

# OKLAHOMA LIQUEFIED PETROLEUM GAS BOARD

JULY 1, 2005 THROUGH  
DECEMBER 31, 2007

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma Liquefied Petroleum Gas Board  
  
For the Period  
July 1, 2005 through December 31, 2007**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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September 26, 2008

## TO THE OKLAHOMA LIQUEFIED PETROLEUM GAS BOARD

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Liquefied Petroleum Gas Board for the period July 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 black ink that reads "Steve Burrage".

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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

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

## **Mission Statement**

The mission of the Liquefied Petroleum Gas Board (Board) is to:

- Protect the health and welfare of the citizens of the State of Oklahoma;
- Promulgate rules relating to safety compliance in storage, distribution, dispensing, transporting and utilization of Liquefied Petroleum Gas (LPG) in this state;
- Promulgate rules relating to the manufacture, fabrication, assembly, sale, installation or use in this state of LPG systems, containers, apparatus or appliances;
- Adopt national safety codes of the National Fire Protection Association (NFPA 58 and 54) and Oklahoma rules;
- Enforce compliance through administrative penalties; and,
- Investigate propane accidents, fires and explosions.

## **Board Members**

Dave Baltes.....	Chair
David Root.....	Vice-Chair
Ed Kelsay.....	Member
Bill Ballard .....	Member
Greg Baker.....	Member
Lance Stevens.....	Member
Kevin Huddleston.....	Member

## **Key Staff**

W.A. Glass.....	Administrator
Cheryl Kelso .....	Fiscal Administrative Officer

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## TO THE OKLAHOMA LIQUEFIED PETROLEUM GAS BOARD

We have audited the Oklahoma Liquefied Petroleum Gas Board (Board) for the period July 1, 2005 through December 31, 2007. The objectives of this audit were to determine if:

- The Board's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Board complied with 47 O.S. § 156.1B.1, 74 O.S. § 3601.2, and 52 O.S. § 420.11;
- The Board's corrective actions for reportable conditions noted in the prior period'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.

  
STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

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

September 18, 2008

## **Background**

The Liquefied Petroleum Gas Board (Board) has the duty to protect the health and welfare of the citizens of the State of Oklahoma by promulgation of standards for the storage, handling, and installation of liquefied petroleum gases as adopted by the National Fire Protection Association. The Board's operations are governed by 52 O.S. § 420.1 through .17.

Oversight is provided by a board composed of seven (7) members, one each from the southeastern, northeastern, northwestern and southwestern quarters of the state, one from central Oklahoma, and two from the state at large. Each such appointment is made by the Governor and confirmed by the Senate.

Table 1 summarizes the Board'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**

<b>Sources:</b>	<b>2006</b>	<b>2007</b>
Liquefied Petroleum Permits and Fees	<u>\$594,917</u>	<u>\$730,363</u>
<b>Total Sources</b>	<u><b>\$594,917</b></u>	<u><b>\$730,363</b></u>
<b>Uses:</b>		
Personnel Services	\$446,299	\$462,607
Travel	11,267	11,932
Miscellaneous Administrative Expense	31,080	26,845
Rent Expense	48,671	43,718
Other	<u>42,984</u>	<u>21,889</u>
<b>Total Uses</b>	<u><b>\$580,301</b></u>	<u><b>\$566,991</b></u>

*Source: Oklahoma CORE Accounting System.*

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**Objective 1** – Determine if the Board's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

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## **Conclusion**

The Board's internal controls generally provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records. However, two items, as noted below, need to be strengthened.

## **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 62 O.S. § 7.1 – **depositing requirements for agency clearing accounts and agency special accounts**;
- Documented internal controls relating to the revenue and expenditure processes;
- Tested controls which included:
  - Reviewing 15 deposits from the period to ensure the deposit were correctly posted into CORE;
  - Reviewing 15 deposits from the period to ensure receipts supported the deposit and were issued in sequential order;



- Reviewing 15 deposits from the period to ensure deposits were made daily in accordance with 62 O.S. § 7.1.C;
- Reviewing 15 deposits from the period and ensuring the deposit bag stub was signed by someone other than the preparer;
- Ensuring the tape of total checks for the 15 deposits tested agreed to the detail list and the administrator had initialed off indicating his approval;
- Reviewing seven monthly reconciliations to ensure reconciling items appeared reasonable and were cleared timely;
- Reviewing seven monthly reconciliations to ensure they were performed in a timely manner and the preparer and reviewer were independent of each other;
- Reviewing 53 Purchase Orders to determine they were properly approved;
- Reviewing 53 expenditure claims to ensure they were properly approved, properly coded, properly supported, and the expenditure was reasonable for the agency's mission; this included ensuring:
  - the invoice matched the packing slip;
  - the voucher amount and vendor agreed to the invoice;
  - the transaction was properly recorded in CORE;
  - the nature of the purchase was consistent with the account code description; and,
  - the voucher was signed for approval by the administrator.
- Reviewing 15 weeks from the period of one code enforcement officer's weekly time sheets for accuracy and proper approval.

## **Observations**

### **Daily Deposits are Not Occurring**

According to 62 O.S. § 7.1C., receipts of one hundred dollars or more shall be deposited on the same day as received. Of the 15 deposits tested, 13 were not deposited within one day from the date funds were received. The number of days between receipt of funds and deposit ranged from 2 to 11 days.

Without proper accountability of funds, misappropriation of assets and errors could occur and not be detected in a timely manner.

***Recommendation:*** We recommend the Board deposit receipts daily in accordance with 62 O.S. § 7.1.C.

***View of responsible officials:*** The agency does and will make every effort to deposit checks on the same day received, but it is almost an impossible task. Our agency mail is received anywhere from noon to 3:00 p.m. The mail is immediately opened and date stamped, during certain times of the year it takes up to 3 hours to open and date stamp the mail. As per the recommendations several audits ago, our checks then go through 3 hands and a separate person taking the deposit to the State Treasurer's Office. It was recommended that one person write the receipts, which is our Department Secretary, the checks and receipts are then double checked and initialed by our Administrator. After the Administrator reviews, he gives them to the Accountant, who then separates the checks from the receipts, double checks the tapes and prepares the deposit, both manually and on the CORE system. The deposit is then placed in an official deposit bag, and initialed by the 4<sup>th</sup> person who walks the deposit to the State Treasurer's Office. These steps are completed as soon as physically possible. When any of these 3-4 step employees are out of the office whether for emergencies, sick leave, or vacation the four step process is delayed.

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**Objective 2** – Determine if the Board complied with 47 O.S. § 156.1B.1, 74 O.S. § 3601.2 and 52 O.S. § 420.11.

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## **Conclusion**

The Board is in compliance with 47 O.S. § 156.1B.1, 74 O.S. § 3601.2 and 52 O.S. § 420.11.

## **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 47 O.S. § 156.1B.1 – **Use of State Owned Motor Vehicles**;
- Reviewed the travel logs for one employee to determine the vehicle was not used for personal use;
- Reviewed 74 O.S. § 3601.2 - **Salaries of Chief Executive Officers**;
- Observed the OPM 14 form for the administrator dated January 2005, January 2006, July 2006, and January 2007 to ensure the administrator's salary was within the limits set by statute;
- Reviewed 52 O.S. § 420.11 – **Revolving fund requirements and agency requirement to transfer 10% of fees collected to the State's General Revenue Fund**;
- Recalculated the ten percent of fees collected for each fiscal year and compared this calculation to the amount transferred to the State's general revenue fund.

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**Objective 3** – Determine the Board's corrective actions for reportable conditions noted in the prior period's report were implemented.

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## **Conclusion**

The Office of the State Auditor's report issued February 6, 2006, included four findings which were considered significant to this engagement. Corrective action on two findings appears to have been implemented. The following were not implemented:

- The Board does not have internal purchasing procedures approved by the State Purchasing Director in accordance with 74 O.S. § 85.39 A.;
- Funds are not being deposited in accordance with 62 O.S. § 7.1.C. (See observations for objective 1)

## **Methodology**

To achieve our objective, we performed the following:

- Documented and reviewed controls for the revenue and expenditure processes (see objective 1);
- Observed the insufficient funds check policy;
- Requested the Board's internal purchasing procedures from Department of Central Services (DCS);
- Reviewed 15 deposits to determine deposits totaling more than \$100 were deposited on a daily basis. (See objective #1.)

## **Observations**

*NOTE: The Office of the State Auditor's report issued on February 6, 2006, should be read in conjunction with the observations noted below. The report may be accessed at [www.sai.state.ok.us](http://www.sai.state.ok.us).*

### **Internal Purchasing Procedures**

74 O.S. § 85.39 A. states that each agency shall develop internal purchasing procedures, shall submit the procedures to the State Purchasing Director, and within fifteen (15) days after the procedures are submitted, the State Purchasing Director will notify the state agency whether the procedures are in compliance or will need revisions. DCS did not have record of approved procedures for the Board.

Failure to develop and maintain internal purchasing procedures could result in purchases being made which are not in accordance with the state purchasing laws.



**Recommendation:** We recommend the Board establish purchasing procedures and submit the procedures for approval of the State Purchasing Director.

**View of responsible officials:** We are currently working with the Department of Central Purchasing to establish internal purchasing procedures. They contacted us during this audit and said they would get back with us with some examples and more assistance. To date we have not heard back from them. We will work with them more closely to get this accomplished as soon as possible.

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**Other Items Noted**

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**Cell Phone Policy**

The Board has not adopted a cell phone policy, but provides a cell phone for each of the five inspectors and the administrator for a total of six cell phones. Personal use has not been addressed.

**Recommendation:** We recommend policy be developed and implemented which, at a minimum, includes:

- Personal use (allowable, limitations on frequency);
- Need of a phone based on job duties;
- Type of phone required based on job duties;
- Size of plan (minutes/features required).

**View of responsible officials:** We have established a cell phone policy.



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