



OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS

Operational Audit

For the period July 1, 2018 through June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma School of Science and Mathematics**

**For the Period
July 1, 2018 through June 30, 2022**



May 24, 2023

TO THE OKLAHOMA SCHOOL OF SCIENCE AND MATHEMATICS

We present the audit report of the Oklahoma School of Science and Mathematics for the period July 1, 2018 through June 30, 2022. 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.

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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma School of Science and Mathematics
Operational Audit

Background

The Oklahoma School of Science and Mathematics (OSSM, or the Agency) was created through legislative action in 1983. It is designed as a two-year residential public high school for academically gifted students in mathematics and science. Its mission is to educate students who show promise of exceptional academic development through a program of instruction and discovery that challenges them far beyond the traditional high school model, imparting a superior foundation for careers in science, technology, engineering, and mathematics fields.

Oversight is provided by the 25-member board of trustees (the Board). Trustees as of April 2023 are:

Dan Little.....	Chair
Dr. David Drennan	Vice Chair
Tom Adelson.	Trustee
Apryl Beall	Trustee
Lance Benham	Trustee
Jerry Burger.....	Trustee
Jack Coffman.....	Trustee
Dr. Kelley Dowd	Trustee
Gary Ellis.....	Trustee
Marian Free.....	Trustee
Rhonda Jones	Trustee
Dr. Michael Jordan.....	Trustee
Dr. Lara Mashek.....	Trustee
Ron Mashore.....	Trustee
Sen. Adam Pugh.....	Trustee
Steven Rhines	Trustee
James Roller	Trustee
Geoffrey Simpson	Trustee
Donna Windel	Trustee
Ryan Walters.....	Ex-Officio Member
Allison Garrett.....	Ex-Officio Member
Jeff Hickman	Ex-Officio Member
Dr. Glen Krutz	Ex-Officio Member
Karen Petersen.....	Ex-Officio Member
Dr. David Wrobel.....	Ex-Officio Member

Oklahoma School of Science and Mathematics
Operational Audit

The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022).

Sources and Uses of Funds for FY 2021 and FY 2022

	2021	2022
Sources:		
Appropriations	\$ 6,042,488	\$ 6,811,213
Grants, Refunds & Reimbursements	218,998	287,828
Sales & Services	12,635	37,674
Other Income	2,232	14,400
Total Sources	\$ 6,276,353	\$ 7,151,115
Uses:		
Personnel Services	\$ 3,998,949	\$ 3,958,613
Administrative Expenses	1,158,234	1,633,693
Professional Services	378,873	483,704
Property, Furniture, Equip. & Related Debt	181,914	180,935
Assistance & Payments to Local Govs	5,850	-
Travel Expenses	2,796	1,548
Total Uses	\$ 5,726,616	\$ 6,258,493

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

**Scope and
Methodology**

Our 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.

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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period of July 1, 2018 through June 30, 2022. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the State Accounting System and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing a selection of payroll approval documentation for payroll changes that occurred during the audit period and gathering information regarding the payroll approval processes.
- Reviewing the inventory listings and gathering information regarding the inventory processes.
- Reviewing the Agency’s board meeting minutes and pertinent statutes laws and regulations and assessing related risks.

Two objectives relating to revenues and expenditures were developed, as discussed in the next section. We evaluated additional significant aspects of the Agency’s internal control systems related to these two objectives; see the final section of the report.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their

*Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

OBJECTIVE I Determine whether effective internal control activities are in place to ensure revenues received by the agency are deposited, in line with Government Accountability Office *Standards for Internal Control*.

Conclusion We determined effective internal control activities are not in place to ensure revenues received by the agency are deposited, in line with Government Accountability Office *Standards for Internal Control*.

Scope and Methodology To accomplish our objective, we performed the following.

- Documented our understanding of the revenue processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Independent, Documented Comparison of Physical Receipts to Deposits Needed

The receptionist is responsible for receiving and sorting the mail. The unopened mail is then given to the Chief Financial Officer. Checks from the OSSM Foundation are also hand delivered to the Chief Financial Officer. These checks accounted for 59% of non-appropriated revenues during the audit period with a total of \$977,255, and as much as 81% or \$275,294 in FY 22. During the audit period the Chief Financial Officer was responsible for logging revenues in an Excel spreadsheet, preparing the deposit, and making deposit entries in the State Accounting System.

Recently (after the audit period) the agency hired a new Accountant. The Chief Financial Officer still logs the checks in an internal spreadsheet when opening the mail and receiving the OSSM Foundation checks. The Accountant is responsible for logging revenues in a separate Excel spreadsheet, preparing the deposit, and posting the deposit in the State Accounting System. The Maintenance Laborer is responsible for taking the deposit to the bank. The Chief Financial Officer will then reconcile the deposit documentation to the internal spreadsheet. Without an independent reconciliation of payments received at the agency to deposits made to the bank, the Chief Financial Officer could misappropriate a payment without detection.

According to *GAO Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors,

management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Recommendation

We recommend all incoming funds be routed through a party independent of the receipting process, such as the Receptionist, and that party formally log all incoming funds *before* giving them to the Chief Financial Officer. With this process in place, we recommend another independent and authoritative party, such as the President, perform a reconciliation of the revenue log to the bank deposit receipts. This could be performed on a regular or random basis, and documentation of this review should be retained.

