

OKLAHOMA DEPARTMENT OF CAREER AND TECHNOLOGY EDUCATION

FOR THE PERIOD
JULY 1, 2007 THROUGH
JUNE 30, 2008

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Department
of Career and Technology Education**

**For the Period
July 1, 2007 through June 30, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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November 6, 2008

TO THE BOARD OF CAREER AND TECHNOLOGY EDUCATION

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Department of Career and Technology Education for the period July 1, 2007 through June 30, 2008. 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,

A blue ink signature of Steve Burrage, written in a cursive style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A blue ink signature of Michelle R. Day, written in a cursive style.

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

Mission Statement

We prepare Oklahomans to succeed in the workplace, in education, and in life.

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TO THE BOARD OF CAREER AND TECHNOLOGY EDUCATION

We have audited the Oklahoma Department of Career and Technology Education (the Agency) for the period July 1, 2007 through June 30, 2008. The objectives of this audit were to determine if:

- The Agency's internal controls provide reasonable assurance that inventory (Agency equipment/furniture) was accurately reported in the accounting records;
- Materials (MAVCC, CIMC, and Print Shop) and office supplies inventory were properly safeguarded and recorded;
- The Agency and Mid-America Technology center were in compliance with certain provisions of the youthful offender contract;
- LSG Solutions, LLC. complied with certain provisions of their contract with the Agency for computer support;
- Time worked in excess of 40 hours per week by employees in the Human Resources Division was accrued and used in accordance with the Agency's policy on compensatory time;
- Documentation was maintained to support the type and amount of training provided through certain technology centers in conjunction with the Training in Industry (TIP) program.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

October 15, 2008

Department of Career and Technology Education Operational Audit

Background The Department of Career and Technology Education (Agency) provides leadership, resources, and assures standards of excellence for a comprehensive statewide system of career and technology education. That system offers programs and services in 29 technology center districts operating on 56 campuses, 398 comprehensive school districts, 25 skill centers and three juvenile facilities across the state. The Agency's operations are governed by 70 O.S. § 14-101 through 14-112 as well as Title 780 of the Oklahoma Administrative Code. Oversight of the Agency is provided by a nine-member board comprised of the State Superintendent of Public Instruction who serves as the chairperson, two members of the State Board of Education, a representative from each congressional district, one member at large, and the State Director of Career and Technology Education who serves as an ex-officio, non-voting member.

The Agency pays for its operations primarily through ad valorem taxes, state appropriations, tuition fees, and federal funds.

Objective 1 – Determine if the Agency's internal controls provide reasonable assurance that inventory (Agency equipment/furniture) was accurately reported in the accounting records.

Conclusion We were unable to determine if the Agency's internal controls provide reasonable assurance that inventory (Agency equipment/furniture) was accurately reported in the accounting records. This is due to the Agency recently converting to a different inventory system. Management is aware of discrepancies related to this conversion and indicates they are working to resolve those issues.

Methodology To accomplish our objective, we performed the following:

- Documented internal controls related to the inventory process;
- Tested controls which included:
 - Determining if there is adequate segregation of duties in the inventory process;
 - Determining periodic physical inventory counts are conducted;
 - Agreed 20 assets from the inventory listing to the floor to ensure they existed, they were identified as property of the State, and the inventory tag numbers and serial numbers agreed to the listing;
 - Agreed 20 assets from the floor to the inventory listing to ensure they were included on the listing, they were identified as property of the State, and the inventory tag numbers and serial numbers agreed to the listing.

Observations

Incomplete and Inaccurate Data on Inventory Listing

An effective internal control system provides for accurate and reliable records.

The following were noted as a result of the procedures performed on 20 high-appeal items selected from the Agency's inventory listing:

- Two items (a digital camera and a projector) did not have an inventory tag attached to them identifying them as property of the State;
- One item (laptop computer) did not have an inventory tag attached to it and its serial number was not recorded in the inventory listing. Therefore, when management presented this computer, we were unable to confirm it was the computer identified on the listing;

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- One item's (DVD recorder) serial number did not agree to the serial number identified on the listing;
- One item (digital camera) could not be located.

The Agency conducted a 100% count of their equipment inventory in July 2007. During these procedures, two digital cameras, two projectors, and one video camera could not be located. When comparing the five items identified in the bullets above, three of them (laptop computer, DVD recorder, and a digital camera) were not identified on the Agency's count sheet from July 2007 while the other two items were listed. These three items had a purchase date prior to July 2007.

Management stated the July 2007 count was conducted based on information provided from the Agency's "204" system. The Agency has since converted inventory records into an Oracle-based system, from which the items selected for our procedures were pulled. Management is aware of multiple discrepancies between the two sources and is currently working to resolve the issues.

