

OPERATIONAL AUDIT

OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS

For the period January 1, 2008 through June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

**Audit Report of the
Oklahoma Board of Chiropractic Examiners**

**For the Period
January 1, 2008 through June 30, 2010**



Oklahoma State Auditor & Inspector

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March 4, 2011

**TO THE OKLAHOMA BOARD OF
CHIROPRACTIC EXAMINERS**

This is the audit report of the Oklahoma Board of Chiropractic Examiners for the period January 1, 2008 through June 30, 2010. 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 "Gary A. Jones". The signature is fluid and cursive.

Gary A. Jones, CPA, CFE
Oklahoma State Auditor and Inspector

**Oklahoma Board of Chiropractic Examiners
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Background

The Oklahoma Board of Chiropractic Examiners (Agency) serves as the administrative entity for the conduct and licensing of chiropractic physicians. The Agency has the authority to enforce the laws relating to the profession and is self-sustaining through the collection of licensing fees.

Oversight is provided by nine board members (Board) appointed by the governor. Operations are governed by 59 O.S. §§ 161.1 through .20 and Title 140 of the Oklahoma Administrative Code.

Board members are:

Dr. Ronald Tripp President
 Dr. Shayne Javersak..... Vice-President
 Dr. James Toy.....Secretary/Treasurer
 Dr. Jay Ernst Member
 Dr. Bill Mead..... Member
 Dr. Hugh McClure..... Member
 Dr. Russell Gilstrap..... Member
 Dr. Viki Resler Member
 Jeanie Gardner Public Member

Table 1 summarizes the Agency’s sources and uses of funds for fiscal years 2009 and 2010 (July 1, 2008 through June 30, 2010).

Table 1 - Sources and Uses of Funds for FY 2009 and FY 2010

	2010	2009
Sources:		
Chiropractic Examiner License and Fee	\$ 258,407	\$ 274,594
Total Sources	<u>\$ 258,407</u>	<u>\$ 274,594</u>
Uses:		
Personnel Services	\$ 155,590	\$ 153,201
Professional Services	56,009	77,818
Travel	15,709	14,807
Miscellaneous Administrative	14,769	13,522
Rent	10,518	11,078
Maintenance and Repair	2,398	4,025
General Operating	4,832	3,536
Office Furniture and Equipment	-	3,550
Other	822	1,783
Total Uses	<u>\$ 260,647</u>	<u>\$ 283,320</u>
Sources Over (Under) Uses	\$ (2,240)	\$ (8,726)

Source: Oklahoma PeopleSoft Accounting System (unaudited- for informational purposes only)

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.

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The audit period covered was January 1, 2008 through June 30, 2010.

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 – Determine whether the Agency’s internal controls provide reasonable assurance that revenues and expenditures (including payroll) were accurately reported in the accounting records.

While reading the observations in this report, the reader should keep the following in mind:

- Management was unable to explain the source for a large portion of the receipts during the audit period;
- Expenditures have exceeded revenues the past two fiscal years based on unaudited Office of State Finance data. According to management, this contributed to their inability to comply with 62 O.S. § 211 (10% transfers to the state general fund). Both of these instances point to the financial activity of the Agency not being effectively monitored.

Conclusion

The Agency’s internal controls:

- Do not provide reasonable assurance that miscellaneous expenditures were accurately reported in the accounting records;
- Do not provide reasonable assurance that revenues were accurately reported in the accounting records;
- Do provide reasonable assurance that payroll expenditures were accurately reported in the accounting records;
- Do provide reasonable assurance that license renewal revenues were accurately reported in the accounting records except for the period July 2009 through December 2009.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure (including payroll) processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
 - Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded;
 - Ensuring funds receipted for license renewals were deposited by re-performing management’s monitoring procedures; and
 - Reviewing nine randomly selected months’ payroll claims to ensure they were properly approved and agreed to supporting documentation.

Observation

Financial Activity of the Agency Not Monitored or Communicated

The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*¹ states in part, “Program managers need both operational and financial data to determine whether they are meeting their agency’s...goals for accountability for effective and efficient use of resources...effective communications should occur in a broad sense with information flowing down, across, and up the organization.”

Through discussions with management, various revenue issues could not be satisfactorily explained. For example, management represented that license renewals accounted for 60% of total receipts in fiscal year 2009 and 70% in fiscal year 2010. However, they were unable to provide support or an explanation as to what the remaining portion (i.e. new licensees, fines, etc.) of the receipts was attributable to.

Management and the Board do not appear to effectively monitor the Agency’s financial position on an ongoing basis. Financial data is not formally presented to the Board during their monthly meetings. As a result, reliable information may not be available for management and the Board to make effective decisions. Additionally, misappropriation of assets could occur and not be detected.

Recommendation

We recommend adequate records be maintained to ensure management and the Board have accurate data to make effective decisions. Additionally, the Board should request that detailed financial information be provided to them during their monthly meetings.

