

FINANCIAL AUDIT

OKLAHOMA ACCOUNTANCY BOARD

July 1, 2009 to June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2009**



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

February 8, 2011

**TO THE HONORABLE MARY FALLIN
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Accountancy Board, State of Oklahoma, audit report and financial statements for the fiscal years ended June 30, 2009 and June 30, 2010. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive.

GARY JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009**

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**OKLAHOMA ACCOUNTANCY BOARD
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Board Members

Fiscal Year 2010

	Term	
Carlos E. Johnson, CPA, Chairperson	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
Wade Biswell, CPA, Vice Chair	7/1/06 to 11/30/09	Tulsa, Oklahoma
Janice L. Gray, CPA, Secretary	7/1/08 to 6/30/13	Norman, Oklahoma
Barbara Ley, CPA	7/1/07 to 6/30/12	Oklahoma City, Oklahoma
Tom Volturo, Public Member	Conterminously with the Governor	Claremore, Oklahoma
E. B. St. John, PA	7/1/06 to 6/30/11	Owasso, Oklahoma
Vicky Petete, CPA	7/1/09 to 6/30/14	Ada, Oklahoma
Kim Shoemake	12/1/09 to 6/30/11	Oklahoma City, Oklahoma

Fiscal Year 2009

	Term	
Vicky Petete, CPA, Chairperson	7/1/04 to 6/30/09	Ada, Oklahoma
Carlos E. Johnson, CPA, Vice Chairman	7/1/05 to 6/30/10	Oklahoma City, Oklahoma
Barbara Ley, CPA, Secretary	7/1/07 to 6/30/12	Oklahoma City, Oklahoma
Wade Biswell, CPA	7/1/06 to 6/30/11	Tulsa, Oklahoma
Janice L. Gray, CPA	7/1/08 to 6/30/13	Norman, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the OAB's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the OAB are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the major fund of the State of Oklahoma that is attributable to the transactions of the OAB. They do not purport to, and do not, present fairly the financial position of the State of Oklahoma as of June 30, 2010 and 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the OAB, as of June 30, 2010 and 2009, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2011 on our consideration of the OAB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Gary Jones". The signature is written in a cursive style with a large initial "G" and a long, sweeping tail.

GARY JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

February 8, 2011

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY

The management of the Oklahoma Accountancy Board (OAB) is pleased to provide the accompanying financial statement to the citizens of the State of Oklahoma and other report users to demonstrate its accountability and communicate the OAB financial condition and activities as of and for the fiscal years ended June 30, 2010 and 2009. Management of the OAB is responsible for the fair presentation of this financial statement, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of contracts.

Financial Highlights

For the years ended June 30, 2010 and 2009, the following financial results are considered noteworthy by management.

- For the year ended June 30, 2010, the OAB's total net assets decreased \$38,152, or 1.7%, from the prior year. This compares to an increase of \$147,466, or 7.1%, for the year ended June 30, 2009 and an increase of \$404,361 or 24.1%, for the year ended June 30, 2008.
- For the year ended June 30, 2010, OAB program revenues increased \$63,890, or 5.0%, over the prior year, while total expenses increased \$267,561, or 25.2%. The increase in revenue is due mainly to collection of registrations and permits. The increase in expenses is due to professional services. For the year ended June 30, 2009, OAB program revenues decreased \$37,888, or 2.9%, over the prior year, while total expenses increased approximately \$177,458, or 20.1%. The decrease in revenues is due to the Board's decision to postpone registration deadlines by one month for the fiscal year 2009 due to technical difficulties with the online registration system in 2008 resulting in a decrease of late fees for 2009. The increase in expenses is primarily related to an increase in personal services and administrative expenses.
- For the year ended June 30, 2010, OAB accounts receivable decreased \$62,725, or 10.2% over the prior year. This compares to an increase of \$481,675 for June 30, 2009 and \$132,750 for the year ended June 30, 2008. For the year ended June 30, 2010, OAB deferred revenue decreased \$25,500, or 1.8% over the prior year. This decrease compares to a decrease of \$868,175, or 166% for June 30 2009 and \$358,200 or 40.6% for the year ended June 30, 2008. The decrease in accounts receivable and the decrease in deferred revenue for 2010 are due to the Board's decision in 2009 to postpone registration deadlines by one month due to technical difficulties with the online registration system in 2008. For 2010, the deadlines for registrations were June 30 and July 31 for firms and individuals, respectively.
- Fines receivable increased by \$98,915 or 75.3% in FY 2010, while due to state increased by \$126,820, or 96%. These increases were due to an increase in the amount of fines assessed for violations of the Oklahoma Accountancy Act and/or the Oklahoma Administrative Code.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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MANAGEMENT'S DISCUSSION AND ANALYSIS SUMMARY, Continued

- For the year ended June 30, 2010, OAB fund balance reserved for encumbrances decreased \$29,565, or 27% from the prior year. This decrease was a result of a decrease in encumbered funds professional cost. This compares to a decrease of \$263,284 or 70% for June 30, 2009, and an increase of \$272,400 or 268% for June 30, 2008. This decrease was a result of a detailed review of outstanding encumbrances which resulted in the closing of prior open purchase orders.
- The unreserved, undesignated fund balances of the OAB's General Fund at June 30, 2010, 2009, and 2008, decreased \$543,643 or 25%, and increased \$421,294 or 24.2%, and \$138,167 or 8.6%, respectively. The FY 2010 decrease was related to the OAB creating a fund balance designated for technology upgrades. The designation is the result of the Board approving to appropriate future funds for the replacement or improvements to computer hardware, software, and the telephone system.

USING THIS REPORT

This financial statement is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement No. 34.

The OAB's Reporting Entity

This financial statement includes all activities for which the OAB is fiscally responsible. These activities, defined as the OAB's reporting entity, are operated within a single government agency. The OAB's financial statements are reported as a part of the financial presentation of the State of Oklahoma.

