

# OKLAHOMA STATE BUREAU OF INVESTIGATION

FOR THE PERIOD  
JANUARY 1, 2007 THROUGH  
JUNE 30, 2009

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma State Bureau of Investigation**

**For the Period  
January 1, 2007 through June 30, 2009**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

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January 27, 2010

## TO THE COMMISSION OF THE OKLAHOMA STATE BUREAU OF INVESTIGATION

This is the audit report of the Oklahoma State Bureau of Investigation for the period January 1, 2007 through June 30, 2009. 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 blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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**Background**

The Oklahoma State Bureau of Investigation (OSBI or Agency) is the general investigative agency of Oklahoma and provides services in support of law enforcement throughout the state.

Oversight is provided by seven commission members appointed by the governor.

Board members are:

Ted Fariss ..... Chairman  
Stanley Glanz..... Vice-Chair  
Anne Holzberlein..... Lay Member  
Mickey Perry ..... Chief Member  
Mike Wilkerson ..... Lay Member  
Russell Noble..... Lay Member  
Rob Hudson ..... District Attorney Member

Table 1 summarizes the Agency’s sources and uses of funds for state fiscal years 2008 and 2009 (July 1, 2007 through June 30, 2009).

**Table 1 - Sources and Uses of Funds for SFY 2008 and SFY 2009**

	2008	2009
Sources:		
State Appropriations	\$ 17,316,447	\$ 17,295,353
OSBI Laboratory Analysis Fee	802,327	893,472
OSBI AFIS Fee	3,042,704	3,008,992
OSBI Forensic Fee	3,292,096	3,241,309
Federal Grants-In-Aid	907,291	851,288
Federal Funds from Other State Agencies	2,473,688	814,200
Application Deposits	1,842,960	4,242,130
Criminal Record Search	5,278,761	5,341,457
Other	618,758	244,555
Total Sources	<u>\$ 35,575,032</u>	<u>\$ 35,932,756</u>
Uses:		
Personnel Services	\$ 21,849,424	\$ 23,582,684
Professional Services	1,372,747	376,180
Travel-Reimbursements	247,739	188,170
Travel-Agency Direct Payments	128,437	141,829
Miscellaneous Administrative	1,981,214	2,631,192
Rent Expense	2,470,725	2,544,668
Maintenance and Repair Expense	1,652,593	1,792,972
Specialized Supplement and Material Expense	347,987	340,233
General Operating Expenses	438,550	414,285
Shop Expense	767,306	1,126,835
Office Furniture and Equipment	2,240,001	2,589,599
Building Purchase, Construction, Renovation	310,440	136,103
Other	357,379	196,515
Total Uses	<u>\$ 34,164,542</u>	<u>\$ 36,061,265</u>

*Source: Oklahoma PeopleSoft Accounting System (unaudited, for informational purposes only)*

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**Purpose, Scope,  
And Sample  
Methodology**

This 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 state officers whose duty it is to collect, disburse or manage funds of the state and 74 O.S. § 150.30 which requires any audit of the Agency to include the petty cash fund.

The audit period covered was January 1, 2007 through June 30, 2009.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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. 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.

**Objective 1 - Determine if the Agency's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records.**

**Conclusion**

The Agency's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records.

**Methodology**

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting (including petty cash), expenditure, and inventory processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
  - Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
  - Randomly selecting 40 deposits (\$1,398,686.87) to ensure the receipt code worksheet had the accounting supervisor's or accountant's initials and the total on the receipt code worksheet agreed to the total on the deposit slip as well as the total on the cash control database worksheet;
  - Haphazardly selected one concealed weapon license receipt number from each of the 40 randomly selected deposits and agreed the receipt number and the corresponding applicant's name to the applicant's concealed weapon license file;
  - Determining the Agency's clearing account was reconciled on a monthly basis to the State Treasurer's Office by someone independent of the cash receipting process;



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- Reviewing a random sample of six Office of State Finance (OSF) form 011 reconciliations to ensure the reconciliations were reviewed by someone independent of the preparer, were mathematically accurate, agreed to supporting documentation, and the reconciling items appeared reasonable;
- Reviewing a random sample of six reconciliations between the Agency’s deposit records and OSF PeopleSoft deposit records to ensure the Agency’s records were correctly posted;
- Determining if the employee(s) responsible for approving the requisition, packing slip, invoice, and voucher are independent of the claim posting process;
- Randomly selecting 40 claims (\$46,680.73) to determine if the claim jacket was approved, the payment was supported with the approved purchase requisition, the invoice was initialed by the accountant, the fund agreed from the claim jacket to the purchase order to the requisition, the account code was correct, the claim and invoice were mathematically accurate, and the expenditure was reasonable given the mission of the Agency;
- Randomly selecting six months’ “six-digit expenditure reports” from the PeopleSoft accounting system to review for unusual vendor<sup>1</sup> names ;
- Selecting 18 (13 randomly and five haphazardly) fund 700 reconciliations to ensure they were signed by the preparer, agreed to supporting documentation, and were properly approved;
- Randomly selecting 15 expenditures (\$6,165.45) from fund 700 to ensure they were properly approved and allowable based on Agency policy 403 II B;
- Determining if fund 700 vouchers are pre-numbered, adequately secured, and appropriately accounted for;
- Determining if the employee(s) responsible for purchasing/surplusing items is responsible for maintaining the inventory records;
- Determining if a periodic count was performed on the Agency’s inventory;
- Judgmentally selecting 40 high appeal items from the inventory listing and agreeing them to the floor ensuring the tag number, serial number, item description and location agree; and
- Judgmentally selecting 40 high appeal items from the floor and agreeing the tag number, serial number, and item description to the inventory listing.

**Objective 2 – Determine whether financial operations complied with 74 O.S. § 150.25, 74 O.S. § 150.35, and 74 O.S. § 150.6a.**

**Conclusion**

With respect to the claims tested, financial operations complied with the following statutes:

- 74 O.S. § 150.25 – funds may be used to purchase, renovate, or lease buildings; upgrade laboratory equipment; capital expenditures of the OSBI; to purchase equipment; and train law enforcement in the state; and
- 74 O.S. § 150.35 –funds may be used on improvement of the forensic science services of the OSBI, including facilities and equipment; salaries, training, and other personnel costs; education; destruction of seized property and chemicals;

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<sup>1</sup> Unusual is defined as a vendor that was unfamiliar to the auditor or strange given the mission of the Agency.

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accreditation and quality assurance; professional services contracts; law enforcement training; and enhancement and implementation of forensic technologies.

With respect to the employees tested, financial operations complied with 74 O.S. § 150.6a – salary limitations on the positions of director, deputy director, division director, agent/criminalist I through V.

**Methodology**

To accomplish our objective, we performed the following:

- Randomly selected five expenditure claims paid from fund 210 (\$19,720.65) and nine claims (two randomly and seven haphazardly) paid from fund 220 (\$7,802.54) to ensure compliance with 74 O.S. § 150.25 and 74 O.S. § 150.35; and
- Reviewed payroll information in the PeopleSoft accounting system to ensure the director's, deputy director's, five division directors', and 177 agents'/ criminalists' I through V annual salaries did not exceed the maximum limits set forth in 74 O.S. § 150.6a.



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