

**OKLAHOMA STATE BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL
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

October 24, 2003

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

Transmitted herewith is the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control Internal Control Report for the fiscal year ended June 30, 2003. By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the Agency during the course of the engagement, and we look forward to a continuing professional relationship.

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. McMahon". The signature is written in a cursive style.

JEFF A. McMAHAN
State Auditor and Inspector

OKLAHOMA STATE BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL
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**THE OKLAHOMA STATE BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL
COMMISSION MEMBERS**

Name		Term Expires
Joe Lester, Chairman	Police Chief Member	December 31, 2003
Doc Jordan, Vice Chairman	Lay Member	December 31, 2007
Don Van Alstine	Lay Member	December 31, 2009
Pete Cordova	Lay Member	December 31, 2005
Tim Harris	District Attorney Member	December 31, 2004
Kenny Stradley	Lay Member	December 31, 2008
Peggy Wichert	Lay Member	December 31, 2006

ADMINISTRATIVE STAFF

Anita Smart,
Director of Fiscal Services

Malcom Atwood,
Director
[July 6, 1976 - March 31, 2003]

Kay Calton,
Accountant

Pam Birdsong,
Accountant

Scott Roland,
[Interim Director]
[April 1, 2003 to June 30, 2003]

Lisa Nicholson,
Physical Evidence Technician

Bridgette Givens,
Accountant Technician

Tanara Lang,
Human Resources
Management Specialist

Joe Miller,
Physical Evidence Technician



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**TO THE OKLAHOMA STATE BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL**

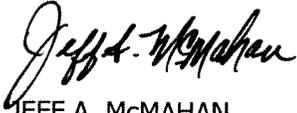
We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through April 22, 2003 for the Fiscal Year 2003.

- A. We reviewed the management internal controls over the cash receipting and depositing of funds.
- B. We reviewed the management controls over fixed assets.
- C. We reviewed the management controls over the recording of cash receipts, disbursement of funds, and reconciliation of funds.
- D. We tested a sample of cash disbursements for propriety, reasonableness, and compliance with State purchasing regulations.
- E. We reviewed the Agency's compliance with policies and procedures regarding budgetary matters.
- F. We reviewed the Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping and compensation increases.
- G. We reviewed the management internal controls for adequate segregation of duties regarding authorization, recording, and custody.

The purpose of these procedures was to identify, on a limited basis, the adequacy of certain aspects of internal controls in place by the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control. Our findings resulting from the above procedures are included in the attached comments and recommendations section of this report.

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 Agency'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 Agency'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 that reads "Jeff A. McMahon". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

April 22, 2003

COMMENTS AND RECOMMENDATIONS

**OKLAHOMA STATE BUREAU OF NARCOTICS
AND DANGEROUS DRUGS CONTROL
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Comment 2003-477-002

- Criteria:** Effective internal controls dictate for adequate segregation of duties, that reduce the opportunity of any person to both perpetrate and conceal errors and irregularities in the normal course of their duties.
- Condition:** The reconciliation's performed for Cash / Revenue and Fund Accounts were not reviewed and approved by someone other than the preparer.
- Effect:** It is possible errors or irregularities could occur and not be detected in a timely manner.
- Recommendation:**
We recommend the Bureau establish and implement controls to provide for proper segregation of duties.

Management's Corrective Action Plan—

Contact Person: Anita Smart, Director of Fiscal Services

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: We Concur.

The Accountant III prepares Cash/Revenue Reconciliation's. The Director of Fiscal Services reviews and approves by signature. The SmartStar reports reflect all revenue transfers. The Director of Fiscal Services reviews the monthly reports. and the Accountant IV prepares the fund reconciliements. The Director of Fiscal Services reviews and approves all reconciliation's. The reconciliation's were not signed and dated but the Director of Fiscal Services has reviewed all. The Director of Fiscal Services will initial effective FY-2004 all reconciliements.

Comment 2003-477-003

- Criteria:** According to 74 O.S. 2001, § 110.1:
- “The Department of Central Services shall maintain a current inventory of all equipment owned by state departments, boards, commissions, institutions, or agencies of the state . . . the Department of Central Services inventory shall consist of machinery, implements, tools, furniture, livestock, vehicles and other apparatus that may be used repeatedly without material impairment of its physical condition and which has calculable period of service and a value of over Five Hundred dollars (\$500.00).”
- “Department of Central Services shall cause all such articles to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained thereof. All state departments,

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boards, commissions, institutions, or agencies of the State of Oklahoma will make available to the Department of Central Services, support personnel to check inventories.”

