



Oklahoma Real Estate Commission

Performance Audit Report

Executive Summary

Objective

The objective of this audit was to determine whether the Real Estate Commission's internal controls provided reasonable assurance that revenues and expenditures (both miscellaneous and payroll) were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations. Read the full report at <https://www.sai.ok.gov/>.

Engagement Background

This audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state. We focused on the major financial-related areas of operations based on assessment of materiality and risk for the period March 1, 2013 through June 30, 2018. During our planning process, concerns were brought to our attention by several parties regarding the audit period executive director's timekeeping and presence at the agency, and additional detailed procedures were developed to address those concerns.

What We Found

- **Audit Period Executive Director Overpaid at Least \$42,000 Due to Absenteeism and Unreported Leave**

We compared evidence of the director's hours worked to available timekeeping and leave usage records. In the 14-month period for which the pertinent records were available, the director was out of the office without taking leave and without appearing to be on Commission business for 798 total hours, or an average of 11 days per month. This resulted in overpayment of over \$42,000 based on the director's salary and benefits for just the 14 months analyzed.

This urgent information was presented to the Real Estate Commission in December 2018, and the director immediately resigned.

- **Internal Control Weaknesses**

We identified several weaknesses in segregation of financial duties and related documentation and reviews. It is important to note that the director's regular absence impacted the overall environment at the Agency and elevated risk in various ways. This disrupted the effectiveness of key internal control activities and reviews, contributing to the numerous areas for improvement in the audit report.

In addition, fines imposed by the commission were not tracked in a clear and reliable manner, and the agency had experienced delays in sending 61 orders imposing fines to the Attorney General's (AG) for a required approval. These fines totaled over \$100,000 and had case dates ranging from 2016 to 2019.

- **Spending and Transfers from Oklahoma Education and Recovery Fund in Excess of Statutory Limits**

\$20,949 in agency-appropriate but non-fund related expenditures, as well as a transfer of \$41,754 to the agency's revolving fund, were made from the Education and Recovery Fund while the fund's balance was under the statutory threshold of \$250,000 for such actions. This occurred under the Agency's previous CFO.

What We Recommend

We recommend the Commission:

- Provide improved oversight over executive director's attendance and timekeeping.
- Update policies and procedures to reflect expectations for the director's time and attendance, as well as permitted alternate work schedules and telecommuting.

We further recommend management and key staff:

- Make specific improvements to financial control processes as outlined in the report, to ensure duties are properly segregated or mitigating reviews are in place and properly documented.
- Formally track the balance in the Oklahoma Education and Recovery Fund to ensure expenditures and transfers from the fund are made as allowed by statute.
- Track fines imposed by the Commission in a central location, taking steps to ensure the list of fines actively due is complete, and ensure orders imposing fines are sent to the AG's office for approval and processed in a timely manner.

The Commission and newly appointed executive director were very cooperative and expressed plans to improve the environment and processes at the agency, as detailed in their responses throughout the report.