

Oklahoma Workers' Compensation Court

Agreed-upon Procedures Report

**For the Period
July 1, 2004 through June 30, 2006**

Mission Statement

The Oklahoma Workers' Compensation Court applies the law as set out in the Oklahoma Workers' Compensation Act. Its responsibility is to provide fair and timely procedures for the resolution of disputes and identification of issues involving on-the-job injuries. To this end we dedicate ourselves to carry out this responsibility and to serve the public promptly, courteously and impartially.

Key Staff

Marcia Davis, Administrator
Constance McCarthy-Angel, Business Manager



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector


January 22, 2007

TO THE OKLAHOMA WORKERS' COMPENSATION COURT

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Workers' Compensation Court. 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,


JEFF A. McMAHAN
State Auditor and Inspector



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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State Auditor and Inspector

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Workers' Compensation Court (Court), solely to assist you in evaluating your internal controls over the receipt and disbursement process and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2004 through June 30, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the Courts' internal controls over receipts into the clearing account and disbursements from funds 195, 196, and 200 with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - Receipts were issued for cash and/or checks received;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - Receipts of \$100 or more were deposited on the same banking day as received;
 - Voided receipts were retained;
 - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
 - Disbursements were supported by an original invoice;
 - Timesheets were prepared by employees and approved by supervisory personnel;

A component objective of an effective internal control system is to provide adequate segregation of duties. We noted during our assessment of internal controls the same employee prepares vouchers for payment, approves the vouchers for payment, and mails the vouchers to the vendors. A summary level review of expenditures is performed by management on a monthly basis. Without adequate segregation of duties and an approval process in place, errors and improprieties could occur and go undetected. We recommend the Court implement procedures to ensure the employee approving vouchers is different than the employee preparing and mailing the vouchers.

Views of Responsible Officials – The Business Manager and Assistant Business Manager will alternate the duties involved in processing vouchers and mailing warrants.

62 O.S., § 7.1 A. and C. 1. states in part "A. There is hereby created in the official depository in the State Treasury an agency clearing account for each state officer, department, board, commission, institution or agency of the state...C. All such monies collected pursuant to this section shall be deposited as follows in the agency clearing account...:

1. Receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received."

62 O.S., § 7.1 C.2. c. states in part “c. All checks must be restrictively endorsed immediately upon receipt.” During our assessment of internal controls at the Court’s Tulsa office, we noted receipts are not issued for all cash transactions, checks are not endorsed immediately upon receipt, and receipts are not deposited daily. The Court’s Tulsa office is not in compliance with 62 O.S., § 7.1 A., C. 1. and C.2. c. Also, without evidence of a transaction occurring, the opportunity for errors and improprieties to occur and go undetected increases. We recommend the Court ensure receipts in excess of \$100 are deposited within one banking day. For example, the Tulsa office could make daily deposits at the BancFirst in Tulsa and send the deposit documentation to the Oklahoma City office to be reconciled. Additionally, we recommend the Tulsa office immediately endorse checks when they are received as well as issue receipts for each cash transaction.

Views of Responsible Officials – We have taken the following corrective steps for Tulsa’s collections: 1) All checks will be restrictively endorsed upon receipt; 2) Receipts will be issued for all cash transactions; 3) A copy of all checks will be made and sent to the Business Office in Oklahoma City in a sealed envelope. The Records Department will create a separate record of OKC and Tulsa checks and bring it to the Business Office where it will be included in the current reconciliation process which compares copies of checks received to the actual daily deposits. The checks will be deposited with the Oklahoma City deposit on the day they are received in Oklahoma City after verification in the WCIS system that the fees are actually due. Otherwise, they will be returned to sender.

Segregation of duties is a basic control that prevents or detects errors, improprieties, and fraud. Based on inspection of CORE financial and HR system security access settings, we found four employees with incompatible roles within the CORE PeopleSoft system. We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management’s knowledge and periodic review of operations.

Views of Responsible Officials- The Court Administrator, Financial Analyst, and Legislative Liaison all periodically review the payroll and expenditure and receipt data generated by the various CORE/Peoplesoft modules.

Auditor Response – Management appears to be addressing this issue.

It is an agency’s responsibility to create a culture of honesty and high ethics and to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how the agency conducts its business. During our assessment of internal controls, we noted the Court has not developed and implemented an official policy addressing ethical behavior in the workplace. Without a written policy and procedure in place, employees may not be aware of management’s expectations regarding ethical behavior. We recommend the Court develop and implement a policy and procedure regarding ethical behavior in an effort to reduce the possibility of unethical behavior occurring.

Views of Responsible Officials – The Court will adopt written policy governing the ethical behavior of its employees as determined appropriate.

With respect to the other procedures applied, there were no findings.

2. We compared the Court’s internal controls over receipts and disbursements into and from funds 701, 702, and 703 with the following criteria:
 - Receipts and disbursements are reconciled to the Office of the State Treasurer and the Office of State Finance;
 - Disbursements are supported by documentation.

There were no findings as a result of applying the procedures.

3. We randomly selected 20 clearing account deposits and:
 - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day;
 - Agreed the total deposit slip amount to copies of the checks and cash register summary;
 - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received;
 - Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first;
 - Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the deposit to the account code description to determine consistency.

A component objective of an effective internal control system is to provide adequate supporting documentation. During procedures related to 20 clearing account deposits, we noted copies of two checks were not maintained as supporting documentation in one deposit. However, the amounts were included in the total deposit amount posted to the CORE system and the specific data related to the payments was entered into the agency's internal, information system. Without adequate supporting documentation, errors and improprieties could occur and go undetected. We recommend the Court exercise diligence in ensuring deposits are adequately supported.

Views of Responsible Officials – The records department will be more diligent in the preparation of the copies of the checks. This discrepancy was caught by our existing internal reconciliation procedures on the day it occurred.

With respect to the other procedures applied, there were no findings.

4. We randomly selected 5 deposits from fund 701 and:
 - Agreed the amount identified on the deposit slip prepared by the Court with the amount posted in the CORE system.

There were no findings as a result of applying the procedures.

5. We randomly selected 20 transfers into funds 702 and 703 and :
 - Agreed amount presented in the letter from the Oklahoma Tax Commission to amount posted in the CORE system, excluding interest;
 - Agreed amount posted in the CORE system to the Court's internal ledger.

There were no findings as a result of applying the procedures.

6. We randomly selected 30 vouchers from funds 195, 196, and 200 and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

7. We randomly selected 30 vouchers from funds 701, 702, and 703 and:
 - Compared the voucher amount and payee to supporting documentation;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

8. We compared salaries set by statute to the actual salary paid to determine the statutory limit was not exceeded.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, and disbursements for the Court. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Court and should not be used for any other purpose. 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.



JEFF A. McMAHAN
State Auditor and Inspector

January 11, 2007