

OKLAHOMA COURT OF CRIMINAL APPEALS

JANUARY 1, 2005 THROUGH
DECEMBER 31, 2007

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Court of
Criminal Appeals**

**For the Period
January 1, 2005 through December 31, 2007**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

July 15, 2008

TO THE PRESIDING JUDGE OF THE OKLAHOMA
COURT OF CRIMINAL APPEALS

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Court of Criminal Appeals for the period January 1, 2005, through December 31, 2007. 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 handwritten signature in blue ink that reads "Michelle R. Day".

Michelle R. Day, Esq.
Deputy State Auditor and Inspector

Oklahoma Court of Criminal Appeals

The Honorable Gary L. Lumpkin
The Honorable Charles A. Johnson
The Honorable Charles S. Chapel
The Honorable Arlene Johnson
The Honorable David B. Lewis

Presiding Judge
Vice-Presiding Judge
Judge
Judge
Judge

Key Staff

Carla Alberts

Finance Director



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

TO THE OKLAHOMA COURT OF CRIMINAL APPEALS

We have audited the Oklahoma Court of Criminal Appeals (Agency) for the period January 1, 2005, through December 31, 2007. The objectives of this audit were to determine if:

- The Agency's internal controls provide reasonable assurance that expenditures and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Agency's corrective actions for reportable conditions noted in prior year's report were implemented.

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.

A handwritten signature in blue ink that reads 'Michelle R. Day'.

Michelle R. Day, Esq.
Deputy State Auditor and Inspector

July 9, 2008

Background

The Oklahoma Court of Criminal Appeals (Agency) is the highest court in the State of Oklahoma with appellate jurisdiction in criminal cases. It is the state court of last resort in criminal matters. The Court derives its origin and jurisdiction from the state constitution, which was formulated by the constitutional convention and submitted to and adopted by the people of Oklahoma at the first election, held on September 17, 1907. The Agency is governed by 20 O.S. § 31 through 55.

Table 1 summarizes the Agency's sources and uses of funds for fiscal years 2006 and 2007.

Table 1-Sources and Uses of Funds for FY 2006 and FY 2007

Sources:	2006	2007
State Appropriations	<u>\$3,026,954</u>	<u>\$3,207,923</u>
Total Sources	<u>\$3,026,954</u>	<u>\$3,207,923</u>
Uses:		
Personnel Services	\$2,766,922	\$3,094,926
Professional Services	14,077	2,815
Travel	10,886	9,944
Miscellaneous Administrative	21,813	19,486
General Operating	10,844	9,091
Office Furniture and Equipment	42,299	10,834
Library Equipment	26,539	26,566
Other	<u>14,126</u>	<u>12,023</u>
Total Uses	<u>\$2,907,506</u>	<u>\$3,185,685</u>

SOURCE: Oklahoma CORE Accounting System

Objective 1 – Determine if the Agency's internal controls provide reasonable assurance that expenditures and inventory were accurately reported in the accounting records and financial operations complied with 20 O.S. § 31.2 and 20 O.S. § 3.4.

Conclusion

The Agency's internal controls generally provide reasonable assurance that expenditures and inventory were accurately reported in the accounting records; however, two issues were noted in which the controls need to be strengthened. Additionally, the Agency's financial operations did comply with 20 O.S. § 31.2 and 20 O.S. § 3.4.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the expenditure and inventory processes;
- Tested controls which included:
 - Determining if the employee responsible for receiving warrants from the Office of State Finance (OSF) was independent of the posting and approval process;
 - Reviewing 52 expenditure claims to ensure they were properly approved, were mathematically accurate, the correct account code was used, and were reasonable given the Agency's mission;
 - Determining if there was adequate segregation of duties in the inventory process;
 - Determining an annual physical inventory count was conducted;
 - Determining if surplus property forms were completed and approved;

- Agreed 13 assets from the inventory listing to the floor to ensure their existence, they were identified as property of the State, and the inventory tag number and serial number agreed to the listing;
- Agreed 10 assets from the floor to the inventory listing to ensure their inclusion on the listing, they were identified as property of the State, and the inventory tag number and serial number agreed to the listing;
- Judgmentally selected five months from the period and tested the monthly salaries of the Agency's Judges to ensure compliance with 20 O.S. § 31.2 as well as the report issued by the Board on Judicial Compensation in accordance with 20 O.S. § 3.4. The report issued by the Board on Judicial Compensation revised the salary amounts identified in 20 O.S. § 31.2;
- Tested 30 timesheets from various employees for six months throughout the period to ensure the timesheets were signed by the employee/supervising judge and leave request forms were approved by the supervising judge, if applicable.

Observations

Approval of Inventory Counts Should be Noted

An effective internal control system provides for periodic physical inventory of Agency assets. A physical count of the Agency's inventory occurs annually; however, the person who conducted or approved the count is not identified.

Deficiencies such as these may lead to misappropriation of assets.

Recommendation: We recommend documentation of the count be maintained, signed and dated by the employee performing the count, as well as signed and dated by management to indicate their formal approval. The employee and approving official should be independent of the purchasing process.

Views of Responsible Officials: While your staff noted an annual inventory is prepared and stored in the Court's administrative files, we agree the record has not historically been signed by the employee or his or her supervising authority. That deficiency has now been corrected and the inventory completed June 9, 2008, has now been conformed to the audit's recommendation.