Overview of the OAB's Reporting Entity Presentation

The financial statements consist of four parts as follows:

Government-Wide Financial Statements: The government-wide statements report information, on the accrual basis of accounting and economic resources measurement focus, about the OAB as a whole using accounting methods similar to those used by private-sector companies. The "Statements of Net Assets" include all the OAB's assets and liabilities as of the fiscal years presented. All of the current year revenues and expenses are accounted for in the "Statements of Activities" regardless of when cash is received or paid.

These government-wide financial statements report information about the OAB's net assets and how they have changed. Measuring changes in net assets (the difference between the OAB's total assets and liabilities) is one way to measure the OAB's financial health or position.

- To assess the overall financial health of the OAB, the reader needs to consider additional non-financial factors such as changes in the regulatory requirements, enforcement policies, and other similar issues utilizing financial resources.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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USING THIS REPORT, Continued

Fund Financial Statements: Fund financial statements provide financial information about the OAB’s single fund—the General Fund—on a different basis of accounting and measurement focus than the government-wide financial statements. The fund financial statement presentation measures spendable financial resources and the changes therein.

The OAB accounts for all financial activity in a single governmental fund. A governmental type fund focuses on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances at year-end available for expenditure. Consequently, governmental fund statements provide a short-term view that helps the reader determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the future to finance the OAB’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by GASB. Such information provides users of this report with additional data that supplements the fund financial statements and notes (collectively referred to as “the basic financial statements”). The benchmarks presented throughout Management’s Discussion and Analysis are for guidance and measurement by the OAB and its constituents. The benchmarks are not required by either the State of Oklahoma or GASB Statement No. 34.

AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB

Management’s Discussion and Analysis on the Economic Basis Financial Condition:

One of the most important questions asked about the OAB is,
“Has the entity utilized its resources to accomplish its mission assigned by the legislature of protecting the public?”

The “Statement of Net Assets” and the “Statement of Activities” report information about the OAB as an economic entity that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the OAB resource base and the status of its pending projects, to assess the overall health of the OAB. These economic basis statements include all OAB assets and liabilities, including capital assets.

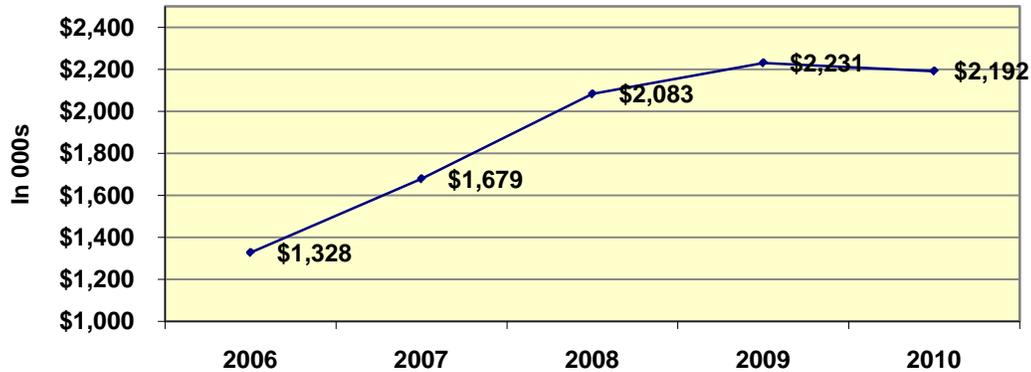
(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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AN ECONOMIC-BASED FINANCIAL ANALYSIS OF OAB, Cont.

For the years ended June 30, 2010, 2009 and 2008, the OAB’s overall financial condition changed as noted below.

**Chart 1
Total Economic Net Assets at Fiscal Year End**



	2008	2009	2010
Percentage Change in Net Assets	+24.1%	+7.1%	-1.7%

For the year ended June 30, 2010, the OAB’s total net assets decreased by \$38,152, or 1.7%. This was a result of an increase in expenditures in FY 2010. For the year ended June 30, 2009, the OAB experienced a \$147,466, or 7.1%, increase in net assets. For the year ended June 30, 2008, the OAB experienced a \$404,361, or 24.1%, increase in net assets. The increase in net assets was primarily due to revenues exceeding expenses in 2009 and 2008.

A FUND-BASED FINANCIAL ANALYSIS OF OAB

Management’s Discussion and Analysis on the General Fund Financial Condition:

The OAB accounts for all its activities in a single fund—the General Fund. The General Fund presentation focuses on how money flows in and out of the Fund and the balances remaining at year-end are available for expenditures (fund balance).

The General Fund reports activities on a modified accrual basis of accounting and current financial resources measurement focus that is different from the economic basis of presentation. For example, the General Fund reports the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. General Fund information helps the reader determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be expended in the near future to finance the OAB programs.

(Unaudited. See accompanying auditor’s report.)

**OKLAHOMA ACCOUNTANCY BOARD
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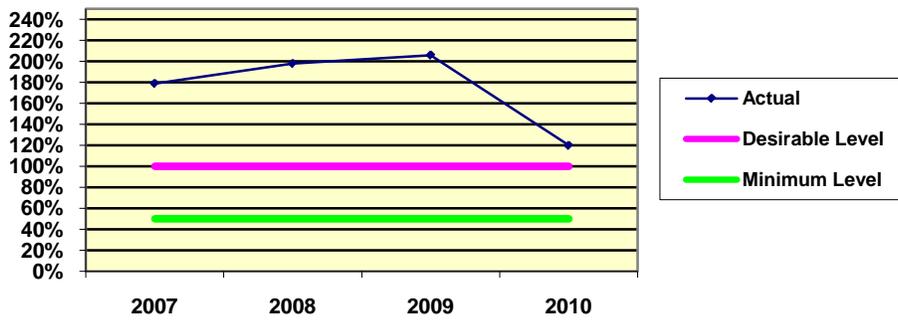
A FUND-BASED FINANCIAL ANALYSIS OF OAB, Cont.

For the years ended June 30, 2010, 2009, and 2008, the General Fund experienced an decrease in fund balance of \$53,208 and increases of \$158,010, and \$410,567, respectively.

