

OPERATIONAL AUDIT

OKLAHOMA SCENIC RIVERS COMMISSION

For the period January 1, 2008 through August 31, 2011



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Oklahoma Scenic Rivers Commission**

**For the Period
January 1, 2008 through August 31, 2011**



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

May 7, 2012

TO THE OKLAHOMA SCENIC RIVERS COMMISSION

This is the audit report of the Oklahoma Scenic Rivers Commission for the period January 1, 2008 through August 31, 2011. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Scenic Rivers Commission Operational Audit

Background

The Oklahoma Scenic Rivers Commission (OSRC) is responsible for preserving and protecting the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries. Oversight is provided by at least seven commission members (but not more than fifteen), three of whom are appointed by the governor, two of whom are appointed by the president pro tempore of the Senate, and two of whom are appointed by the speaker of the House of Representatives. Each commissioner serves a term of four years.

Commission members are:

Dr. Riley Needham.....	Chair
Gerald Hilsher.....	Vice Chairman
John Larson.....	Secretary/Treasurer
Steve Randall.....	Member
George “Rick” Stubblefield.....	Member
Jeff Bashaw.....	Member
Monte Bradford.....	Member
Larry Clark.....	Member
Randy Corp.....	Member
Michael Fuhr.....	Member
Archie “Trey” Peyton, III.....	Member
David Spears.....	Member

Table 1 summarizes the agency’s sources and uses of funds for state fiscal years 2011 and 2010 (July 1, 2009 through June 30, 2011).

Table 1 - Sources and Uses of Funds for SFY 2011 and SFY 2010

	2011	2010
Sources:		
Licenses, Permits and Fees	\$ 130,157	\$ 129,780
Private Grants and Donations	-	43,566
Refunded Money	39,598	95,146
Other	9,803	6,525
Total Sources	\$ 179,558	\$ 275,017
Uses:		
Personnel Services	\$ 455,718	\$ 482,937
Professional Services	82,938	57,399
Miscellaneous Administrative	16,608	27,212
General Operating	2,120	2,630
Travel	1,769	3,316
Rent	32,028	37,063
Office Furniture and Equipment	7,661	46,488
Maintenance and Repair	6,800	14,273
Specialized Supplies and Materials	17,480	17,044
Other	3,631	9,232
Total Uses	\$ 626,753	\$ 697,594

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

Oklahoma Scenic Rivers Commission Operational Audit

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 all state agencies whose duty it is to collect, disburse or manage funds of the state.

The audit period covered was January 1, 2008 through August 31, 2011.

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 selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. 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 – Determine whether the OSRC's internal controls provide reasonable assurance that revenues and expenditures (including payroll) were accurately reported in the accounting records.

Conclusion

Internal controls provide reasonable assurance that miscellaneous expenditures were accurately reported in the accounting records; however, they do not provide the same assurance for payroll expenditures.

With respect to the items tested, internal controls provide reasonable assurance that manually receipted license fees were accurately reported in the accounting records.

Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the receipting and expenditure (including payroll) processes through discussions with OSRC personnel, discussions with Oklahoma Tourism and Recreation Department (OTRD) personnel and review of documents.
- Tested controls using the following procedures:
 - Reviewing 26 license fee deposits (\$575,969) to ensure they were mathematically accurate and adequately supported.

Oklahoma Scenic Rivers Commission Operational Audit

- Reviewing documentation from a random selection of 40 expenditure claims (\$87,502) to determine whether expenditures were properly approved.
- Determining whether the OTRD employee responsible for posting expenditures into the PeopleSoft accounting system is independent of the OTRD employee responsible for receiving and mailing warrants.

Observation

Certain Accounting Functions Performed by OTRD

An effective internal control system is a crucial piece of an agency's management, which provides reasonable assurance that the objectives of the agency are achieved in an effective and efficient manner, financial reports are accurate, and applicable laws are followed.

According to OSRC management, OSRC was created as a separate agency from OTRD in 2001. At that time, the Legislature directed that OTRD would provide certain accounting, administrative, and human resources support services to the OSRC at no charge¹. A contractual agreement was not created. The services include:

- Posting revenues and expenditures to the PeopleSoft accounting system
- Preparing the clearing account reconciliation
- Receiving and mailing warrants
- Preparing the payroll claim

It appears this unique relationship has continued throughout the years under the belief that it enables OSRC to focus on more programmatic aspects of their mission. As a result, this has created a partial understanding by OSRC of the procedures performed by OTRD and ultimately a lack of ownership in the internal controls.

Recommendation

The OSRC should no longer rely on OTRD to perform certain accounting functions on its behalf without a formal agreement in place. The agreement should include, at a minimum, the specific services to be performed as well as the cost of providing these services. Other options include formalizing an arrangement with the Office of State Finance (OSF) to perform these duties, or carrying out the functions internally. OSRC management should remember they are solely responsible for the internal controls.

Views of Responsible Officials

The OSRC Administrator agrees with OSAI's recommendation. OSRC is presently working with OTRD Administrative Services to develop a formal agreement to implement the recommendation.

¹ This order was included in OTRD's appropriations bills through FY10 when a new appropriations bill process was adopted which no longer included this directive. However, both parties believe it is the intent of the Legislature that OTRD provide OSRC these supporting services.

Oklahoma Scenic Rivers Commission

Operational Audit

Observation

Agency Not Approving Monthly Payroll Expenditures

An effective internal control system is a crucial part of an agency's management, which provides reasonable assurance that the objectives of the agency are achieved in an effective and efficient manner, financial reports are accurate, and applicable laws are followed.

OSRC's payroll claim is prepared and approved by OTRD staff. Copies of the claim are forwarded to the OSRC's administrative manager, who indicated she reviews the claim but does not approve with a signature. Given the previously discussed relationship between OSRC and OTRD, it appears OSRC management believes OTRD is the proper approving authority. An error could occur and not be detected in a timely manner.

Recommendation

The OSRC should no longer rely on OTRD to perform certain accounting functions on its behalf without a formal agreement in place. The agreement should include, at a minimum, the specific services to be performed as well as the cost of providing these services. Other options include formalizing an arrangement with OSF to perform these duties, or performing the functions internally. OSRC management should remember they are solely responsible for the internal controls.

If the current process does not change or is contracted, the OSRC administrator or his designee should review the payroll claim and approve with a signature. The review should also include ensuring any applicable changes were accurately made.

Views of Responsible Officials

Because of the relationship the OSRC has been fortunate to share with OTRD since 1977 to present, OSRC's Administrator had never given thought for the need to review the payroll documents. OSRC's Administrator agrees with OSAI recommendation.

OSRC Administration implemented this recommendation effective date April 13, 2012.

Specifically, the new OSRC payroll system comprises of OSRC's Administrative Manager entering time data entry into the state's PeopleSoft System. Then OTRD performs their agency's processing and before Oklahoma Office of State Finance runs the payroll, a payroll register is emailed to the OSRC Administrative Manager for her approval. She then checks the payroll register for accuracy and then provides her approval via email to OTRD's Payroll Manager with a copy of that approval provided by email to OSRC's Administrator. The OSRC Payroll is run only after the OSRC has approved payroll register.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV