

OPERATIONAL AUDIT

OKLAHOMA TOURISM AND RECREATION DEPARTMENT

For the period July 1, 2009 through June 30, 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 Tourism and
Recreation Department**

**For the Period
July 1, 2009 to June 30, 2011**



Oklahoma State Auditor & Inspector

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November 5, 2012

TO THE OKLAHOMA TOURISM AND RECREATION COMMISSION

This is the audit report of the Oklahoma Tourism and Recreation Department for the period July 1, 2009 to June 30, 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, appearing to read "Gary A. Jones".

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

Oklahoma Tourism and Recreation Department
Operational Audit

Background

The Oklahoma Tourism and Recreation Department (the Department) was created by the legislature in 1972. Their mission is to advance the exceptional quality of life in Oklahoma by preserving, managing, and promoting our natural assets and cultural amenities.

Oversight is provided by a commission (the Commission) including eight members appointed by the governor, each of whom serves a term of six years, and the lieutenant governor as an ex-officio voting member. Of the eight appointed members, one is selected from each congressional district in the state, and the remaining three are selected from the state at large.

Commission members are:

Todd Lamb, Lt. Governor.....	Chairman
T.L. Walker.....	Vice-Chair, At Large
Xavier Neira.....	Secretary, District 4 Member
Julie Daniels.....	District 1 Member
Robyn Batson.....	District 2 Member
Richard G. Henry.....	District 3 Member
Gean Atkinson.....	District 5 Member
Ronda Rush.....	Member at Large
Charles Perry.....	Member at Large

The Department’s operations are divided into four divisions:

Administration

This division coordinates the fiscal activities of the operating divisions, provides financial information, fiscal control, payroll processing, personnel, purchasing, and vendor payment services. It interprets policy and procedures promulgated by the Commission.

Oklahoma Today

This division produces a magazine that covers the people, places, history, and culture of Oklahoma in a way designed to inform and educate Oklahomans and non-Oklahomans alike.

State Parks Division

This division is responsible for operating state parks, lodges and golf courses under the jurisdiction and control of the Commission. Parks also contracts with firms to operate leased concessions such as marinas.

Travel and Tourism

This division is responsible for the formulation of information, marketing plans and programs designed to attract tourists to the state. It is also responsible for the dissemination of information concerning the state's public and private attractions, lodges, parks and recreational facilities as well as promoting music and film activity in the state.

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Purpose and Scope This audit was conducted in response to 74 O.S. § 2245 (B)(2) which requires the State Auditor’s Office to determine which uncollectible accounts receivable possess the characteristics required by 74 O.S. § 2245 (A).

The audit period covered was July 1, 2009 to June 30, 2011.

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 whether the accounts reported as “uncollectible accounts receivable” for the period July 1, 2009 through June 30, 2011 possess the characteristics specified in 74 O.S. § 2245 (A).

**Objective
Background**

In order to be declared uncollectible, 74 O.S. § 2245 (A) requires that an account must be at least one year old, certified by the Commission as uncollectible, and meet one of the following characteristics:

- a. The debtor has been discharged from bankruptcy or is insolvent.
- b. The debtor cannot be found or is deceased.
- c. A collection agency has indicated its inability to collect the debt.

We were originally provided 64 uncollectible accounts, totaling \$22,749.33 (\$14,928.03 for fiscal year 2010 and \$7,821.30 for fiscal year 2011). Payment had been received for nine accounts on this list subsequent to the Commission’s certification, totaling \$3,450.66, so our procedures addressed 55 accounts totaling \$19,298.67.

During our review of these 55 accounts, we noted that one account was understated by \$25 due to a returned check and the corresponding fee not being included in the Department’s spreadsheets. Our review further revealed that eight accounts totaling \$1,997.52 did not appear to meet the criteria listed above for certification as uncollectible (see observation below).

Conclusion

Of the \$19,298.67 reported as “uncollectible accounts receivable” by the Department, \$17,326.15 possess the characteristics specified in 74 O.S. § 2245 (A).

Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of the Department’s process for determining an account is uncollectible.
- Reconciled the Department’s spreadsheet of uncollectible accounts to the list of uncollectible accounts approved by the Commission.

- Tested the documentation for all accounts deemed uncollectible by the Commission (55 accounts totaling \$19,298.67) to determine whether they complied with Department policies and procedures and possessed the characteristics specified in 74 O.S. § 2245 (A).

Observation

Collection Efforts Not in Compliance with Department Policies

While we concluded that \$17,326.15 of the reported accounts receivable possessed the characteristics specified in 74 O.S. § 2245 (A), we reviewed all 55 unpaid account receivable files for compliance with Department policies and procedures. During this testwork we noted multiple instances in which the policies and procedures were not followed in attempting to collect accounts receivable, or in documenting those attempts. The 32 files for returned checks and 23 files for unpaid credit accounts totaled \$19,298.67. We noted the following:

Phone Calls

The Department's policy P-213, "Returned Checks," requires that phone calls be placed to writers of returned checks within 72 hours of receiving the check back from the bank. In one of 32 returned check cases, there was no documentation to reflect that a phone call had been made.

The Department's policy P-209, "Collection and Billing of Accounts Receivable," also requires that a phone call be placed to credit account holders 60 days after the initial billing. In 11 of 23 unpaid credit account cases, there was no documentation to reflect that a phone call had been made.

Mailings

The Department's policy P-213, "Returned Checks," requires that written notification be sent to writers of returned checks via certified mail if they cannot be reached by phone within 72 hours. In 2 of 32 returned check cases, the documentation did not reflect that a notice was sent via certified mail.

The Department's policy P-209, "Collection and Billing of Accounts Receivable," also requires that if the initial credit account billing is not paid within 30 days, a second billing be sent, and if the account is not paid within 60 days, a third billing be sent via certified mail (or regular mail for accounts under \$25). In two of 23 unpaid credit account cases, the documentation did not reflect that a second notice was sent and 12 of the cases did not reflect that a third notice was sent via certified mail.

Returned Check Fee

62 O.S. § 34.57(D), states in part, "...the person issuing the check, draft, order or voucher shall be charged a fee of Twenty-five Dollars (\$25.00) to cover the costs of processing each returned check..." In one of the 32 returned check cases, the Department did not include the \$25.00 check fee to individual's account.

Without adequate documentation, it is unclear whether these exceptions are the result of policies not being followed or collection actions simply not being recorded. If account collection policies are not being followed, accounts which would otherwise be collected may become uncollectible due to insufficient effort on the part of Department employees.

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Recommendation We recommend all billing unit employees follow the applicable Department policies addressing collection of accounts receivable. If management determines the current policy is not adequate, it should be revised to reflect current procedures and these revisions should be communicated to applicable staff.

Management should continue pursuing any accounts not certified as uncollectable by the State Auditor's Office until the appropriate procedures have occurred and been adequately documented.

Views of Responsible Officials

Management will be updating the Department's written policies and procedures in FY13. The respective Division Directors will be working with the Agency's Legal Counsel to ensure that all policies and procedures are addressed. Written policies and procedures will include requirements for notification of non-compliance to responsible parties.

Training will be implemented for all parties who are responsible for collecting on accounts receivable. Following the written policies and procedures and proper documentation will be emphasized during the training. Reviews will be conducted to ensure that all accounts to be designated as uncollectible accounts receivable meet the statutory requirements and are properly documented in accordance with the Department's written policies and procedures. Also, all related collection fees will be included with the account to be collected.



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