Chart 2

Unreserved-Undesignated Fund Balance as a Percentage of Annual Expenditures

Management Benchmarks	Desired	Minimum
	100%	50%



Unreserved Fund Balance	2007	2008	2009	2010
Percentage	179%	198%	206%	120%

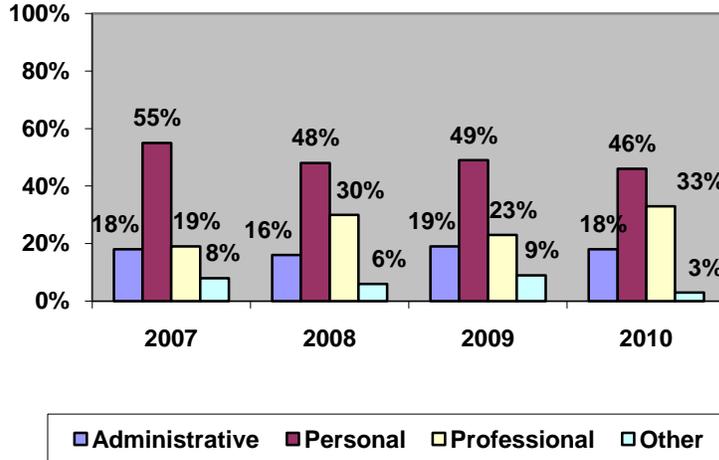
The OAB desires to maintain an unreserved fund balance of one year (100%) of annual expenditures. This fund balance is needed to provide resources for unexpected enforcement actions, technology and software to be purchased in 2010-2011, expansion of the OAB's Outreach Program, and expansion of the oversight function related to continuing professional education (CPE).

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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A FUND-BASED FINANCIAL ANALYSIS OF OAB, Cont.

**Chart 3
Percentage of Expenditures by Classification as Compared to Total Expenditures**



	2007	2008	2009	2010
Administrative	18%	16%	19%	18%
Personal Services	55%	48%	49%	46%
Professional Services	19%	30%	23%	33%
Other	8%	6%	9%	3%
Total	100%	100%	100%	100%

MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS

Management's Discussion and Analysis on the Budgetary Results:

For the year ended June 30, 2010, the General Fund actual budgetary basis revenues were in excess of final estimates by \$162,079, or a 14.3% positive variance. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$1,279,861, or a 49.3% positive variance. The variance is due to the Board budgeting for a software purchase that was not completed in FY 10.

For the year ended June 30, 2009, the General Fund actual budgetary basis revenues exceeded final estimates by \$396,619, or a 34.0% positive variance. This is directly attributable to the Board's decision in 2008 to grant an extension for individual and firm registration due to technical difficulties with the online registration system. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$704,793, or a 47.2% positive variance.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE BUDGETARY RESULTS, Cont.

For the year ended June 30, 2008, the General Fund actual budgetary basis revenues were less than final estimates by \$233,560, or a 22.9% negative variance. This is directly attributable to the Board's decision to grant an extension for individual and firm registration due to technical difficulties with the online registration system. General Fund actual expenditures and encumbrances were less than final budgeted expenditures by \$109,721, or an 8.7% positive variance.

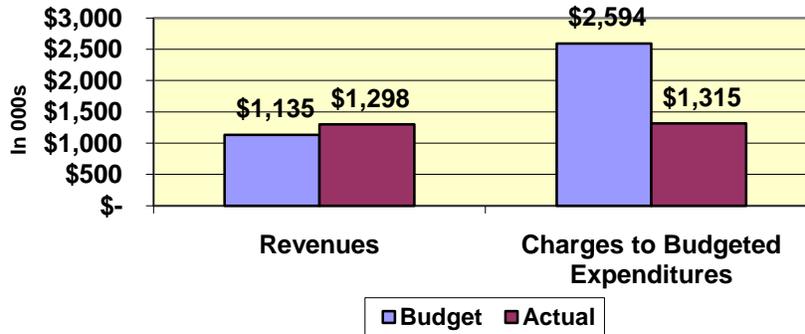
Chart 4 illustrates the budget versus actual results for revenues and charges to budgeted expenditures.

Chart 4

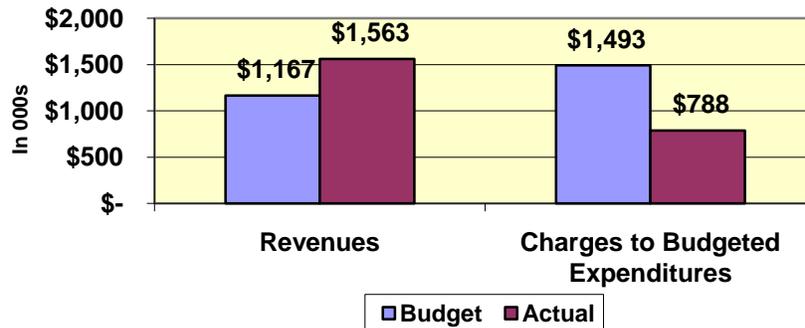
**Budget versus Actual Comparison of Revenues and Charges to Budgeted Expenditures
(How well did we stay within our budget?)**

Management Benchmarks	Desired	Minimum
	Positive Variance	No Variance

2010 Fiscal Year



2009 Fiscal Year



Percentage Variance	2007	2008	2009	2010
Revenues	9.1%P	22.9%N	34.0%P	14.3%P
Charges to Budgeted Expenditures	25.2%P	8.7%P	47.2%P	49.3%P

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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FUTURE OUTLOOK

The Oklahoma Accountancy Board recommended changing the renewal of individual registrations to a birth month renewal instead of an annual process. At its September 24, 2010, meeting it was the Board's decision that the new policy would be implemented in June/July 2011. This new policy will significantly reduce the accounts receivable and deferred revenue in future years. The new process will reduce the receivable and related deferral to only those registrants born in the June/July who have not renewed by June 30.

ABOUT OAB

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2010, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA), and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

CONTACTING OAB

This report is designed to provide citizens, taxpayers, registrants, and creditors with a general overview of the OAB's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the OAB Executive Director's Office by mail at 201 N.W. 63rd Street, Suite 210, Oklahoma City, OK 73116, by telephone at (405) 521-2397, or by e-mail at www.ok.gov/oab.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA ACCOUNTANCY BOARD
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BASIC FINANCIAL STATEMENTS

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009

Statement of Net Assets – Government-wide

	June 30,	
	2010	2009
ASSETS:		
Cash and cash equivalents	\$ 3,021,371	\$ 3,067,460
Accounts receivable	552,450	615,175
Fines receivable	230,225	131,310
Accounts receivable - cost recovery, net of allowance of \$31,681 and \$10,528, respectively	75,256	44,645
Prepaid assets	6,365	5,979
Capital assets, net of accumulated depreciation	7,433	5,020
Total Assets	\$ 3,893,100	\$ 3,869,589
LIABILITIES:		
Accounts payable	\$ 42,730	\$ 69,744
Deferred revenue	1,366,450	1,391,950
Due to State	258,130	131,310
Compensated absences:		
Current	10,064	20,762
Non-current	23,483	25,428
Total liabilities	\$ 1,700,857	\$ 1,639,194
NET ASSETS:		
Invested in capital assets	\$ 7,433	\$ 5,020
Unrestricted	2,184,810	2,225,375
Total net assets	\$ 2,192,243	\$ 2,230,395

See accompanying footnotes to these statements

OKLAHOMA ACCOUNTANCY BOARD
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Statement of Activities – Government-wide

<u>Functions/Programs</u>	<u>2010</u>		
	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	
Primary Government:			
Governmental Activities:			
Regulatory Services	\$ 1,329,142	\$ 1,352,585	\$ 23,443
			(61,595)
			(38,152)
			2,230,395
			<u>\$ 2,192,243</u>
<u>Functions/Programs</u>	<u>2009</u>		
	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	
Primary Government:			
Governmental Activities:			
Regulatory Services	\$ 1,061,581	\$ 1,288,695	\$ 227,114
			(79,648)
			147,466
			2,082,929
			<u>\$ 2,230,395</u>

See accompanying footnotes to these statements.

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009

Balance Sheets – General Fund

	June 30,	
	2010	2009
ASSETS:		
Cash and cash equivalents	\$ 3,021,371	\$ 3,067,460
Accounts receivable	552,450	615,175
Fines Receivable (net)	230,225	131,310
Accounts receivable - cost recovery, net of allowance of \$31,681 and \$10,528, respectively	75,256	44,645
Prepaid assets	6,365	5,979
Total Assets	\$ 3,885,667	\$ 3,864,569
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ 42,730	\$ 69,744
Deferred revenue	1,366,450	1,391,950
Due to State	258,130	131,310
Total liabilities	\$ 1,667,310	\$ 1,593,004
Fund Balance:		
Reserved for encumbrances	81,187	110,752
Unreserved		
Designated for technology upgrades	520,000	-
Undesignated	1,617,170	2,160,813
Total fund balance	\$ 2,218,357	\$ 2,271,565
Total liabilities and fund balance	\$ 3,885,667	\$ 3,864,569

See accompanying footnotes to these statements

OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
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Statements of Revenues, Expenditures, and Changes in Fund Balance – General Fund

	For the years ending June 30,	
	2010	2009
Revenues		
Licenses, permits, and fees	\$ 1,303,096	\$ 1,246,883
Grants, refunds, and reimbursement	48,685	41,432
Other	804	380
Total revenues	1,352,585	1,288,695
Expenditures		
Personal services	\$ 610,392	\$ 516,513
Professional services	476,027	240,934
Travel	32,150	46,687
Administrative	213,214	200,581
Equipment	12,415	46,322
Total expenditures	1,344,198	1,051,037
Revenues Over (Under) Expenditures	8,387	237,658
Other Financing Requirements		
Transfers out to State General Fund	(61,595)	(79,648)
Change in Fund Balance	(53,208)	158,010
Fund Balance - Beginning of Year	2,271,565	2,113,555
Fund Balance - End of Year	\$ 2,218,357	\$ 2,271,565

See accompanying footnotes to these statements

**OKLAHOMA ACCOUNTANCY BOARD
FINANCIAL STATEMENT REPORT
As of and for the Years Ended June 30, 2010 and 2009**

Reconciliation of Balance Sheets - General Fund and Statements of Net Assets:

	June 30,	
	2010	2009
Total Fund Balance - General Fund	\$ 2,218,357	\$ 2,271,565
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund - Capital assets, net of accumulated depreciation	7,433	5,020
Certain liabilities are not due and payable in the current period and therefore are not reported in the fund - Compensated absences	(33,547)	(46,190)
Net Assets per the Statement of Net Assets	\$ 2,192,243	\$ 2,230,395

See accompanying footnotes to these statements.

Reconciliation of Statements of Revenue, Expenditures, and Changes in Fund Balance - General Fund and Statement of Activities:

	For the years ended June 30,	
	2010	2009
Changes in Fund Balance - General Fund	\$ (53,208)	\$ 158,010
Governmental funds report capital outlay as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	7,259	6,184
Depreciation expense	(4,846)	(9,693)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease (Increase) in accrued compensated absences	12,643	(7,035)
Change in Net Assets per the Statement of Activities	\$ (38,152)	\$ 147,466

See accompanying footnotes to these statements.

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FOOTNOTES TO THE FINANCIAL STATEMENTS

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Footnotes to the Statements of Net Assets and Statements of Activities:

1. *Summary of Significant Accounting Policies*

The accompanying financial statements of the Oklahoma Accountancy Board (OAB) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements are intended to present the financial position and results of operations of only that portion of the State of Oklahoma that is attributable to the transactions of OAB.

