

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

**FOR THE PERIOD
JANUARY 1, 2007 THROUGH
DECEMBER 31, 2008**



OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

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

**For the Period
January 1, 2007 thru December 31, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

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October 22, 2009

TO THE OKLAHOMA BOARD OF ARCHITECTS, LANDSCAPE ARCHITECTS AND INTERIOR DESIGNERS

This is the audit report of the Oklahoma Board of Architects, Landscape Architects and Interior Designers for the period January 1, 2007 thru December 31, 2008. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**Oklahoma Board of Architects, Landscape Architects and Interior Designers
Operational Audit**

Background

The Oklahoma Board of Architects, Landscape Architects and Interior Designers (Agency) was established by the Oklahoma 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 (Board) appointed by the Governor. Each board member serves a term of five (5) years with the exception of the lay member whom serves at the pleasure of the governor.

Board members are:

Randy Weatherly Chairman
 Frank Chitwood Vice Chairman
 James H Hasenbeck Secretary/Treasurer
 Jim Bruza Member
 Bruce L Bockus Member
 Tim Wynn Member
 Martina Gangel Member
 Ben Graves Member
 Connie Scothorn Member
 James Loftis Member
 Luke Martin Public Member

Table 1 summarizes the agency’s sources and uses of funds for state fiscal years 2007 and 2008 (July 1, 2006 through June 30, 2008).

Table 1 - Sources and Uses of Funds for SFY 2007 and SFY 2008

	2007	2008
Sources:		
Architect Board License/Fee	\$418,928	\$252,263
Other Revenues	14,095	52,385
Total Sources	433,023	304,648
Uses:		
Personnel Services	\$228,049	\$246,612
Professional Services	74,992	66,803
Travel	19,969	16,969
Miscellaneous Administrative	36,585	34,855
Rent Expense	9,119	10,482
Other	6,433	5,740
Total Uses	\$375,147	\$381,461

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

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Purpose, Scope, and Sample Methodology

This audit was conducted in response to 62 O.S. § 212, which requires the State Auditor’s Office to audit the books, records, and accounts of all self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocation.

The audit period covered was January 1, 2007 through December 31, 2008.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. 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 identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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. 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.

Objective 1 - To determine if the Agency’s internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 7.1.C., 62 O.S. § 7.1.E., 62 O.S. § 211, 59 O.S. § 46.20 and 74 O.S. § 3601.2.

Conclusion

The agency’s internal controls generally provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records. However, some areas could be strengthened.

Financial operations complied with the following statutes:

- 62 O.S. § 7.1.C.2.a. - adequate safekeeping of receipts awaiting deposit;
- 62 O.S. § 7.1.E - monthly transfers from the agency’s clearing account;
- 62 O.S. § 211 and 59 O.S. § 46.20 - 10% transfer of all gross fees charged, collected and received to the state general revenue fund;
- 74 O.S. § 3601.2 – limitation of the executive director’s salary.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes which included discussions with agency personnel, observation, and review of documents;
- Tested controls which included:

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- Reviewing a random sample of 40 deposits from the period to ensure the amount on the deposit slip agreed to the ACCESS daily report, the amount in CORE agreed to the agency records and the deposit was formally approved;
 - Determining if the person who prepared the deposit was independent of the receipting process;
 - Reviewing a random sample of three months Office of State Finance (OSF) Form 11 reconciliation forms to ensure the reconciliations were mathematically accurate, amounts traced to supporting documentation, and reconciling items appeared to be reasonable;
 - Reviewing a random sample of 44 expenditure claims from the period to ensure the invoice was properly approved, the invoice supported the payment, the invoice was mathematically accurate, the correct fund and account codes were used and the expenditure appeared reasonable given the Agency's mission.
- Discussed with personnel and observed location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
 - Randomly selected 3 months during the audit period and recalculated the amount transferred to the state's general revenue fund to ensure 10% of all the fees charged, collected and received by the agency were transferred as required by 62 O.S. § 211 and 59 O.S. § 46.20 and that monthly transfers from the Agency's clearing account were made as required by 62 O.S. § 7.1.E;
 - Reviewed an OSF Payroll Action Report for the audit period and calculated the Executive Director's annual salary using this report to ensure it did not exceed the maximum annual salary per 74 O.S. § 3601.2.

Observation

Receipts not Deposited in a Timely Manner

62 O.S. § 7.1 states in part:

- C. All such monies collected pursuant to this section shall be deposited as follows in the agency clearing account or agency special account established therefor:
 - 1. Receipts of One Hundred Dollars (\$100.00) or more shall be deposited on the same banking day as received; and
 - 2. Receipts of less than One Hundred Dollars (\$100.00) may be held until accumulated receipts equal One Hundred Dollars (\$100.00) or for five (5) business days, whichever occurs first, and shall then be deposited no later than the next business day...
 - c. All checks received must be restrictively endorsed immediately upon receipt.

Based on a review of the agency's internal controls, we determined a portion of the agency's licensing fees are not being deposited in accordance with public finance laws.

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Fees for applications are not deposited until the application has been approved, which can take approximately 1 to 2 weeks. The agency does adequately secure licensing fees until the application has been approved; however, we noted checks are not being restrictively endorsed immediately upon receipt.

If receipts are not deposited in a timely manner and checks are not restrictively endorsed immediately upon receipt, they become susceptible to fraud, misuse, or theft.

Recommendation

The agency should deposit any funds received in accordance with public finance law 62 O.S. § 7.1.C. and restrictively endorse all checks immediately upon receipt.

Views of Responsible Officials

The State Architectural and Registered Interior Designer Act creates and allows the Board under Title 59, Section 46.3-19 to collect fees according to our Rules. Under the Act and Rules of the Board, this agency does not have the statutory authority to take money except for the instances described in the Rules under the Oklahoma Administrative Code, known as OAC 55:10-3-13. The checks held in the fire proof vault are for pending licenses or registrations waiting on receipt of documents to complete the licensing process. The application fees, which are normally in a separate check, are deposited and endorsed immediately, since they are non-refundable.

Based on our meeting with the State Auditor's Office staff on September 30, 2009, our resolution is to split the process in order for us to comply with both statutes. As of October 5, 2009, we have changed our instructions to send only one check for the application fee, which is immediately endorsed and deposited and we will notify the applicant at a later date when they are able to send the licensing or registration fee after receiving approval. We have endorsed all checks, marked void on them and returned them to the person or entity failing to complete the licensing processes. In the future, we will simply return them in the mail the day they are received with our note of explanation that we cannot hold any check for any reason due to state statutes and our audit findings.

Additional Procedures Performed

Methodology

As a result of the control deficiencies identified under objective 1 of this report, the following procedures were performed:

- Reviewed a haphazard selection of 20 licenses issued from the period and ensured the license fee was deposited to the bank. No exceptions were noted as a result of this procedure.



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