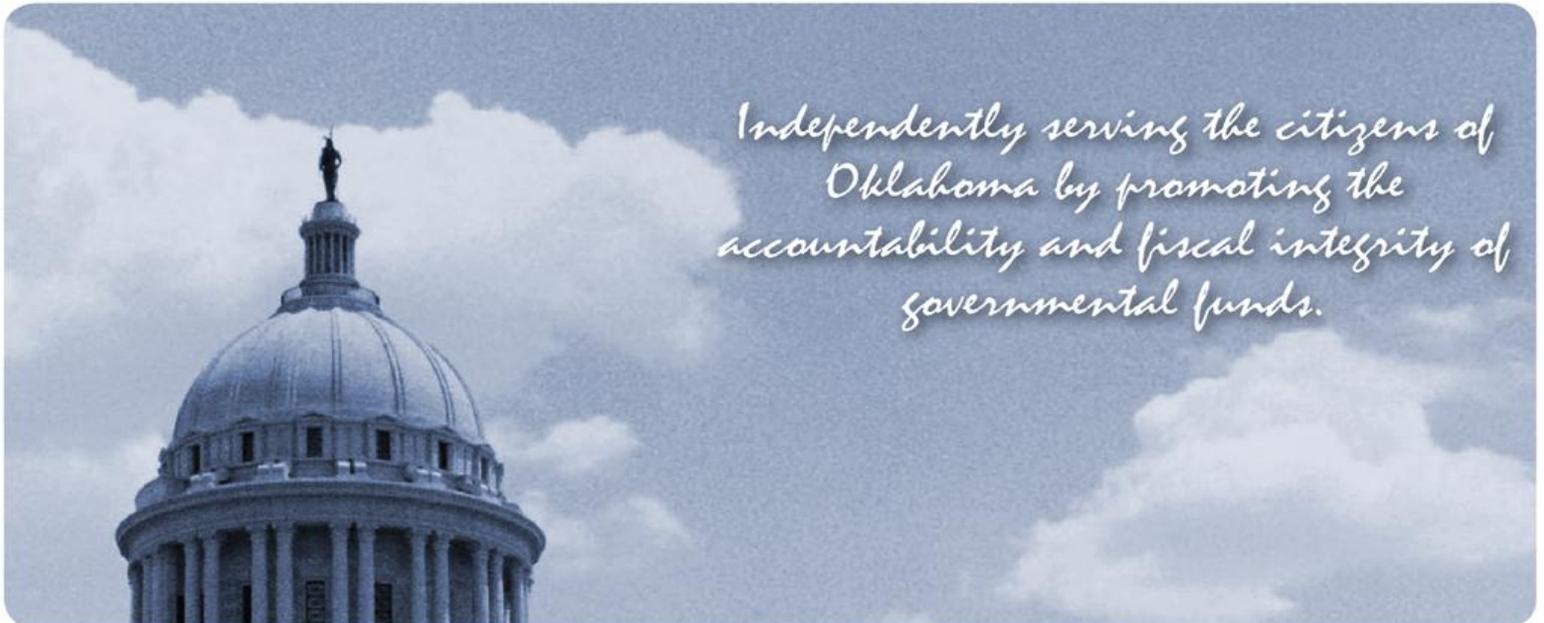


OPERATIONAL AUDIT

OKLAHOMA BOARD OF ARCHITECTS, LANDSCAPE ARCHITECTS, AND REGISTERED INTERIOR DESIGNERS

For the period January 1, 2009 through June 30, 2013



*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

**Audit Report of the
Oklahoma Board of Architects, Landscape Architects and
Registered Interior Designers**

**For the Period
January 1, 2009 – June 30, 2013**



Oklahoma State Auditor & Inspector

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

August 29, 2014

**To the Oklahoma Board of Architects, Landscape Architects,
and Registered Interior Designers**

This is the audit report of the Oklahoma Board of Architects, Landscape Architects, and Registered Interior Designers for the period January 1, 2009 through June 30, 2013. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

This report is 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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Board of Architects, Landscape Architects, and Registered Interior Designers Operational Audit

Background

The Oklahoma State Board of Architects, Landscape Architects, and Registered Interior Designers was established by the Legislature in 1925. The agency is responsible for the examination and licensing of architects and landscape architects after determining their eligibility. The agency also examines and determines the eligibility for interior designers and registers them and their entities. It also regulates the practice of architecture and landscape architecture and has the power to suspend, revoke, deny, and refuse to renew, or reinstate licenses and/or registrations. The agency is self-sustaining through the collection of fees.

Oversight is provided by eleven board members appointed by the Governor. Each examiner serves a term of five years with the exception of the public member who serves at the pleasure of the governor.

