

FINANCIAL AUDIT

UNIFORM BUILDING CODE COMMISSION

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT

For the fiscal year ended June 30, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**Uniform Building Code Commission
Financial Statement and Independent Auditor's Report
For the Fiscal Year Ended June 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212 and 59 O.S. § 1000.24c. has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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November 25, 2013

**TO THE HONORABLE MARY FALLIN
GOVERNOR OF THE STATE OF OKLAHOMA**

This is the audit report of the Oklahoma Uniform Building Code Commission for the year ended June 30, 2012. 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 the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIFORM BUILDING CODE COMMISSION

We have audited the Statement of Receipts, Expenditures and Changes in Cash – Regulatory Basis of the Uniform Building Code Commission (the Commission), a part of the primary government of the State of Oklahoma, as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed by Title 59 O.S. § 1000.24c, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material. As further described in Note 1, the financial statement of the Commission is intended to present the financial position and the changes in financial position of only that portion of the State of Oklahoma that is attributable to the transactions of the Commission. It does not purport to, and does not, present fairly the financial position of the State of Oklahoma as of June 30, 2012, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, expenditures and changes in cash—regulatory basis of the Commission for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2013, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in blue ink, appearing to read "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

November 15, 2013

**Uniform Building Code Commission
Statement of Receipts, Expenditures
And Changes in Cash – Regulatory Basis
For the Year Ended June 30, 2012**

Receipts	
Fees	\$ 594,305
Reimbursements	2,825
	597,130
Total Receipts	597,130
 Expenditures	
Salaries Expense	145,642
Insurance Premiums – Health, Life, Etc.	35,671
FICA and Retirement Contributions	35,001
Professional and Legal Services	52,635
Inter/Intra Agency Payments –Professional Services	21
Travel – Reimbursements	24,108
Travel-Agency Direct Payments	225
Postage, Telecommunication and Misc. Administrative	4,318
Rent Expense	191
Maintenance and Repair Expense	28
Specialized Supplies and Materials Expense	62
General Operating Expense	8,158
Office Furniture and Equipment	9,442
Library Equipment and Resources	1,451
Incentive Awards	38
Employee Reimbursement –Non-Travel	76
	317,067
Total Expenditures	317,067
Receipts over Expenditures	280,063
 Cash - Beginning of Year	454,154
 Cash - End of Year	\$ 734,217

The Notes to the Financial Statement are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Uniform Building Code Commission was created in 2009 by Title 59 O.S., § 1000.20-.29 to review and adopt all building codes for residential and commercial construction to be used by all entities within Oklahoma. Codes and standards adopted by the Commission shall be the minimum standards for residential and commercial construction in Oklahoma. The Commission is a part of the primary government of the State of Oklahoma.

As required by Title 59 O.S., §1000.24c, the accompanying financial statement presents the receipts, expenditures, and changes in cash balances for all treasury funds of the Commission.

B. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. The cash basis is not a comprehensive measure of economic condition or changes therein.

C. Cash

At June 30, 2012, all cash was under the control of the State Treasurer of Oklahoma and was collateralized in accordance with 62 O.S. 2001, 72.1., titled, "Security for Public Deposits Act." As of this date, the bank balances on deposit are fully insured or collateralized with securities held by the State's agent in the State's name.

2. Risk Management

The Risk Management Division of the State's Office of Management and Enterprise Services is responsible for the acquisition and administration of all insurance purchased by the State and for administration of self-insurance plans and programs adopted for use by the State.

The Risk Management Division is authorized to settle claims of the State and oversee the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, an agency or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity. The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State presented to the Risk Management Division.

3. **Pension Plan**

Plan Description. The Commission contributes to the Oklahoma Public Employees Retirement Plan, a multiple employer, cost-sharing public employee retirement plan, which is a defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and can be amended by the Oklahoma Legislature. The plan provides retirement, disability, and death benefits. Title 74 of the Oklahoma Statutes, Sections 901 through 943, as amended, provides more complete information about the plan. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73152 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category of the plan are established by and can be amended by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. State employees contribute 3.5% of their salary. State agency employers contributed 16.5% of total salary in FY-12 and 15.5% of total salary in FY-11. The Commission's contributions to the plan for the year ended June 30, 2012 and 2011 were \$23,256.52 and \$13,306.88 respectively. These contributions were equal to the contributions required. The Commission had no employees prior to FY 2011.

