

OPERATIONAL AUDIT

# OKLAHOMA STATE BOARD OF LICENSED ALCOHOL AND DRUG COUNSELORS

For the period July 1, 2008 through June 30, 2016



*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 State Board of Licensed Alcohol and  
Drug Counselors**

**For the Period  
July 1, 2008 through June 30, 2016**



# Oklahoma State Auditor & Inspector

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

October 18, 2017

## TO THE OKLAHOMA STATE BOARD OF LICENSED ALCOHOL AND DRUG COUNSELORS

This is the audit report of the Oklahoma State Board of Licensed Alcohol and Drug Counselors for the period July 1, 2008 through June 30, 2016. 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". The signature is written in a cursive style with a long, sweeping underline.

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

# Oklahoma State Board of Licensed Alcohol and Drug Counselors Operational Audit

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## Background

The Oklahoma State Board of Licensed Alcohol and Drug Counselors (BLADC, 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 Agency's operations are governed by 59 O.S. §§ 1870 through 1885 and Title 38 of the Oklahoma Administrative Code. Some accounting duties, including claims processing and reconciliations, are performed by the Oklahoma Board of Medical Licensure and Supervision staff (OBML&S).

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 of names submitted by the Oklahoma Substance Abuse Services Alliance, one member from a list submitted by the Oklahoma Citizen Advocates for Recovery and Treatment Association, and one member shall be appointed from and shall represent the general public. Five members shall be licensed alcohol and drug counselors at time of appointment and one member shall be certified as an alcohol and drug counselor at time of appointment. All members serve a term of five years.

Board members as of September 2017 are:

|                                |                |
|--------------------------------|----------------|
| Judith K. Adams.....           | President      |
| Maureen Guerrero. ....         | Vice-President |
| Bill Sharp .....               | Member         |
| Holli R. Witherington.....     | Member         |
| Catherine M. Christensen ..... | Member         |
| Jane Lepak.....                | Member         |
| James Patterson .....          | Member         |

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2015 and 2016 (July 1, 2014 through June 30, 2016).

### Sources and Uses of Funds for FY 2015 and FY 2016

|                                | 2015              | 2016              |
|--------------------------------|-------------------|-------------------|
| <b>Sources:</b>                |                   |                   |
| Licenses, Permits, Fees        | \$ 161,000        | \$ 163,700        |
| <b>Total Sources</b>           | <b>\$ 161,000</b> | <b>\$ 163,700</b> |
| <b>Uses:</b>                   |                   |                   |
| Personnel Services             | \$ 116,473        | \$ 104,158        |
| Professional Services          | 35,847            | 37,403            |
| Travel                         | 3,205             | 3,496             |
| Administrative Expenses        | 11,694            | 16,306            |
| Property, Furniture, Equipment | 1,244             | 302               |
| <b>Total Uses</b>              | <b>\$ 168,463</b> | <b>\$ 161,665</b> |

*Source: Oklahoma PeopleSoft 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 duties 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, 2016. Detailed audit procedures focused on the period of July 1, 2014 through June 30, 2016 addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma State Board of Licensed Alcohol and Drug Counselors’ operations. We utilized sampling 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 expenditures) were accurately reported in the accounting records.

## Conclusion

The Agency’s internal controls provide reasonable assurance that revenues received online and payroll expenditures were accurately reported in the accounting records. The Agency’s internal controls do not provide assurance that revenues received physically and miscellaneous expenditures were accurately reported in the accounting records.

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Financial operations complied with the following statutes:

- 59 O.S. 1883 – expenditures must be approved by the Board;
- 62 O.S. 211 – 10% transfer of all gross fees charged, collected, and received to the state general revenue fund.

## FINDINGS AND RECOMMENDATIONS

### **Inadequate Segregation of Duties Related to Check and Cash Revenues**

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (2014 revision)<sup>1</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 of 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."

Approximately 30% of the Agency's revenues are received in check or cash form. They are received and entered into the licensing system by the administrative assistant at BLADC. The Medical Licensure accounting technician is then responsible for preparing and making the bank deposit. There is no independent reconciliation of payments deposited to licenses and renewals issued to ensure all funds are deposited. As a result, the accounting technician could misappropriate checks by excluding them from the deposit.

It should be noted that internal controls appear to be in place to ensure revenues received online, approximately 70%, are properly deposited to the Agency's credit.

### **Recommendation**

We recommend management implement a mitigating control to provide assurance that all physical payments received for new licenses and renewals were in fact deposited. For example, the executive director could compare the administrative assistant's licensing records to the accounting technician's deposit report to ensure all licensing transactions correspond to funds deposited.

### **Views of Responsible Officials**

We accept the recommendation that the Executive Director will compare the administrative assistant's licensing records to the accounting technician's deposit report whenever deposits are made to ensure all licensing transactions correspond to funds deposited.

<sup>1</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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## **Inadequate Segregation of Duties Related to Expenditures**

The GAO *Standards* again state, "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."

BLADC contracts with the Board of Medical Licensure's staff to perform many accounting duties. The accounting technician and administrative assistant responsible for processing BLADC's expenditures each have the following abilities:

- Create a purchase order;
- Set up vendors for payment;
- Post claims into PeopleSoft (the State's accounting system).

This could allow the accounting technician or administrative assistant to make an unapproved payment without detection. While the Medical Licensure accountant reportedly reviews expenditures after they are made, the review is not documented.

### **Recommendation**

We recommend the executive director perform a line-item detailed expenditure review after payments are made, for example by reviewing the 6-digit detail expenditure report from PeopleSoft and signing and dating that report. Documentation of this review should be retained, whether on paper or electronically.

### **Views of Responsible Officials**

Going forward, the Medical Board will generate the 6-digit detailed expenditure report from PeopleSoft and the Executive Director will review, sign, and date the report, which will be retained.





**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)**