

**Office of Personnel Management**

**Agreed-upon Procedures Report**

**For the Period**

**July 1, 2005 to December 31, 2006**

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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

April 30, 2007

**TO THE ADMINISTRATOR OF THE OFFICE OF PERSONNEL MANAGEMENT**

Transmitted herewith is the agreed-upon procedures report for the Office of Personnel Management. 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. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

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

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

**Mission Statement**

The mission of the Office of Personnel Management is to serve the people of Oklahoma by delivering reliable and innovative human resource services to our partner agencies to achieve their missions.

**Key Staff**

Oscar B. Jackson, Jr., IPMA-CP ..... Administrator  
Marilyn Capps ..... Chief Financial Officer  
Hank Batty ..... Deputy Administrator for Programs



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Office of Personnel Management, solely to assist you in evaluating your internal controls over the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the period of July 1, 2005 to December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the agency's internal controls over receipts and disbursements with the following criteria:
  - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
  - Receipts were issued for cash and/or checks received;
  - Incoming checks were restrictively endorsed upon receipt;
  - Receipts not deposited daily were safeguarded;
  - Voided receipts were retained;
  - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
  - Disbursements were supported by an original invoice;
  - Timesheets were prepared by employees and approved by supervisory personnel.

Based on our documentation of internal controls, we noted that checks are not immediately endorsed upon receipt. This could result in potential theft or misappropriation of funds. In addition, 62 O.S., § 7.1.C.2.c. states: "All checks received must be restrictively endorsed immediately upon receipt." We recommend that management develop and implement written policy and procedures to ensure compliance with 62 O.S., § 7.1.C.2.c.

*Management Response:* OPM has written policy and procedures for receipts and deposits that requires that all checks be restrictively endorsed immediately. Due to staff turnover in the Chief Accountant position, the Accounting Technician received checks and applied the restrictive endorsement while separate accounting staff issued receipts for the restrictively endorsed checks. Unfortunately, when the Chief Accountant position was filled in October 2005, the endorsement stamp was never transferred back to that position.

OPM has notified staff of the policy and has placed responsibility for the restrictive endorsement stamp with the Chief Accountant who initially receives all checks.

With respect to the other procedures applied, there were no findings.

2. We compared the agency's internal control over the safeguarding of capital assets with the following criteria:
- Inventory records were maintained for capital assets costing \$500 or more;
  - Packing slips were compared to the purchase order when capital assets were received;
  - Inventory records were adjusted promptly when capital assets were acquired, retired, sold, or transferred;
  - Obsolete or unusable assets were disposed of through the Department of Central Services' Surplus Property Division;
  - Physical inventories were performed;
  - Differences between physical inventory counts and inventory records were resolved.

A component objective of an effective internal control system is to provide adequate segregation of duties. We noted that the Chief Accountant is responsible for maintaining the inventory list, adjusting inventory records, and performing inventory of capital assets. Without adequate segregation of duties, errors and improprieties could occur and not be detected in a timely manner. We recommend that the above duties be properly segregated between employees.

*Management Response:* Written policy and procedures regarding inventory control will be updated to clarify appropriate segregation of duties. The Accounting Technician is responsible for attaching numbered inventory tags to assets. The Chief Accountant is responsible for maintaining the inventory records. During this audit period, the Chief Accountant and the Accounting Technician did perform all annual audits jointly.

Responsibility for taking the physical inventory has been removed from the Chief Accountant position and placed with the Accountant position. Additionally, all adjustments to the inventory records shall be made from source documents approved by the Chief Financial Officer.

With respect to the other procedures applied, there were no findings.

3. We randomly selected 20 deposits and:
- Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day. Examined receipts to determine if they were pre-numbered and issued in numerical order;
  - Agreed cash/check composition of deposits to the receipts issued;
  - Agreed the total receipts issued to the deposit slip;
  - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received;
  - Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first;
  - Inspected agency receipts to determine whether receipts were safeguarded;
  - Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
  - Compared the nature of the deposit to the account code description to determine consistency.

A component objective of an effective internal control system is to provide adequate supporting documentation. We noted one (1) deposit slip was missing. It was not attached to that day's deposit support. Without adequate supporting documentation, errors and improprieties could occur and not be detected in a timely manner. We recommend OPM retain documentation to support deposits.

*Management Response:* Attaching deposit receipt slips to deposit records is current standard procedure. During a period of time, OPM placed deposits in sealed bags and placed the bags in bank night depository. As a result, banks were inconsistent in sending OPM confirming receipts. In late 2005, the State Treasurer's Office asked OPM to stop this practice and advised us to make the deposits during office hours.

OPM now makes deposits during office hours, obtains receipts, and attaches receipts to deposit records. Since making this change, OPM is confident that receipts are obtained and will continue to be attached to deposit records.

With respect to the other procedures applied, there were no findings.

4. We randomly selected 60 vouchers and:
  - Compared the voucher amount and payee to the invoice amount and payee;
  - Compared the voucher amount and payee to the CORE system;
  - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
  - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

5. We compared salaries set by statute, if any, to the actual salary paid to determine the statutory limit was not exceeded.

There were no findings as a result of applying the procedures.

6. We randomly selected 4 employees who appeared on the December 2006 payroll but not on the July 2005 payroll and observed the initial "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

There were no findings as a result of applying the procedures.

7. We randomly selected 5 employees who appeared on the June 2005 payroll but not on the December 2006 payroll and:
  - Observed the final "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.
  - Observed the main payroll funding sheet for the month subsequent to termination to determine employee no longer appeared.

There were no findings as a result of applying the procedures.

8. We randomly selected 2 employees whose gross salary at December 2006 had increased since July 2005 (excluding legislative pay raises) and observed the "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

There were no findings as a result of applying the procedures.

9. We randomly selected 6 employees from the December 2006 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 2006.

There were no findings as a result of applying the procedures.

10. We selected 10 assets from the capital asset listing and:
  - Visually inspected each asset to ensure its existence and that it was identified as property of the State of Oklahoma;
  - Compared the identification number on the listing to that shown on the asset.

There were no findings as a result of applying the procedures.

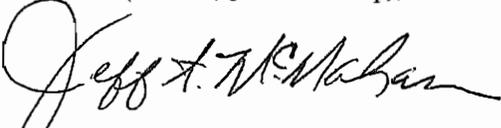
11. We selected 10 assets from the floor and:

- Traced them to the capital asset listing;
- Compared the identification number on the asset to that shown on the listing;
- Inspected the asset to determine it was properly identified as property of the State of Oklahoma.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, disbursements, and capital assets for the agency. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Office of Personnel Management and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN  
State Auditor and Inspector

April 23, 2007