



OKLAHOMA BOARD OF LICENSED ALCOHOL AND DRUG COUNSELORS

Operational Audit

For the period July 1, 2016 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Board of Licensed Alcohol and Drug Counselors**

**For the Period
July 1, 2016 through June 30, 2021**



August 15, 2022

TO THE OKLAHOMA BOARD OF LICENSED ALCOHOL AND DRUG COUNSELORS

We present the audit report of the Oklahoma Board of Licensed Alcohol and Drug Counselors for the period July 1, 2016 through June 30, 2021. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**Oklahoma Board of Licensed Alcohol and Drug Counselors
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Background

The Oklahoma State Board of Licensed Alcohol and Drug Counselors (BLADC or the Agency) was established by the Legislature to examine and license applicants for the practice of alcohol and drug counseling, and to implement the provisions of the Licensed Alcohol and Drug Counselors Act.

The mission of the Board of Licensed Alcohol and Drug Counselors is to develop an understanding of alcoholism and drug dependency problems; prevent, diagnose or treat alcohol and drug dependency problems; conduct assessments or diagnoses for the purpose of establishing treatment goals and objectives; and to plan, implement or evaluate treatment plans using counseling treatment intervention.

Oversight is provided by a seven-member board (the Board) appointed by the governor with the advice and consent of the Senate. Four members are selected from a list of names submitted by the Oklahoma Drug and Alcohol Professional Counselors Association, one member from a list by the Oklahoma Substance Abuse Services Alliance, one member from a list by the Oklahoma Citizen Advocates for Recovery and Treatment Association, and one member from the general public. Five members are licensed alcohol and drug counselors, and one member is certified as an alcohol and drug counselor. All members serve a term of five years.

Board members as of May 31, 2021 are:

| | |
|--------------------------------|------------|
| Dr. Bill Sharp, Ph.D..... | Chair |
| Steven Fritz | Vice-Chair |
| Judith Adams, Ph.D..... | Member |
| Catherine M. Christensen | Member |
| Rita Maxwell..... | Member |
| Don Bruk..... | Member |
| Randy Honeycutt..... | Member |

**Additional
Considerations**

Some accounting duties, including expenditure claims processing and clearing account reconciliations, are performed under contract by the Oklahoma Board of Medical Licensure and Supervision (Medical Board).

BLADC is currently staffed by only one employee, the Executive Director. This inherently increases risk, in that there is no other employee present to segregate financial duties or provide for immediate, independent reviews. This impacts the processes examined in our objectives and increases the need for Board participation. However, our recommendations are in no way a commentary on the character of the Executive Director, who shoulders numerous responsibilities and has served the Agency for many years.

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

| | 2020 | 2021 |
|--------------------------------|-------------------|-------------------|
| Sources: | | |
| Licenses, Permits, Fees | \$ 203,500 | \$ 197,715 |
| Total Sources | \$ 203,500 | \$ 197,715 |
| Uses: | | |
| Personnel Services | \$ 88,655 | \$ 88,710 |
| Professional Services | 62,894 | 49,303 |
| Administrative Expenses | 10,420 | 12,279 |
| Property, Furniture, Equipment | - | 2,880 |
| Travel | 1,104 | 551 |
| Total Uses | \$ 163,073 | \$ 153,723 |

Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)

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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, 2016 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Medical Board personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the statewide accounting system and gathering information from the Executive Director to assess the related financial processes and trends for any notable risks.
- Reviewing transfers to the state's general revenue fund as required by 62 O.S. § 211 and confirmed they materially reflected 10% of Agency deposits.
- Reviewed the Agency's HR actions via the statewide accounting system to assess the changes that had a financial impact during the audit period.

Two objectives related to revenues and non-payroll expenditures were developed, as discussed in the next section. No other significant risks or findings were identified as a result of these procedures.

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.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their

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*Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

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OBJECTIVE I Determine whether effective internal control activities are in place to ensure all funds physically received by the agency are deposited, in line with *GAO Standards for Internal Control* and previous audit recommendations.

Conclusion Effective internal control activities are not in place to ensure all funds physically received are deposited as previously recommended and in line with *GAO Standards for Internal Control*.

See further discussion and our recommendations below.

Methodology To accomplish our objective, we performed the following:

- Documented our understanding of the revenue processes through discussion with management and review of documentation.
- Evaluated those processes, identified and assessed significant internal controls, and developed a recommendation related to our objective.

FINDINGS AND RECOMMENDATIONS

Reconciliation of Licensing to Deposit Activity Needed The Executive Director is responsible for receipting payments, entering the payments into the Agency’s licensing database, and preparing and making the deposits. The Medical Board’s financial staff makes deposit entries in the statewide accounting system.

Repeat Finding Because the agency is staffed only by the Executive Director, independent oversight is key to ensuring deposits are complete and accurate. A formal and reliable comparison of licensing activity to deposits would provide this oversight. We reviewed examples of two reports available from the Agency’s database, “summary” and “totals” reports, as well as the monthly deposit reconciliation prepared by the Medical Board. These sources of information could serve as useful tools in reconciling deposits to licensing activity.

According to *GAO Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

We recommend an independent party with adequate authority, such as a BLADC Board member, reconcile reports from the Agency’s licensing database to detailed deposit documentation, such as the deposit reconciliation performed by the Medical Board or a detailed report of bank deposits. This reconciliation can be made on a regular basis such as monthly, or on a random basis, and should be documented. Documentation of this review should be retained for audit purposes.

Views of Responsible Officials

The executive director will propose that the Board appoint a committee to review deposit reconciliations, prepared by the Medical Board, on a regular basis (quarterly or as scheduled by the Board), or, review the documents during the financial presentations during regularly scheduled Board meeting, or, other recommendations per the Board’s pleasure.

OBJECTIVE II

Determine whether non-payroll expenditures were independently reviewed and approved in line with the previous audit recommendation and GAO *Standards for Internal Control*.

Conclusion

Non-payroll expenditures are not currently independently reviewed and approved as previously recommended and in line with GAO *Standards for Internal Control*.

See further discussion and our recommendations on the next page.

Methodology

To accomplish our objective, we performed the following:

- Documented our understanding of the non-payroll expenditure processes through discussion with management and review of documentation.
- Evaluated those processes, identified and assessed significant internal controls, and developed a recommendation related to our objective.

FINDINGS AND RECOMMENDATIONS

**Independent,
Detailed
Expenditure
Review Would
Provide
Efficient
Assurance**

Repeat Finding

The Executive Director signs all purchase orders and expenditure vouchers and receives a copy of entries into the statewide accounting system from the Medical Board. The Executive Director gives a financial report reflecting expenditures, created by Medical Board staff, at the BLADC Board meeting every other month.

There is no independent, authoritative review of the completed expenditure transactions. This could enable the Executive Director to make unauthorized expenditures or errors without the Board's detection or could allow an error made by the Medical Board to go unnoticed.

According to GAO *Standards for Internal Control*:

- Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

We recommend a knowledgeable person independent of the expenditure process (such as a Board member) review a detailed, unaltered expenditure report from the statewide accounting system (such as a PDF copy of the 6-Digit Detail of Expenditure report) to ensure all payments are appropriate. This review could be performed on a regular or random basis, and the Agency should retain documentation of the review.

Views of Responsible Officials

In our July 18, 2022 meeting, the Executive Director will discuss with the Board the methods and frequency to review expenditures to assure appropriateness of expenditures. The Board could review during the financial presentation at meetings, or suggest other means to meet the criteria and document the review for future audits.

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STATE AUDITOR & INSPECTOR



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