

# OKLAHOMA SECRETARY OF STATE

FOR THE PERIOD  
JANUARY 1, 2007 THROUGH  
DECEMBER 31, 2008



# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma Secretary of State**

**For the Period  
January 1, 2007 through December 31, 2008**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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July 8, 2009

## **TO THE OKLAHOMA SECRETARY OF STATE**

Following is the audit report of the Secretary of State for the period January 1, 2007 through December 31, 2008. 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

**Mission Statement**

The mission of the Secretary of State’s office is to provide an exceptional standard of service to the public, business community and governmental agencies, through a registry of Oklahoma’s official documents and through the delivery of services designed to improve public access and public awareness.

**Key Staff**

M. Susan Savage .....Secretary of State  
Michelle Waddell ..... Executive Assistant  
Robbie Tittle, CPA .....Director of Finance

**Oklahoma Secretary of State  
Operational Audit**

**Background**

The Oklahoma Secretary of State's Office (the Agency) is the official repository and filing agency for all official acts of the governor, legislation and state questions, business entity filings, state agency rules and regulations, agricultural lien filings, notary public applications, athlete agent registrations, and bonds of public officials and employees<sup>1</sup>.

Table 1 summarizes the Agency's sources and uses of funds for state fiscal years 2007 and 2008.

**Table 1-Sources and Uses of Funds for FY 2007 and FY 2008**

Sources:	2007	2008
Domestic Limited Liability Company	\$3,205,535	\$2,887,120
Foreign Limited Liability Company	693,545	674,175
Notary Fees	698,254	644,710
Credit Card Convenience Fee	423,000	438,905
Certified Documents	303,760	270,395
Other	<u>608,238</u>	<u>717,464</u>
Total Sources	<u>\$5,932,332</u>	<u>\$5,632,769</u>
Uses:		
Personnel Services	\$1,870,743	\$2,053,532
Professional Services	252,745	502,457
Travel	34,659	31,114
Miscellaneous Administrative	179,355	176,668
Rent	40,806	50,875
General Operating	38,413	30,000
Office Furniture	284,634	91,134
Maintenance and Repair	31,092	162,690
Other	<u>9,642</u>	<u>3,716</u>
Total Uses	<u>\$2,742,089</u>	<u>\$3,102,186</u>

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

**Authority, Scope,  
and Sample  
Methodology**

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, 2007 through December 31, 2008.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for

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<sup>1</sup> In addition to the various filings, the Agency transferred the Address Confidentiality Program to the Office of the Attorney General and initiated the International Relations and Services function as the primary point of contact for the State of Oklahoma for the U.S. Department of State, the Houston, Chicago and New York Consular Corps, visiting diplomats, officials, educators and those organizing cultural exchanges. Other duties include providing international briefing and protocol expertise, Oklahoma Sister State agreements and primary point of contact with state government for Honorary Consul Generals domiciled in Oklahoma.

testing each of the samples. When appropriate, we projected our results to that population.

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 – To determine whether the Agency’s internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 74 O.S. § 10.5.6.**

**Conclusion**

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

Financial operations complied with 74 O.S. § 10.5.6<sup>2</sup> - limitation of the Secretary of State’s salary.

**Methodology**

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes;
- Tested controls which included:
  - Determining the person preparing the deposit is independent of the receipting process;
  - Determining receipts were stored in a secure location prior to deposit;
  - Randomly selecting 60 customer applications to ensure the information presented on the identification labels attached to the customer’s initiating application agreed to the accounting system report and the bank deposit receipt;
  - Determining the Agency’s clearing account was reconciled on a monthly basis to the State Treasurer’s Office and to PeopleSoft accounting records by someone independent of the cash receipting process;
  - Reviewing a haphazard sample of five Office of State Finance (OSF) – form 11 reconciliations to ensure the reconciliations were mathematically accurate, agreed to supporting documentation, and the reconciling items appeared reasonable;
  - Reviewing a random sample of 40 expenditure claims to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, and the expenditure was reasonable given the Agency’s mission;

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<sup>2</sup> If the Secretary of State is a cabinet member, 74 O.S. § 10.5.6 allows the position’s salary to equal that of the highest paid cabinet secretary. The highest paid cabinet secretary is the Secretary of Finance who is also the State Treasurer. 74 O.S. § 250.4 states the State Treasurer’s salary shall equal the salary of an associate district judge (20 O.S. § 92.1A. 2) in a county with a population of over 30,000.

**Oklahoma Secretary of State**  
**Operational Audit**

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- Determining if the employee receiving the warrants from OSF was independent of the posting and approval process;
- Reviewed a haphazard sample of five month's payroll information in the PeopleSoft accounting system to ensure the Secretary of State's annual salary did not exceed the maximum limit set forth in 74 O.S. § 10.5.6.





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