



OKLAHOMA STATE BOARD OF LICENSED SOCIAL WORKERS

Operational Audit

For the period July 1, 2014 through June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma State Board of Licensed Social Workers**

**For the Period
July 1, 2014 through June 30, 2019**



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

September 10, 2020

TO THE OKLAHOMA STATE BOARD OF LICENSED SOCIAL WORKERS:

We present the audit report of the Agency for the period July 1, 2014 through June 30, 2019. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Oklahoma State Board of Licensed Social Workers

Operational Audit

Background

The Oklahoma State Board of Licensed Social Workers (the Agency) (OSBLSW) was created by Oklahoma Statute 59 § 1253 in 1980 with the passage of the Social Worker's Licensing Act. The OSBLSW approves 500 – 600 qualified applicants annually to sit for social worker licensing examinations, which are administered through the Association of Social Work Boards (ASWB), a national entity.

The OSBLSW mission is to safeguard the welfare of the people of the State of Oklahoma by administering the Social Worker's Licensing Act which provides that all persons who engage in the practice of social work for compensation, or perform the services of a social worker, are licensed as a social worker or social worker associate.

Overall responsibilities of the OSBLSW include but are not limited to: regulate the practice of social work; grant licenses and renewals; establish and enforce compliance with professional standards; specify and enforce requirements for practical training; investigate unauthorized practice of social work; investigate conduct prohibited by the Licensing Act; develop statute and administrative rules; and establish requirements for supervised practice.

Oversight is provided by seven board members (Board) appointed by the governor, with the advice and consent of the Senate. Each member serves a term of five years, with multiple terms permitted, but no more than two consecutive terms.

Board members as of July 2020 are:

Beverly Coon, LMSW, LCSW	Chair
Sharolyn Wallace, PhD., LCSW.	Vice-Chair
Angela Workman Dickson, LCSW, ACSW	Secretary
Clark Grothe, LCSW	Member
Deborah Johnson, LMSW	Member
Durand Crosby, JD, PhD.....	Member
Joel Harder, Ed.D, LMSW.....	Member

Oklahoma State Board of Licensed Social Workers
Operational Audit

The following table summarizes the Agency's sources and uses of funds for fiscal years 2018 and 2019 (July 1, 2017 through June 30, 2019).

Sources and Uses of Funds for FY 2018 and FY 2019

	2018	2019
Sources:		
Licensed Social Worker Fee	\$ 298,867	\$ 318,393
Refunded Mony Prev. Disb - Gds & Svc	-	26
Total Sources	\$ 298,867	\$ 318,419
Uses:		
Personnel Services	\$ 134,058	\$ 143,761
Professional Services	54,190	57,936
Administrative Expenses	22,100	19,756
Travel	6,308	3,152
Total Uses	\$ 216,656	\$ 224,605

Source: Oklahoma PeopleSoft accounting system (unaudited, for informational purposes only)

Oklahoma State Board of Licensed Social Workers
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, 2014 through June 30, 2019.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma State Board of Licensed Social Workers operations. Further details regarding our methodology are included in Appendix A.

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.

Internal Control Considerations

Government Auditing Standards produced by the U.S. Government Accountability Office (GAO Standards¹) provide professional guidance regarding the importance and implementation of internal controls at all levels of government entities. The structure includes the five overarching components: the control environment, risk assessment, information and communication, monitoring, and detailed internal control activities. Each component includes a subset of principles expected to be operating at government entities, detailed in Appendix B for your reference.

The GAO emphasizes that an internal control system is effective only when the five components of internal control are effectively designed, implemented, and operating, and are operating together in an integrated manner. As required by these standards, we have identified the aspects of internal control significant to each audit objective in this engagement and any related assessments are detailed in the corresponding report sections.

¹ Accessible at <https://www.gao.gov/yellowbook/overview>. See sections 9.30 through 9.33 for general discussion.

Oklahoma State Board of Licensed Social Workers
Operational Audit

OBJECTIVE I	Determine whether an independent reconciliation of licensing activity to deposits is being performed by a party independent of processing receipts, in line with our previous audit recommendation and Government Accountability Office (GAO) Standards for Internal Control.
--------------------	---

Conclusion	No independent reconciliation of licensing activity to deposits is being performed by a party independent of processing receipts.
-------------------	---

See discussion and recommendations below.

Our methodology is detailed in Appendix A.

FINDINGS AND RECOMMENDATIONS

**Independent
Deposit
Reconciliation
Not Performed**

Repeat Finding

The GAO Standards for Internal Control in the Federal Government² state that in designing control activities to achieve objectives and respond to risks, "Management divides or segregates key duties and responsibilities among different people . . . so that no one individual controls all key aspects of a transaction or event." The Standards further require that "Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk."

Due to the Agency's very small staff size, the executive director is responsible for receipting funds, preparing the deposit, and issuing licenses, without independent oversight of these activities. These combined duties create the potential ability for the executive director to misappropriate a payment while still issuing or renewing a license, thus avoiding detection. While we did not identify evidence that this is occurring, we have developed recommendations to help remove this opportunity while the Agency continues working toward accepting all payments electronically.

Recommendation

We recommend an independent party, such as a Board member or ABS staff, perform a reconciliation using a reliable list of licensing activity to deposits made in order to ensure that all funds received by the Agency are deposited. This reconciliation can be made on a regular basis such as

² 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.

Oklahoma State Board of Licensed Social Workers
Operational Audit

monthly, or on a random basis, and should be documented. The independent party should ensure that it is able to obtain complete and reliable records of licensing activity, which could require improvements to the Agency's database system.

Views of Responsible Officials

Agency concurs with finding of the State Auditor and Inspector's Office. Agency will pursue a couple of options toward the implementation of an independent reconciliation of licensing activity to deposits.

Option 1 will include engaging a sitting board member to visit the office a minimum of one time monthly, to which they will randomly select an agency deposit for review. Agency staff will make all records noted on the deposit (applications, renewals, verifications, etc.) available to the Board Member for the purpose of verifying the appropriate funds were deposited.

Should Option 1 prove to be unsuccessful or ineffective due to lack of board participation, the Agency will explore the possibility of working with Agency Business Services to facilitate the same independent review process noted in Option 1 above.

OBJECTIVE II

Determine whether the agency's overall internal control system is operating effectively as defined by GAO Standards for Internal Control.

Conclusion

The Agency's internal control system is operating effectively as defined by GAO Standards for Internal Control for some principles, but there are opportunities for improvement in other areas, as outlined in the following section.

Our methodology is detailed in Appendix A.

FINDINGS AND RECOMMENDATIONS

Opportunities for Improvement in Oversight and Risk Assessment

Government Auditing Standards direct us to evaluate agency internal control systems against the GAO Standards for Internal Control. Oklahoma's State-wide Accounting Manual contains similar guidance and requirements. Internal control is a process used by management, the oversight body, and other personnel to help an agency achieve its

objectives. It includes the plans, methods, policies, and procedures used by agencies to fulfill the mission, strategic plan, goals, and objectives.

The GAO organizes controls into five components with 17 underlying principles; we identified 16 of these principles as significant to our audit objectives in this engagement. Refer to Appendix B for a full list of the principles and details on our assessment.

We identified opportunities for improvement related to the following principles (numbered to reflect the table in Appendix B):

Control Environment Principles

2. The oversight body should oversee the entity's internal control system.

The Board of Directors supports the concept of conscientious management but does not actively oversee OSBLSW's internal control system.

5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

The agency demonstrates a commitment to the competence of its personnel, emphasizing integrity and ethical values. However, performance evaluations are not conducted on a timely basis and because of the small size of the agency, it is difficult to assign internal control responsibilities in an effective way.

Risk Assessment Principles

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Management and the Board have not formally defined the Agency's objectives and related risks. This contributes to the persistence of risks such as the one described under Objective I. The Board of Directors has also acknowledged potential risks to the agency should management change abruptly but does not have a documented plan in place to handle such an event.

Control Activity Principles

10. Management should design control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Internal control activities can be improved as discussed under Objective I, in order to properly respond to identified risks.

Monitoring Principle

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

While SAI's audits provide occasional evaluations of the Agency's processes and controls, management acknowledged there is no formal internal system established to monitor the Agency's internal controls.

The GAO emphasizes that the five components of internal control must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective. Given the Agency's size, management has made an excellent effort to meet the Agency's statutory obligations in a conscientious manner. However, increased Board oversight and involvement, and documentation of their efforts as outlined below, will help ensure the Agency's internal control system operates effectively overall.

Recommendations

- The Board should work with management to clearly establish, document, and regularly review the Agency's objectives, related risks, and responsive internal controls. In other words, formally determine the agency's qualitative and quantitative goals; identify what risks could threaten the Agency's achievement of those goals; and ensure controls are in place to mitigate those risks. These processes and controls should be documented and should address the possibility of management turnover and the revenue-related risk discussed previously.

