

OPERATIONAL AUDIT

OKLAHOMA PARDON AND PAROLE BOARD

For the period July 1, 2010 through June 30, 2013



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

**For the Period
July 1, 2010 through June 30, 2013**



Oklahoma State Auditor & Inspector

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January 16, 2014

TO GOVERNOR MARY FALLIN:

This is the audit report of the Oklahoma Pardon and Parole Board for the period July 1, 2010 through June 30, 2013. 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 fluid and cursive, with a long horizontal stroke at the end.

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

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Background

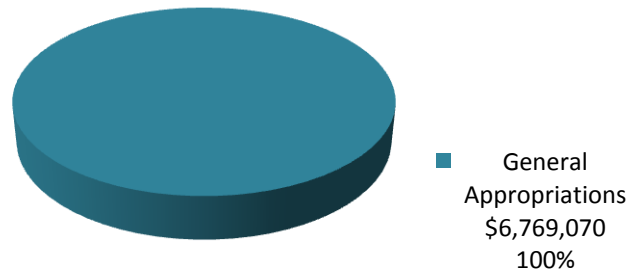
Created in 1979, the Oklahoma Pardon and Parole Board (Agency) is responsible for conducting impartial investigations and studies of applicants for commutations, pardons, or paroles; and recommending to the Governor those violent offenders worthy of clemency. The board also has the power by majority vote to grant parole for non-violent offenses after conviction. The board consists of five members: three appointed by the Governor, one by the Chief Justice of the State Supreme Court, and one by the presiding Judge of the Court of Criminal Appeals.

Board members as of June 30, 2013 are:

Dr. Marc Dreyer	Chairman
David E. Moore	Vice-Chairman
Currie Ballard	Member
Richard L. Dugger.....	Member
Lynnell B. Harkins	Member

The following charts illustrate the Agency’s primary funding sources, and where those funds are expended.¹

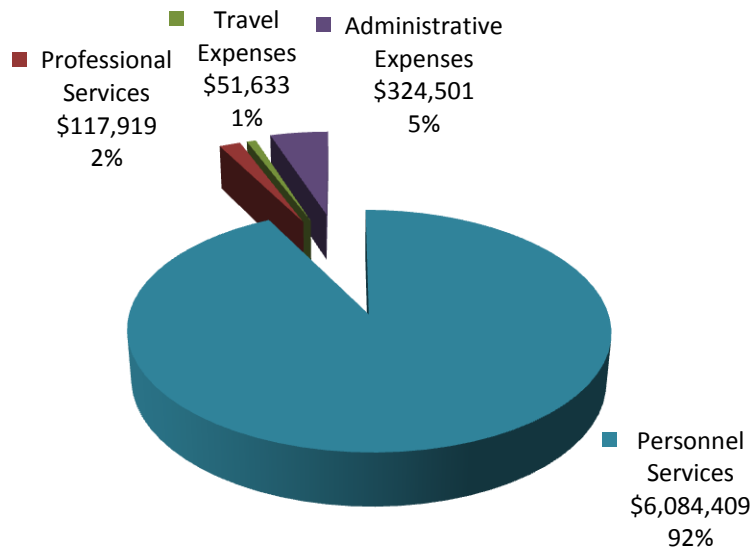
Chart 1 - Revenues by Category July 1, 2010 - June 30, 2013



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

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Chart 2 - Expenditures by Category July 1, 2010 - June 30, 2013



Scope and Methodology

Our audit was conducted at the request of the Governor in accordance with 74 O.S. § 212.C and 74 O.S. 213.2.B.

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 June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, analysis of financial information, and observations of the Agency's operations (see additional information in footnote 2). We also tested a sample 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.

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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 financial operations complied with applicable finance-related laws and regulations.

Conclusion

The Agency's internal controls provide reasonable assurance that expenditures (both miscellaneous and payroll) were accurately reported in the accounting records.²

Financial operations complied with 57 O.S. §332.4 (compensation of board members); however, one aspect of this process could be strengthened.

We were unable to conclude as to whether the Agency complied with 57 O.S. §332.1A (annual hours required for board member training). Agency documentation appears to indicate relevant training is provided; however, the associated number of hours is not recorded.

FINDINGS AND RECOMMENDATIONS

Inadequate Training Records

57 O.S. §332.1A states in part that each board member, ". . . 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"

Review of documentation indicates the Agency appears to provide training to board members in the spirit of 57 O.S. §332.1A; however, the Agency does not record the minutes and hours associated with the training. The Agency may not be in compliance with 57 O.S. §332.1A.

² We were unable to obtain an understanding of the processes associated with miscellaneous and payroll expenditures for July 2010 through February 2013 due to staff and management turnover. Therefore, our conclusion on miscellaneous and payroll expenditures relates only to the period March 2013 through June 2013. Additional procedures were performed on expenditures for the period July 2010 through February 2013. One reportable condition was identified and is reported under the "other items noted" section of this report.

Recommendation

We recommend the Agency implement procedures to record and maintain training records that identify the date, location, duration, subject matter, and board members present for every training session.

Views of Responsible Officials

The Agency does list training sessions on our meeting agendas. However, we agree that the Agenda needs to be more specifically labeled as training with the time spent in training more specifically labeled. We also keep a training file. We agree with the recommendation and will implement those procedures immediately.

***Board Member
Attendance Not
Reviewed Prior
to Payroll
Approval***

57 O.S. §332.4 provides for compensation to the Agency’s board members and states in part, “Failure of any member to attend one Board meeting in any calendar year . . . shall preclude the right of the member to receive his or her monthly compensation” An effective internal control system ensures an appropriate review of expenditures prior to payment.

There is no documentation that the Agency verifies board member attendance during the payroll approval process. While all board members did attend all meetings and received proper compensation for attendance, a risk still exists that board members could be compensated for meetings if they did not attend.

Recommendation

We recommend the executive director implement procedures in the payroll approval process that document whether board members have satisfied their attendance requirements in order to receive their monthly salaries.

Views of Responsible Officials

Each payroll sheet breakdown is currently reviewed to ensure proper payment is recorded. Board Members are on this list and as such their pay and attendance is reviewed on a monthly basis. We agree with the recommendation and will implement those procedures immediately.

Other Items Noted

Missing Payroll Documentation

The United States Governmental Accountability Office's *Standards for Internal Control in the Federal Government*³ states in part, "Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as . . . the creation and maintenance of related records which provide evidence of execution . . . as well as appropriate documentation."

Accounting records indicate 14 salary increases occurred from July 2010 through February 2013. Our procedures noted seven instances in which the approval of the increase was not documented. Unauthorized salary increases could have occurred.⁴

Recommendation

Management should develop and implement policy and procedure to ensure appropriate approvals are provided for salary increases and the resulting documentation is maintained.

Views of Responsible Officials

We agree with the recommendation and will implement those procedures immediately.

³ Although this publication addresses control in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

⁴ Please see footnote 2 for further information on this item.



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