Deficiencies such as these may lead to misappropriation of assets.

Recommendation

We recommend management continue to actively pursue rectifying any discrepancies noted in the Oracle inventory system. Specific attention should be given to items that could not be located.

View of Responsible Officials

We concur with this finding. The Agency has determined that the information that was in the "204" system contained errors due to data entry. This information was not verified prior to the download into the Oracle system. Based on the State Auditor sample as well as our Internal Audit sample, the agency has determined that a 100% inventory of all equipment be conducted. With the transfer of equipment into the Oracle system, the Agency has also established new policies and procedures regarding entering new equipment, transfers and deleting items from inventory. All employees will be trained regarding the new procedures.

Objective 2 – Determine if materials (MAVCC, CIMC, and Print Shop) and office supplies inventory were properly safeguarded and recorded.

Conclusion

Materials (MAVCC¹, CIMC², and Print Shop) and office supplies inventory were properly safeguarded and recorded.

Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of the Agency's inventory counting procedures;
- Physically inspected the location of the inventory to ensure it was properly safeguarded;
- Observed Agency personnel performing their inventory count noting if the items were arranged to facilitate accurate counting, if care had been taken to include all inventory items, if items were clearly marked when counted to avoid omissions

¹ MAVCC is an acronym for Multistate Academic and Vocational Curriculum Consortium. The Agency houses materials produced by MAVCC.

² CIMC is an acronym for Curriculum and Instructional Materials Center. CIMC develops quality, competency-based instructional products and services for career and technology education.

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and/or duplication of counts, if any items were moved during the count or not counted, and if any items appeared damaged or obsolete;

- Agreed 15 items from the CIMC inventory report, five items from the MAVCC inventory report, and five items from the print shop inventory report to the floor to ensure the correct quantities were recorded;
- Agreed 15 items from the CIMC floor, five items from the MAVCC floor, and five items from the print shop floor to the applicable inventory report to ensure the correct quantities were recorded;
- Agreed 10 items from the office supplies inventory report to the floor to ensure the correct quantity was recorded;
- Agreed 10 items from the office supplies floor to the inventory report to ensure the correct quantity was recorded;
- Reviewed adjusting entries to inventory reports for variances noted during physical count procedures to ensure accounting records were properly modified.

Objective 3 – Determine if the Agency and Mid-America Technology Center were in compliance with certain provisions of the youthful offender contract.

Conclusion

The Agency and Mid-America Technology Center were in compliance with the following provisions of the youthful offender contract:

- Mid-America Technology Center offered a heavy equipment program which was held seven hours a day for 20 days;
- The program had a curriculum which included operating heavy equipment as well as academic and life skills;
- The participants became competent as heavy equipment operators;
- The participants obtained a high school equivalency credential;
- Mid-America Technology Center was compensated correctly by the Agency.

Methodology

To achieve our objective, we performed the following:

- Interviewed management at the Agency and at Mid-America Technology Center (Mid-America) regarding the youthful offender program;
- Reviewed the youthful offender contract between the Agency and Mid-America and identified applicable provisions to test for compliance;
- Determined if Mid-America operated a heavy equipment program, if the class was held for 20 days, and if the class had a curriculum which included operating heavy equipment as well as academics/life skills;
- Determined the number of classes held and the names of the students enrolled in the classes under the youthful offender program by reviewing the class rosters;
- Determined the names of the students who completed the requirements of the program by reviewing the seven applicable students' transcripts;
- Determined the Agency paid Mid-America \$5,800 for each of the students who successfully completed the program.

Objective 4 – Determine if LSG Solutions, LLC. complied with certain provisions of their contract with the Agency for computer support.

Conclusion LSG complied with the rate provision of their contract with the Agency for computer support. However, as noted below, we recommend certain amendments be made to the Agency's fiscal year 2009 contract with LSG which include establishing a clear link between the request for services to LSG and the source of the request, as well as performing periodic detailed reviews of the invoices submitted for payment.

Methodology To achieve our objective, we performed the following:

- Reviewed the contract between the Agency and LSG Solutions (LSG) for computer support on the Oracle system;
- Documented the process involved when a call is placed by an Agency employee to the Agency's computer help desk;
- Interviewed the application specialist and the Director of the Information Technology Division;
- Determined the amount paid to LSG during the period against this contract and ensured the rate charged by LSG agreed with the rate specified in the contract;
- Ensured the invoice was approved by the application specialist prior to payment being made.

