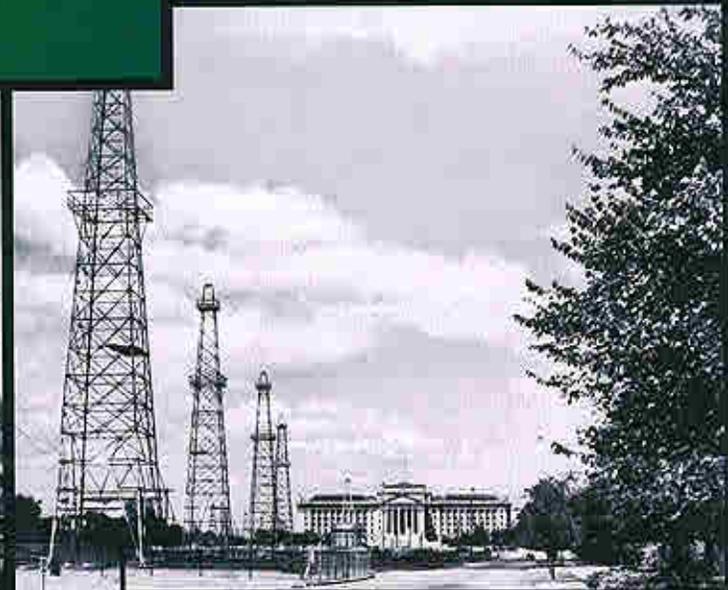


Agreed-Upon Procedures Report

Sheep and Wool Utilization Research and Market Development Commission

July 1, 2005 Through
December 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

**Sheep and Wool Utilization Research and Market Development
Commission (hereafter the Sheep and Wool Commission)**

Agreed-upon Procedures Report

For the Period

July 1, 2005 through December 31, 2006



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

July 3, 2007

TO THE SHEEP AND WOOL COMMISSION

Transmitted herewith is the agreed-upon procedures report for the Sheep and Wool Commission. 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 Sheep and Wool Commission'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 "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

The mission of the Sheep and Wool Commission is to promote greater use of Oklahoma’s sheep and wool products.

Commission Members

Evelyn Whitley Chair
Lee Leeper Vice-Chair
Leonard Copeland..... Secretary
Larry Hensley Member
Max Purdy Member
Joe Steichen Member

Key Staff

Rebecca Bolene.....Research Marketing and Education Director

Note: The Sheep and Wool Producers Act at 2 O.S. § 18 – 194 (d) states...“funds collected by the Commission shall not be subject to the state budget and expenditure limitations. Such funds shall at no time become monies of the state or become part of the general budget of the state. Debts or obligations of the Commission shall not be construed to be debts or obligations of this state”. As a result, the Sheep and Wool Commission does not use the State of Oklahoma’s CORE accounting system to record receipts and disbursements.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
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 Sheep and Wool Commission, 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, 2005 through December 31, 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 Sheep and Wool Commission's internal controls over receipts and disbursements 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;
 - Voided receipts were retained;
 - Receipts and disbursements were reconciled to bank records;
 - Disbursements were supported by an original invoice or other form of supporting documentation.

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

2. We confirmed all payments made to the Sheep and Wool Commission to verify the deposit amounts recorded per the bank statements.

During our review of the Sheep and Wool Commission receipts from twelve (12) livestock barns for the period of July 1, 2005 through December 31, 2006, we noted three instances where the amount per the Sheep and Wool Commission's records exceeded the amount reported on the livestock barn's confirmations. Also, there were two instances where the amount reported per the livestock barn's confirmations exceeded the amount per the Sheep and Wool Commission records.

Name	Amount Per the Sheep and Wool Commission	Amount Per Livestock Barns Confirmations	Variance
Groenewold Fur & Wool Co.	\$617.08	\$592.41	\$24.67
OKC WEST	\$5,143.91	\$4,534.00	\$609.91
Perkins Livestock Sales, Inc	\$905.25	\$876.50	\$28.75
Perry Livestock Center, Inc.	\$1,318.75	\$1,336.00	(\$17.25)
Warren Auction	\$48.05	\$203.50	(\$155.45)

*Dale Lanham livestock barn did not respond to our confirmation.

We recommend the Executive Director maintain adequate supporting documentation for all revenue received, including any adjustments. Further, we recommend that receipts be issued for all livestock barn revenue at the time of receipt. Lastly, we recommend the Commission be aware of these discrepancies and realize that 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 the Commission's knowledge of operations and periodic review of those operations.