Further guidance can be found in the GAO standards referenced elsewhere in this report and in Chapter 12 of Oklahoma's Statewide Accounting Manual.

- Performance evaluations of both the director and any staff member should be conducted annually. Internal control responsibilities can be discussed and verified for appropriateness at this time.
- The Agency's objectives, risk tolerances, internal controls, and related monitoring processes should be reflected in written policies and procedures that are updated as needed and reviewed regularly.

Views of Responsible Officials

Agency concurs with finding of the State Auditor and Inspector's Office. Agency will seek to improve the agency's overall internal control system by doing the following:

1. Implement a plan for an annual review process for the performance of the Executive Director.
2. Agency Staff will work with the Board of Directors to identify the agency's objectives and risks, and work toward a more responsible system of internal controls.
 - a. Agency Staff will consult with similar size agencies to identify if similar size agencies have existing plans.
 - b. Agency staff will review resources available and managed by private, non-profit organizations.
3. Agency will begin the development of written policies/procedures reflecting this area of need.

APPENDIX A: Detailed Methodology

In gaining an understanding of the agency and developing our objectives, in addition to routine discussions, questionnaires, analysis, and research, we performed the following:

- Estimated the percentage of revenues transferred to the state's general revenue fund as required by 62 O.S. § 211, and reviewed the timing of those transfers, for the audit period. Transfers appeared reasonable in amount and timing.
- Reviewed HR Records from the Statewide Accounting System for all months of the audit period to ensure the director's salary complied with guidance set forth in 74 O.S. § 3601.2.
- As the largest expenditure account outside of salary, professional services and rent, we analyzed the Miscellaneous Administrative Expenses account and saw no unusual activity.

To accomplish our objectives, we performed the following:

OBJECTIVE I:

- Documented the Agency's receipting, deposit, licensing, and related financial processes.
- Evaluated these processes and related documentation to determine whether an independent reconciliation of licensing activity to deposits was occurring.
- Considered these results in light of the previous audit finding, GAO Standards, and the Agency's overall internal controls in developing our finding and recommendation.

OBJECTIVE II:

- Obtained an understanding of the agency's operations and performed related analysis and research.
- Received agency questionnaire response and internal control self-assessment from management and assessed the results, along with further discussions and review of documentation, to verify and confirm as necessary.
- Assessed whether key control activities were designed, implemented, and operating effectively.
- Reviewed the Agency's procedures manual, details provided by management via an internal control self-assessment form, and information received via a Board Chair questionnaire.

APPENDIX B: Internal Control Components and Principles

The table below outlines the components and principles of internal control, identifies those considered significant to our specific objectives in this engagement, and notes whether those principles were found to be operating effectively. For those *not* operating effectively, further discussion and related recommendations are included in the report.

As recommended by GAO Standards section 9.32, the full outline of the fundamental components of internal control and their underlying principles is included for your reference.

Internal Control Component/Principle	Significant to Audit Objective I	Significant to Audit Objective II	Operating Effectively
Control Environment Component – Foundation that provides processes and structure to help an entity set expectations and achieve its objectives.			
1. The oversight body and management should demonstrate a commitment to integrity and ethical values.		✓	Yes
2. The oversight body should oversee the entity's internal control system.		✓	No
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.		✓	Yes
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.		✓	Yes
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.		✓	No
Risk Assessment Component – Dynamic process of identifying, analyzing, and managing risks facing the entity.			
6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.		✓	No
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.		✓	No
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.		✓	Yes
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.		✓	No
Control Activities Component – Actions management establishes through policies and procedures to protect against risks.			
10. Management should design control activities to achieve objectives and respond to risks.	✓		No
11. Management should design the entity's information system and related control activities to achieve objectives & respond to risks.	No	No	N/A
12. Management should implement control activities through policies.	✓		No

Oklahoma State Board of Licensed Social Workers
Operational Audit

Information and Communication Component – Quality information communicated and used to support the internal control system.			
13. Management should use quality information to achieve the entity's objectives.		✓	Yes
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.		✓	Yes
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.		✓	Yes
Monitoring Component – Activities to assess the quality of performance and promptly correct any deficiencies.			
16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.		✓	No
17. Management should remediate identified internal control deficiencies on a timely basis.		✓	Yes

The GAO emphasizes that the five components of internal control must be effectively designed, implemented, and operating, and operating together in an integrated manner, for an internal control system to be effective. They further stress that documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system.

Additional details are available in the GAO Standards for Internal Control or "Green Book," accessible online at <https://www.gao.gov/products/GAO-14-704G>.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov