



OKLAHOMA TOURISM AND RECREATION DEPARTMENT

Operational Audit

For the period July 1, 2015 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Tourism and Recreation Department**

**For the Period
July 1, 2015 through June 30, 2021**



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March 7, 2022

TO THE OKLAHOMA TOURISM AND RECREATION DEPARTMENT

We present the audit report of the Oklahoma Tourism and Recreation Department for the period July 1, 2015 through June 30, 2021. 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



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Background

The Oklahoma Tourism and Recreation Department (Agency) serves as the state’s tourism, recreation, and advertising agency and promotes travel and visitor spending in Oklahoma to stimulate local economies. Founded in 1972, the Oklahoma Tourism and Recreation Department also oversees Travel Promotion including the Discover Oklahoma TV show, Oklahoma Today magazine, Consumer Trade, Travel Development, Brochure Fulfillment, advertising in Multi County Organizations, and the Tourist Information Centers located statewide.

The mission of Oklahoma State Parks, also part of the Tourism Department, is to advance the exceptional quality of life in Oklahoma by preserving, maintaining, and promoting our natural assets and cultural amenities. There are 33 parks, five lodges, and seven golf courses. Financial operations occur and revenues are receipted at each location.

The Administration Division of the Agency is centrally located in Oklahoma City and coordinates the fiscal activities of the operating divisions and provides financial information, fiscal control, and payroll, personnel, purchasing, and vendor payment services. It interprets policy and procedures promulgated by the Commission.

During the first several years of the audit period, oversight was provided by a commission (the Commission), including eight members appointed by the Governor with the advice and consent of the Senate, and the lieutenant governor as ex-officio voting member. As of January 14, 2019, the Commission is advisory only and does not have oversight.

Commission members as of February 2022 are:

Matt Pinnell.....	Lieutenant Governor
John Burke Kane.....	1 st Congressional District
Michelle Finch	2 nd Congressional District
Emily Smith	3 rd Congressional District
Sandra Kunz	4 th Congressional District
James Farris.....	5 th Congressional District
Hobie Higgins	At Large
Ricki Maslar	At Large
Andy Stewart.....	At Large

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Sales and Services	\$ 26,584,528	\$ 33,519,170
Contributions - Capital Outlay	-	19,746,798
Taxes	19,212,179	19,116,897
Net Appropriations	11,230,622	23,823,002
Reimbursement, Grants, Donations	4,373,169	14,090,620
Other Non-Revenue Receipts	4,282,047	-
Income from Money and Property	626,779	411,400
Other Revenues	3,497	1,147
Total Sources	\$ 66,312,821	\$ 110,709,034
Uses:		
Personnel Services	\$ 29,834,261	\$ 32,208,518
Administrative Expenses	21,946,107	30,511,494
Property, Furniture, Equipment	14,867,604	18,410,203
Professional Services	7,244,813	32,099,610
Assistance, Payments to Local Govn'ts	3,580,991	4,189,550
Transfers and Other Disbursements	1,628,621	1,578,586
Travel	263,235	249,731
Total Uses	\$ 79,365,632	\$ 119,247,692

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, 2015 through June 30, 2021. To assess risk and develop our audit objectives, 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 statewide accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks.
- Analyzing the various parks’ revenue activity for the audit period.
- Reviewing the Agency’s HR All Actions Report from the Statewide Accounting System to assess personnel changes that had a financial impact during the audit period and reviewing a selection of payroll changes to ensure they were properly reviewed and approved.
- Gathering information related to the payroll and inventory processes.
- Reviewing statutes and administrative codes pertaining to the Agency and audit reports conducted by outside entities.

Two objectives were developed as a result of the procedures performed, as discussed in the body of the report. No other significant risks or findings were identified.

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*¹ 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.

¹ *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 I Determine whether effective internal controls are in place to ensure all funds received are deposited in line with *GAO Standards for Internal Control* at state parks with substantial physical receipts.

Conclusion We determined that effective internal controls are not in place to ensure that all funds received at state parks with substantial physical receipts are deposited in line with *GAO Standards for Internal Control*.

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

- Identified the parks receiving the highest percentage of physical receipts. As the Agency has strived to reduce cash receipting overall, we chose to focus our procedures on these higher risk areas in order to provide the most impactful recommendations.
- Documented our understanding of the revenue processes through discussion with management at state parks and in the Administration Division and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Formal Revenue Processes and Reconciliations Needed for State Park Revenues

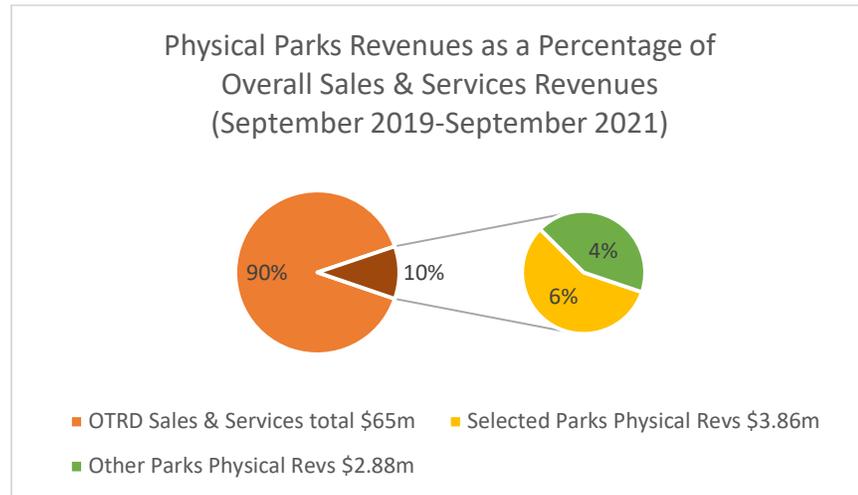
In planning our procedures, we identified and focused on the park locations that receipted the greatest share of physical deposits (ranging from 6% to 20%) during our audit period: Little Sahara, Lake Murray Lodge and Park, Arrowhead Golf Course, Robbers Cave, and Sequoyah Park.

The parks use different reporting systems to track their various types of sales. The process of implementing and updating new systems at the parks is ongoing and can lead to confusion between the parks and central office management. The one system all parks use is Virtual Vault, which allows the parks to upload sales reports and their total deposit amounts. We contacted management at each of the selected locations to gain an understanding of their processes for receipting and depositing revenues.

In general, the processes at the parks are the same. Cash and check revenues are receipted by park staff and entered into a sales system. Park managers are responsible for preparing the deposit, taking it to the bank, and entering the deposit total into Virtual Vault. There is no independent reconciliation between sales activity and deposits made to the bank. Without such a reconciliation, errors could be made, or payments misappropriated, without detection.

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For the period of September 2019 through September 2021, the six parks selected for our procedures received approximately \$3,860,000 in physical receipts (such as cash or check), representing 57% of \$6,740,000 total physical receipts in the parks, according to detailed financial records provided by the Agency. The chart below and the table on page 2 of this report provide additional context regarding OTRD revenues.



Administration Division

As suggested earlier, the variety of sales systems used by the parks has caused concerns for finance staff in the Administration Division. Administration is not always aware when new system implementations occur at the parks. It was brought to our attention that cash receipts for one location were not entered into the Statewide Accounting System for three months because Administration did not pull reports from that particular system.

Through 2020, overall Agency fund reconciliations (monthly "Form 11" clearing account reconciliations required to be completed by state agencies²) did not incorporate internal data from the state parks in detail. The Agency began striving to incorporate internal data into the reconciliation in July 2021, at the requirement of the Office of Management and Enterprise Services (OMES). The Agency's July 2021 reconciliation was successfully accepted by OMES in February 2022.³ The difficulty of reconciling finances from a variety of locations, along with

² [62 O.S. § 34.58](#) requires that "Each state agency shall furnish to the Director of the Office of Management and Enterprise Services . . . detailed information showing the income, disbursements, and transfers for each agency clearing account and each agency's special account. Income, disbursements and transfers shall be identified in accordance with code designations as provided in the accounting procedures of the Office of Management and Enterprise Services."