The reviewer should take special care to ensure that the checks received by the Foundation have made it to bank, given their significance and the fact they are hand delivered. We suggest obtaining periodic documentation from the Foundation reflecting what payments have been sent to OSSM and including this in the reconciliation.

Moving to accept as many revenues as possible electronically could also help lower risk related to physical receipts at the Agency.

Views of Responsible Officials

In 2019, OSSM began accepting credit card payments, which greatly reduced the amount of physical revenue received. To ensure the increased effectiveness of controls on revenue received aside from credit card payments, OSSM has implemented the additional procedures recommended to include the initial recording of all checks by the Receptionist prior to being received by the Finance Department. Added controls to be implemented will be providing the OSSM President with the Deposit Summary report obtained directly from Peoplesoft on a quarterly basis. OSSM has documented all revenue receipt procedures to include these added control measures.

OBJECTIVE II Determine whether non-payroll expenditures are independently reviewed and approved in line with the previous audit recommendation and Government Accountability Office *Standards for Internal Control*.

Conclusion We determined non-payroll expenditures are not independently reviewed and approved in line with the previous audit recommendation and Government Accountability Office *Standards for Internal Control*.

Scope and Methodology To accomplish our objective, we performed the following.

- Documented our understanding of the expenditure processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Independent, Documented Review of Expenditures Needed During the audit period the Chief Financial Officer was responsible for approving invoices and posting payments in the State Accounting System.

Repeat Finding Recently (after the audit period) the Agency hired an Accountant who is now responsible for posting payments in the State Accounting System. However, the Chief Financial Officer still has the ability to make those payments and approves invoices.

The Chief Financial Officer has recently began providing the President with a detailed expenditure report, however this was not occurring during our audit period. Without an independent, detailed review of expenditures, the Chief Financial Officer could make inappropriate payments without detection.

According to GAO *Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address risks.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

As recommended in the previous audit, an independent review of payments is needed. We recommend a knowledgeable person independent of the expenditure processes, such as the President, continue to review a line-item detailed expenditure report. This review could be regular or random, and documentation of the review should be retained for audit purposes.

Views of Responsible Officials

The Chief Financial Officer will continue to provide the OSSM President with the 6-Digit Expenditure Detail Report on a monthly basis. This report will enable an independent review of all expenditures during the prior month, with documentation of the review being retained for audit purposes.

ADDITIONAL AGENCY-WIDE CONTROL CONSIDERATIONS

Areas for Improvement in Agency-Wide Controls

Repeat Finding

Government Auditing Standards direct us to evaluate agency internal control systems against the GAO *Standards for Internal Control*. Oklahoma’s Statewide Accounting Manual contains similar guidance and requirements for agency management.

As discussed briefly earlier, internal control is a process used by management, the governing board, and other personnel to help the entity achieve its objectives. It includes the plans, methods, policies, and procedures used to fulfill the Agency’s mission, strategic plan, goals, and objectives. We assessed the following principles of agency-wide controls as part of our engagement:

- Control Environment Principle 5: Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
 - It was reported by agency staff that employee evaluations are not performed consistently. Without consistent and documented evaluations, management is unable to evaluate performance and hold individuals accountable for their internal control responsibilities.
 - Failure to properly design and enforce internal control responsibilities contributes to the weaknesses in controls described in our other findings.
- Information and Communication Principle 14: Management should internally communicate the necessary quality information to achieve the entity’s objectives.

- Based upon our survey responses and conversations with staff, communication is lacking between employees and the Board.
- The agency has no hotline or anonymous communication method in place for staff to report concerns.
- Due to the lack of employee evaluations as described above, management lacked the ability to communicate with employees on a one-to-one basis.
- The failure of top officials to independently and formally review detailed financial information contributed to the weaknesses in controls describe in our other findings.

Two additional principles related to internal control activities and addressing deficiencies in those controls are incorporated in the findings above.

While OSSM management has worked to make improvements since the prior audit, continuing to address identified deficiencies is integral. The *GAO Standards for Internal Control* emphasize: “An internal control system is effective if the five components of internal control are effectively designed, implemented, and operating, and are operating together in an integrated manner.... If a principle or component is not effective, or the components are not operating together in an integrated manner, then an internal control system cannot be effective.”

Recommendation

In order to meet the Agency’s objectives and effectively control its operations, management must:

- Evaluate employees’ performance, providing quality feedback and allowing for communication while clarifying and enforcing internal control responsibilities and safeguards.
- Generate and review quality information in order to ensure financial controls are operating effectively, as detailed in the previous findings, and ensure key information from all levels of the agency can reach the executive levels.
- Ensure appropriate segregation of duties or mitigating controls are in place as described in the previous findings to provide assurance that Agency funds are handled appropriately.
- Take timely steps to address the issues discussed in this and previous audit reports so that identified weaknesses do not persist or grow over time.

Views of Responsible Officials

OSSM interim leadership has made it a priority to ensure all employees have received an updated performance evaluation during the current year. The agency will continue to ensure performance evaluations are

completed on an annual basis to provide employees with timely feedback. In addition, OSSM continues to ensure the documentation of policies and procedures regarding financial controls and agency operations. During this documentation process, procedures are reviewed to ensure adequate controls for safeguarding of agency assets. With the transition to a new OSSM President soon to be completed, the agency anticipates the completion and distribution of an employee handbook to all personnel. Agency management will continue to review recommendations from prior audit and work towards addressing all areas of weakness identified.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov