

OKLAHOMA SCENIC RIVERS COMMISSION

JULY 1, 2005 THROUGH
DECEMBER 31, 2007

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Scenic Rivers Commission**

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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

August 14, 2008

TO THE OKLAHOMA SCENIC RIVERS COMMISSION

Pursuant to 74 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Scenic Rivers Commission 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 blue ink that reads "Michelle R. Day".

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

Mission Statement

The primary emphasis of the Oklahoma Scenic Rivers Commission is to preserve and protect the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries (Lee Creek, Little Lee Creek, Barren (Baron) Fork Creek, Flint Creek, and (Upper) Mountain Fork).

Board Members

Bill Blackard	Chairman
Alan Chapman	Vice Chairman
Jeanne O’Keefe Hayes, M.D.	Secretary/Treasurer
Ed Brocksmith	Commissioner
Gene Quarles	Commissioner
Bob Ed Culver	Commissioner
Larry Clark	Commissioner
Gerald Hilsher	Commissioner
John Larson	Commissioner
Steve Randall	Commissioner
George Rick Stubblefield	Commissioner
Dr. D. I. Wilkinson	Commissioner

Key Staff

Ed Fite	Administrator
Cheryl Allen	Administrative Manager
Kevin Stevens	Park/Operations Manager
Meredith Lee	Education Outreach Coordinator



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

TO THE OKLAHOMA SCENIC RIVERS COMMISSION

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

- The Commission's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Commission complied with 82 O.S. § 1462B, and the Department of Central Services' (DCS) Purchase Card Procedures.

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.

Michelle R. Day

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

July 11, 2008

Background

The Oklahoma Scenic Rivers Commission (Commission) is a state agency established in 1977 in accordance with the Scenic Rivers Act. The Commission is invested with the power to establish minimum standards for planning and other ordinances necessary to carry out the provisions of the Scenic Rivers Act. The primary emphasis of the Commission is to preserve and protect the aesthetic, scenic, historic, archaeological and scientific features of the Illinois River and its tributaries (Lee Creek, Little Lee Creek, Barren (Baron) Fork Creek, Flint Creek and (Upper) Mountain Fork). The Commission's operations are governed by 82 O.S. § 1451 through 1471.

Oversight is provided by a twelve-member board with appointments made by the President Pro Tempore of the Oklahoma Senate, Speaker of the House of Representatives, and the Governor. The Commission pays for its operations primarily through state appropriations, licenses, permits, and fees collected, and private grants and donations.

Table 1 summarizes the Commission'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
Appropriations	\$323,041	\$339,752
Other Licenses, Permits and Fees	160,237	138,927
Private Grants and Donations for Operations	275,130	274,750
Refunded Money Previously Disbursed-Goods and Services	79,952	79,783
Other	<u>(2,731)</u>	<u>6,147</u>
Total Sources	<u>\$835,629</u>	<u>\$839,359</u>
Uses:		
Personnel Services	\$438,003	\$463,550
Professional Services	4,277	80,791
Miscellaneous Administrative Expenses	17,726	22,802
Rent Expense	54,724	54,888
Office Furniture and Equipment	70,280	14,544
Other	<u>36,939</u>	<u>45,512</u>
Total Uses	<u>\$621,949</u>	<u>\$682,087</u>

Source: Oklahoma CORE Accounting System.

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

Conclusion

The Commission's internal controls generally provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations. However, a few areas, 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 related to the revenue, expenditure, and inventory processes;
- Tested controls which included:
 - Determining if checks were endorsed immediately upon receipt;
 - Determining if receipts were stored in a secure location prior to deposit;
 - Determining if the person who prepared the deposit was independent of the receipting process;
 - Reviewing 25 deposits from the period to ensure the deposit was supported with the appropriate list of receipts;
 - Reviewing 25 deposits from the period to ensure the monies were deposited within one day of receipt;
 - Reviewing 25 deposits from the period to ensure the deposit was correctly posted into CORE within one day of being deposited at the bank;
 - Reviewing 25 deposits from the period to ensure the list of receipts traced and agreed to the deposit slip and the OST statement;
 - Determining the Commission's clearing account was reconciled on a monthly basis by a person independent of the cash receipting process;
 - Reviewing three OSF-Form 11 reconciliations to ensure the preparer and reviewer were independent of each other, the reconciling items were supported, the reconciliations were mathematically accurate, traced and agreed to supporting documentation, and the reconciliation was prepared in a timely manner;
 - Reviewing 25 expenditure claims to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, the correct account code was used, and the expenditure was reasonable for the agency's mission;
 - Determining if an inventory listing was maintained and contained the items' inventory tag number, description, cost, serial number (if applicable), and date sent to surplus (if applicable);
 - Reviewing 15 assets from the inventory listing to verify their existence on the floor, ensuring they were identified as property of the State, and ensuring the inventory tag number and serial number agreed to the listing;
 - Reviewing 15 assets from the floor to verify they were identified on the inventory listing, ensuring they were identified as property of the State, and ensuring the inventory tag number and serial number agreed to the listing.
 - Reviewed employee timesheets for 3 months to ensure timesheets were reviewed and approved.

