


OPERATIONAL AUDIT

# OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION

For the period July 1, 2008 through June 30, 2016



*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 State Board of Medical Licensure and Supervision**

**For the Period  
July 1, 2008 through June 30, 2016**



# Oklahoma State Auditor & Inspector

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October 18, 2017

## TO THE OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION

This is the audit report of the Oklahoma State Board of Medical Licensure and Supervision for the period July 1, 2008 through June 30, 2016. 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 State Board of Medical Licensure and Supervision Operational Audit

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## Background

The Oklahoma State Board of Medical Licensure (the Agency) was mandated in 1923 to license qualified individuals to practice medicine. Since then, other health care professions have been added to the agency's jurisdiction and the board has been further charged by the Oklahoma Legislature to enforce laws related to medical practice by disciplinary action.

The mission of the Board is to promote health, safety, and well-being to the citizens of Oklahoma by requiring a high level of qualifications, standards and continuing education for licenses regulated by the Oklahoma Medical Board; to protect the ongoing health, safety, and well-being of the citizens by investigating complaints, conducting public hearings, effectuating and monitoring disciplinary actions against any of the licensed professionals, while providing the licensee with proper due process and all rights afforded under the law; and to provide any member of society, upon request, a copy of the specific public records and information on any of the licensed professionals.

Oversight is provided by a nine-member board (the Board) appointed by the Governor. Seven of the members are allopathic physicians licensed to practice medicine in Oklahoma and two are lay members. Each member serves a term of seven years.

Board members as of September 2017 are:

Hank Ross .....	President/Lay Member
Mark Fixley, M.D. ....	Vice-President
Susan Chambers, M.D. ....	Member
Louis Cox, M.D. ....	Member
Ann Warn, M.D. ....	Member
James Brinkworth, M.D. ....	Member
Robert Howard .....	Lay Member
John William "Bill" Kinsinger, M.D. ....	Member
Lee Schoeffler, M.D. ....	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2015 and 2016 (July 1, 2014 through June 30, 2016).

### Sources and Uses of Funds for FY 2015 and FY 2016

	2015	2016
<b>Sources:</b>		
Licenses, Permits, Fees	3,573,696	4,295,672
<b>Total Sources</b>	<b>3,573,696</b>	<b>4,295,672</b>
<b>Uses:</b>		
Personnel Services	1,790,046	1,796,233
Professional Services	869,139	1,250,842
Travel	51,826	32,234
Administrative Expenses	442,675	454,611
Property, Furniture, Equipment	21,333	35,721
Assistance, Payments to Local Govn'ts	64	-
<b>Total Uses</b>	<b>3,175,083</b>	<b>3,569,641</b>

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

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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 duties 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, 2008 through June 30, 2016. Detailed audit procedures focused on the period of July 1, 2014 through June 30, 2016 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 State Board of Medical Licensure and Supervision’s 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 and expenditures (both miscellaneous and payroll) were accurately reported in the accounting records.

## Conclusion

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

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Financial operations complied with the following statutes:

- 62 O.S. § 211 - 10% transfer of all gross fees charged, collected, and received to the state general revenue fund;
- 74 O.S. § 3601.2 – guidance on executive director salary;
- 59 O.S. 518.1.E – no more than \$10 of licensing fees used to implement and maintain the Allied Professional Peer Assistance Program;
- 59 O.S. 518.1.F – fund 210 expenditures were used for the general operating expenses of the Allied Professional Peer Assistance Program.

## FINDINGS AND RECOMMENDATIONS

### **Inadequate Segregation of Duties Related to Check and Cash Revenues**

The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 revision)<sup>1</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 of 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.”

Approximately 10% of the Agency’s revenues are received in check or cash form. They are received by the receptionist and entered into the licensing system by the administrative assistant. The accounting technician is then responsible for preparing and making the bank deposit. The licensing activity has already been conducted at this point, and there is no independent reconciliation of payments deposited to licenses and renewals issued (or other revenue-related activities) to ensure all funds are deposited. As a result, the accounting technician could misappropriate checks by excluding them from the deposit.

It should be noted that internal controls appear to be in place to ensure revenues received online, approximately 90% of the Agency’s income, are properly deposited to the Agency’s credit.

### **Recommendation**

We recommend management implement a mitigating control, performed by an employee independent of the receipting and deposit processes, to provide assurance that all physical payments received were in fact deposited. For example, a member of management could reconcile

<sup>1</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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licenses issued and renewed, and reliable reports of other activity, such as fines paid, to deposit records.

### Views of Responsible Officials

The board has now implemented a mitigating control performed by the Business Manager of the Receipting and Depositing process, to provide assurance that all physical collections received are deposited and licenses issued and renewed are reconciled to deposit records.

### Inadequate Segregation of Duties Related to Expenditures

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* 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 transaction, 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 accounting technician and administrative assistant each have the following abilities:

- Create a purchase order;
- Set up vendors for payment;
- Post claims into PeopleSoft (the State's accounting system).

This could allow the accounting technician or administrative assistant to make an unapproved payment without detection. While the accountant is reportedly performing a detailed review of expenditures after they are made, which would mitigate the risk created by this arrangement of duties, the review is not documented and therefore could not be relied upon in our procedures.

### Recommendation

The accountant should regularly perform the detailed review of expenditures as noted above, and properly document the review by signing, dating, and retaining a copy of the report in either print or electronic form.

### Views of Responsible Officials

The Business Manager will regularly perform detailed review of the expenditures as recommended, and properly document the review by signing, dating, and retaining a copy of the report in either print or electronic form.





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