

OPERATIONAL AUDIT

# OKLAHOMA WHEAT COMMISSION

For the period January 1, 2012 through June 30, 2015



*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

**Audit Report of the  
Oklahoma Wheat Commission**

**For the Period  
January 1, 2012 through June 30, 2015**



# Oklahoma State Auditor & Inspector

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October 21, 2015

## TO THE OKLAHOMA WHEAT COMMISSION

This is the audit report of the Agency for the period January 1, 2012 through June 30, 2015. 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 "Gary A. Jones".

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

# Oklahoma Wheat Commission Operational Audit

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## Background

The Oklahoma Wheat Commission (the Agency) was established by the legislature in 1965. Its mission is to “promote greater utilization of wheat in domestic and international markets through research, market development and public education.”

Oversight is provided by seven commissioners (the Commission) appointed by the governor, including the Secretary of Agriculture and the Dean of Agriculture at Oklahoma State University, who serve as ex-officio non-voting members. The five commissioners are appointed by the governor, one per established district, and serve five-year terms.

Board members as of October 2015 are:

Kenneth Failes (District 1)..... Chairman  
Tom Stephens (District 2)..... Vice-Chairman  
Michael Peters (District 3)..... Secretary/Treasurer  
David Gammill (District 4) ..... Member  
Don Schieber (District 5) ..... Member  
Jim Reese (Secretary of Agriculture). ..... Ex-Officio Member  
Dr. Thomas Coon (Dean of Agriculture, OSU)..... Ex-Officio Member

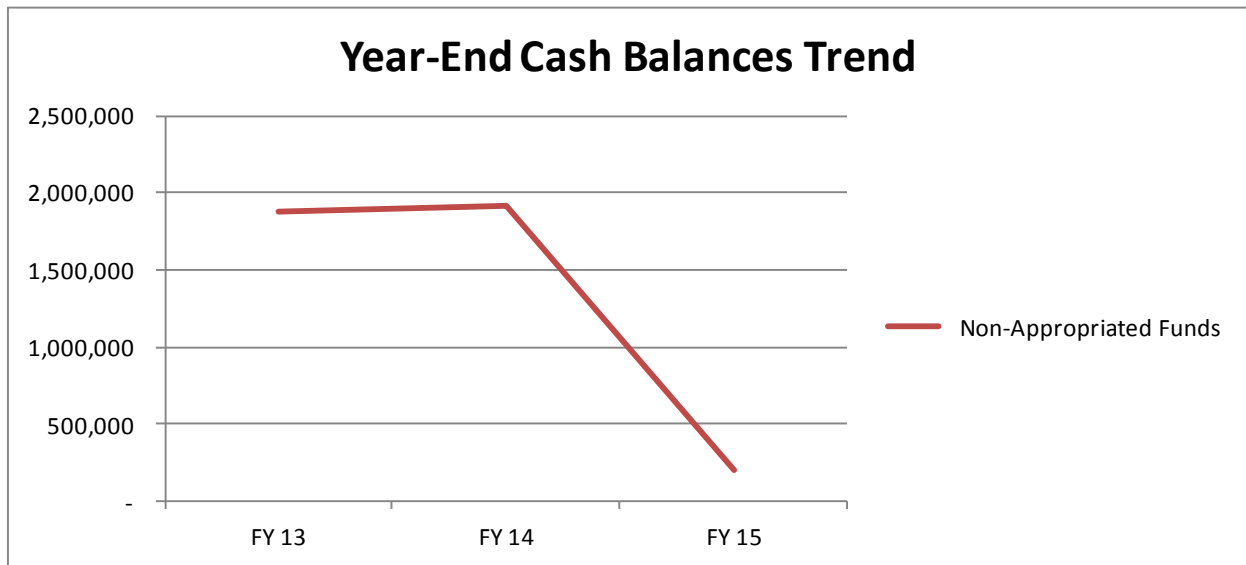
On January 22, 2015, the Board of Directors of the Wheat Commission petitioned the Secretary of Agriculture to be certified as a “successor organization” (a quasi-governmental entity). House Bill 2566 authorized the Wheat Commission to become a “successor organization” subject to approval by the Secretary of Agriculture. The Secretary of Agriculture approved the request on March 9, 2015. Therefore, as of July 1, 2015, the Wheat Commission ceased to exist as a state entity.

# Oklahoma Wheat Commission Operational Audit

The following information illustrates the Agency's budgeted-to-actual revenues and expenditures and year-end cash balances.<sup>1</sup>

BUDGET TO ACTUAL COMPARISON						
	FY 2014			FY 2015		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
<b>REVENUES</b>						
Licenses, Permits, and Fees	1,988,000	1,800,000	(188,000)	1,598,800	1,077,576	(521,224)
Income From Money and Property	-	33,701	33,701	-	29,281	29,281
<b>Total Revenues</b>	<b>1,988,000</b>	<b>1,833,701</b>	<b>(154,299)</b>	<b>1,598,800</b>	<b>1,106,857</b>	<b>(491,943)</b>
<b>EXPENDITURES</b>						
Personnel Services	287,032	258,557	(28,475)	289,055	267,566	(21,489)
Professional Services	674,234	626,179	(48,055)	638,660	481,643	(157,017)
Travel Expenses	69,500	89,359	19,859	72,000	56,147	(15,853)
Administrative Expenses	297,234	147,831	(149,403)	161,725	91,068	(70,657)
Property, Furniture, Equipment, and Related Debt	20,000	2,916	(17,084)	127,600	15,624	(111,976)
General Assistance, Awards, Grants, and Other Program-Directed Payments	1,077,000	805,512	(271,488)	2,605,058	1,969,802	(635,256)
<b>Total Expenses</b>	<b>2,425,000</b>	<b>1,930,354</b>	<b>(494,646)</b>	<b>3,894,098</b>	<b>2,881,850</b>	<b>(1,012,248)</b>
<b>Expenditures Over (Under) Revenues</b>		<b>96,653</b>			<b>1,774,993</b>	

