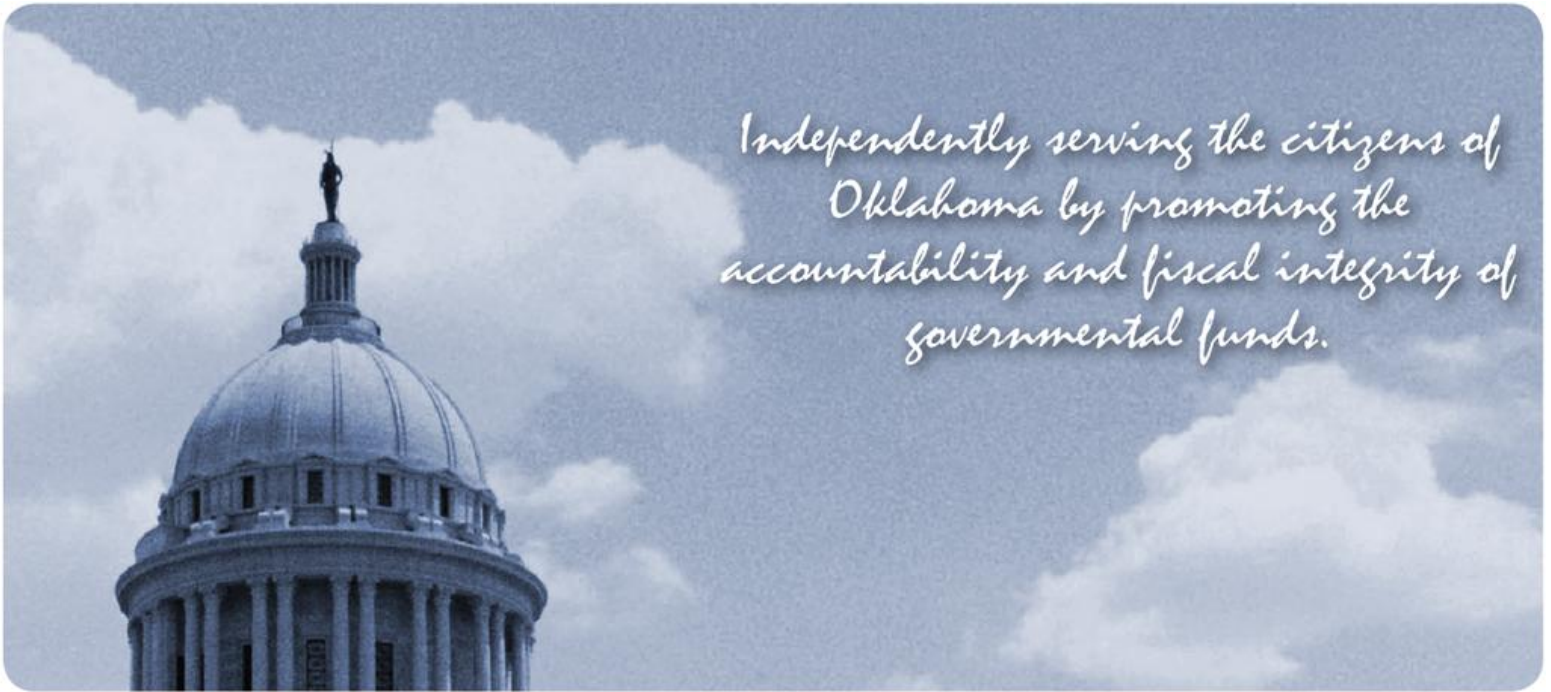


OPERATIONAL AUDIT

OKLAHOMA BOARD OF EXAMINERS IN OPTOMETRY

For the period July 1, 2011 through December 31, 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 Examiners in Optometry**

**For the Period
July 1, 2011 through December 31, 2013**



Oklahoma State Auditor & Inspector

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June 11, 2014

TO THE OKLAHOMA BOARD OF EXAMINERS IN OPTOMETRY

This is the audit report of the Oklahoma Board of Examiners in Optometry for the period July 1, 2011 through December 31, 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

Oklahoma Board of Examiners in Optometry Operational Audit

Background

The mission of the Oklahoma Board of Examiners in Optometry (the Agency) is to protect the public by regulating the practice of Optometry in the state of Oklahoma through education and licensing, and to insure that optometrists practice within the provisions of the law.

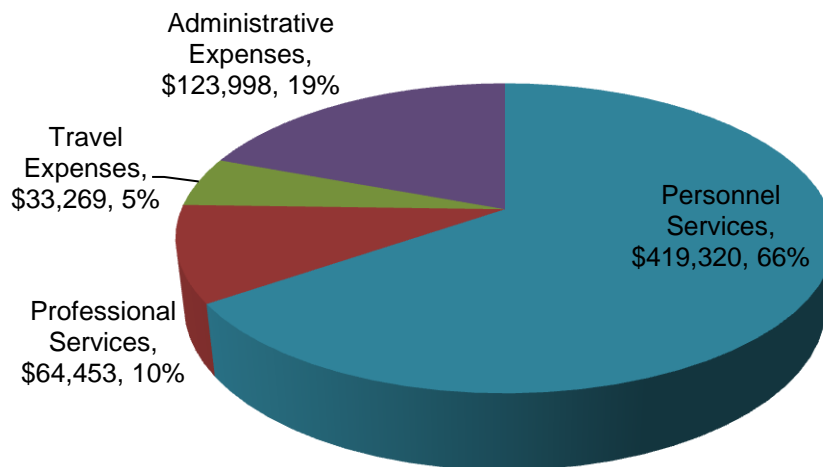
Oversight is provided by five board members, including four licensed optometrists and one lay person, appointed by the governor. Each licensed board member serves a term of five years and the lay person serves a term coterminous with that of the governor.

Board members as of June 2014 are:

Clay McLaughlin, O.D.	President
Steve Smith, O.D.	Vice-President
Kathleen Elliot, O.D.	Secretary/Treasurer
David Cockrell, O.D.	Board Member
Terri Nicoll	Board Member

During the period July 1, 2011 through December 31, 2013, the agency received \$725,995 in licensing revenues. The following chart illustrates the Agency's expenditures during the same period.¹

**Expenditures by Category for July 1, 2011 through
December 31, 2013**



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

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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, 2011 through December 31, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Agency’s 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 revenues and expenditures, to include payroll, were accurately reported in the accounting records, and financial operations complied with significant laws and regulations.

Conclusion

The Agency’s internal controls provide reasonable assurance that expenditures, including payroll, and revenues received online were accurately reported in the accounting records. However, the Agency’s internal controls do not provide reasonable assurance that revenues received in-house were accurately reported in the accounting records.

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Financial operations complied with 59 O.S. § 587, which authorizes the Board secretary-treasurer to receive compensation not to exceed \$200 per month. Financial operations did not comply with 62 O.S. § 211, which requires transfer of 10% of licensure revenues to the state's general revenue fund.

FINDINGS AND RECOMMENDATIONS

Observation

Inadequate Segregation of Duties Related to In-House Receipts Repeat Finding

To protect against fraud, errors, and professional misconduct, the internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties of employees.

At certain times during the year the executive secretary is responsible for:

- Receipting funds (checks) for the Agency;
- Preparing the deposit for the Agency;
- Entering information into the PeopleSoft (CORE) accounting system;
- Issuing licenses;
- Preparing the agency's monthly clearing account reconciliation.

The secretary is responsible for:

- Receipting funds (checks) for the Agency;
- Issuing licenses.

Either position has the ability to misappropriate license payments and issue the related licenses. In addition, payments received for miscellaneous revenues such as certificates and vendor data could be misappropriated and there is no documentation trail to alert management. The risk to these in-house receipts is limited by the fact that in-house receipts appear to comprise a very small percentage of total receipts (less than 4%) and the amount of revenue placed at risk by this weakness is approximately \$11,000 per year.

Due to the Agency's limited staffing resources it is difficult for management to segregate incompatible duties in a cost-effective manner.

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- Recommendation** We recommend:
- The Agency require all licenses and fines to be paid on-line, minimizing the risk to in-house payments.
 - The Agency implement an on-line system where certificates, vendor data, and all other services or items must be purchased. This would create a document trail for miscellaneous revenues that could be directly tied to deposits.

**Views of
Responsible
Officials**

Due to the size of our Agency, we have inadequate staffing resources to be able to segregate incompatible duties in a cost-effective manner. We recognize this and accept that hiring additional staff is cost prohibitive and impractical to implement.

We do acknowledge that it would mitigate the opportunity for fraud and create a document trail for miscellaneous revenues if we have all payments made online, accepting no cash or checks. We will investigate the possibility of requiring that all moneys be processed through OK.GOV so that we accept no cash or checks.

Observation

Failure to Transfer 10% of Revenues

The Agency is required by 62 O.S. § 211 to transfer 10% of licensure revenues to the state's general revenue fund. Due to the lack of effective revenue controls for in-house receipts (see discussion on page 3), it was only possible to test that *deposited* in-house receipts and on-line receipts were transferred appropriately.

- In July 2013, the Agency failed to correctly calculate the amounts to be transferred to its revolving account (90% of eligible deposits) and the state's general revenue fund (10% of eligible deposits). This resulted in an overpayment to the Agency revolving account and an underpayment to the state's general revenue fund in the amount of \$13,752.40.

Management did not confirm that the transfer calculations were correct, resulting in failure to comply with the statute.

- Recommendation** We recommend:
- Each month as part of the reconciliation process, Agency management verify that transfer calculations were accurate and

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that the appropriate amounts were transferred into the Agency revolving account and the state's general revenue fund.

- Management consider using their Quicken program to automate the transfer calculations.

Views of Responsible Officials

We will take the auditor's recommended course of action and use Quicken to automate the transfer calculations and Agency management will verify that transfer calculations are accurate and that the appropriate amounts are transferred into the Agency revolving account and the state's general revenue fund.

The miscalculation of the 10/90% split during July, 2013 was due to human error. OMES was immediately notified and has already transferred \$13,752.40 to the state's general revenue fund.



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