

OPERATIONAL AUDIT

# OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS

For the period July 1, 2010 through June 30, 2015



*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 Chiropractic Examiners**

**For the Period  
July 1, 2010 through June 30, 2015**



# Oklahoma State Auditor & Inspector

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March 8, 2016

## TO THE OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS

This is the audit report of the Oklahoma Board of Chiropractic Examiners for the period July 1, 2010 through June 30, 2015. 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".

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

**Oklahoma Board of Chiropractic Examiners**  
**Operational Audit**

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**Background**

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

Oversight is provided by nine board members (Board) appointed by the governor. Each examiner serves a term of four years.

Board members as of June 30, 2015 are:

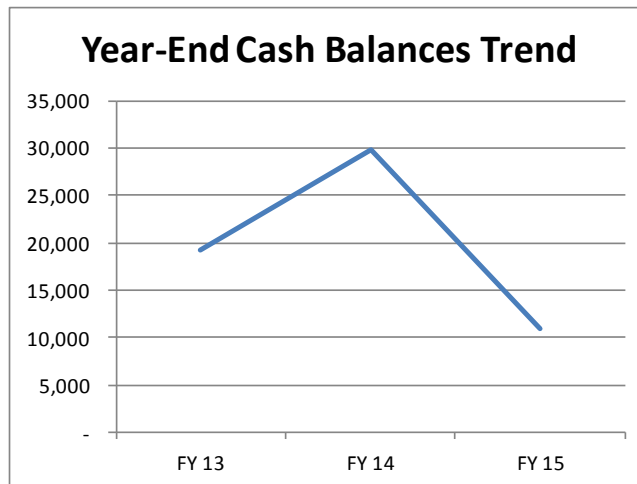
- Dr. Christopher Waddell ..... President
- Dr. Amanda Miller..... Vice-President
- Dr. Gregory Howard ..... Secretary/Treasurer
- Dr. Dan Rowe ..... Member
- Dr. Jennifer Walker ..... Member
- Dr. Troy Sturgill ..... Member
- Dr. Heather Van Wyhe..... Member
- Dr. Heath Travis..... Member
- Chase Snodgrass ..... Public Member

# Oklahoma Board of Chiropractic Examiners Operational Audit

The following information illustrates the Agency's budgeted-to-actual revenues and expenditures and year-end cash balances.<sup>1</sup>

BUDGET TO ACTUAL COMPARISON						
REVENUES	FY 2014			FY 2015		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Licenses, Permits, and Fees	233,375	250,454	17,079	344,500	295,629	(48,871)
<b>Total Revenues</b>	<b>233,375</b>	<b>250,454</b>	<b>17,079</b>	<b>344,500</b>	<b>295,629</b>	<b>(48,871)</b>
EXPENDITURES						
Personnel Services	220,332	176,623	(43,709)	211,496	164,687	(46,809)
Professional Services	36,500	10,041	(26,459)	41,756	65,871	24,115
Travel Expenses	11,000	20,285	9,285	18,000	11,662	(6,338)
Administrative Expenses	26,165	32,485	6,320	35,709	29,701	(6,008)
Property, Furniture, Equipment, & Related Debt	-	681	681	15,500	1,474	(14,026)
Gen. Assistance/Awards/Grants	-	600	600	-	250	250
Transfers and Other Disbursements	-	-	-	-	90	90
<b>Total Expenses</b>	<b>293,997</b>	<b>240,715</b>	<b>(53,282)</b>	<b>322,461</b>	<b>273,735</b>	<b>(48,726)</b>
<b>Expenditures Over (Under) Revenues</b>	<b>(9,739)</b>			<b>(21,894)</b>		

Year-End Cash Balances: FY 13 - FY 15			
	FY 13	FY 14	FY 15
Revolving Fund	19,321	29,798	10,923
<b>Total Available Cash</b>	<b>19,321</b>	<b>29,798</b>	<b>10,923</b>



<sup>1</sup> This information was obtained from the Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited. See summary of management's explanation of variances on page 3 of this report.

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## Summary of agency responses to budgeted-to-actual variances

This information is a summary of responses obtained from the Oklahoma Board of Chiropractic Examiners. It is for informational purposes only and has not been audited. See budgeted-to-actual analysis on page 2 of this report.

## Revenues

- As an agency that relies solely on the license renewals of licensees when creating a budget it is sometimes difficult to gauge how many will actually renew their Oklahoma license regardless of their status being active, inactive resident, inactive non-resident, or retired. We also calculate examination and application fees based on historical data for those who seek licensure in Oklahoma through original license or relocation of practice. Our license renewal period is on a fiscal year so money received toward the end of June we record as June but sometimes it will show up on our July Treasury statement from OST. When preparing the budget I try to anticipate that all revenue will be collected for license renewal from March to June but that is not always the case. Additional revenue is collected from Chiropractic Assistant (CA) exam fees, CA applications, Continuing Education (CE) applications and other miscellaneous revenue that we do track in categories so we know where our revenue is coming from in addition to licensure fees.

## Expenditures

- Travel in FY 2014 was budgeted at \$11,000. Board members including the Executive Director attended the District meeting for the Federation of Chiropractic Licensing Boards. Travel was also approved for the Delegate, Alternate Delegate and the Executive Director to attend the Federation of Chiropractic Licensing Boards and National Board of Chiropractic Examiners annual meeting during FY 2014. In addition to reimbursement for travel to the national meetings, board members were reimbursed for travel to and from board meetings. The investigator was reimbursed for mileage for those investigations where travel was required and his personal vehicle was used.
- Travel in 2015 was budgeted at \$18,000. The Board approved for 3 board members including the Executive Director to attend the District I & IV meeting with the Federation of Chiropractic Licensing Boards. Travel was also paid for the Delegate and Alternate Delegate (President and Secretary-Treasurer) and the Executive Director to attend the annual FCLB meeting which is typical annually and in statute as well. All travel was approved in the minutes during 2014 and 2015. I had 6 board members that I paid travel for attending board meetings during FY 2015, and we had one legislative committee meeting that I paid travel for 2 board members in November of 2014. The Board when they approve the budgets in June is aware travel can increase or decrease.
- During FY 2015 the Board had increased expenditures for professional services which included increased services with the Attorney General's Office for advising legal counsel and prosecuting legal counsel. We also utilized an outside testing vendor to develop and administer the Chiropractic Assistant certification examination. The Board also utilized services to have all documents scanned and placed in an online app extender providing digital documents which allowed for stored records on a secure server with OMES in order to eliminate paper, and secure documents from damage or loss in the event of a natural disaster. We also started utilizing OMES ABS, and in addition we saw an increase in the amount that our agency paid for IT with OMES in FY 2015.

# Oklahoma Board of Chiropractic Examiners Operational Audit

## 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, 2010 through June 30, 2015. Detailed audit procedures focused on the period of July 1, 2013 through June 30, 2015, 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 Board of Chiropractic Examiners 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, payroll expenditures, and miscellaneous expenditures were accurately reported in the accounting records.

## Conclusion

The Agency's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records. The Agency's internal controls do not provide reasonable assurance that revenues or miscellaneous expenditures were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

**Inadequate Segregation of Duties over Revenue**  
*(Repeat Finding)*

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (2014 Revision)*<sup>2</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 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."

The administrative assistant is responsible for receiving and receipting funds, preparing the deposit, and releasing licenses. This creates an opportunity for someone in this position to misappropriate funds received and to conceal the misappropriation by improperly recording receipts. In addition, management does not perform an independent reconciliation sufficient to ensure all payments received by the agency are deposited. Although the executive director performs a clearing account reconciliation, there is no comprehensive reconciliation of payments received to licensing activity.

It appears management was not aware of the risks created by this arrangement of duties or the lack of appropriate reconciliation controls.

This deficiency also increases the risk that transfers to the state's general revenue fund required by 62 O.S. § 211 could be incomplete, as a result of the mandated portion of misappropriated fees not being included in the transfer. This would place the agency out of compliance with state statute.

**Recommendation**

We recommend management ensure that the individual receiving payments does not have access to post payments received; ensure the person preparing the deposit does not have access to record payments or deposits; and/or independently reconcile receipts deposited to licenses issued and renewed, to ensure all funds received were deposited. For example, the duty of releasing licenses could be performed by the agency director as she compares the bank deposit paperwork to the licenses being released, prior to the deposit being taken to the bank. Alternatively, due to the agency's small staff size, duties could remain as assigned, and the director or another independent party could reconcile licenses issued and renewed per ok.gov to receipts deposited after the fact.

<sup>2</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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## Views of Responsible Officials

The receiving of mail will now be designated to the Executive Director and the investigator daily. All mail will be date stamped and initialed by either the Director or investigator prior to submitting to the Administrative Assistant, who will receipt and create a deposit in the Access database. In the event that the Director or investigator is out due to scheduled meetings or other reasons the mail will still be opened by the Director or investigator with the Administrative Assistant present to ensure that there cannot be an opportunity for misappropriation of funds received.

All deposits will be recorded in PeopleSoft by the Executive Director. License renewals will continue to be recorded daily on a spreadsheet along with continuing education hours and malpractice and will continue to only be released upon satisfactorily meeting license renewal requirements. At the conclusion of the week an audit will be performed by the Executive Director and/or investigator to ensure that only those individuals whose payment has been received and deposited receive a renewal license.

## **Inadequate Segregation of Duties over Miscellaneous Expenditures (Repeat Finding)**

As noted previously, the GAO *Standards* 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."

The agency executive director is responsible for approving purchase requisitions, purchase orders, and invoices. While ABS is responsible for posting all aspects of this process to PeopleSoft, they do not appear to be in a position to review and question the executive director's approvals or instructions. Therefore, it appears the executive director may have the ability to initiate and approve inappropriate expenditures without detection.

While the Board regularly reviews a Profit and Loss statement, it is produced by an Access Database maintained by the director. Without an independent review of a detailed and independent expenditure report, the Board may not have the opportunity to discover or inquire about questionable purchases.

It appears management contracted with ABS in order to improve segregation of duties in the expenditure process. However, the executive director still has enough control to misappropriate funds without detection.

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## **Recommendation**

An independent party, such as a board member, should perform a line-item detailed review of all expenditures and document this review; for example by reviewing, signing, and dating the PeopleSoft 6-digit detailed expenditure report.

## **Views of Responsible Officials**

We will continue to utilize OMES ABS for processing of requisitions, purchase orders, and payments of all invoices. However, in addition to the reports generated by the Executive Director in QuickBooks, the Director will provide the Secretary-Treasurer the Six-Digit Object of Expenditure Report and the Six-Digit Expenditure Detail Report at the end of each month as provided by OMES ABS. Those reports will continue to be used by the Director to record and reconcile monthly expenditures in QuickBooks so that a Profit and Loss report can be provided to the Board Secretary-Treasurer monthly. The Secretary will then acknowledge receipt of the reports by submitting an email documenting the review of the expenditures reports from OMES.



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