Views of Responsible Officials

The executive director will provide detailed reports to the Secretary-Treasurer monthly for review of all expenditures for the Agency as well as revenue collected monthly with a description of the fees. The report will then be provided to the full board at the next regularly scheduled board meeting. The executive director will also continue to provide proposed budgets for each fiscal year during the June meeting, and an end of the year expenditure and revenue report to the full board at the July meeting.

All reports will be monitored by the executive director each month and each quarter and compared to all reports generated through PeopleSoft/CORE's financial system to ensure there are no discrepancies.

¹ Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Observation

Supporting Documentation Not Maintained

21 O.S. § 590A states in part,

Every state governmental entity shall, for a period of two (2) years, maintain accurate and complete records... reflecting all financial and business transactions, which records shall include support documentation for each transaction. No such records shall be disposed of for three (3) years thereafter...

Management was unable to locate any deposit for the period July 2009 through December 2009. Twelve items in our sample of 72 deposits fell within this period. Management believes the misplacement of the supporting documentation was an oversight². Funds could have been received and not deposited.

Recommendation

We recommend the Agency maintain accurate and complete records that reflect all financial and business transactions as required by 21 O.S. § 590A.

Views of Responsible Officials

Deposit books are maintained for each fiscal year. The contents of these books are the deposit sheet with receipt numbers, courier receipt, and bank bag receipt. These books are maintained by the Administrative Assistant. Unfortunately, we were unable to locate the deposit book for the period of July 2009 through December 2009. However, all money can be accounted for by comparing our deposit reports in the database and through the deposits recorded in PeopleSoft/CORE or any other deposit report generated through the State Treasurer. However, to ensure that this does not ever happen again, deposits made monthly will be recorded in Excel and those reports will be used to reconcile with reports in the database, and with the State Treasurer's reports. Each deposit made will be categorized (for example, license renewal and/or administrative fine).

Observation

Lack of Segregation of Duties Related to Expenditures

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹ states in part, "Key duties and responsibilities need to be...segregated among different people to reduce the risk of error or fraud....No one individual should control all key aspects of a transaction..."

The executive director is responsible for the following:

- Creating the purchase order;
- Posting the invoice into the PeopleSoft accounting system; and
- Authorizing the expenditure of funds (this included ten travel reimbursements to her totaling \$3,776).

Management did not consider the lack of segregation of duties a risk. Misappropriation of funds could occur and not be detected in a timely manner.

Recommendation

We recommend management ensure the employee responsible for authorizing the expenditure of funds is not responsible for posting the invoice into the PeopleSoft accounting system. For example, if the executive director continues approving

² Supporting documentation before and after the period July 2009 through December 2009 was available.

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expenditure claims, she should not have the ability to create purchase orders or post invoices into PeopleSoft.

The Board should approve any reimbursement request attributable to the executive director.

Views of Responsible Officials

The Executive Director is authorized to properly train any employee in the CORE/PeopleSoft financials. Once the training has been completed, CORE will be notified and security access will be granted to the new employee trained to process vouchers through the financial system. The executive director will maintain final approval before any invoice can be processed for payment by the employee who has been authorized to use the financial system through CORE.

Auditor’s Response

We want to reemphasize our recommendation that the Board should approve any reimbursement request attributable to the executive director.

Objective 2 – Determine whether the Agency complied with 74 O.S. § 3601.2 A. 3. and 62 O.S. § 211.

Conclusion

Financial operations:

- Did not comply with 62 O.S. § 211 (10% of fees received are transferred to the state’s general revenue fund);
- Did comply with 74 O.S. § 3601.2 A.3. (statutory limitation on the executive director’s salary).

Methodology

To accomplish our objective, we performed the following:

- Attempted to recalculate the amount transferred to the state’s general revenue fund during the audit period to ensure 10% of all the fees charged, collected and received by the Agency were transferred as required by 62 O.S. § 211;
- Reviewed payroll information in the PeopleSoft accounting system to ensure the executive director’s annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2 A. 3. during the audit period.

Observation

Transfers to State’s General Revenue Fund Not Occurring

62 O.S. § 211 states “Unless otherwise provided by law, all self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocation shall pay into the General Revenue Fund of the state ten percent (10%) of the gross fees charged, collected and received by such board.”

During the period January 2008 through February 2009, the Agency made sporadic transfers to the state’s general revenue fund totaling \$36,440. There have been no transfers since as cash flow issues have prevented this from occurring according to management. The amount of receipts during the period (see previous observation under objective 1 of this report) of which the 10% calculation should have been applied towards is unknown. As a result, the amount due to the state’s general revenue fund is unknown.

Recommendation

We recommend the Agency determine the amount of funds owed to the state’s general revenue fund and make this transfer. Going forward, the Agency should consider making these transfers monthly.

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**Views of Responsible
Officials**

Funds will be transferred monthly as they were prior to 2009. We will begin with February 2011 deposits. Those prior to February 2011 will be paid out and fully taken care of no later than June 30, 2011.



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