



Agreed-Upon Procedures Report

Oklahoma Board of Examiners in Optometry

July 1, 2005 Through December 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

Oklahoma Board of Examiners in Optometry

Agreed-upon Procedures Report

For the Period

July 1, 2005 Through December 31, 2006



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

April 17, 2007

TO THE OKLAHOMA BOARD OF EXAMINERS IN OPTOMETRY

Transmitted herewith is the agreed-upon procedures report for the Oklahoma Board of Examiners in Optometry. 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 "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

To protect the public by regulating the practice of optometry in Oklahoma through education and licensing requirements and to ensure that optometrists practice optometry within the provisions of the law.

Board Members

Steve Smith, O.D. President
David Cockrell, O.D. Vice-President
Gary Ford, O.D. Secretary/Treasurer
Clay McLaughlin, O.D. Board Member
Robert Edward Jones Board Member

Key Staff

Russell Lavery, O.D. Executive Director
Mary Walker Administrative Secretary I
Traci Walker Secretary



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma Board of Examiners in Optometry (the Board), solely to assist you in evaluating your internal controls over the receipt and disbursement process, and in determining whether selected receipts and disbursements are supported by underlying records for the period July 1, 2005 through December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the Board's internal controls over receipts and disbursements with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - Receipts were issued for cash and/or checks received;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - Voided receipts were retained;
 - 10% of the gross fees charged, collected and received were deposited to the State's General Revenue Fund;
 - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
 - Disbursements were supported by an original invoice;
 - Timesheets were prepared by employees and approved by supervisory personnel.

A component objective of an effective internal control system is to provide segregation of duties. Due to the size of the agency, the Administrative Secretary I is responsible for certain receipting, depositing, disbursing, and reconciling functions. The limited number of office personnel within the agency prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control. Without adequate segregation of duties, errors and improprieties could occur and not be detected in a timely manner. While the number of personnel may prevent duties from being segregated, mitigating controls can be put in place to alleviate the risk caused by the lack of segregation. As a result, we recommend additional reviews and approvals by the Executive Director be put in place. This would include, but not be limited to, the Executive Director signing off on reconciliations, deposits, and claims.

Management Response: The Board of Examiners in Optometry has a small budget, therefore it has been the Board policy to hire "temporary" help during our license renewal period which runs from May through October. During these months, 99% of our budget is received from the license renewal fees. During this time we do have a segregation of duties that is compliant with state statutes.

SA&I Response: While the Board believes they have segregation of duties during certain months, we want to re-emphasize the importance of segregation of duties or other mitigating controls at all times.

Effective internal controls include segregation of duties that reduces the opportunities to allow any person to both perpetrate and conceal errors or improprieties in the normal course of their duties. The Board has an employee with access to PeopleSoft in the General Ledger, Accounts Payable, and Purchasing areas, which are incompatible duties and reflect an inadequate segregation of duties. Inadequate segregation of duties could increase the potential for errors, improprieties, and fraud to occur and not be detected in a timely manner. We recommend the Optometry Board review the access rights/PeopleSoft roles and reallocate them, so that incompatible duties are no longer performed by employees and so that proper segregation of duties is maintained within the agency. If management has no alternative to the current situation, we recommend additional reviews and approvals by the Executive Director be put in place. This would include, but not be limited to the Executive Director signing off on the reconciliations, deposits, and claims.

Management Response: The administrative secretary is the only employee who is trained on the PeopleSoft system. Due to the small size of the Board of Examiners in Optometry we only have 2 permanent part-time positions. Therefore it is not feasible for both permanent positions to be trained on the PeopleSoft system. We do have in place an accounting system which tracks all expenditures which are tied to vouchers, po's, etc. which is divided between the two permanent employees. The Board of Examiners in Optometry feels that this does provide an effective internal control system.

SA&I Response: While the Board feels they have an effective internal control system, we want to re-emphasize the importance of segregation of duties or other mitigating controls.

A component objective of an effective internal control system is to provide adequate supporting documentation. While documenting internal controls, we noted a voided receipt in the amount of \$50 was not retained as supporting documentation. Without adequate supporting documentation, errors and improprieties could occur and go undetected. We recommend the agency ensure that all original and copies of voided receipts be retained.

Management Response: In reviewing this finding for the audit period of 18 months, we recognize that this one voided receipt was inadvertently discarded and that this is not the normal procedure of our Board employees.

Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over government assets and resources. The lack of segregation of accounting functions, which is necessary to assure an effective internal control structure, is complicated further by the employment of relatives. The agency's administrative secretary and secretary are mother and daughter, who have responsibility for most of the administrative functions within the agency. The administrative secretary also approves the secretary's timesheet. Without adequate oversight and review of agency operations, errors and improprieties could occur and go undetected. Under these conditions, the most effective controls lie in management's knowledge of agency operations and periodic review of operations. We recommend the agency director perform oversight and review of agency operations to ensure an effective internal control structure is in place to prevent the opportunity for errors and improprieties to occur.

Management Response: The Executive Director will review the internal controls of the Board of Examiners in Optometry and will oversee any changes that need to occur. In addition the Executive Director will approve the timesheet of the secretary and seasonal employees.

With respect to the other procedures applied, there were no findings.

2. We randomly selected 20 deposits and:
 - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day;
 - Examined receipts to determine if they were pre-numbered and issued in numerical order;
 - Agreed cash/check composition of deposits to the receipts issued;
 - Agreed the total receipts issued to the deposit slip;
 - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received;
 - Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first;

- Inspected agency receipts to determine whether receipts were safeguarded;
- Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
- Compared the nature of the deposit to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

3. We recalculated the required percentage/amount to be deposited to the State's General Revenue Fund and agreed it to the amount transferred to the General Revenue Fund.

There were no findings as a result of applying the procedures.

4. We randomly selected 30 vouchers and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

There were no findings as a result of applying the procedures.

5. We randomly selected 1 employee who appeared on the December 2006 payroll but not on the July 2005 payroll and observed the initial "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

There were no findings as a result of applying the procedures.

6. We randomly selected 1 employee who appeared on the July 2005 payroll but not on the December 2006 payroll and:
 - Observed the final "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.
 - Observed the main payroll funding sheet for the month subsequent to termination to determine employee no longer appeared.

There were no findings as a result of applying the procedures.

7. We randomly selected 1 employee from the December 2006 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 2006.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, and disbursements for the agency. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Board and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN
State Auditor and Inspector

April 4, 2007



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