

OKLAHOMA PARDON AND PAROLE BOARD

FOR THE PERIOD
JANUARY 1, 2008 THROUGH
JUNE 30, 2010

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Pardon and Parole Board**

For the Period

January 1, 2008 through June 30, 2010

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

September 13, 2010

TO THE OKLAHOMA PARDON AND PAROLE BOARD

This is the audit report of the Oklahoma Pardon and Parole Board for the period January 1, 2008 through June 30, 2010. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**Oklahoma Pardon and Parole Board
Operational Audit**

Background

The Pardon and Parole Board (the Board) is a five-member, part-time body charged with making clemency¹ recommendations to the governor concerning adult felons.

Members of the Board are appointed, three by the governor, one by the chief justice of the Supreme Court, and one by the presiding judge of the Court of Criminal Appeals. Their terms are the same as the term of the governor.

Board members are:

James Brown..... Chairperson
 Clinton Johnson..... Vice-Chairperson
 Richard L. Dugger Member
 Lynnell Harkins Member
 Susan B. Loving..... Member

Day-to-day operations are managed by staff (Agency) of the Board. Operations are governed by 57 O.S. §§ 332 through 348 and Oklahoma Administrative Code (OAC) Title 515.

Table 1 summarizes the Agency’s sources and uses of funds for state fiscal years 2009 and 2010 (July 1, 2008 through June 30, 2010).

Table 1 - Sources and Uses of Funds for SFY 2009 and SFY 2010

	2009	2010
Sources:		
State Appropriations	\$ 2,568,476	\$ 1,954,070
Total Sources	<u>\$ 2,568,476</u>	<u>\$ 1,954,070</u>
Uses:		
Personnel Services	\$ 2,404,334	\$ 1,705,949
Professional Services	10,194	5,662
Travel	34,798	8,991
Miscellaneous Administrative	69,466	21,976
Rent	78,614	57,931
Office Furniture and Equipment	17,346	7,076
Other	25,771	4,542
Total Uses	<u>\$ 2,640,523</u>	<u>\$ 1,812,127</u>

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

Purpose and Scope

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

The audit period covered was January 1, 2008 through June 30, 2010.

¹ Clemency can take the form of a parole, a pardon or a commutation (the change of a legal punishment to a lesser one).

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 Agency’s internal controls provide reasonable assurance that payroll expenditures and inventory were accurately reported in the accounting records.

Conclusion The Agency’s internal controls do not provide reasonable assurance that payroll expenditures and inventory were accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Documented internal controls related to the payroll expenditure and inventory processes which included discussions with Agency personnel, observation, and review of documents.

Observation **Inadequate Review of Payroll Claims**

An effective internal control system provides for a detailed review of payroll claims. The executive director signs the payroll claim; however, he is not provided the detail supporting the total amount. As a result, he has no assurance payroll changes are accurately reported. Management did not consider the risks associated with not providing a detailed review of the payroll claims. Errors could occur and not be detected in a timely manner.

Recommendation We recommend the executive director provide a detailed review of the payroll claims. This review should include, but not be limited to, ensuring the claim includes only active employees of the Agency, ensuring salary changes he has previously approved are accurately reflected in the claim, and ensuring separated employees have been removed from the payroll system in a timely manner.

Views of Responsible Officials In addition to reviewing the payroll claim, the Director will review the Payroll Warrant Register to ensure that salary changes and separated employees are accurately reflected.

Observation **Inadequate Segregation of Duties and Lack of Policy Related to Inventory –Repeat Finding**

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*² states in part, “Key duties and responsibilities need to be...segregated among different people to reduce the risk of error or fraud....No one individual should control all key aspects of a transaction...”.

Oklahoma Administrative Code (OAC) 580: 70-1-4 (b) states, “To ensure accuracy of state inventory records, an agency shall develop internal procedures for reporting and

² Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

maintaining information related to the acquisition, reallocation, relocation and disposition of tangible assets to an agency inventory control officer.”

The following was noted:

- The business manager is responsible for purchasing, recordkeeping, initiating surplus transactions as well as participating in the physical count of this inventory;
- The Agency does not have a policy and procedure in accordance with OAC 580: 70-1-4 (b).

Management was unaware of the risks created by not having a policy in accordance with OAC 580: 70-1-4 (b) and not ensuring there was adequate segregation of duties. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend:

- An employee without purchasing ability or the ability to initiate surplus transactions should be responsible for maintaining the Agency’s inventory records;
- The employee responsible for maintaining inventory records should not participate in the physical inventory count. If discrepancies are noted, applicable management, other than the personnel involved in the physical count, should investigate and resolve. The Agency should also retain documentation to support who performed the count, when the count was performed, and any discrepancies noted during the count; and
- The Agency should design and implement a policy and procedure in accordance with OAC 580: 70-1-4 (b).

Views of Responsible Officials

We will revise our inventory procedures as follows: An employee other than someone who has purchasing ability or the ability to initiate surplus transactions will maintain the inventory records; An employee other than someone who has purchasing ability and other than the person who maintains the inventory records will perform the actual physical inventory count; The Deputy Director will investigate and resolve any discrepancies; A policy will be developed to detail these duties and functions.

Objective 2 - Determine whether the Agency complied with 57 O.S. § 332.1A and 57 O.S. § 332.4.

Conclusion The Agency generally complied with 57 O.S. § 332.1A³ and⁴ and complied with 57 O.S. § 332.4⁵.

Methodology To accomplish our objective, the following was performed:

- Reviewed 57 O.S. § 332.1A and 57 O.S. § 332.4;
- Identified all Board members with their beginning and ending dates of services. From this listing, we ensured all members received at least six hours of training in calendar years 2008 and 2009; and
- Reviewed PeopleSoft payroll records to ensure Board members' salaries were in compliance with 57 O.S. § 332.4 for their applicable position.

Observation

Guidelines on Training Not Adopted

57 O.S. § 332.1A states, "Each member of the Pardon and Parole Board shall receive at least twelve (12) hours of training for the first year and six (6) hours of training per year thereafter on matters relating to the duties of the Board. The training shall be provided by personnel of the Pardon and Parole Board according to guidelines adopted by the Board."

The Agency has not developed and the Board has not approved guidelines addressing the type of training the Board should receive. In reviewing the supporting documentation for the training provided during calendar years 2008 and 2009, the topics appeared relevant for the mission of the Agency⁶. The Agency appeared unaware of the guidelines requirement and is not fully in compliance with 57 O.S. § 332.1A.

Recommendation We recommend the Board establish and adopt training guidelines as required by 57 O.S. § 332.1A.

Views of Responsible Officials

The Agency and Board will establish and adopt guidelines for the training which is provided to the Board Members.

³ 57 O.S. § 332.1A states, "Each member of the Pardon and Parole Board shall receive at least twelve (12) hours of training for the first year and six (6) hours of training per year thereafter on matters relating to the duties of the Board. The training shall be provided by personnel of the Pardon and Parole Board according to guidelines adopted by the Board."

⁴ Training is monitored on a calendar year basis. Therefore, the period January 2008 through December 2009 is the portion of the audit period that was tested. Calendar year 2008 was not the first year of service for any member. Consequently, the requirement for 12 hours per training did not apply.

⁵ 57 O.S. § 332.4 states in part, "...The Chair of the Pardon and Parole Board shall receive Twenty-four Thousand Eight Hundred Dollars (\$24,800.00) per annum...The members of the Board shall receive Twenty-two Thousand Eight Hundred Dollars (\$22,800.00) per annum..."

⁶ For example, training titles included "Faith and Character Community Program" and "Community Level/Work Release Stipulations".



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV