



Report Highlights

Office of Financial Institutions

Executive Department

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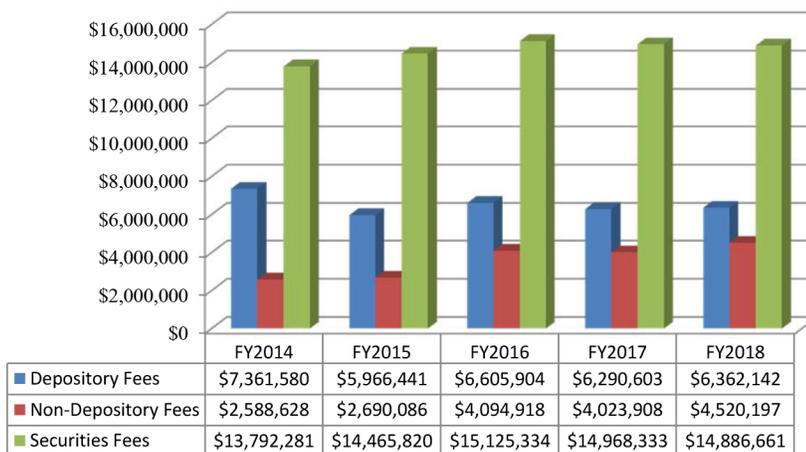
Why We Conducted This Work

We performed procedures at the Office of Financial Institutions (OFI) to evaluate certain controls that OFI uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds for the period July 1, 2016, through June 30, 2018.

What We Found

- For the second consecutive engagement, OFI is not performing examinations of non-depository entities in accordance with applicable laws and policies, increasing the risk that entities will not receive the required examinations and deficiencies will go undetected. We compared lists of non-depository licensees that were active as of January 31, 2018, whose licenses were issued prior to January 31, 2015, to lists of exams completed during the period July 1, 2015, through June 30, 2018, noting the following:
 - 199 (62%) of 319 residential mortgage lenders with loan activity were licensed for the entire period but had not received an examination of books, records, and accounts as required by statute.
 - 279 (31%) of 886 check casher branches were licensed for the entire period but had not received an examination within the past three years.
- For the second consecutive engagement, OFI did not have adequate controls over payroll processing and timekeeping records. In a test of payroll disbursements for the period July 1, 2017, through December 31, 2017, we noted 7 (64%) of 11 time sheets tested were not approved by the supervisor prior to disbursing payroll increasing the risk of inaccurate or fraudulent payroll disbursements.
- For the two years ending June 30, 2018, OFI did not adequately research outstanding checks during the bank reconciliation process and report outstanding checks, which were held for more than one year, as abandoned property to the State Treasurer's Office in accordance with unclaimed property regulations. During our procedures, we noted that the December 2017 bank reconciliation included 26 outstanding checks, totaling \$5,385, with check dates ranging from June 2013 through October 2016.
- The prior report finding "No Examination Penalties Assessed" has been resolved.
- OFI's revenue has remained stable since 2016, when there was an increase in non-depository revenue mainly due to authorized fee increases in the 2015 Regular Session and a large increase in the number of licensed residential mortgage entities.

Five-Year Revenue Trend



Source: Business Objects Financial Reports and Annual Fiscal Reports