



OKLAHOMA WATER RESOURCES BOARD

Operational Audit

For the period January 1, 2017 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Water Resources Board**

**For the Period
January 1, 2017 through June 30, 2021**



November 10, 2022

TO THE OKLAHOMA WATER RESOURCES BOARD

We present the audit report of the Oklahoma Water Resources Board for the period January 1, 2017 through June 30, 2021. 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

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Background

The Oklahoma Water Resources Board (OWRB) is charged with water appropriation, water infrastructure financing, long-range water planning, and technical data collection to inform state and local policy and planning development. It is also responsible for dam safety, floodplain management, and water well drilling oversight. The OWRB provides essential services to support industry in the state; many municipal, state, and federal agencies and organizations rely on OWRB data to operate their programs.

The OWRB defines policy and conducts water business through a nine-member board of directors appointed by the Governor. Members serve staggered seven-year terms and represent all geographic areas of the state and diverse groups of water users.

Board members as of October 2022 are:

- Matt Muller Board Chairman
- Charles Darby Vice-Chairman
- Jennifer Castillo Secretary
- Darren Cook Member
- Thomas Gorman..... Member
- Ron Justice..... Member
- Suzanne Landess..... Member
- Bob Latham..... Member
- Robert Stallings Member

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The following table summarizes OWRB's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Other Revenues	\$ 36,846,722	\$ 206,800,743
Taxes	3,061,433	2,964,022
Net Appropriations	(265,269)	2,193,981
Federal Grants and Fed Reimb	2,167,953	1,408,632
Income from Money and Property	1,013,124	479,295
Licenses, Permits, Fees	739,031	657,995
Total Sources	<u>\$ 43,562,994</u>	<u>\$ 214,504,668</u>
Uses:		
Transfers and Other Disbursements	\$ 31,477,013	\$ 199,120,699
Personnel Services	8,902,438	8,821,922
Professional Services	3,471,421	2,778,123
Assistance, Payments to Local Govn'ts	1,972,982	2,651,013
Administrative Expenses	972,783	834,726
Property, Furniture, Equipment	329,764	234,006
Travel	201,954	98,253
Total Uses	<u>\$ 47,328,355</u>	<u>\$ 214,538,742</u>

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

Sources and uses are higher in FY 2021 due to bond sales and subsequent transfers to the State Treasurer that occur every other year.

**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 January 1, 2017 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to OWRB personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the statewide accounting system and information gathered from personnel to assess the related financial processes and trends for any notable risk.
- Analyzing top vendors and expenditures by dollar amount and reviewing a selection of miscellaneous expenditures in detail.
- Reviewing inventory listings and discussing the inventory count process with staff.
- Reviewing Board meeting minutes and pertinent statutes and regulations and assessing related risks.

One objective related to revenues was developed, as discussed in the next section. No other significant risks or findings were identified as a result of these procedures.

We utilized sampling of transactions to achieve our objective. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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 Determine whether effective internal controls are in place to ensure all funds physically received by the agency are deposited in line with Government Accountability Office *Standards for Internal Control*

Conclusion While OWRB has designed an appropriate reconciliation to ensure all funds physically received are deposited in line with GAO *Standards for Internal Control*, we were unable to confirm those controls were operating effectively due to inadequate documentation.

Methodology To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with staff and review of documentation.
- Evaluated those processes and identified significant internal controls related to our objective.
- Reviewed a random sample of 23 monthly deposit reconciliations (43% of audit period months) for evidence of appropriate deposit reconciliation.

FINDINGS AND RECOMMENDATIONS

**Reconciliation
Documentation
Should Be
Retained**

The receptionist is responsible for receipting payments and logging the payments on a mail log. The Chief of Administrative Services reconciles the mail log to the checks. At the end of the month, the Comptroller reportedly reconciles the mail log to the deposits posted in the Statewide Accounting System. The Comptroller then emails the reconciliation to the Chief of Administrative Services. There is no formal documentation of the reconciliation taking place.

We reviewed 23 monthly reconciliation packets from the audit period, which included the Oklahoma State Treasurer's (OST) report from the Statewide Accounting System and the mail log. In 19 of the 23 reconciliation packets, the OST Report included markings indicating review.

In a further effort to confirm the reconciliation was performed, we requested the emails from the Comptroller to the Chief of Administrative Services that contain the deposit reconciliations for the corresponding months. While we were able to review seven such emails, sixteen deposit reconciliation emails were not able to be recovered due to the previous Comptroller no longer being at OWRB.

The deposit reconciliation was not consistently documented during the audit period. Without an independent reconciliation between the mail log and the deposits made to the bank, there is increased risk that the

individuals involved in the receipting and deposit processes could misappropriate or lose 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.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

We recommend that the Comptroller formally document the reconciliation of the OST report to the bank deposit records, for example by signing and dating the report. This documentation should be retained.

Views of Responsible Officials

The agency agrees with the finding. Concerning the test data sample of 23 items and the fact that most were lacking formal confirmation by the comptroller, this had not been the agency's normal practice. The CFO reviewed the reconciliation and signed them, but the preparer (comptroller) did not. The agency will adopt the recommended practice going forward.

We have started sending reconciliation forms through Adobe Sign requiring it be digitally signed by the CFO. This document will have an Adobe audit sheet attached showing the approvals and the comptrollers sign-off. All reconciliation information and the reconciliations are now scanned and filed digitally. These steps should provide the required documentation needed to satisfy the recommendation. If not, we welcome advice from the State Auditor and Inspector's Office.

We want to thank the State Auditor and Inspector's Office for their review. We are always looking for advice, guidance, and a chance to improve our operation. Audits like this assist with that goal.

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S·A·I
STATE AUDITOR & INSPECTOR



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