

Agreed-Upon Procedures  
Report  
**Office of State Finance**

July 1, 2005 Through  
December 31, 2006



Office of the Oklahoma State Auditor and Inspector  
Jeff A. McMahan, CFE

**Office of State Finance**

**Agreed-upon Procedures Report**

**For the Period**  
**July 1, 2005 Through December 31, 2006**



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

August 29, 2007

**TO THE OFFICE OF STATE FINANCE**

Transmitted herewith is the agreed-upon procedures report for the Office of State Finance. 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 black ink that reads "Jeff A. McMahan". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN  
State Auditor and Inspector

**Mission Statement**

Lead, Support, and Serve.

**Key Staff**

Tony Hutchison ..... Director  
Jim McGoodwin ..... Deputy Director of Administration  
Brenda Bolander ..... State Comptroller  
Steve Funck ..... Deputy State Comptroller  
Riley Shaul ..... Finance Officer  
Kristin Griffin ..... Human Resources Director



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 State Finance, solely to assist you in evaluating your internal controls over the receipt and disbursement process, and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2005 through 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 Office of State Finance'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;

During our evaluation of the Office of State Finance (OSF) internal controls over the receipting process, we noted the receptionist is responsible for sorting and/or opening mail but does not log receipts before distributing the mail and/or checks received to other employees for processing. In addition, mail is also received and/or opened at two other OSF locations.

An objective of having an effective system of internal control is to minimize the conditions that are conducive to possible misappropriation of assets and the perpetration of fraud. We recommend the agency develop a policy to:

- a. receive and open all incoming mail at one location;
- b. log all revenue at the time of receipt; and
- c. reconcile the revenue posted to the log prior to deposit.

The duties of logging the revenue and reconciling the posted revenue to the log prior to deposit should be performed by a person independent of the cash receipts function.

### **Management Response**

Management partially agrees and disagrees with this finding. Office of State Finance (OSF) tracks all warrants written to OSF through a PeopleSoft report. The wire transfer report shows all warrants written to OSF which are input into a spreadsheet by Accountant III.

Also, OSF has asked that all payments from state agencies to OSF be made via the wire transfer process in the PeopleSoft system. See DCAR newsletter Volume 17 issue 5 dated May 11, 2007. OSF cannot stop its customers from changing this to a paper warrant and short of returning all paper warrants (which is a bad business practice) we are working to accomplish a wire transfer only process. Use of this wire transfer process will insure a tight internal control.

For payments made on paper check, management will rearrange duties to accommodate appropriate segregation of duties.

During our evaluation of the Office of State Finance (OSF) internal controls over the receipting and deposit process, we noted the same person is responsible for receiving and endorsing all funds received by check, preparing the deposits, and delivering those deposits to the bank lockbox at OST, without being reviewed by another employee. This same person is also responsible for reconciling the clearing account with OST.

An objective of having an effective system of internal control is to minimize the conditions that are conducive to possible misappropriation of assets and the perpetration of fraud. We recommend the agency segregate the duties for receiving checks, preparing deposits, delivering deposits to OST, and reconciling the clearing accounts with OST so the same person is not performing all of these duties. Reconciliations should be performed by someone independent of the cash receipting function.

### **Management Response**

Management agrees with this finding. Office of State Finance is developing new procedures to have a more effective internal control system so that appropriate segregation of duties is accomplished.

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

2. 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.

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

3. We randomly selected 30 travel vouchers (excluding account code 522150 – Registration - agency direct) and:
- Compared the voucher amount for mileage to the state’s approved ODOT mileage (excluding vicinity mileage);
  - Compared the voucher amount for meals, lodging, and miscellaneous charges to the Office of State Finance Procedures Manual;
  - Inspected pre-approval forms to ensure the forms were properly authorized prior to traveling;
  - Compared voucher amount and payee to invoice amount and payee;
  - Compared 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; and
  - Compared the nature of the purchase to the account code description to determine consistency.

During our inspection of 30 travel claims, we noted the per diem amount was calculated incorrectly on the OSF Form 19 Travel Voucher for 1 claim:

- ❖ Claim 5176 shows the claimant was in travel status for one day and twelve hours (1 2/4 or 1.5 days) at a per diem rate of \$31. The per diem amount claimed was \$45.50, but should have been \$46.50 ( $\$31 * 1.5$ ).

Some objectives of having an effective system of internal control are to minimize the possibility that errors and irregularities could occur and to provide accurate and reliable information. We recommend that travel claim amounts be recalculated by the reviewer prior to processing the OSF Form 19 Travel Voucher for payment.

#### **Management Response**

Management agrees with this finding. The Office of State Finance does recalculate voucher amounts however in a manual system errors will occur. Further, the travel act identifies the maximum amount that can be reimbursed for travel.

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

4. We randomly selected 30 non-travel vouchers and:
- Compared voucher amount and payee to invoice amount and payee;
  - Compared 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; and
  - 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 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.

6. We randomly selected 2 employees who appeared on the July 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.

7. We randomly selected 8 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.

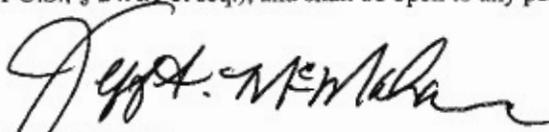
There were no findings as a result of applying the procedures.

8. We randomly selected 15 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.

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, and disbursements 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 State Finance 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

August 28, 2007