Observations

Amendments Needed To LSG Contract

An effective internal control system provides for accurate and reliable supporting documentation. The Agency and LSG entered into a contract for LSG to provide computer consulting services related to the Agency's Oracle computer system. The contract indicated the Agency would designate an application specialist (specialist) to review help desk tickets (calls placed by Agency employees for help on the Oracle System). The specialist was to attempt to resolve the issue before calling LSG for assistance. If a help desk ticket was assigned to LSG, they were to work with the end-user to determine how to fix the problem. Once the issue was resolved, the help desk ticket was to be closed and documentation as to the resolution was to be maintained. However, according to the specialist, help desk tickets were never assigned to LSG. If she could not fix the problem, she would phone or email LSG for assistance and follow up with the end-user to correct the issue.

The following rates applied to services provided by LSG:

- Functional Consultant - \$147 per hour
- Developer - \$92 per hour
- Database Administrator - \$97 per hour

We reviewed all 35 expenditure claims totaling \$30,527 paid to LSG during the period. The supporting documentation indicated the LSG employees performing the services charged a rate in accordance with the contract. However, there is not a mechanism in place to link the charges on the invoices to their originating source. For example, John Q. calls the help desk and the specialist cannot fix his problem. The specialist calls LSG who spends 1 hour working on John's problems and corrects the issue. When LSG sends an invoice to the Agency, it simply identifies the consultant's name, rate, and one hour.

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There is no description of the service provided. It should be noted that the specialist was able to compile multiple technical emails of conversations between LSG and herself regarding help she requested. However, as stated earlier, there is no clear link between the emails and the invoices.

Recommendation

We recommend:

- A clear link be established between “requests for services” to LSG and the source of the request. The Agency assigns a help desk ticket number internally. This number should be referenced on the invoice with a brief description of the services provided by LSG;
- Under the assumption the first recommendation is implemented, in addition to the application specialist, a supervisor in the IT division and/or the Finance division should perform a periodic detailed review of the invoices received. This would include ensuring the help desk ticket number and description of services provided link back to the source of the request and the procedures performed by LSG appear reasonable.

Views of Responsible Officials

We concur with this finding. Agency Audit Manager will work with the Application Specialists on proper documentation of LSG invoices as well as all Systems contracts. All Systems related contract invoices will reference an internal help ticket number as well as a description of services provided. The Finance Manager will review invoices for proper documentation prior to processing for payment.

Objective 5 – Determine if time worked in excess of 40 hours per week by employees in the Human Resources Division was accrued and used in accordance with the Agency’s policy on compensatory time.

Conclusion

Time worked in excess of 40 hours per week by employees who are not exempt from the Family Labor Standards Act (FSLA) was accrued and used in accordance with the Agency’s policy on compensatory time.

Methodology

To achieve our objective, we performed the following:

- Identified the employees in the Human Resources Division as well as their status under the FSLA (exempt or non-exempt). For our purposes, exempt indicates the employee is not eligible to accrue compensatory time as a result of working in excess of 40 hours in a week while non-exempt indicates they are eligible to accrue compensatory time at the rate of time and one-half for working in excess of 40 hours in a week;
- Reviewed the Agency’s policy on FSLA status and compensatory time/record keeping;
- Reviewed the 12 monthly time sheets for both non-exempt employees to ensure the time record was approved by the employee’s supervisor and, if applicable, accrued compensatory time was calculated correctly and was used prior to using annual leave.

Objective 6 – Determine if documentation was maintained to support the type and amount of training provided through certain technology centers in conjunction with the Training in Industry (TIP) program.

Conclusion	Adequate documentation is maintained to support the type and amount of training provided through certain technology centers in conjunction with the Training in Industry (TIP) program.
Methodology	<p>To achieve our objective, we performed the following:</p> <ul style="list-style-type: none">• Interviewed the State Coordinator for the TIP program;• Determined the number of TIP contracts in place between the centers and various businesses to provide training;• Identified the total expenditures paid in fiscal year 2008 against fiscal year 2008 contracts;• Gained an understanding of the approval process performed at the centers prior to submitting the invoice to the Agency for reimbursement;• Gained an understanding of the approval process performed at the Agency when invoices are submitted for reimbursement from the centers;• Interviewed information technology personnel at the Agency to determine which employees have the ability to provide electronic approvals in the Agency's IMPACT system;• Randomly selected 25 expenditures paid to the centers and ensured they were approved at the Agency level by the appropriate personnel, the supporting documentation was sufficient to support the payment and the invoices were mathematically accurate;• Judgmentally selected 25 students included in the expenditure claims and reviewed their official transcripts from the applicable centers. This was performed to ensure the students completed the classes for which the centers were reimbursed by the Agency for the students' attendance.



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