Condition: Based on inquiry and observation we noted:

- ◆ The Bureau did not have accurate detailed records for all significant, self-constructed, donated, purchased or leased assets.
- ◆ Asset records did not contain a description, serial number, date of purchase, quantity and cost.
- ◆ The assets are not properly identified as the property of the State of Oklahoma by metal tags or other means.
- ◆ The Identifier number was not included on the detailed records.
- ◆ The Bureau did not perform a physical inventory count of their fixed assets and inventory for this audit period.

Effect: Inaccurate records and a possible loss of fixed assets could result.

Recommendation:

We recommend the Bureau annually perform a physical inventory count of their fixed assets and inventory; the master list should be updated for additions and deletions in a timely manner. The Bureau should properly tag all fixed assets that they may be readily identified as property of the State of Oklahoma.

Management's Corrective Action Plan—

Contact Person: Anita Smart, Director of Fiscal Services

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: We Concur.

The Property Section will work on adding serial numbers and any new items received reflecting the purchase dates and cost. We are in the process of marking all state property with green tags. The agency will send a team out to each District Office and then turn the audit report into the Property Section to reconcile the report with the data in this section.

Comment 2003-477-004

Criteria: Effective internal controls dictate an entity 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.

Condition: 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.

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

Recommendation:

We recommend the Bureau; 1) provide for proper segregation of duties between job functions and duties described above and 2) document, develop and implement "Policies and Procedures" regarding Fixed Assets.

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Management's Corrective Action Plan--

Contact Person: Anita Smart, Director of Fiscal Services

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: We Concur.

The Bureau will develop and implement a Fixed Assets procedure and process to ensure proper segregation of duties between physical counts and recording.

Comment 2003-477-006

Criteria: According to 63 O.S. 3-2-302 - **Registration Requirements states:**

"Every person who manufactures, distributes, dispenses, prescribes, administers or uses for scientific purposes any controlled dangerous substance within this state, or who proposes to engage in the manufacture, distribution, dispensing, prescribing, administering or use for scientific purposes of any controlled dangerous substance within this state shall obtain a registration issued by the Director of the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control, in accordance with rules promulgated by the Director. Persons registered by the Director under Section 2-101 et seq. of this title to manufacture, distribute, dispense, or conduct research with controlled dangerous substances may possess, manufacture, distribute, dispense, or conduct research with those substances to the extent authorized by their registration and in conformity with the other provisions of this article".

In accordance with rules promulgated by the Director and as provided for in Section 2-332 of this title, "any wholesaler, manufacturer or distributor of drug products containing pseudoephedrine or phenylpropanolamine, or their salts, isomers, or salts of isomers shall obtain a registration annually from the Oklahoma State Bureau of Narcotics and Dangerous Drugs Control".

Condition: The following inadequacies in registration licensing for controlled substances were noted:

- ◆ The Bureau does not have a written Registration Process for Issuance of Registration Certificates.
- ◆ SA&I auditor were unable to determine who reviewed and approved each application.

Effect: Unauthorized use of controlled substances could occur and not be detected.

Recommendation:

We recommend the Bureau develop and implement written "Registration Process Procedures". The procedures should require the use of a checklist or some other method to document the review and approval of each application.

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Management's Corrective Action Plan–

Contact Person: Anita Smart, Director of Fiscal Services

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: We Concur.

A checklist for the "Registration Process Procedure" was prepared and given to the Auditor's for review. The Auditor's have stated this document was sufficient.

Comment 2003-477-008

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

"All such monies collected pursuant to this section shall be deposited...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..."

Condition: The Bureau did not deposit receipts of One Hundred (\$100.00) or more on the same banking day.

Effect: Receipts may be misplaced or lost and errors may not be detected in a timely manner or in the normal course of business.

Recommendation:

We recommend that the Bureau deposit receipts of \$100 dollars or more on the same bank day.

Management's Corrective Action Plan–

Contact Person: Anita Smart, Director of Fiscal Services

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: We Concur.

The Fiscal Section deposits monies on a daily basis. All checks are deposited daily unless received to late in the day to make the daily deposit. Cash deposits are made promptly on the day they are received. The Registration Section consists of one employee (Registration Officer). If this employee is absent the mail remains un-opened and the deposit is not made for that day. Otherwise, all deposits are made on a daily basis. During this audit no other employee was able to open and process registration mail. Since the beginning of FY-2004 another employee has been trained in the area of the Registration Section and deposits are made on a daily basis.