

FINANCIAL AUDIT

UNIFORM BUILDING CODE COMMISSION

FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT

For the fiscal year ended June 30, 2011



*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, 2011**

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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February 21, 2013

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

Following is our report on the financial statements of the Uniform Building Code Commission for the fiscal year ended June 30, 2011. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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, 2011. 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 misstatements. 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 of Oklahoma state law, 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, are presumed to be material. As further described in Note 1, the financial statements of the Commission are intended to present the financial position and the changes in financial position of only that portion of the Statement of Receipts, Expenditures, and Changes in Cash – Regulatory Basis of the State of Oklahoma that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2011, 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, 2011, 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, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 1, 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

February 1, 2013

**Uniform Building Code Commission
Statement of Receipts, Expenditures
And Changes in Cash – Regulatory Basis
For the Year Ended June 30, 2011**

Receipts

Fees	\$ 439,381
American Recovery and Reinvestment Act Grant	<u>177,066</u>
Total Receipts	<u>616,447</u>

Expenditures

Salary Expenses	90,098
Insurance Premiums – Health, Life, Etc.	22,971
FICA and Retirement Contributions	20,599
Professional & Legal Services	51,550
Inter/Intra Agency Payments –Professional Services	31
Travel – Reimbursements	16,915
Travel-Agency Direct Payments	96
Postage, Telecommunication & Misc. Admin. Expenses	6,724
Rent Expenses	110
General Operating Expenses	609
Office Furniture and Equipment	5,110
Library Equipment and Resources	4,183
Refunds, Indemnities, and Restitution	3,126
Total Expenditures	<u>222,122</u>

Receipts over Expenditures 394,325

Cash - Beginning of Year (as restated) 59,828

Cash - End of Year \$ 454,153

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

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011, 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 Department of Central 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; provide more complete information about the Plan. OPER 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 contribute 15.5% of total salary. The Commission's contributions to the Plan for the year ended June 30, 2011 was \$13,306.88. 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, 2011, which comprises the Commission’s cash activities, and have issued our report thereon dated February 1, 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, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. The report includes an explanatory paragraph stating that the financial statements of the Commission are 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 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. [11-753-001 and 11-753-002]. 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 are 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 responses to the findings identified in our audit are 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

February 1, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Reference Number: 11-753-001

State Agency: Uniform Building Code Commission (UBCC)

Other Information: Revenues

Criteria/Condition: An effective internal control system provides for prompt recording of accounting transactions.

During our testing of deposits, it was determined that twenty-six (26) of the thirty-nine (39) deposits tested were not recorded into PeopleSoft in a timely manner (within 2 business days after the actual deposit date).

Cause/Effect: The Uniform Building Code Commission (UBCC) and Office of Management and Enterprise Services (OMES) do not have an effective process in place to ensure that all deposits are entered into PeopleSoft in a timely manner.

Because of deposits not being entered into PeopleSoft 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 PeopleSoft 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 PeopleSoft. The delay in entering the revenue could result in lost interest income for the agency.

Recommendation: We recommend that UBCC and OMES exercise diligence in ensuring that all deposits are entered into PeopleSoft in a timely manner.

Agency Management Response: The UBCC concurs with this finding. Access to PeopleSoft reports has been requested for staff so that deposits may be reviewed on a daily basis. Since staff knows the deposit amounts recorded by BancFirst on a daily basis, staff will be able to notify OMES when deposits have not been recorded in a timely matter (two business days from date of deposit as defined by this audit finding), or when deposits recorded contain errors.

OMES Response: We concur with the finding and have implemented changes in workload and staffing assignments to allow timely processing of all deposits.

Reference Number: 11-753-002

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.

Condition: During our testing of deposits, it was determined that the Uniform Building Code Commission (UBCC) was not reconciling their records with the Office of Management and Enterprise Services (OMES) for the majority of state fiscal year 2011. As a result, since OMES posts all deposit information, the agency was not aware if errors/adjustments were made or if the deposits were not made in a timely manner.

Cause: UBCC did not have an adequate system in place to ensure all deposit information reported by OMES reconciled to its own deposit records.

Effect: The deposit details per UBCC were not agreeing on a timely basis with deposits entered by OMES due to the time delay in entering the deposits into PeopleSoft.

In addition, if UBCC is not agreeing their agency records to PeopleSoft deposits it could result in cash balances on PeopleSoft reports that are misstated.

Recommendation: We recommend that UBCC reconcile deposits with OMES at least monthly.

Agency Management Response: The UBCC concurs with this finding. Access to PeopleSoft reports was requested on Monday 12-10-12 for the purpose of reviewing deposits made by OMES. Staff will be reviewing reports on a daily/weekly basis to confirm all deposits and corrections have been made in a timely manner. Staff will contact OMES when daily deposits contain errors or are not recorded in a timely manner. A monthly reconciliation process with OMES will be instituted.

OMES Response: We concur with the finding. We have worked with agency management and already begun recording deposits to the agency's clearing account. This will ensure that all deposits are reconciled monthly on the OMES Form 11.



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