

**OKLAHOMA MERIT PROTECTION COMMISSION
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

May 20, 2004

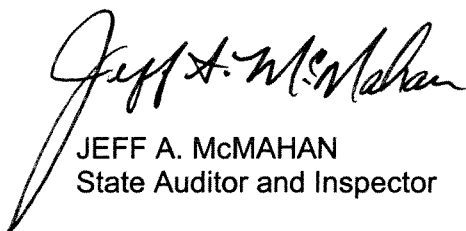
**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Merit Protection Commission 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,



JEFF A. McMAHAN
State Auditor and Inspector

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FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**OKLAHOMA MERIT PROTECTION COMMISSION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

COMMISSION MEMBERS

<u>Name</u>		<u>Term Expires</u>
Mary Ann Karns	Chairman	June 30, 2005
Linda Brinkworth	Vice- Chairman	June 30, 2005
Gene Olson	Commissioner	June 30, 2004
Gene Moses	Commissioner	June 30, 2004
Don Smitherman	Commissioner	June 30, 2004
Oscar Sparks	Commissioner	June 30, 2003
Donnie McKnight	Commissioner	June 30, 2003
Jerry Rackley	Commissioner	August 18, 2004
Unfilled Commissioner	Commissioner	June 30, 2005

**ADMINISTRATIVE
STAFF**

James L. Howard,
Executive Director

Clyde L. McLendon,
Deputy Director

Brenda Marr,
Administrative Programs
Officer



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA MERIT PROTECTION COMMISSION

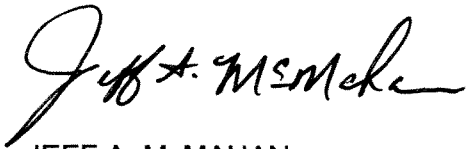
We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

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. We reviewed controls in the following specific areas:
 - a. Cash receipting and depositing of funds.
 - b. Fixed Assets.
 - c. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
 - d. Segregation of duties regarding authorization, recording, and custody.
2. We reviewed the Commission's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
 - a. Agency's compliance with policies and procedures regarding budgetary matters.
 - b. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Merit Protection Commission, make recommendations in certain areas, and determine 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 Commission'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 Commission's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff A. McMAHAN". The signature is written in a cursive style with a prominent initial "J" and a long, sweeping underline.

JEFF A. McMAHAN
State Auditor and Inspector

May 5, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-298-001

Criteria: According to Title 62 O.S. 2001 § 7.1.C.2.c., "All checks received must be restrictively endorsed immediately upon receipt."

Condition: The Commission does not restrictively endorse checks immediately upon receipt as required by state law.

Effect: The Commission is not in compliance with state law.

Recommendation: We recommend the Commission restrictively endorse checks immediately upon receipt as required by state statute.

Contact Person: Brenda Marr, Administrative Programs Officer

Anticipated Completion Date: 4/15/04

Corrective Action Planned: The Commission has purchased a "For Deposit Only" stamp with the name and address of the agency. The stamp is kept at the front desk where all correspondence is received. The employee receiving the checks either by mail or in person is now stamping the check immediately before forwarding it to the proper division.

Comment 2003-298-002

Criteria: A basic objective of stewardship of governmental resources is to provide proper accounting for funds.

Condition: As a result of management's response to Internal Control Questionnaire and State Auditor and Inspectors' observation, it appears the Commission does not have a written policy for handling insufficient checks.

Effect: Errors or irregularities could occur and may not be detected in a timely manner.

Recommendation: We recommend the Commission establish and implement policies and procedures regarding insufficient checks.

Management's Corrective Action Plan

Contact Person: Brenda Marr, Administrative Programs Officer

Anticipated Completion Date: 5/30/04

Corrective Action Planned: A written policy will be developed and a standard/form letter stating that an insufficient check has been received and the check writer has 10 calendar days to submit payment by money order. The letter will also state that failure to make restitution will result in the check being forwarded to the District Attorney's Office.

Comment 2003-298-004

Criteria: Effective internal controls include policies and procedures that establish and sustain adequate segregation of duties to reduce the opportunity for any person(s) to both perpetrate and conceal errors and irregularities in the normal course of business practices.

Condition: Upon inquiry it came to our attention:

- ◆ The same person responsible for the performing a physical inventory count of fixed assets is also assigned to post and maintain the record keeping of fixed assets.
- ◆ The same person responsible for investigating differences in physical inventory counts also authorizes and adjusts records.

Effect: Errors or irregularities could occur in the recording, processing, summarizing, and reporting of the fixed assets.

Recommendation: We recommend the Commission develop written policies and procedures to establish a segregation of duties for the recording, processing, summarizing, and reporting of fixed assets.

Contact Person: Brenda Marr, Administrative Programs Officer.

Anticipated Completion Date: 5/30/04

Corrective Action Planned: The Commission will develop a written policy and procedures to segregate the duties of the employees responsible for recording, processing, summarizing and reporting fixed assets of the Commission.

Comment 2003-298-005

Criteria: Effective Internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned fixed assets.

Condition: The Commission has issued laptop computers to staff; however, it does not have controls in place to govern and/or monitor the use of the equipment. The Commission was unable to provide documented policies and procedures for the usage of laptop computers.

Effect: Inaccurate records and loss or misappropriation of assets could occur.

Recommendation: We recommend the Commission develop and approve policies and procedures regarding the use of state owned laptop computers.

Contact Person: Brenda Marr, Administrative Programs Officer

Anticipated Completion Date: 5/30/04

Corrective Action Planned: The Commission will develop a written policy and procedures regarding the use of state owned laptop computers used for training.

Comment 2003-298-006

Criteria: Effective internal control procedures are necessary to ensure proper stewardship and accountability of publicly owned fixed assets.

Condition: The Commission has issued cell phones to staff; however, it does not have controls in place to govern and/or monitor the use of the equipment. The Commission was unable to provide documented policies and procedures for the usage of cell phones.

Effect: Inaccurate records and loss or misappropriation of assets could occur.

Recommendation: We recommend the Commission develop and approve policies and procedures regarding the use of state owned cell phones.

Contact Person: Brenda Marr, Administrative Programs Officer

Anticipated Completion Date: 5/30/04

Corrective Action Planned: The Commission will develop written policies and procedures regarding the use of state owned cell phones.