³ While we reviewed documentation reflecting that the reconciliation was accepted, we did not perform procedures to confirm it was accurate.

related timing, credit card, and sales tax concerns, contribute to the complexity of the Agency's reconciliations.

The completion of a successful, detailed central revenue reconciliation improves the effectiveness and timeliness of central oversight to mitigate the risk at the parks detailed above. It also helps ensure Agency revenue reports are not misstated and reliable financial data is available for decision makers. These effects should improve as the Agency continues to bring reconciliations up to date.

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.
- Management should use quality information to achieve the entity's objectives.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

We recommend management:

- Ensure that the parks develop formal processes to ensure funds received are deposited at the bank and agree to what is entered into Virtual Vault, including reviews and reconciliations as appropriate by someone independent of the deposit process. Documentation of these processes should be retained for management oversight and audit purposes.
- Once these processes have been developed, finance staff in the Administration Division should obtain a clear understanding of the revenue processes at each park and ensure they agree to current, detailed written policies and procedures.
- Develop reliable oversight processes to track and identify what sales systems are being used at each location. Oversight should include awareness of the implementation of new sales systems and ensuring activity is accurately and consistently reported and accounted for in the Statewide Accounting System.
- Continue working internally and with the Office of Management Enterprise Services to ensure the month-end reconciliation properly balances and all the sales systems are accurately reporting and incorporated into the oversight processes described above.

Views of Responsible Officials

Sales Systems

The agency finished implementation of an agencywide point of sales and inventory management system on January 27, 2022. All Tourist Information Centers, gift shops, and Golf Pro shops are now operating from one system for resale merchandise. All other processes for tracking sales or inventory have ceased. The implementation was delayed due to COVID-19 and supply chain shortages.

Formal policies and procedures are defined by the Director of Finance and Administration in conjunction with Parks Administration in accordance with GAO Standards for Internal Control. Training and user guides are provided to all staff. The audit finding indicates that park staff and management are not following the procedures and trainings provided by Finance. Additional training and clarification will be completed by the end of the Fiscal Year regarding this audit finding. Continual follow up will ensure proper compliance.

Segregation of Duties and Cash

Since the last audit by the State Auditor in 2015, the agency went to great lengths to reduce petty cash and cash transactions due to the findings.

- Petty cash was reduced from over \$80,000 to only \$26,321 and many facilities operate cashless.
 - 90% of facilities have \$1,000 or less and 26% have no petty cash at all.
- In FY21, cash sales accounted for \$6M or 17.9% of \$33.5M in total sales. Of the total cash received, Little Sahara State Park accounted for \$690,908 or 11.5%.
 - Little Sahara State Park accepts cash payment for entry to the sand dunes and this accounts for most cash receipts.
 - As of March 9, 2022, three kiosks will be operational to move the sale of wristbands from employees to the kiosk. The kiosk is the first step is reducing the amount of cash accepted at the park.
 - The introduction of kiosks for wristband sales is expected to transition up to 90% of cash sales to kiosks sales and reduce cash to less than \$100,000 annually.
- State Park reservations for camping and lodging are fully online and only 2.43% of all reservations are paid with cash.

The Director of Finance and Administration is responsible for providing cash handling training for all agency staff. All employees with managerial and transactional duties are required to take the cash handling training upon hire and repeat the training yearly. The employees must also pass a quiz with an 80% or higher score to maintain their cash handling duties. The training program began in FY21 with 315 employees taking the quiz

with a passing score. As of January 2022, 244 employees have tested for FY22. The training is updated yearly to include new and relevant information such as cyber security and credit card fraud alerts.

The training specifically addresses proper segregation of duties. Cash handling is directly addressed and highlights the need for segregation between collecting cash, maintaining documentation, preparing deposits, and reconciling records. The image below is part of the training and details this specific segregation.



The Director of Finance and Management will address the segregation of duties finding directly with Park management to further define the training, provide additional training, and outline Management's expectations for compliance. In addition to training, OTRD will explore the need to hire a new position dedicated to daily reconciliation to aid in the resolution of this finding.

