



OKLAHOMA BOARD OF MEDICAL LICENSURE AND SUPERVISION

Operational Audit

For the period July 1, 2016 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma Board of Medical Licensure and Supervision**

**For the Period
July 1, 2016 through June 30, 2021**



August 15, 2022

TO THE OKLAHOMA BOARD OF MEDICAL LICENSURE AND SUPERVISION

We present the audit report of the Oklahoma Board of Medical Licensure and Supervision for the period July 1, 2016 through June 30, 2021. 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

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Background

The mission of the Board of Medical Licensure and Supervision (the Agency) is to promote the health, safety, and well-being of the citizens (patients) of Oklahoma by:

- requiring a high level of qualifications, standards, and continuing education for licenses regulated by the Board,
- 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
- providing any member of society, upon request, a copy of the specific public records and information on any of the licensed professionals.

Eleven board members (the Board), appointed by the governor, oversee the agency. Seven of the members are allopathic physicians licensed to practice medicine in Oklahoma and four are lay members. Each physician member serves a term of seven years, and lay members serve terms coterminous with the Governor and until a qualified successor has been duly appointed.

Board members as of June 2022 are:

Louis Cox, MD.....	President
Don Wilber, MD.....	Vice-President
James Brinkworth, MD.....	Member
Clayton Bullard	Member
Susan Chambers, MD.....	Member
Mark Fixley, MD	Member
Jeremy Hall	Member
Robert Howard.....	Member
Steven Katsis, MD.....	Member
Trevor Nutt.....	Member
Ross Vanhooser, MD	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Licenses, Permits, Fees	\$ 3,931,790	\$ 4,049,425
Other Revenues	43,952	32,635
Total Sources	\$ 3,975,742	\$ 4,082,060
Uses:		
Personnel Services	\$ 2,304,055	\$ 2,159,974
Professional Services	817,069	749,172
Administrative Expenses	469,687	565,236
Property, Furniture, Equipment	68,526	29,732
Travel	17,590	6,011
Transfers and Other Payments	1,640	9,540
Total Uses	\$ 3,678,567	\$ 3,519,665

Source: Oklahoma Statewide 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 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, 2016 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the statewide accounting system and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing the Agency's transfers to the state's general revenue fund as required by 62 O.S. § 211 and confirming they materially reflected 10% of Agency deposits.
- Reviewing the Agency's personnel actions via the statewide accounting system to assess the changes that had a financial impact during the audit period.

One objective related to non-payroll expenditures was developed, as discussed in the next section. No other significant risks or findings were identified as a result of these procedures.

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

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their

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*Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

OBJECTIVE	Determine whether non-payroll expenditures were independently reviewed and approved in line with the previous audit recommendation and GAO Standards for Internal Control.
Conclusion	A detailed review of expenditures was not in place during the audit period, as previously recommended and in line with GAO <i>Standards for Internal Control</i> . See further discussion and our recommendation below.
Methodology	To accomplish our objective, we performed the following: <ul style="list-style-type: none"> • Documented our understanding of the non-payroll expenditure processes through discussion with management and review of documentation. • Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Independent, Detailed Expenditure Review Would Provide Efficient Assurance	The Business Manager is primarily responsible for approving invoices for payment, although the Executive Director, Deputy Director, and Director of Investigations each approve certain invoices. The Administrative Technician makes payments in the statewide accounting system. The Executive Director approves the completed expenditure claims, but the Business Manager also technically has the authority to approve claims. Finally, the Business Manager prepares a financial summary for the Board to review during meetings.
<i>Repeat Finding</i>	The Board does not receive a line-item detailed expenditure report from the statewide accounting system. This arrangement of duties creates an opportunity for the Business Manager to make unauthorized payments without detection. There is no independent, detailed review of expenditures being performed after payment, and because of their roles in approving payments, the Director and Deputy Director cannot provide a fully independent review. According to GAO <i>Standards for Internal Control</i> : <ul style="list-style-type: none"> • Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities. • If segregation of duties is not practical within an operational process because of limited personnel or other factors,

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management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

We recommend a knowledgeable authority independent of the expenditure process review a detailed, unaltered expenditure report from the statewide accounting system to ensure all payments are appropriate. This review could be performed by the Executive Director or Deputy Director if their invoice approval responsibilities were assigned to another appropriate staff member.

Alternatively, the detailed expenditure report could be provided to the Board or to one or more Board members. The Board's review could be performed on a regular or random basis, and the Agency should retain documentation of the review.

Views of Responsible Officials

To mitigate the lack of segregation of functions performed by the Business Manager during the last 7 months of the audit period between July 1, 2016, through June 30, 2021, in absence of the Deputy Director, the Executive Director monitored closely all expenditure processes and activities, albeit informally.

The board has on-boarded an Accountant to effectively segregate expenditure-related functions currently performed by the Business Manager and previously performed by the Deputy Director to further mitigate the audit findings.

In addition to the remediation efforts, the Executive Director will institute a detailed expenditure review to provide efficient assurance to the Business Manager, Accountant, and new Deputy Director.

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