A. **Reporting Entity**

The Oklahoma Accountancy Board is a part of the primary government of the State of Oklahoma. The first accountancy law was enacted by the Oklahoma Legislature in 1916. The OAB was continued by the legislature in 2010, in accordance with provisions of the Oklahoma Sunset Law. The OAB is composed of five Certified Public Accountants (CPAs), one Public Accountant (PA), and one public member. The responsibilities of the OAB include determining the eligibility of applicants to become candidates for the CPA and PA examinations and registering accountants, sole-proprietorships, partnerships, professional corporations, limited liability partnerships, and limited liability companies eligible to practice public accounting in Oklahoma. Also, the OAB regulates the practice and conduct of Certified Public Accountants and Public Accountants.

B. **Government-wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information for OAB. OAB is classified as a governmental activity; its function is the Regulatory Services function.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues. For OAB, program revenues consist primarily of fees for licenses and permits to practice remitted by from Certified Public Accountants and Public Accountants. Also included in program revenues are fees paid by candidates to sit for the examination.

Separate financial statements are provided for the governmental fund, the General Fund.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Revenue Recognition:

Government-wide Financial Statements

The government-wide financial statements display information about OAB as a whole. They are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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Governmental Fund

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available, usually within 60 days. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as an expenditure when utilized. The amount of accumulated annual leave unpaid at June 30, 2010 and June 30, 2009, has been reported only in the government-wide financial statements.
- Executory purchase orders and contracts are recorded as a reservation of fund balance.

D. Fund Accounting

In fund accounting, activities are recorded in individual funds, each of which is deemed to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund – This fund accounts for all activities of OAB not specifically required to be accounted for in other funds. This fund is the operating fund of OAB, and all transactions are accounted for in this fund.

E. Net Assets Accounting Policies

Net assets are normally displayed in three components (two of which are applicable to the OAB):

- a. *Invested in capital assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. *Restricted net assets*—Consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors, or laws and regulations.
- c. *Unrestricted net assets*—All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

F. Cash

All cash balances are held by the Oklahoma Office of the State Treasurer. OAB's cash is pooled with the cash of all other state agencies; this pool of cash is deposited in banks or invested by the State Treasurer in accordance with Oklahoma statutes. The State Treasurer requires that financial institutions deposit collateral securities to secure the deposits of the State in each such institution.

G. Accounts Receivable

Accounts receivable reflect monies received within sixty (60) days after the end of the year for renewal notices sent prior to June 30. Renewal notices relate to permits and registrations for Certified Public Accountants, Public Accountants and firms. Amounts shown as accounts

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receivable and deferred revenue are for permits and registrations for year's beginning on or after July 1, 2010.

H. Fines Receivable, Accounts Receivable – Cost Recovery, and Due to State

The OAB in its enforcement program assesses fines and costs of investigation by certain registrants for violations of the Oklahoma Accountancy Act. When collected, the amount of the fines is remitted to the State General Fund and the costs are retained by the OAB. Beginning in fiscal year 2008, the OAB adopted the accounting methodology needed to more appropriately account for the fines receivable, cost receivable, and the related amount due to the state. All costs receivable 365 days or older were considered to be uncollectible.

In addition to the Fines Receivable, related amounts Due to State which is reflected in the financial statements, fines in the amount of \$61,400 and \$22,220 were collected and remitted to the State General Fund during the fiscal years 2010 and fiscal year 2009 respectfully.

At June 30, 2010, the Due to State of \$258,130 reflects \$230,225 of fines receivable, \$4,500 of fines collected in June to be remitted in July, and \$23,405 of general revenue due to the state (see footnote 9).

I. Capital Assets

Capital assets are recorded as expenditures in the governmental fund statement of revenues, expenditures and changes in fund balance, but are capitalized in the statement of net assets. Capital assets are reported at actual or estimated historical cost and net of accumulated depreciation. Capital assets are defined as assets that have a cost in excess of \$500 at the date of acquisition and have an expected useful life of 3 or more years, and consist primarily of information systems equipment, furniture, and other equipment. Depreciation is computed on the straight-line method over the estimated useful life of 6 years for office furniture and equipment and 3 years for information systems and related equipment.

J. Accounts Payable and Encumbrances

Accounts payable include charges for all services or claims incurred on or before June 30. These payables represent amounts incurred in the ordinary course of business and are primarily owed to vendors.

The fund balance reserve for encumbrances represents commitments related to unperformed contracts for the delivery of goods and services to the OAB. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reserve that portion of fund balance, is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Because encumbrances were not closed after fiscal year end, the reserve for encumbrances as of June 30, 2010 and 2009 was determined by reviewing all payments made during the months of July, August, and September which applied to encumbered amounts relating to the fiscal year ending June 30, 2010 and 2009. Any encumbrance having a payment applicable to it was carried at the full amount. In addition, any encumbrance in which a known payment had not been made was also considered.

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K. Deferred Revenue

Deferred revenues arise when resources are received by the OAB before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met or when OAB has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

L. Compensated Absences

Employees earn annual vacation at the average rate of 10 hours per month for up to 5 years service and may accumulate to a maximum of 240 hours. Employees earn an average of 12 hours per month for 5 to 10 years, an average of 13.33 hours per month for 10 to 20 years, and an average of 16.67 hours per month for over 20 years of service. Annual leave for employees with over 5 year's service may accumulate to a maximum of 480 hours. All accrued annual leave is payable upon layoff, resignation, retirement, or death.

2. Cash

Cash and cash equivalents include amounts on deposit with and under the control of the State Treasurer. These amounts are collateralized in accordance with 62 O.S. 2001, § 72.1, the Security for Public Deposits Act. The bank balances as of June 30, 2010 and 2009, were fully insured or collateralized with securities held by the State's agent in the State's name.

3. Operating Leases

The OAB entered into operating lease agreements for office space, off-site storage, copier, and postage machines. Payments under these operating leases for the 2010 and 2009 fiscal years were approximately \$56,814 and \$47,200, respectively.