4. **Other Post Employment Benefits**

In addition to the pension benefits described in Note 3, employees of the Commission are provided post-retirement health care benefits through their membership in the Oklahoma Public Employees Retirement System (OPERS). OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, for all retirees who elect coverage at time of retirement through the Employees Group Insurance Division (EGID) of the Oklahoma Management and Enterprise Services (OMES). The plan is a legal trust for administering, managing and providing group health, dental, life and disability plans and benefits to active employees and retirees of state agencies, school districts and other governmental units. The plan also provides coverage for employee and retiree dependents when so elected.

OPERS funds post employment health care benefits as part of the overall retirement requirement. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the Commission is not available, nor can it be reasonably estimated.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO THE UNIFORM BUILDING CODE COMMISSION

We have audited the Statement of Receipts, Expenditures and Changes in Cash – Regulatory Basis of the Uniform Building Code Commission (the Commission), a part of the primary government of the State of Oklahoma, for the year ended June 30, 2012, which comprises the Commission’s cash activities, and have issued our report thereon dated November 15, 2013, wherein we noted the Commission follows accounting practices prescribed by Oklahoma state law rather than accounting principles generally accepted in the United States of America. Our report on the financial statement included an adverse opinion because the financial statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, expenditures and changes in cash – regulatory basis of the Commission for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. The report includes an explanatory paragraph stating that the financial statement of the Commission is intended to present the financial position and results of daily operations only for that portion of the State of Oklahoma attributable to the transactions of the Commission. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. [12-753-001]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, and the Commission, and is not intended to be and should not be used by anyone other than those specified parties. This report is also 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.



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

November 15, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number: 12-753-001

State Agency: Uniform Building Code Commission (UBCC)

Other Information: Revenues

Criteria: An effective internal control system provides for proper maintenance and review of pertinent financial documents and information. In addition, an effective internal control system provides for prompt recording of accounting transactions.

Condition: Based on testwork performed for 24 deposits, we noted the following:

- One deposit had two entries (Journal ID 7530000275 & 7530000277 with a journal date of 9/20/11) totaling \$15,313.32 that were posted in error into CORE by Agency Business Services at the Office of Management and Enterprise Services (OMES). Based on review of the supporting documentation, the deposit entries should have been recorded to OMES.
- Fifteen (15) deposits were not recorded into CORE in a timely manner (within 2 business days after the actual deposit date).

In addition, when reviewing the reconciliations performed by UBCC to CORE records, we were able to determine that 9 deposits (3 from April 2012, 3 from May 2012 and 3 from June 2012) totaling \$15,100.40 were not posted until the next fiscal year.

Cause: UBCC did not have an adequate system in place to ensure all deposit information posted by OMES in CORE reconciled to its own deposit records in a timely manner. UBCC did not start reconciling with CORE records until late in fiscal year 2013.

Effect: The lack of a timely reconciliation caused the financial statements to be inaccurate since UBCC was unaware of errors that needed to be corrected and that entries in CORE were not made timely.

In addition, because of deposits not being entered into CORE in a timely manner, cash balances (deposits) are unavailable until a journal entry is made. Therefore, deposits made at the bank may not be readily available for use by the agency and cash balances on CORE reports could be misstated. In addition, the Office of the State Treasurer is unable to invest or pool those deposits until they are posted into CORE. The delay in entering the revenue could result in lost interest income for the agency.

Recommendation: We recommend UBCC and OMES develop and implement a plan whereby they ensure all deposits are entered into CORE in a timely manner. Further, we recommend UBCC continue to reconcile all deposits on at least a monthly basis to help ensure all deposits are entered timely and accurately.

Agency Management Response: The OUBCC concurs with this finding. The agency along with OMES Agency Business Services (ABS) has developed several processes to include:

- A weekly reconciliation process to verify all deposits are recorded in CORE. Agency staff reviews all deposits made by BancFirst and recorded by OMES, as well as the Electronic Funds Transfers (EFT's) and wire transfers recorded by the State Treasurer's Office. Any discrepancies are noted and emailed to OMES for correction within a week of the deposit.

- OMES sends the OUBCC, either through interagency or via email, a copy of the daily deposits recorded by OMES into the CORE system. These records are matched up to the CORE reports printed weekly and used for the weekly reconciliation.
- OMES sends copies of all correction paperwork once the correction of any errors has been completed.
- OMES is depositing the funds received into a clearing account that is reconciled monthly instead of directly into the agencies fund.

The OUBCC feels that these processes will ensure all deposits are entered into CORE and all errors corrected in a timely manner.

OMES Response: We concur with the finding that the CORE reports were misstated. We worked with agency management to implement the steps described above that we feel confident will ensure the timely and accurate recording of all deposits.

We have submitted a request to OMES DCAR Accounting to make the correcting entry and have been assured it will be made this fiscal year.



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