Year-End Cash Balances: FY 13 - FY 15			
	FY 13	FY 14	FY 15
Non-Appropriated Funds	1,871,859	1,921,422	197,542
<b>Total Available Cash</b>	<b>1,871,859</b>	<b>1,921,422</b>	<b>197,542</b>



<sup>1</sup> This information was obtained from the Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited. See summary of management's explanation of variances on page 3 of this report.

**Summary of agency responses to budgeted-to-actual variances**

This information is a summary of responses obtained from the Oklahoma Wheat Commission. It is for informational purposes only and has not been audited. See budgeted-to-actual analysis on page 2 of this report.

**Revenues**

- The variance in “Licenses, Permits, and Fees” for FY 2015 is due to the fact that the Oklahoma wheat crop came in below expectations (received fewer fees than expected).

**Expenditures**

- The variance in “Professional Services” for FY 2015 is due to the fact that IT costs associated with the agency’s transition from being a state agency to becoming a quasi-state entity came in below estimate.
- The variance in “Administrative Expenses” for FY 2014 is due to the fact that administrative expenses were pared in response to the decrease in revenues.
- The variance in “Property, Furniture & Equipment” for FY 2015 is due to the fact that an item with a cost in excess of \$100,000 was not purchased due to the decrease in revenues.
- The variance in “General Assistance, Awards & Grants” for FY 2014 and FY 2015 is due to the fact that the Commission decided to trim all areas of marketing, promotion, and research in response to the decrease in revenues.

**Year-End Cash Balances**

- The variance in “Non-Appropriated Funds” between FY 2014 and FY 2015 is due fact that, as part of the process of changing from a state agency to a quasi-state entity, the majority of funds were transferred out of the state account into a private bank account. A small amount was left in the state account to pay any remaining outstanding expenditures.

# Oklahoma Wheat Commission Operational Audit

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## 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 duties 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 January 1, 2012 through June 30, 2015. Detailed audit procedures focused on the period of July 1, 2013 through June 30, 2015, addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Wheat Commission’s operations. We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

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.

## OBJECTIVE

Determine whether the Agency’s internal controls provide reasonable assurance that revenue and expenditures were accurately reported in the accounting records.

## Conclusion

The Agency’s internal controls provided reasonable assurance that expenditures were accurately reported in the accounting records. However, the Agency’s internal controls did not provide reasonable assurance that revenues were accurately reported in the accounting records.

Financial operations did not comply with the following statute:

- 62 O.S. § 34-57 - Transfer of funds out of the agency clearing account on a monthly basis.

## FINDINGS AND RECOMMENDATIONS

### **Inadequate Segregation of Duties over Revenues (Repeat)**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government (2014 Revision)*<sup>2</sup> states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Duties related to receipts were designed properly but are not operating effectively. The agency's current procedures are as follows: The Director of Marketing opens the mail and prepares the deposit slip. The Business Manager makes the deposit, then posts payment information to the agency's internal database, and enters the deposit into PeopleSoft. After the deposit has been made the Business Manager and the Director of Marketing are to both initial the deposit slip/bank receipt record to indicate that the amount received was the amount deposited. However, this review is not always occurring. We noted during testing, that four out of 20 deposits did not include initials of both the Director of Marketing and the Business Manager.

Without the post-deposit review by someone independent of making the deposit that is aware of the amount that should have been deposited, it is possible for funds to be misappropriated without being detected in a timely manner.

### **Recommendation**

We recommend management adhere to the current revenue control procedures that are properly designed to ensure the process is operating effectively.

### **Views of Responsible Officials**

The Oklahoma Wheat Commission works hard to make sure all segregation of duties is carried out properly with agency protocol. Very few of the deposit slips only had one set of initials on them. This was an oversight by our agency and we will work to correct this in the future. In

<sup>2</sup> Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.



all cases at least one set of initials were on the deposit slips and bank receipts. No financial improprieties exist despite the weakness within the internal controls, and in the future our agency will work harder to have proper segregation of duties

**Non-compliance  
with 62 O.S. §34.57**

As per 62 O.S. §34.57, “at least once each month each state agency shall transfer monies deposited in agency clearing accounts to the various funds or accounts.

According to state financial records, revenues were not transferred from the clearing account to the Agency’s revolving fund each month. Based on discussions with agency personnel, they were unaware of the statute requirement and therefore, only transferred funds on an as-needed basis.

When the agency fails to make monthly transfers of funds deposited, they are not in compliance with 62 O.S. §34.57.

**Recommendation**

To ensure compliance with 62 O.S. §34.57, management should transfer monies deposited into the agency clearing accounts to the various funds or accounts at least once each month.

**Views of Responsible Officials**

It was brought to the attention of the Oklahoma Wheat Commission that we were not in compliance with 62 O.S. 34.57 and that management should transfer monies deposited into the agency clearing accounts to the various funds or accounts at least once each month. Although the Oklahoma Wheat Commission regrets that this has not happened, no financial improprieties existed. Our agency would work to achieve this goal in the future but will no longer be responsible for having clearing accounts with regards to our new banking and accounting systems.



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