

OPERATIONAL AUDIT

# OFFICE OF THE CHIEF MEDICAL EXAMINER

July 1, 2008 through June 30, 2014

A photograph of the Oklahoma State Capitol building's dome, showing its classical architecture and the clouds above.

*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  
Office of the Chief Medical Examiner  
For the Period  
July 1, 2008 through June 30, 2014**

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# Oklahoma State Auditor & Inspector

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

December 19, 2014

**TO THE BOARD OF MEDICOLEGAL INVESTIGATIONS:**

This is the audit report of the Office of the Chief Medical Examiner for the period July 1, 2008 through June 30, 2014. 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

## **Office of the Chief Medical Examiner Operational Audit**

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### **Background**

The Office of the Chief Medical Examiner of the State of Oklahoma (OCME) operates under the control of the Board of Medicolegal Investigations through the provisions of the Oklahoma Statutes. The office is directed by the Chief Medical Examiner who is a licensed physician, trained and certified in forensic pathology, the branch of medicine concerned with the investigation of sudden, unexpected, violent or suspicious death. OCME has the sole responsibility for investigating sudden, violent, unexpected and suspicious deaths. Information gained from these medicolegal investigations is frequently required in the form of evidence and expert testimony in both criminal and civil legal proceedings. When a death occurs on the job or appears to be work-related, the results of the medicolegal investigation are of direct benefit to the family in order that insurance claims may be appropriately settled. These examinations also help identify potentially unsafe consumer products. The public health function of the medical examiner's office is further apparent in the investigation of cases in which poisons, hazardous work environments or infectious agents are implicated. The identification of such dangerous elements allows the prompt implementation of treatment and preventative measures through coordination with Oklahoma's public health agencies and OSHA.

Board members as of June 30, 2014 are:

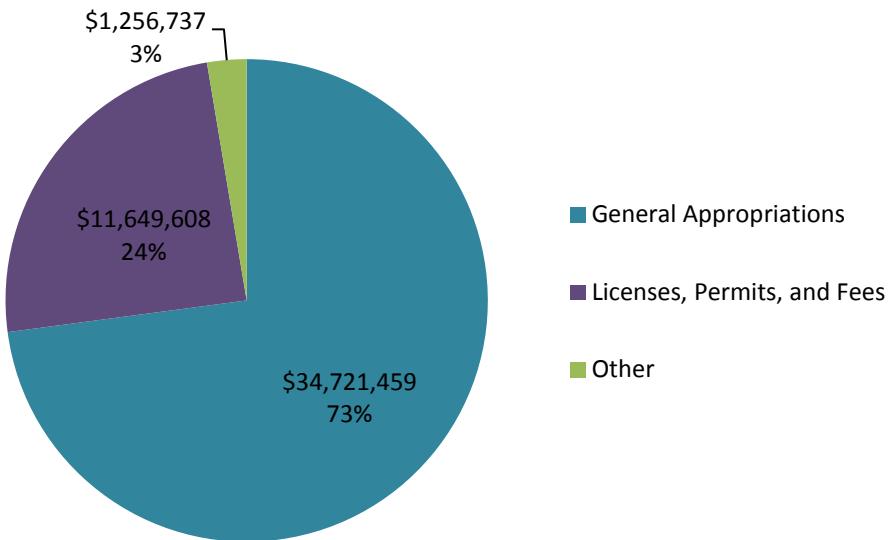
Chris Ferguson (Oklahoma Funeral Board) .....	Chairman
Doug Stewart, D.O., MPH (Oklahoma Medical Assoc.). ....	Vice-Chairman
Eric Pfeifer, M.D.....	Chief Medical Examiner
Barbara Bane, M.D. (OU College of Medicine).....	Member
Charlie Curtis (OSBI Designee).....	Member
Rocky McElvany (Oklahoma State Dept. of Health Designee). ....	Member
Thomas Mortensen (Oklahoma State Bar Association).....	Member
Karlis Sloka (OSU College of Osteopathic Medicine Designee).....	Member
John Vogel, D.O. (Oklahoma Osteopathic Association).....	Member

## Office of the Chief Medical Examiner Operational Audit

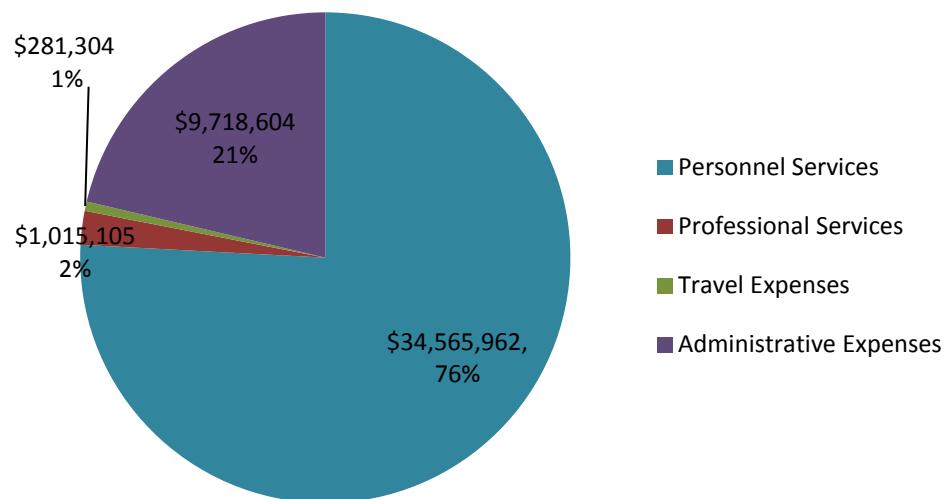
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The following charts illustrate the Agency's primary funding sources, and where those funds are expended.<sup>1</sup>

**Chart 1 – Revenues by Category (July 1, 2008 through June 30, 2014)**



**Chart 2 – Expenditures by Category (July 1, 2008 through June 30, 2014)**



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

## **Office of the Chief Medical Examiner Operational Audit**

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### **Scope and Methodology**

Our 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 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 July 1, 2008 through June 30, 2014. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Office of the Chief Medical Examiner.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that 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.

## **Office of the Chief Medical Examiner Operational Audit**

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<b>OBJECTIVE</b>	Determine whether the Agency's internal controls provide reasonable assurance that receipts, expenditures (both miscellaneous and payroll), and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations (62 O.S. § 34.57, OAC 580:70-3-1).
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<b>Conclusion</b>	<p>The Agency's internal controls do not provide reasonable assurance that receipts, expenditures, and inventory were accurately reported in the accounting records.</p> <p>The Agency did comply with OAC 580:70-3-1, <i>Agency inventory requirements</i>; however, the agency did not comply with 62 O.S. § 34.57, <i>Monthly transfer</i>.</p>
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### **FINDINGS AND RECOMMENDATIONS**

<b>Inadequate Segregation of Duties over Inventory</b>	<p>The United States Government Accountability Office's <i>Standards for Internal Control in the Federal Government</i><sup>2</sup>, states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event." In addition, the <i>Standards</i> state that in order to safeguard vulnerable assets, "Such assets should be periodically counted and compared to control records."</p>
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The agency has not segregated key duties related to inventory. The following conflicting conditions were identified:

- The purchasing manager has the ability to initiate purchases, receive purchased inventory, process payments, modify inventory records, and surplus inventory.
- The agency does not perform a formal physical inventory count. Inventory is self-reported by the different divisions to the purchasing manager who updates inventory records in coordination with the administrative assistant.
- Five out of twenty-five items selected from the client's inventory listing could not be located. According to management:

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<sup>2</sup> 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.

## **Office of the Chief Medical Examiner Operational Audit**

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- Four of those items had been transferred to surplus.  
However, inventory and transfer records did not have sufficient details (i.e. there were missing serial numbers and asset tag numbers) to positively confirm this.
- One of the items had been reported as stolen in 2011.  
We were given a police report but noted that none of the serial numbers listed in the report matched what was listed in the client's inventory records for the missing asset in our sample.
- An additional three of those twenty-five items selected had not been properly tagged or had not been properly recorded in the client's inventory records.

The lack of adequate internal controls provides the opportunity for the inventory to be misstated or misappropriated without detection.

### **Recommendation**

We recommend management segregate duties to ensure that no one individual can initiate purchases, receive purchase inventory, process payments, modify inventory records, and surplus inventory. We also recommend that management ensure that a comprehensive annual physical inventory count is performed and documented by someone independent from purchasing inventory, maintaining inventory items or inventory records, or disposing of surplus inventory. Management should also ensure that assets are appropriately safeguarded and that asset tags and inventory records are accurately maintained.

### **Views of Responsible Officials:**

Inventory records were received from former agency administration. We will implement procedures to ensure that the inventory records are maintained by someone independent of purchasing assets, performing inventory counts, or disposing of surplus assets.

### **Inadequate Segregation of Duties over Miscellaneous Expenditures**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*<sup>3</sup>, states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

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<sup>3</sup> 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.

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Duties regarding miscellaneous expenditures are not properly segregated due to the following conditions:

- The purchasing manager has the ability to initiate purchases, create purchase orders, and post and process payments in the CORE system. The purchasing manager also approves all claims and receives warrants back directly from the Oklahoma State Treasurer's office. The purchasing manager often also receives items that have been ordered.
- There was no documentary evidence that management is reviewing detailed expenditure data received from OMES-ABS.

This creates the following risks:

- Management's approval of purchases could be circumvented. Without adequate segregation of duties, fictitious payments could be processed and concealed or inappropriate purchases could be made and not detected in a timely manner.
- Failure to independently obtain expenditure data for review creates a risk that management could rely on information that has been manipulated to conceal fictitious or inappropriate payments.

### **Recommendation**

We recommend management segregate duties to ensure that no one individual can initiate purchases, create purchase orders, post and process payments, approve claims, and receive items that have been ordered. Management may also consider mitigating risks associated with conflicting duties by implementing and documenting a review of independently obtained and appropriately detailed expenditure data.

### **Views of Responsible Officials:**

1. We are removing the duties mentioned above from the purchasing manager and reassigning them to the administrative assistant. We are also changing the purchasing manager to view only for the payment modules of Peoplesoft.
2. The CAO receives monthly statements from ABS of expenditures. The expenditures are discussed verbally with the purchasing officer, monthly. This has been our practice for a few years. However, to ensure proof of discussion, we will implement the process of noting our discussions of expenditures on the statement and initial the notes.

# Office of the Chief Medical Examiner Operational Audit

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## **Inadequate Segregation of Duties over Payroll Expenditures**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*<sup>4</sup>, states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

Duties regarding payroll expenditures are not properly segregated due to the following conditions:

- The administrative assistant is responsible for making changes to employees' payroll data in PeopleSoft HCM, processing payroll, and approving the payroll claims for payment.
- The CAO is responsible for approving payroll changes and also has access to make changes to payroll/personnel records in PeopleSoft HCM.

Management's approval of payroll changes could be circumvented. Without adequate segregation of duties, fictitious payroll payments or improper payroll changes could be processed and concealed.

### **Recommendation**

We recommend management segregate duties to ensure that no one individual can make changes to employee's payroll data, process payroll, and approve payroll claims. Management should also independently obtain and review appropriate detailed payroll data, including changes made to employees' records, for review.

### **Views of Responsible Officials**

We changed this process beginning with our October supplemental payroll (which is processed in November). The CAO reviews all payroll processes and signs the payroll, if correct. Additionally, the CAO has submitted a request to the OMES helpdesk to remove edit capabilities of the payroll system. The CAO would have a view only access.

## **Inadequate Segregation of Duties over Receipts**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*<sup>5</sup>, states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording

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<sup>4</sup> 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.

<sup>5</sup> 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.

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them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.”