4. Capital Assets

For the years ended June 30, 2010 and 2009, changes in capital assets were as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets	\$ 136,569	7,259	(30,510)	113,318
Accumulated depreciation	<u>(131,549)</u>	<u>(4,846)</u>	<u>30,510</u>	<u>(105,885)</u>
	<u>\$ 5,020</u>	<u>2,413</u>	<u>-</u>	<u>7,433</u>
	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets	\$ 136,673	6,184	(6,288)	136,569
Accumulated depreciation	<u>(128,144)</u>	<u>(9,693)</u>	<u>6,288</u>	<u>(131,549)</u>
	<u>\$ 8,529</u>	<u>(3,509)</u>	<u>-</u>	<u>5,020</u>

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5. Long-term Obligations

Long-term obligations are comprised of accrued compensated absences. For the years ended June 30, 2010 and 2009, the liability for accrued compensated absences liabilities changed as follows:

<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
\$ 46,190	28,814	(41,457)	33,547	10,064

<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
\$ 39,155	27,797	(20,762)	46,190	20,762

6. Risk Management

As part of the primary government, the State of Oklahoma, the risk of losses to which the OAB may be exposed is covered through the risk management activities of the State, and any losses and liabilities are the responsibility of, and financed through, the State's risk management activities. The Risk Management Division of the Department of Central Services is empowered by the authority of 74 O.S., Section 85.34 et seq. The division is responsible for the acquisition and administration of all insurance purchased by the State or administration of any self-insurance plans and programs adopted for use by the State or for certain organizations and bodies outside of state government, at the sole expense of such organizations and bodies.

The State Risk Management is authorized to settle claims of the State and shall govern the dispensation and/or settlement of claims against a political subdivision. In no event shall self-insurance coverage provided to the State, agency, or other covered entity exceed the limitations on the maximum dollar amount of liability specified by the Oklahoma Governmental Tort Claims Act, as prescribed by 51 O.S., Section 154. The Risk Management Division oversees the collection of liability claims owed to the State incurred as the result of a loss through the wrongful or negligent act of a private person or other entity.

The Risk Management Division is also charged with the responsibility to immediately notify the Attorney General of any claims against the State.

7. Pension Plan

The OAB contributes to the Oklahoma Public Employees Retirement Plan, which is a state-wide cost-sharing, multi-employer defined benefit retirement plan administered by the Oklahoma Public Employees Retirement System (OPERS). A separately issued annual report for OPERS may be obtained from the Oklahoma Public Employees Retirement System, 5801 N. Broadway Extension, Suite 400, Oklahoma City, OK 73118. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The pension benefit provisions are established and amended by the State Legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature.

Plan members and the agencies are required to contribute at a rate established by State law. The contribution rate for both 2010 and 2009 fiscal years was 15.5% and 14.5%, respectively, of all salaries for State agencies, and for State employees, 3.5% of their annual covered salary. For the years ended June 30,

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2010, 2009, 2008, and 2007, the OAB contributions to the plan were \$72,651, \$49,726, \$37,492, and \$42,772, respectively.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. The election is available for all state, county and local government employees, except for elected officials and hazardous duty members.

8. *Other Postemployment Benefits*

In addition to the pension benefits described above, the State provides post-retirement healthcare benefits (OPEB) to employees. OPERS pays the Medicare supplement premium or \$105 per month, whichever is less, toward the cost of the monthly insurance premium for all retirees of OPERS who elect coverage at the time of retirement and retain health insurance coverage with the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB). The retiree must pay the balance of the monthly health insurance premium plus any dependent coverage premiums. There is no OPEB obligation information available specific to the OAB.

9. *Payment to State of Oklahoma*

Under provisions of 59 O.S., Section 15.7, the “Board shall pay into the General Revenue Fund of the state ten percent (10%) of all annual registration fees so charged, collected, and received, and no other portion shall ever revert to the General Revenue Fund or any other fund of the state.” The OAB paid \$61,595 to the State General Revenue Fund in fiscal year 2010 and \$79,648 in fiscal year 2009, related to the 10% General Revenue Fund.

In addition, under the provision of 59 O.S., Section 15.24, “all monies, excluding costs, collected from civil penalties authorized in this section, such penalties being enforceable in the district courts of this state, shall be deposited with the State Treasurer to be paid into the General Revenue Fund of the state.” The amount assessed for civil penalties are recorded as Fines Receivable and a Due to State. During fiscal year 2010 and 2009, the OAB collected and remitted \$61,400 and \$28,440, respectively, and remitted these amounts to the State.

The OAB maintains a clearing account in which all amounts are deposited. When these transfers are made to the State General Revenue Fund, they are made directly from the OAB’s clearing account.

10. *Non-Compliance with State Statutes*

Oklahoma State Statutes, Title 59 Section 15.14 (d) specifies that effective January 1, 2010 renewals for licenses and permits changed from a biannual expiration date of July 31st (based on even or odd numbering of certificates) to annually based on birth month. The OAB has not changed their licensing renewal process to comply with the January 1, 2010 renewal process. The OAB was unable to comply with the statute because the current licensing software system does not allow for the renewal of licenses in a manner consistent with the change in the statute. The Oklahoma Accountancy Board is working with the Office of State Finance and the other vendors which support its registration process to comply with the Statute and implement birth month renewals during the 2011 reporting period.

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**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES**

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund for the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits, and fees	\$ 1,129,325	\$ 1,129,325	\$ 1,278,726	\$ 149,401
Other	<u>6,200</u>	<u>6,200</u>	<u>18,878</u>	<u>12,678</u>
Total revenues	<u>1,135,525</u>	<u>1,135,525</u>	<u>1,297,604</u>	<u>162,079</u>
Expenditures:				
Personal services	981,144	981,144	599,015	382,129
Professional services	483,850	483,850	453,602	30,248
Travel	111,000	111,000	32,497	78,503
Administrative	622,500	872,500	215,349	657,151
Property and equipment	<u>136,000</u>	<u>146,000</u>	<u>14,170</u>	<u>131,830</u>
Total expenditures	<u>2,334,494</u>	<u>2,594,494</u>	<u>1,314,633</u>	<u>1,279,861</u>
Excess (deficiency) of revenues over expenditures / net change in fund balance	(1,198,969)	(1,458,969)	(17,029)	1,441,940
Fund Balance, June 30, 2009	<u>2,892,943</u>	<u>2,892,943</u>	<u>2,892,943</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 1,693,974</u>	<u>\$ 1,433,974</u>	<u>\$ 2,875,914</u>	<u>\$ 1,441,940</u>

See accompanying footnotes to this schedule.

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Budgetary Comparison Schedule (Budgetary Basis) – General Fund for the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Licenses, permits, and fees	\$ 1,166,577	\$ 1,166,577	\$ 1,553,735	\$ 387,158
Other	-	-	9,461	9,461
Total revenues	<u>1,166,577</u>	<u>1,166,577</u>	<u>1,563,196</u>	<u>396,619</u>
Expenditures:				
Personal services	840,592	840,592	515,727	324,865
Professional services	293,350	293,350	114,360	178,990
Travel	110,004	110,004	42,445	67,559
Administrative	223,100	223,100	106,954	116,146
Property and equipment	25,000	25,000	8,267	16,733
Other	500	500	-	500
Total expenditures	<u>1,492,546</u>	<u>1,492,546</u>	<u>787,753</u>	<u>704,793</u>
Excess (deficiency) of revenues over expenditures / net change in fund balance	(325,969)	(325,969)	775,443	1,101,412
Fund Balance, June 30, 2008	<u>2,117,500</u>	<u>2,117,500</u>	<u>2,117,500</u>	<u>-</u>
Fund Balance, June 30, 2009	<u><u>\$ 1,791,531</u></u>	<u><u>\$ 1,791,531</u></u>	<u><u>\$ 2,892,943</u></u>	<u><u>\$ 1,101,412</u></u>

Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported on a non-GAAP budgetary basis that reports revenues on a cash basis modified for the due from state, and charges to expenditures on a cash basis modified for reporting encumbrances, accounts payable and prepaid assets.
2. Because accounting principles applied for purposes of presenting the budgetary comparison information differ from those used in the presentation of the basic financial statements prepared in accordance with U.S. generally accepted accounting principles, a reconciliation resulting from those differences is presented as follows for the General Fund.

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Footnotes to Budgetary Comparison Schedules - Continued:

	June 30,	
	2010	2009
Budgetary basis fund balance	\$ 2,875,914	\$ 2,892,943
Add:		
Accounts receivable	627,706	659,820
Encumbrances	81,187	110,752
Subtract: Deferred revenue	(1,366,450)	(1,391,950)
GAAP basis fund balance	\$ 2,218,357	\$ 2,271,565



Oklahoma State Auditor & Inspector

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

TO THE OKLAHOMA ACCOUNTANCY BOARD

We have audited the financial statements of the governmental activities and the major fund of the Oklahoma Accountancy Board (OAB), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the OAB's basic financial statements, and have issued our report thereon dated February 8, 2011. The report includes an explanatory paragraph stating that the financial statements of the OAB are intended to present the financial position and results of daily operations of only that portion of the State of Oklahoma attributable to the transactions of the OAB. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the OAB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OAB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OAB's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (10-020-001, 10-020-002R, 10-020-003, 10-020-007). A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OAB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses (10-020-008).

The OAB's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit OAB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the OAB and is not intended to be and should not be used for anyone other than these specified parties. This report is also a public document pursuant to the Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY JONES, CPA, CFE
OKLAHOMA STATE AUDITOR AND INSPECTOR

February 8, 2011

**OKLAHOMA ACCOUNTANCY BOARD
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SCHEDULE OF FINDINGS AND RESPONSES

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Reference Number: 10-020-001

Other Information: Expenditures (Non-Payroll)

Criteria/Condition: An effective internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties.

The peer review coordinator's PeopleSoft access allows him the ability to prepare purchase orders and post payments against the purchase orders. In addition, he receives the warrants from the State Treasurer's Office.

Cause/Effect: Management did not remove the peer review coordinator's PeopleSoft access when they began contracting with Office of State Finance to assist in performance of accounting related functions. Although the peer review coordinator may not have been assigned the responsibility of preparing purchase orders and posting the payments, he still had the ability due to his system access. Errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend management review the PeopleSoft access for the peer review coordinator and ensure only appropriate access is granted based on their job duties to ensure duties are properly segregated.

Agency Management Response: The Oklahoma Accountancy Board (OAB) agrees with the State Auditor and Inspector's assessment that the potential for errors or irregularities could have occurred within the contract time period. However, both parties clearly understood that the Peer Review Coordinator would not make any entries into the PeopleSoft system while under contract. Furthermore, entries into PeopleSoft are attributed to the user with name, time, and date stamp and any irregularities would have been identified and the appropriate action for corrections would be made. That stated the OAB will actively review and take appropriate action on each employee's PeopleSoft access when there is a change in assigned duties of agency personnel or shared services contracted with the Office of State Finance.

Reference Number: 10-020-002R

Other Information: Financial Statements - Presentation

Criteria/Condition: An effective internal control system should provide reasonable assurance that accounting records and financial statements are accurate and reliable through adequate review.

The following was noted:

Accounting records

- Expenditure claims, totaling \$26,253, were miscoded as to expenditure type;
- Hours on five of 28 timesheets tested did not appear to record all hours worked or leave taken;
- The "Fines/Fees" assessed spreadsheet is not reviewed by someone other than the preparer;
- The "Revenue Categorized by fiscal year" excel spreadsheet is not reviewed by someone other than the preparer;
- Calculation for fund balance – reserved for encumbrances was understated by \$38,653.

Journal entries

- Entry of \$11,554 to record accounts payable was improperly applied to expenditure category;
- Entry of \$27,905 to record cash in clearing account at June 30 was applied to the accounts payable instead of due to state.

Financial statements

- Disclosure regarding compliance with material laws was omitted;
- Presentation of fund balance – unreserved did not include a designation of \$520,000.

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Cause/Effect: An adequate review of accounting records, journal entries, and financial statements may not have occurred. Some accounts were overstated/understated and disclosures for financial statements were not complete.

Recommendation: We recommend management establish and implement adequate review procedures to ensure accounting records are accurate, journal entries are correct in nature and application, and financial statements include all required disclosures.

Agency Management Response: All staff involved in the agency's accounting functions is actively implementing changes to internal control systems to ensure records are accurate, journal entries are correct in nature and application, and financial statements include all required disclosures. Current practice is prior to encumbering funds for expenditure, the CPO confirms with the accountant the correct category code for the good or service and that there is sufficient budget within the category code as well. In addition, the OAB Accountant is working with the OAB Audit and Budget Committee to ensure financial statements include all required disclosures.

Reference Number: 10-020-003

Other Information: Licenses, Permits, and Fees (Revenue) – Repeat Finding

Criteria/Condition: An effective internal control system should provide reasonable assurance all funds received are deposited.

Exam and application fees are processed using the CANSYS system. Since November 2008 the examination coordinator cannot print an "Official Depository" form or the "Deposit Summary" report from the system. To document the amounts processed, the total amount to be deposited was written on a piece of paper and initialed by the examination coordinator. Although staff has begun to perform an independent verification of the deposit amount to the days' activity per CANSYS, this process occurred after the audit period and has not been performed for the entire audit period

Cause/Effect: A system upgrade disabled the examination coordinator's printing ability, and the software vendor has not corrected the problem. Errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend management continue to work with the software provider to correct the printing malfunction. In addition, we recommend staff continue their efforts to perform an independent verification of the information until the malfunction can be fixed.

Agency Management Response: The OAB continues to work with the software provider of CANSYS to correct the issues identified with financial reporting. Currently, the Examination Coordinator has the ability to print receipts and all are now being recorded properly. Furthermore, the independent verification of information received during the printing malfunction is being completed.

Reference Number: 10-020-007

Other Information: Revenue, Accounts Receivable, Deferred Revenue and Fines Receivable – Repeat Finding

Criteria/Condition: An effective internal control system should provide reasonable assurance that accounting records are accurate and reliable by established written policies and procedures for financial reporting purposes.

The agency does not appear to have written policies and procedures detailing how information should be compiled and calculated for determining financial statement amounts for several accounts.

Revenue, Accounts Receivable, Deferred Revenue:

A significant procedure for determining if transactions are reported as revenue, accounts receivable, or deferred revenue is properly dividing the licensing fees receive between licensing year. The accountant is dividing the registration fees equaling among the two licensing years; however, consideration of registrants who pay \$75 instead

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of \$100 because they have turned 65 has not been considered in this calculation. This error does not appear to impact state fiscal year 2010's financial statements; however, it could impact future financial statements if not corrected.

Fines Receivable:

The accounting records used to support this account is an excel spreadsheet that tracks fines assessed and fines paid. No written policies and procedures exist documenting the purpose of this document and what information should be included.

Cause/Effect: Establishing written policies and procedures for preparing of accounting records used in the financial statement preparation has not been made a priority by management. Without detailed policies and procedures, it is possible errors in the calculation of financial accounts could occur.

Recommendation: We recommend management establish and implement written policies and procedures for the preparation of accounting records that are used in compiling the financial statements. Management should also ensure the new policies and procedures are communicated to all employees. In addition, management should review the registration calculation between licensing years and determine what corrections to the amounts need to be made.

Agency Management Response: The OAB anticipates that the new Enterprise Licensing Software will discern between, record, and report on all revenues received for registration fees that span across fiscal years. Until this system is implemented, the OAB accountant uses an Excel spreadsheet to manage this financial data. The OAB will be working toward developing written procedures and policies to record revenues on the existing Excel spreadsheet or Enterprise Licensing Software depending on its implementation date. Once established for these systems, the policies and procedures associated will be presented to all OAB staff. Presently, the OAB accountant is actively performing a thorough review of the internal reporting of fees paid during this time period and making the appropriate corrections.

Reference Number: 10-020-008

Other Information: Revenue, Accounts Receivable, and Deferred Revenue

Criteria/Condition: An effective internal control system should provide reasonable assurance that the agency has complied with all laws and regulations.

State statutes specify when individual registration and permit are to be renewed. Effective January 1, 2010 renewals were changed from a biannual expiration date of July 31st (based on even or odd numbering of certificates) to annually based on birth month.

OAB has not changed their licensing renewal process to comply with the January 1, 2010 renewal process.

Cause/Effect: OAB's current licensing system does not allow for them to renew licenses in a manner consistent with the change in the statute. The Department of Central Services is in charge of awarding a new contract that will allow the OAB to comply with the state statutes; however, this contract has not been awarded. OAB has not complied with the licensing renewal process mandated by state statute.

Recommendation: We recommend OAB continue working with the Office of State Finance to obtain a licensing system that will allow them to comply with the state statutes.

Agency Management Response: The Oklahoma Accountancy Board acknowledges non-compliance with this particular state statute. When the statute was drafted, the Board anticipated that the statewide Enterprise Licensing System as proposed by the Office of State Finance would be available in sufficient time to implement a License/Permit renewal and CPE reporting process on a staggered birth month basis. However, despite the Board being absent the ability to implement a birth month renewal system, the Board has fully complied with Title 62. Public Finance Section 41.5p-1 paragraph A, which requires online renewal of professional licenses and permits.

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Unfortunately, the Office of State Finance experienced delays with procuring this system and ultimately, the OAB was without the ability to put the system into service. Additionally, the Board was told by OSF that no project would be approved to modify existing internal systems to accommodate a birth month renewal system because the Enterprise Licensing System would be forthcoming. As a result, at its September 24, 2010, meeting it was the Board's decision that the policy would then be implemented June/July 2011. It was not until January 28, 2011, the Department of Central Services approved a vendor to provide the Enterprise Licensing System and a contract had been awarded.



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