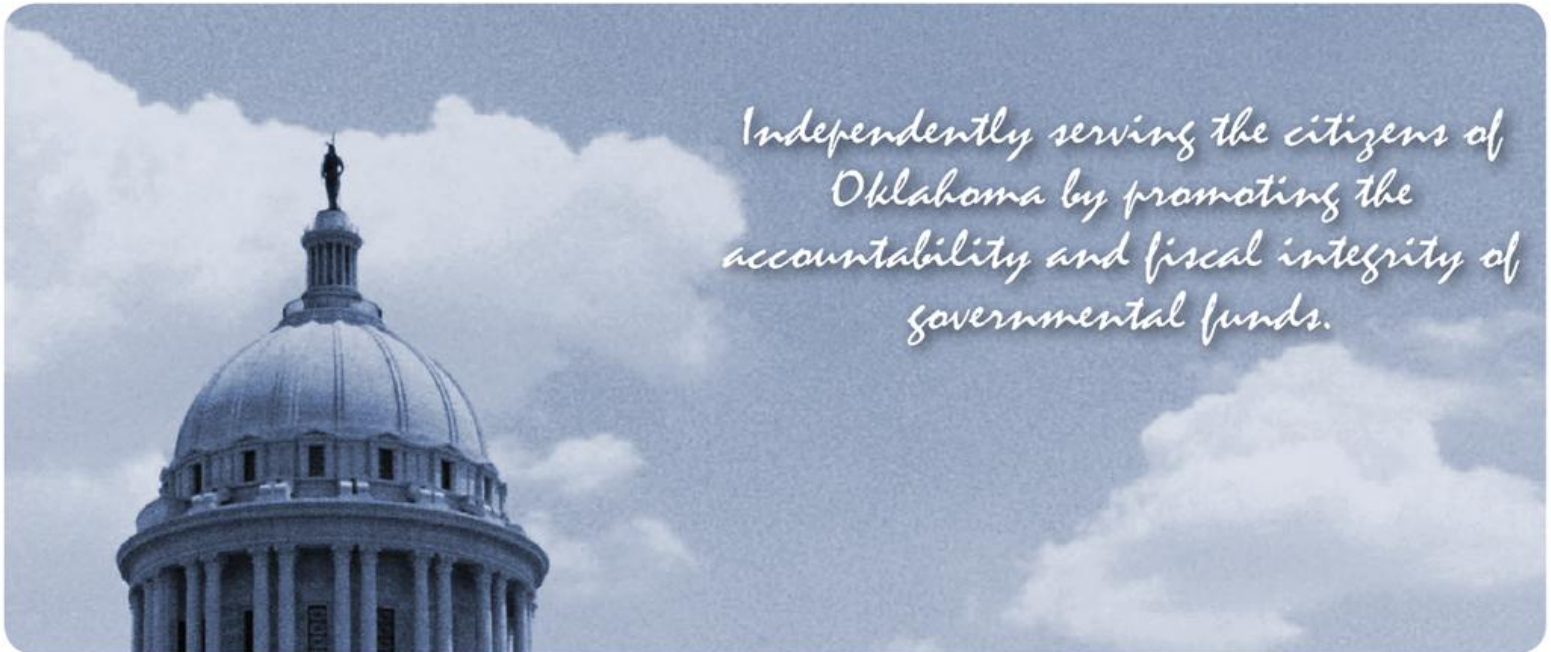


OPERATIONAL AUDIT

# OKLAHOMA STATE BOARD OF EXAMINERS FOR LONG TERM CARE ADMINISTRATORS

For the period July 1, 2012 through June 30, 2014



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

**Audit Report of the  
Oklahoma State Board of Examiners  
for Long Term Care Administrators**

**For the Period  
July 1, 2012 through June 30, 2014**



# Oklahoma State Auditor & Inspector

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January 16, 2015

## TO THE OKLAHOMA STATE BOARD OF EXAMINERS FOR LONG TERM CARE ADMINISTRATORS

This is the audit report of the Oklahoma State Board of Examiners for Long Term Care Administrators for the period July 1, 2012 through June 30, 2014. 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

# Long Term Care Administrators Operational Audit

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## Background

The Oklahoma State Board of Examiners for Long Term Care Administrators was established by the Legislature in 1968 to license long term care administrators and to approve continuing education programs.

The Agency's stated mission is to ensure that Oklahoma's Long Term Care Administrators are suitable and qualified to serve and continue to serve in this profession.

Oversight is provided by fifteen board members as specified by 63 O.S. §330.52. Eight members shall be representatives of the professions and institutions of long-term care, four shall represent the general public, of which at least two shall be licensed medical professionals concerned with the care and treatment of critically ill or infirm elderly patients. These twelve board members shall be appointed by the governor for three-year terms. The final three members represent the State Commissioner of Health, the Director of the Department of Human Services, and the Director of the Department of Mental Health and Substance Abuse Services.

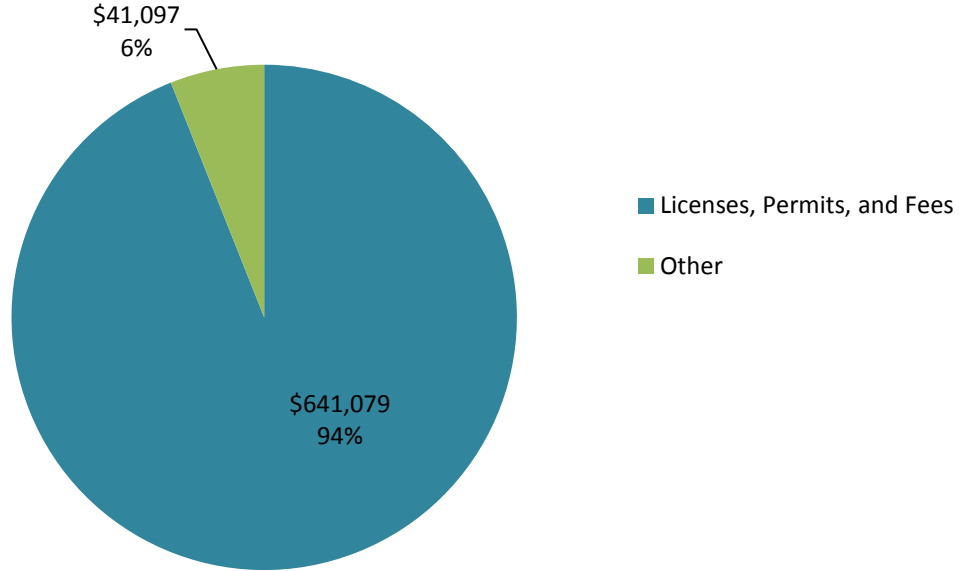
Board members as of January 2015 are:

Susan Barnes.....	Chair
Bill Pierce.....	Vice-Chair
Nancy Poteete.....	Secretary/Treasurer
Curtis T. Aduddell.....	Member
Nancy Atkinson .....	Member
Pat Bean.....	Member
Scott W. Calhoon.....	Member
Brett Coble.....	Member
Georgia Devening .....	Member
Susan C. Haws.....	Member
Jacki Millspaugh.....	Member
Lisa Pever .....	Member
Nancy Pfeifer .....	Member
Bill Weaver.....	Member
Denise M. Wilson .....	Member

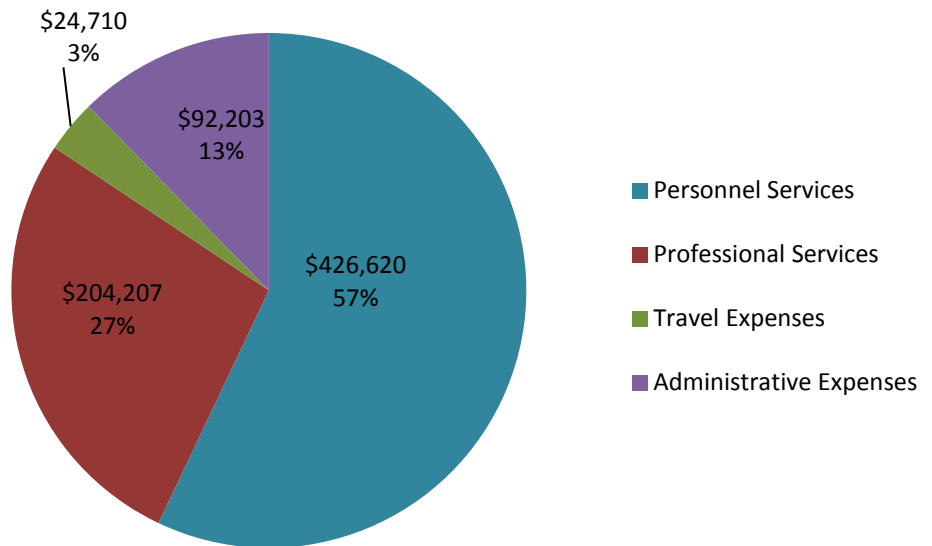
# Long Term Care Administrators Operational Audit

The following charts illustrate the Agency's primary funding sources, and where those funds are expended.<sup>1</sup>

**Chart 1 - Revenues by Category for FY 2013 and FY 2014**



**Chart 2 - Expenditures by Category for FY 2013 and FY 2014**



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

# Long Term Care Administrators Operational Audit

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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, 2012 through June 30, 2014. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma State Board of Examiners for Long Term Care Administrators 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 I

Determine whether the Agency's internal controls provide reasonable assurance that revenue and expenditures were accurately reported in the accounting records.

## Conclusion

The Agency's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records. However, the Agency's internal controls did not provide reasonable assurance that revenues were accurately reported.

## Long Term Care Administrators Operational Audit

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Financial operations related to revenue did not comply with the following statute:

- 62 O.S. § 211, Fees - Payments into General Fund of State; calculation and transfer of 10% of gross fees

### FINDINGS AND RECOMMENDATIONS

#### **Inadequate Segregation of Duties over Receipts (Cash and Checks) -**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*<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."

#### **Repeat Observation**

Duties regarding receipts are not properly segregated due to the following conditions:

- The administrative programs officer is responsible for receipting funds, preparing and taking the deposit to the bank; and posting the deposit into PeopleSoft.
- Someone independent of the receipting and deposit process is not performing a detailed reconciliation of internal receipts and funds deposited.

The Agency's current method of receipting funds does not allow an independent person to reconcile deposits against an independent record comprised of funds received, licenses issued, fines paid, and other sources of revenue.

The lack of adequate segregation of duties creates the risk that cash or checks could be misappropriated without detection.

#### **Recommendation**

Due to the limited staff size, it would be advantageous for the Agency to require all payments be made through its online payment portal. This would create a uniform system for tracking all revenue, including miscellaneous revenues received. Until all payments can be received online, we recommend that management implement a mitigating control, performed by an employee independent of receipting and deposit

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<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.

processes, that would provide assurance that all payments received by cash or check were deposited.

#### **Views of Responsible Officials**

This agency has been aware of the problem cited due to our limited staff size. This agency operates with a staff of three, but to have an acceptable system we understand requires at least four persons. Even when you have four, there would be times when one of the people in the mix is away and the system would not function with the intended checks and balances during those timeframes. We realize there is no physical way for a perfect system with only three people. However, over time, we have taken the initiative and actually greatly limited the number of cash/check transactions already, moving toward requiring all payments to be made online. Backed by the impetus of the expected confirmation of this finding, during the audit we announced the decision to require all payments to be made online, effective July 1, 2015. This short delay allows us time to find outliers for issues that require payment that aren't currently enabled through the current system and to put those methods in place by this date. We believe this solves the problem in an ideal manner by eliminating all cash and check payments.

#### **Failure of Timely and Accurate Transfer of 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 4), it was only possible to test that deposited in-house receipts and on-line receipts were transferred appropriately. In addition, 62 O.S. § 34.57.E.1 requires that transfers be made on a monthly basis.

It appears transfers from the clearing account to the state's general revenue fund were not conducted for September 2012, July 2013, September 2013, and December 2013. However, for each of those months, the balance was included in the following month's transfer. In addition, in February 2013, \$61,747.40 residing in the clearing account was split as follows: \$60,054.47 to the agency (97%) and \$1,692.87 (3%) to the general fund.

Without the agency's review of monthly transfers by ABS, errors or omissions could occur and not be detected in a timely manner.

#### **Recommendation**

We recommend that each month, as part of the reconciliation process, management confirm that a transfer occurred and that transfer



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calculations were accurate. In addition, for the error that occurred in February 2013, we recommend management take the appropriate actions to ensure the correct amount is transferred to the general fund.

### **Views of Responsible Officials**

We contracted with ABS primarily because of, again, the size of our agency. We fully expect ABS to accurately calculate transfers and to make those transfers in a timely manner. The late reports cited were never due to this office holding the reconciliation paperwork, but with ABS providing the reconciliation documents to us in a timely manner consistently. We firmly believe and expect that ABS has taken this finding, as well as the calculation error cited, as their own. Through discussions with ABS, they acknowledge that a mistake was made and they assured us that they have taken measures internally to correct the calculation error which was induced by failing to use the formulas within the spreadsheets designed to accurately and consistently calculate these transfers. We will continue to hold ABS accountable for the service they are contracted to provide.



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