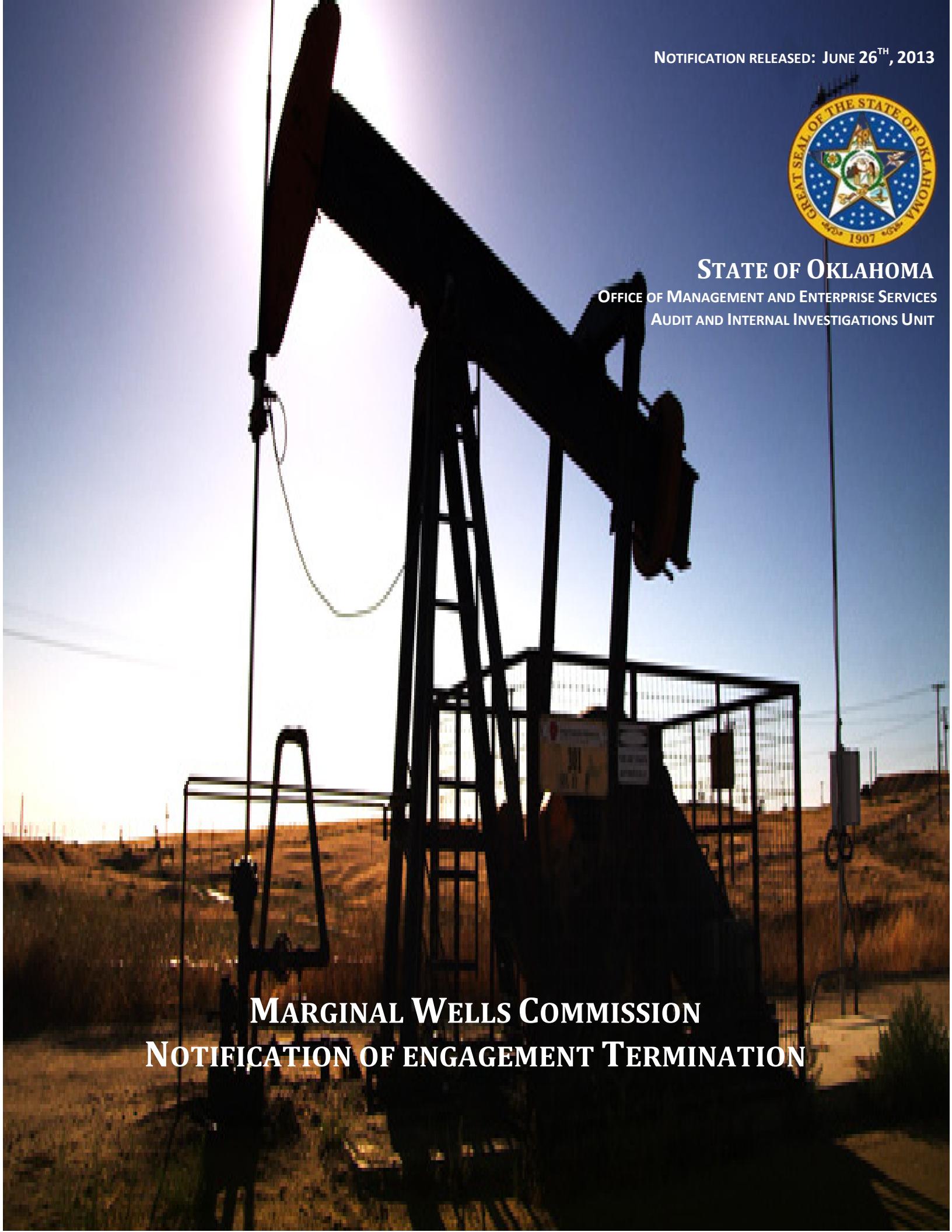


NOTIFICATION RELEASED: JUNE 26<sup>TH</sup>, 2013



**STATE OF OKLAHOMA**  
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES  
AUDIT AND INTERNAL INVESTIGATIONS UNIT

**MARGINAL WELLS COMMISSION  
NOTIFICATION OF ENGAGEMENT TERMINATION**



## OVERVIEW

The Office of Management and Enterprise Services, Audit and Internal Investigations Unit engaged with the Oklahoma Commission on Marginally Producing Oil and Gas Wells in November, 2010 to perform a procurement program audit.

### Audit Objectives:

- determine if the Agency has implemented internal controls and if the Agency's controls are operating effectively in relation to the procurement program
- determine if the Agency's procurement program is in compliance with the Agency's approved internal purchasing procedures, the Central Purchasing Rules, and the Oklahoma Central Purchasing Act

### Engagement Termination Policy

#### Government Auditing Standards:

##### *Field Work Standards for Performance Audits - 6.50*

If an audit is terminated before it is completed and an audit report is not issued, auditors should document the results of the work to the date of termination and why the audit was terminated. Determining whether and how to communicate the reason for terminating the audit to those charged with governance, appropriate officials of the audited entity, the entity contracting for or requesting the audit and other appropriate officials will depend on the facts and circumstances and, therefore, is a matter of professional judgment.

In accordance to the OMES Audit and Internal Investigation Unit's quality control standards a notification of termination will be transmitted to the State Auditor and Inspector's office.

## CONCLUSION

Due to Senate Bill 767 being signed into law on May 3, 2013, the audit of the Oklahoma Commission on Marginally Producing Oil and Gas Wells was terminated.

The Oklahoma Senate Bill 767 states in part:

- A. Effective July 1, 2013, all duties, assets and obligations of the Commission on Marginally Producing Oil and Gas Wells created pursuant to Section 700 of Title 52 of the Oklahoma Statutes shall be transferred to the authority of the Committee for Sustaining Oklahoma's Energy Resources created pursuant to Section 288.5A of Title 52 of the Oklahoma Statutes.



*This engagement was performed pursuant to 74 O.S. § 85.5.E. in accordance with Generally Accepted Government Auditing Standards.*

**Results of Work to Termination**

Prior to the termination of the engagement, we were unable to gain appropriate access to documentation from the Agency. Continuous efforts were made to review documentation. Multiple factors such as purchasing employee turnover, threat of Agency closure or consolidation and inadequate file maintenance led to unanswered requests to review Agency records. We were able to complete internal control testwork before the engagement was terminated. The scope of the internal control testing was for the period of January 1, 2012 through April 1, 2013.

During our review of internal controls we randomly selected nine acquisitions for testing to determine if the Agency's internal requisition form was completed and had proper authorization. We also tested to see if the Agency had maintained a copy of the purchase orders on file. We found no documentation for seven of the nine acquisitions reviewed. Due to the results of this testwork, we would not rely on the Agency's internal controls and a material control weakness was noted.