Observations

Incomplete Inventory Listing and Assets without Tags

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

Oklahoma Administrative Code (OAC) 580:70-3-1 (c) Inventory report contents states in part that the inventory report shall be signed by the agency inventory control officer and shall include for each tangible asset:

- (1) the agency number;
- (2) the asset tag number;
- (3) the model and serial number, if any;
- (4) the manufacturer;
- (5) the description;
- (6) product name;
- (7) physical location;
- (8) acquisition date and cost.

Oklahoma Administrative Code (OAC) 580:70-5-1. Tangible asset identification states that:

- (a) Inventory Tags. An agency shall affix a unique identifier as an inventory tag to all tangible assets...
- (c) Inventory tag material. Inventory tags shall be a durable material designed to withstand physical elements the tag may endure.

During our procedures, we noted the following:

- The Commission's inventory listing is incomplete. While performing list to floor testwork, we noted two items (a digital camera and a video projector) which were included on the inventory listing but had no tag number listed, and were not identified as property of the state of Oklahoma.
- One item (a chainsaw) from the list to floor testwork did not have an inventory tag affixed to it.

Deficiencies such as these may lead to misappropriation of assets.

Recommendation: We recommend:

- The inventory listing be updated to reflect the required information identified in OAC 580: 70-3-1.
- The Commission ensure all inventory is issued a "Property of the State of Oklahoma" inventory tag and that the tag is affixed.
- Commission employees place asset tags in locations on the items which are least likely to come off and replace missing tags as needed.

Views of Responsible Officials: The digital camera and video projector have now been included on the inventory listing and have been assigned a "Property of Oklahoma" tag and number. We have changed our purchasing receiving/processing system to insure a copy of any invoice for items over \$500 be forwarded to the inventory clerk for inventory listing and tag assignment. This will be done within 48 hours of receipt of the item/invoice.

The tag on the chainsaw had been affixed, but, since they are used in the river to cut trees, it had been washed away. On items that are prone to lose their tags, we are now writing "State of Oklahoma" and then the inventory number in permanent marker on the item. This has been done on the chainsaw.

Objective 2 –Determine if the Board complied with 82 O.S. § 1462B, and the Department of Central Services' (DCS) Purchase Card Procedures.

Conclusion

The Commission is in compliance with 82 O.S. § 1462B, which establishes a petty cash fund in an amount not to exceed \$500, and Department of Central Services' (DCS) Purchase Card Procedures.

Methodology

To accomplish our objective, we performed the following:

- Reviewed 82 O.S. § 1462B, interviewed management, and performed procedures to determine if the agency's petty cash fund is properly safeguarded from loss and was not in excess of \$500.
- Reviewed DCS' Purchase Card Procedures, and performed procedures on 20 transactions to determine whether;
 - The dollar amount of the transaction did not exceed the single purchase limit of \$2,500;
 - The transactions were not for split purchases;
 - The transactions were not for prohibited purchases;
 - The transactions appeared to be supported by receipts and/or other supporting documentation and reconciled to the supporting monthly memos;
 - The transactions were limited to purchases made by only the employee whose name is embossed on the card;
 - The transaction logs were reviewed and approved by the cardholder;
 - The memo statements were approved by the cardholder, and by the approving official;
 - The receipts and/or other supporting documentation were annotated "Received", signed, and dated by the receiving employee;
 - The transactions did not include state sales tax;
 - The Organization used merchant preference before making a transaction;
 - The transactions appeared reasonable given the Commission's mission.



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