Duties regarding receipts are not properly segregated due to the following conditions:

- The records manager receives payments and posts receipts to customer accounts in the agency's internal database.
- After receipts are posted, payments received are given to the purchasing manager who prepares and takes the deposit to the bank and reports the deposited amounts for CORE records. In addition, this position serves as the back-up to the records manager and in their absence would receive payments and post receipts to customer accounts in the agency's internal database.
- Receipts posted are not reconciled to funds deposited.

Due to a lack of proper segregation of duties and an independent reconciliation of receipts posted per the internal database to deposits the following conditions could occur and go undetected:

- The records manager could post receipts to the internal data base, close accounts receivable records and misappropriate the associated payments.
- When preparing the deposit, the purchasing manager could misappropriate payments received by excluding them from the deposit.

### **Recommendation**

Due to the agency's limited staff size, we recommend management implement a mitigating control, performed by an employee independent of receipting and deposit processes, which would provide assurance that all payments credited to customer accounts were deposited.

### **Views of Responsible Officials**

Due to our limited staff, the transcriptionist has agreed to provide this assurance as she has no receipting and/or depositing database abilities. She has view only to reconcile the deposit to the database. We are in the process of developing an internal daily report.

### **Information Systems**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*<sup>6</sup>, which is considered a reliable resource for internal control best practices, states in part that information

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<sup>6</sup>Information addresses controls in the federal government, this criterion can be treated as best if controls applies uniformly to federal or state government.

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systems used by entities should be “designed to help ensure completeness, accuracy, authorization, and validity of all transactions during application processing. . .”

We noted the following issues related to the agency’s case management/accounts receivable system:

- Payment posting data from the client’s case management/accounts receivable system could not be reconciled to daily deposits or receipts books.
- Data appeared unreasonable. For example:
  - The posting report identified one day in our audit period as having 1,366 payments. It would be physically impossible for the Medical Examiner’s office to process that many cases or payments in one day.
  - Payment reference sequences did not appear reasonable based on our review of the data compared to the physical receipt books and deposit records.
  - Payment amounts for individual receipts/payment references shown in the posting report did not accurately reflect the amounts actually received and deposited.

In addition we noted several aspects of the agency’s case management/accounts receivable system that represent weaknesses and should be strengthened:

- The system does not produce a reliable report of payments posted. In addition, this report cannot be generated by the agency and must be requested from their software vendor.
- The system allows payments posted to be back-dated.

Because the Agency does not have a reliable mechanism in place to accurately determine payments credited to customer accounts for a given time period, fraud could occur and go undetected.

### **Recommendation**

We recommend management consider implementing the following improvements to its system:

- Eliminate the ability for users to manually enter the date payments are posted.
- Create a mechanism within the system to report all payments recorded, written off, deleted, etc.
- Make additional improvements necessary to ensure data maintained in the system and any associated outputs are accurate and reliable.

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### **Views of Responsible Officials:**

The above three recommendations will be submitted to our IT consultant to implement the changes.

#### **Compliance with finance- related laws**

According to **62 O.S. §34.57 E. 1 ....**"at least once each month each state agency shall transfer monies deposited in agency clearing accounts to the various funds or accounts, subdivisions of the state, or functions as may be provided by statute and no money shall ever be disbursed from the agency clearing account for any other purpose, except in refund of erroneous or excessive collections and credits".

An effective internal control system should provide reasonable assurance funds are transferred in a regular, timely manner. The Agency appears to have made every month's transfers to the clearing account; however, transfers were not performed timely for the months of September 2012, July 2013, and October 2013.

Not transferring funds in a regular, timely manner increases risk of possible loss or misuse of funds.

### **Recommendation**

We recommend management monitor their clearing accounts to ensure that transfers are made on a timely basis.

### **Views of Responsible Officials**

This is a process that is handled by Agency Business Services (ABS). Beginning immediately, our office will monitor the disbursements made by ABS to ensure timely process.



**OFFICE OF THE STATE AUDITOR & INSPECTOR  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896**

**[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)**