

OPERATIONAL AUDIT

OFFICE OF DISABILITY CONCERNS

For the period July 1, 2010 through December 31, 2015



*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
Office of Disability Concerns**

**For the Period
July 1, 2010 through December 31, 2015**



Oklahoma State Auditor & Inspector

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July 6, 2017

TO THE EXECUTIVE DIRECTOR OF THE OFFICE OF DISABILITY CONCERNS:

This is the audit report of the Office of Disability Concerns for the period July 1, 2010 to December 31, 2015. 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 "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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

Office of Disability Concerns Operational Audit

Background The Office of Disability Concerns (Agency) was created for the purpose of helping state government develop policies and services that meet the needs of Oklahomans with disabilities.

The following information illustrates the Agency's sources and uses of funds for fiscal years 2014 and 2015 (July 1, 2013 to June 30, 2015).¹

Table 1 - Sources and Uses of Funds for FY 2014 and FY 2015

Sources:	2015	2014
State Appropriations	\$299,733	\$317,607
Federal Reimbursements	\$145,187	\$131,250
Other Sources	\$133	\$216
Total Sources	\$445,053	\$449,073
Uses:		
Personnel Services	\$385,880	\$410,260
Miscellaneous Administrative	\$8,762	\$10,016
Rent Expense	\$24,431	\$25,168
General Operating Expenses	\$7,602	\$7,069
Office Furniture and Equipment	\$8,684	\$19,839
Other	\$594	\$1,634
Total Uses	\$435,953	\$473,985

¹ This information was obtained from the Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

Office of Disability Concerns

Operational Audit

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 duties 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 July 1, 2010 through December 31, 2015. Detailed audit procedures focused on the period of July 1, 2013 through December 31, 2015, addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Agency operations. We utilized sampling of transactions to achieve our objectives. 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.

OBJECTIVE

Determine whether the Agency's internal controls provide reasonable assurance that expenditures (both miscellaneous and payroll) were accurately reported in the accounting records, and whether financial operations complied with applicable finance-related laws and regulations.

Conclusion

The Agency's internal controls generally provide reasonable assurance that payroll expenditures were accurately reported in the accounting records and the Agency's financial operations complied with applicable finance-related laws and regulations. The Agency's internal controls do not provide reasonable assurance that miscellaneous expenditures were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties over Miscellaneous Expenditures

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (2014 Revision)*² states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

The agency executive director is responsible for approving purchase requisitions, purchase orders, and invoices. While Agency Business Services (ABS) is responsible for posting all aspects of this process to the Statewide Accounting System, they are not in a position to review and question the executive director's approvals or instructions. Therefore, it appears the executive director may have the ability to initiate and approve inappropriate expenditures without detection.

While there are two non-governing advisory committees (Governor's Advisory Committee of People with Disabilities and the Governor's Advisory Committee on Employment of People with Disabilities) that regularly review a Profit and Loss statement, it is produced by an Access Database maintained by the director. Without an independent review of a detailed expenditure report from the Statewide Accounting System, the advisory committee members may not have the opportunity to discover or inquire about questionable purchases.

It appears management contracted with ABS in order to improve segregation of duties in the expenditure process. However, the executive director still has enough control to misappropriate funds without detection.

Recommendation

An independent party, such as a non-governing committee member, should perform a line-item detailed review of all expenditures and document this review: for example by reviewing, signing, and dating the Statewide Accounting System 6-digit detailed expenditure report. In addition, the results of the review should be reported to the members of the two non-governing advisory committees.

Views of Responsible Officials

We currently review “financials” with the Governor’s Advisory Committee to the Office of Disability Concerns quarterly. The information is included with the report and minutes are approved by the committee. ODC will now add an additional step with a review of the standard financial reports with a designated member of the committee and secure a signature and date on the forms once a quarter concurrent with the scheduled committee meeting. The reports will be generated by OEMS Shared Services and will include the 6 Digit Expense Detail, 6 Digit Object of Expenses, Allotment Budget and Available Cash, “BTA” (budget tracking), and Summary of Receipts and Disbursements. Designation of a Committee Member will be done with concurrence of the chair and the committee. The committee member will review the reports and will add any comments or questions. Copies of these reviews will be kept by ODC.



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