Inadequate Segregation of Duties Related to Expenditure and Inventory Process

An effective internal control system provides for adequate segregation of duties. The Finance Officer is responsible for the following:

- Posting disbursements into the PeopleSoft accounting system, receiving warrants from OSF, and mailing warrants to the vendors.
- Purchasing and receiving the assets;
- Posting the assets to the inventory records;
- Disposing of the assets when they are no longer of use.

Without adequate segregation of duties, misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend:

- Someone other than the Finance Officer receive the warrants from OSF, match them to the appropriate invoice/ purchase order, and mail them to the vendors.
- Management evaluate job assignments to ensure the employee responsible for initiating inventory transactions (purchasing and disposal) is not the same person responsible for maintaining the inventory records.

Views of Responsible Officials: Your comment regarding inadequate segregation of duties related to expenditures and inventory process is being addressed by the Court in a manner that is consistent with our staffing level. The Court's duties are mandated by the Constitution and statutes of the State of Oklahoma. These mandated duties require a professional staff. The Oklahoma Legislature has provided funding for primary staffing needs but has not provided the funding required to have back-up staff necessary to address this issue as recommended by the audit. The hiring of additional staff to assist in the segregation of duties is not possible due to budget constraints. However, to address this finding the Court has implemented a reporting process whereby the finance officer will submit a monthly report to each of the judges on the Court which will provide a sequential listing of all vouchers processed for the month. The judges will review the report and inquire of the finance officer if there are any questions. The Presiding Judge will then be responsible for verifying both the inventory report and invoice/purchase vouchers. We believe this process will provide the protections sought by the recommendations.

Statutes Related to Judicial Compensation Should be Clarified

20 O.S. § 31.2 states, "Except as otherwise provided by the Board on Judicial Compensation, the following judicial officers shall receive compensation for their services, payable monthly as follows:

1. The Presiding Judge of the Court of Criminal Appeals shall receive an annual salary of One Hundred Seventeen Thousand Five Hundred Seventy-one Dollars (\$117,571.00); and
2. A Judge of the Court of Criminal Appeals shall receive an annual salary of One Hundred Thirteen Thousand Five Hundred Seventy-one Dollars (\$113,571.00)."

20 O.S. § 3.4 states in part, "For purposes of this act, the State Judiciary for which the Board on Judicial Compensation shall review and set compensation shall be as follows...

3. The Presiding Judge of the Court of Criminal Appeals;
4. The Judges of the Court of Criminal Appeals..."

In November 2005, the Board on Judicial Compensation (Board) issued a letter documenting their determination that the salaries of the Presiding Judge and Judges of the Agency should be increased. However, the above-mentioned statute was not revised to reflect the new salaries, nor were the salaries posted in a location readily available to the public.

Recommendation: We recommend management seek updates to Legislation setting the salaries identified in 20 O.S. § 31.2.

Views of Responsible Officials: We appreciate you bringing to our attention the fact that 20 O.S.2001, § 31.2 has not been updated to reflect the actions by the Oklahoma Board on Judicial Compensation. I will notify the Speaker of the House of Representatives and the Senate President Pro Tempore and request they take action to update the statute to reflect current judicial salaries.

Objective 2 – Determine if the Agency's corrective actions for reportable conditions noted in prior year's report were implemented.

Conclusion

The Office of the State Auditor's report issued February 23, 2005, included nine findings which were considered significant to this engagement. Corrective action on eight of the findings has been implemented, while corrective action on one remaining finding regarding pre-approval of leave requests has not been implemented.

Methodology

To accomplish our objective we performed the following:

- Reviewed 52 expenditure claims to ensure they were properly approved, were mathematically accurate, the correct account code was used, and were reasonable given the Agency's mission. Specific attention was given to identifying instances in which an employee purchased goods and sought reimbursement;
- Interviewed the Finance Officer regarding employees making purchases and seeking reimbursement from the Agency;
- Interviewed three employees to ensure they are receiving a copy of their monthly Office of Personnel Management leave report;
- Reviewed one different employee's time sheet from five separate months during the period to ensure the leave reported on the time sheet agreed to the leave reported on the Office of Personnel Management leave report;
- Tested 30 timesheets from various employees for six months throughout the period to ensure, if applicable, a leave request form was approved and attached to the time sheet;
- Interviewed the Finance Officer regarding the Agency's policy on using leave prior to accrual as well as the process used for entering used leave into the State's payroll system;
- Performed procedures to ensure leave records in the State's payroll system were updated to reflect the leave donated by certain employees to a specific co-worker during the prior period engagement.

NOTE: The Office of the State Auditor's report issued on February 23, 2005, should be read in conjunction with the observations noted below. The report may be accessed at www.sai.state.ok.us.

Observations

Leave Request Forms Not Consistently Used

The Agency's personnel policy and procedures manual section 5.3 states in part, "Annual leave must be applied for by the employee's Appointing Authority. A LEAVE REQUEST FORM must be completed and approved prior to the taking of Annual Leave..."

Of 19 timesheets reviewed in which leave was reported as being used, 11 did not include an approved leave request form from the employee's appointing authority. Staff indicate the requirement to complete the leave request form will vary based on an employee's supervising Judge.

Recommendation: If it is the decision of management that it will be at the supervising Judge's discretion as to whether their employees complete a leave request form when leave is used, we recommend management modify their policy to reflect this.

Views of Responsible Officials: The Court is in the process of updating and revising its personnel manual. Within this revision we plan to correct the deficiencies noted regarding compliance with our internal procedures concerning the processing of leave requests. Thank you for helping us recognize the need to conform this policy to actual practice.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.STATE.OK.US