Clearing Account Reconciliation

OMES Central Accounting and Reporting (CAR) and OTRD worked together closely to complete the detailed clearing account reconciliation. All remaining months will be completed by the end of FY22 as agreed upon by OMES CAR.

The completion of system implementations and standardized processes will enable OTRD Revenue to successfully reconcile revenue going forward. To aid in the reconciliation process, OTRD will explore the need to hire a new position dedicated to daily reconciliation to aid in the resolution of this finding.

OBJECTIVE II Determine whether the agency's Uncollectible Accounts Receivable policy and procedures align with 74 O.S. § 2245.

Conclusion The Agency's Uncollectible Accounts Receivable policy and procedures do not align with 74 O.S. § 2245.

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

- Documented our understanding of the uncollectible accounts receivable process through discussion with management and review of documentation.
- Reviewed the Agency's policies and procedures for the Uncollectible Accounts Receivables and compared them to state statute 74 O.S. § 2245.

FINDINGS AND RECOMMENDATIONS

Uncollectible Accounts Receivable Processes Lack Detail State statute 74 O.S. § 2245 outlines the steps the Agency must perform in order for the Commission and the State Auditor's Office to certify the Agency's uncollectible accounts.

Uncollectibles Have Not Been Resolved since 2012 Per statute, "the Department should take all reasonable steps to collect all accounts." Accounts are uncollectible when the debtor has been discharged from bankruptcy or is insolvent; cannot be found or is deceased; or a collection agency is unable to collect the debt. These uncollectibles may be placed in a special account, in which case statute outlines the following procedures:

1. The proposed uncollectible accounts shall be forwarded to the Department by the appropriate divisions. The Department shall then submit the accounts to the Commission and to the State Auditor and Inspector once each fiscal year for placement into the special uncollectible account; and
2. The Commission and the State Auditor and Inspector shall certify those accounts which meet the requirements of this section as "uncollectible accounts receivable" and shall place those accounts in the special account created by this section.

According to management, the Agency has not gone through the complete processes required in statute to write off any uncollectible accounts since 2012. Prior to 2021, the parks and travel locations were responsible for tracking the uncollectible accounts. The revenue manager is now responsible for performing the collection processes and for developing written procedures for the disposition of uncollectible accounts. According to management, the Agency has not fully implemented the written procedures and is also waiting for OMES to

implement the Accounts Receivable module of the Statewide Accounting System for the Agency.

We reviewed the Agency's policy and noted that it does not include specific guidance regarding the requirements outlined in statute 74 O.S. § 2245. The policy outlines the general rules for Accounts Receivable and then states that "the Director of Administrative Services will be responsible for disposition of uncollectible accounts pursuant to 74 O.S. §2245."

In our experience it's common for policy to set the parameters for decision making and procedures to explain step-by-step instructions. We reviewed the current written procedures and noted they contain detailed processes for recording accounts receivable, as well as the timeframe and manner in which the customer should be contacted to collect payment. However, they again do not contain the details outlined in the numbered statutory items above.

The lack of detailed procedures has likely contributed to the Agency's non-compliance with the statutory requirement for the annual resolution of uncollectible accounts for the past ten years.

Recommendation

We recommend management ensure:

- Policies and procedures are tailored for use with the Accounts Receivable module when it is implemented, and to address all pertinent statutory requirements.
- Those procedures are completed to resolve the uncollectible accounts awaiting certification since 2012 and pursue certification annually going forward as required by statute.

Views of Responsible Officials

After review with auditors, policy and procedures were put in place to address accounts receivable and all statutory requirements. All past accounts receivable since 2012 are now pending review by OTRD Legal as of February 10, 2022.

Implementation of Accounts Receivable in PeopleSoft is still pending OMES.

- Initial project request in July 2018.
- Project began in January 2019.
- Project put on hold due to PeopleSoft update in September 2019.
- Project Initiation Request (PIR) submitted in September 2021 per request of OMES Finance Center of Excellence.
- Project Prioritization Form submitted February 2022.

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