



# OKLAHOMA REAL ESTATE COMMISSION

Operational Audit

For the period July 1, 2018 through June 30, 2022

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Real Estate Commission**

**For the Period  
July 1, 2018 through June 30, 2022**



May 24, 2023

TO THE OKLAHOMA REAL ESTATE COMMISSION

We present the audit report of the Oklahoma Real Estate Commission for the period July 1, 2018 through June 30, 2022. 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

**Background**

The mission of the Oklahoma Real Estate Commission (the Agency) is to safeguard the public interest and provide quality services by assisting and providing resources; encouraging and requiring high standards of knowledge and ethical practices of licensees; investigating and sanctioning licensed activities; and through the prosecution of any unlicensed person who violates the Oklahoma License Code and Rules.

The Agency was formed in 1950 to license and regulate the real estate industry in Oklahoma. The Real Estate Commission enforces the Oklahoma Real Estate License Code and Administrative Rules and has authority to investigate, audit, and prosecute licensed and unlicensed real estate activities. The Agency creates and distributes forms, such as real estate contracts, disclosures, and other transaction documents, to all real estate professionals and the general public. Additionally, they manage the Oklahoma Real Estate Education and Recovery Fund. The Agency is non-appropriated and self-sustaining from licensing, fees, and regulatory fines.

The Board of Commissioners (the Board) is made up of seven members appointed by the governor to oversee the agency: five members must be experienced, active, licensed real estate brokers, one must be a lay person not in the real estate business, and one must be an active representative of a school of real estate in Oklahoma and approved by the Oklahoma Real Estate Commission.

Board members as of May 2023:

Susan Beach .....	Chairman
Mary Terry .....	Vice-Chairman
Rodger Erker.....	Member
David Chapman.....	Member
Charles "Mack" Barnes .....	Member
Zandrea Waldenville .....	Member
Larry DeWitt.....	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022).

**Sources and Uses of Funds for FY 2021 and FY 2022**

	<b>2021</b>	<b>2022</b>
<b>Sources:</b>		
Licenses, Permits, Fees	\$ 2,207,133	\$ 2,553,223
Interests on Investments	17,984	23,584
Appropriations	6,033	-
Other Revenues	650	168
<b>Total Sources</b>	<b>\$ 2,231,800</b>	<b>\$ 2,576,975</b>
<b>Uses:</b>		
Personnel Services	\$ 996,469	\$ 980,197
Professional Services	169,320	166,792
Administrative Expenses	131,311	139,471
Assistance, Payments to Local Govn'ts	63,483	678
Travel	2,253	9,057
Property, Furniture, Equipment	1,646	4,353
<b>Total Uses</b>	<b>\$ 1,364,482</b>	<b>\$ 1,300,548</b>

*Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)*

**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 July 1, 2018 through June 30, 2022. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the State Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing the Agency's HR All Actions Report from the State Accounting System to assess personnel changes.
- Reviewing a selection of payroll approval documentation for payroll changes that occurred during the audit period and gathering information regarding the payroll approval processes.
- Reviewing inventory listings and discussing the inventory process with staff.
- Reviewing pertinent statutes 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.

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*<sup>1</sup> 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.

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<sup>1</sup> *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 control activities are in place to ensure revenues from licensing and fees are deposited in line with the Government Accountability Office *Standards for Internal Control*.

**Conclusion** We determined that effective internal control activities are not in place to ensure the revenues from licensing and fees are deposited in alignment with GAO *Standards for Internal Control*

**Objective Methodology** To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with management and review of documentation
- Evaluated those processes and identified and assessed significant internal controls related to our objective

**FINDINGS AND RECOMMENDATIONS**

**Formal Reconciliation of Licensing Activity to Bank Deposits Needed** Those responsible for the depositing and receipting processes have varied throughout the audit period and the Agency also implemented a new licensing system, Thentia, in December 2020. A formal, independent reconciliation of licensing activity to deposits was not formally conducted during the audit period.

*Repeat Finding* At the very end of our audit period in June 2022, the Agency implemented new procedures. Two Administrative Assistants open the mail and log the payments on a mail log. A third Administrative Assistant enters payments into the Thentia System and a fourth Administrative Assistant prepares the deposit. The Agency Business Services (ABS) division of the Office of Management Enterprise Services is responsible for posting deposits to the State Accounting System.

The Deputy Director reportedly reconciles reports from the Thentia System and the mail log to deposit information provided by ABS. However, these reconciliations are not formally documented. Without an independent and documented review of licensing activity to deposits made to the bank, the Administrative Assistant responsible for preparing the deposit could take 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.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors,

management designs alternative control activities to address risks in the operational process.

- Management should remediate identified internal control deficiencies on a timely basis.

### **Recommendation**

As in our previous audit, we recommend someone independent of the receipting and deposit processes, such as the Deputy Director, reconcile the mail log and licensing activity reports from the Thentia System to deposits made to the bank. This review should be formally documented, and the documentation retained.

### **Views of Responsible Officials**

The agency agrees with the findings of the 2018-2022 operational audit and agency management has conducted meetings to ensure the audit recommendations are implemented into the agency's current deposit and entry processes. Beginning June 2023, the Deputy Director (or another employee that is independent of the depositing and receipting processes) will begin reconciling the mail log to all licensing receipt entries and will provide formal documentation by signing and dating the reconciled report provided by Agency Business Services. This formal documentation will be maintained in the agency's local network drive for access in future audits.

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SAI  
STATE AUDITOR & INSPECTOR



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