Board members as of August 2014 are:

- David Hornbeek, Architect..... Chair
- J. Mark Taylor, Interior Designer..... Vice Chair
- James H. Hasenbeck, Architect Secretary-Treasurer
- Nathan Baker, Architect..... Member
- Jim Bruza, Architect..... Member
- Brian J. Dougherty, Landscape Architect Member
- M. Bradley Gaskins, Architect..... Member
- Ben Graves, Architect Member
- James Loftis, Architect..... Member
- Randy Weatherly, Landscape Architect Member
- Jeff Click Public Member

Board of Architects, Landscape Architects, and Registered Interior Designers Operational Audit

The following charts illustrate the Agency's primary funding sources, and where those funds are expended.¹

Chart 1 - Revenues by Category (January 1, 2009 - June 30, 2013)

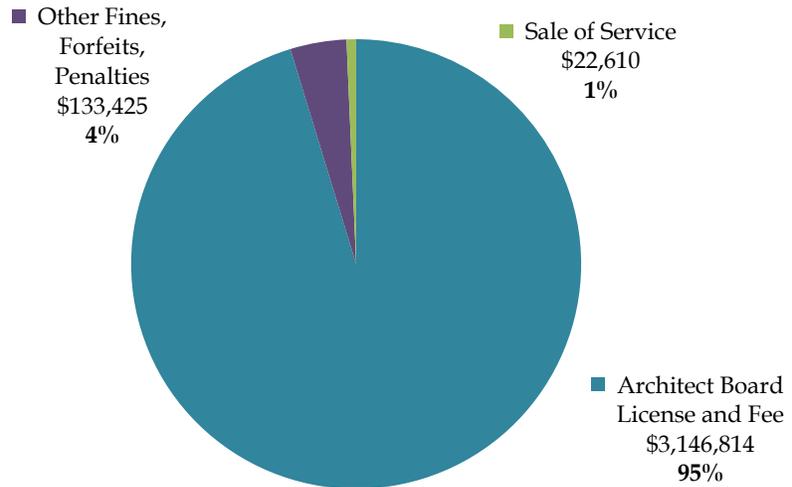
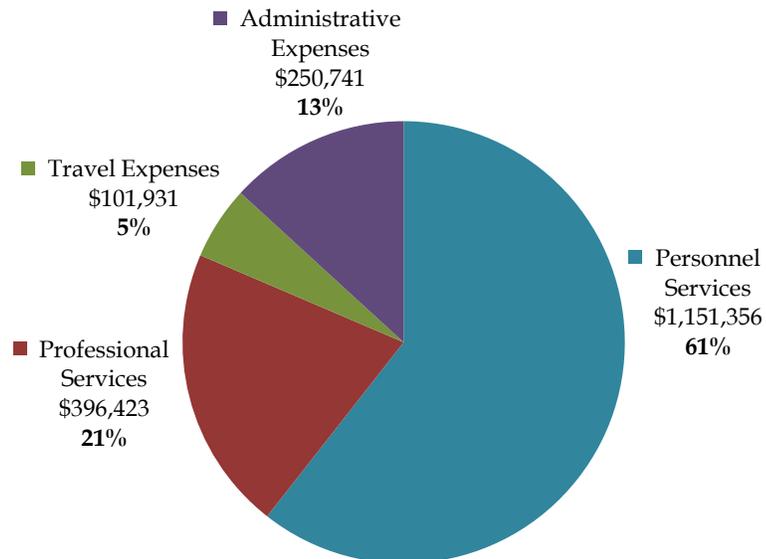


Chart 2 - Expenditures by Category (January 1, 2009 - June 30, 2013)



¹ This information was obtained from Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

Board of Architects, Landscape Architects, and Registered Interior Designers Operational Audit

Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212.B.1, 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 conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period January 1, 2009 through June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Board of Architects, Landscape Architects, and Registered Interior Designers' operations. We also tested a sample of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

OBJECTIVE

Determine whether the Agency's internal controls provide reasonable assurance that revenue and expenditures (both miscellaneous and payroll) were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

Conclusion

The Agency's internal controls provide reasonable assurance that expenditures (both miscellaneous and payroll) were accurately reported in the accounting records. However, they do not provide reasonable assurance that revenues were accurately reported.

Board of Architects, Landscape Architects, and Registered Interior Designers Operational Audit

Financial operations complied with the following laws and regulations:

- 74 O.S. 3601.2, limiting the executive director's salary.
- 59 O.S. § 46.20, requiring the transfer of 10% of the agency's licensing revenues to the state general revenue fund.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties Related to Revenues

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*² states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction."

The executive secretary is responsible for a variety of revenue and licensing duties, including the following:

- Receiving checks and applications;
- Recording license information and issuing licenses;
- Preparing the deposit;
- Recording deposits in the state accounting system; and
- Taking the deposit to the bank.

As a result, it appears an employee in this position has the ability to issue a license without recording the related application or license fee, which could allow them to misappropriate a payment and conceal the theft. Because a license could technically be issued without approval, this could also lead to unqualified individuals receiving licenses.

This conflict of duties appears to exist due to the agency's small staff size, and mitigating controls have not been put in place by management.

Recommendation

The executive director should perform a regular reconciliation of all license activity to revenues deposited. This could potentially require improvements to the Agency's licensing database to ensure licensing data is complete and reliable.

² Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Board of Architects, Landscape Architects, and Registered Interior Designers Operational Audit

Views of Responsible Officials

The Agency will contact the Office of Management and Enterprise Services (State Finance) and have them create a report, if possible, that will compare all licenses issued against the deposits to determine if licenses are issued without payment.



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