7.1.C.

Management's Corrective Action Plan

Contact Person: Michael Clingman

Anticipated Completion Date: February 1, 2005

Corrective Action Planned: The Audit found difficulties in the Election Board compliance with daily deposit requirements and in the (non) segregation of duties performed in the accounting and financial office of the State Election Board. Management agrees that one person should not be used for preparing budgets, reconciling expenditures, making deposits, writing receipts, reconciling deposits, and preparing payroll. We also acknowledge that these activities have been performed in this manner since the Election Board has been in existence. The passage of the Help America Vote Act requires that the Election Board manage federal funds to comply with the mandates of that act. The State Election Board plans in 2005 to employ additional personnel to assist in that management. One of the benefits of this will be to segregate our financial duties in ways that will enable us to comply with the findings of the audit. The State Election

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Board plans to hire these personnel before February 1, 2005.

Comment 2003-270-02

Criteria: According to OAC 580:70-3-1: Inventory Report:

- (A). Report due date. All agencies must submit an annual report of current inventory of tangible assets owned by the agency as of June 30 of the preceding fiscal year to the Department by August 15. The report shall include all tangible assets based upon the threshold stated in 580:70-1-3(a).
- (B). Report formats. The Director shall specify tangible asset identification data elements an agency inventory report shall contain and the forms and computer applications the Director shall accept for the agency to report the inventory information. The Director may specify data elements applicable to a tangible asset type.
- (C). Inventory report contents. The inventory report shall be signed by the agency inventory control officer 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 to ensure the integrity of state inventory records.

Condition: Based on inquiry and observation:

- During fiscal year 2003, the Oklahoma State Election Board did perform a physical inventory count of their fixed assets and inventory. However, we noted that the agency's inventory records did not reflect complete and accurate information regarding the following: serial number, valuation, item description, item acquired date, beginning date of service and tag identification number.

Effect: Inaccurate records and a possible misappropriation of fixed assets could result from not having an updated master inventory list.

Recommendation: We recommend the Oklahoma State Election Board properly tag all fixed assets that they may be readily identified as property of the State of Oklahoma. In addition, a physical inventory should be performed annually, and the master fixed asset list should be updated in a timely manner.

Management's Corrective Action Plan

Contact Person: Michael Clingman

Anticipated Completion Date: 2005

Corrective Action Planned: Management intends to address this finding by updating the inventory list to include the necessary information for each asset. Since this project must be performed by existing Election Board personnel, this activity will be done during the third quarter of fiscal year 2005 when the constraints on personnel caused by the 2004 election calendar will be eased.