Management Response: The first finding points out discrepancies concerning confirmations sent by the auditor on receipts of the commission. The Sheep and Wool Commission receives a form from the livestock barns with a signature along with the check for the amount of the checkoff. If confirmations were sent that did not match the original records, it is the commissions opinion that the errors in these confirmations is not the fault of the commission. Discrepancies in confirmations could be followed up by the auditor's office if they feel it necessary. The commission has signed reports that were submitted along with the checks from the livestock barns. We can issue receipts in the future as recommended, however, the commission has been audited many times before and this has never been addressed.

SA&I Response: Based on further review of deposits, we were able to determine that the variances for Groenewold Fur & Wool Company and OKC West were a matter of timing. In these instances, the Sheep and Wool Commission did not deposit the monies until the quarter after the livestock barns recorded the expenditure. We were unable to determine the cause of the net variance of \$143.95 for the remaining three livestock barns based on the documentation that was provided. We recommend that the Sheep and Wool Commission deposit receipts timely to ensure proper matching of livestock payments to agency deposits.

3. We randomly selected 30 vouchers and:
- Compared voucher amount and payee to invoice (or other supporting documentation) amount and payee;
 - Compared the nature of the purchase to the expense description.

During our review of the Sheep and Wool Commission travel expenditures, we noted the following variances in mileage when comparing the Commission members' paid mileage to the state's official ODOT mileage. The travel charges were to attend quarterly Commission meetings.

Payee	1st Qtr. Jul. - Sept.'05			2nd Qtr. Oct. - Dec.'05			3rd Qtr. Jan. - Mar.'06		
	Paid Mileage	ODOT Mileage	Over/ (Under)	Paid Mileage	ODOT Mileage	Over/ (Under)	Paid Mileage	ODOT Mileage	Over/ (Under)
Commission Member - A	226	204	22	226	204	22			
Commission Member - B	290	302	(12)	290	302	(12)	290	302	(12)
Commission Member - C	140	90	50	153	90	63	140	90	50
Commission Member - D	700	300	400				350	300	50
Commission Member - E	232	202	30	505	202	303	232	202	30
**Commission Member - F	60	34	26	180	34	146	60	34	26

Payee	4th Qtr. Apr. - Jun.'06			1st Qtr. Jul. - Sept.'06			2nd Qtr. Oct. - Dec.'06		
	Paid Mileage	ODOT Mileage	Over/ (Under)	Paid Mileage	ODOT Mileage	Over/ (Under)	Paid Mileage	ODOT Mileage	Over/ (Under)
Commission Member - A				226	204	22			
Commission Member - B	290	302	(12)				290	302	(12)
Commission Member - C	140	90	50	140	90	50	140	90	50
Commission Member - D	350	300	50				350	300	50
Commission Member - E	696	202	494	232	202	30	464	202	262
**Commission Member - F	120	34	86	120	34	86	120	34	86

Note: Not all commission members attended every meeting; as a result, in some quarters Commission members had no paid mileage.

****Commission Member – F -** The mileage paid for this member included vicinity mileage, travel for promotions and supplies according to the Executive Director. However, there is no support to substantiate the mileage.

The Sheep and Wool Commission has no travel policy and maintains no travel records. As a result, we are unable to explain any variances in travel. We recommend that the Sheep and Wool Commission develop a policy for tracking travel expenses and use source documents to support the claims.

Management Response: Mileage paid to the commissioners was based on what we thought was accurate. The actual amount of error is in our opinion not material. The commission did not intentionally make this error. Our commission has been counseled by the Finance Office concerning mileage in the past, and we thought we were computing everything accurately and according to state law. Commissioners do have more mileage every month that is driven for our agency, however, they do not request reimbursement for it. The mileage reimbursed for meeting attendance will be changed in the future to reflect the auditor's computation.

SA&I Response: We recommend the Sheep and Wool Commission consider following the State Travel Reimbursement Act when reimbursing employees and/or Commission members for travel-related expenses. This would allow the agency to use the ODOT mileage map as a guide for reimbursement of mileage expenses.

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

4. We traced the payroll expense for the Executive Director into the approved Commission minutes.

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

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 agency. 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 Sheep and Wool Commission 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

July 3, 2007