

**OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

June 22, 2004

**TO THE HONORABLE BRAD HENRY
GOVERNOR OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Oklahoma Board of Chiropractic Examiners Internal Control Report for the fiscal year ended June 30, 2003. By its nature, this report focuses on weaknesses in controls. This focus should not be understood to mean there are not also various strengths and accomplishments.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of the engagement.

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS
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**OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS
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BOARD MEMBERS

| <u>Name</u> | | <u>Term Expires</u> |
|------------------|---------------------|---|
| Dr. Ronald Tripp | President | June 2004 |
| Dr. Ray Schoborg | Vice-President | June 2003 |
| Dr. Raymond Cook | Secretary-Treasurer | June 2005 |
| Dr. Kent Carder | Board Member | June 2006 |
| Jeanie Gardner | Public Member | Coterminous with the Governor May 31, 2006 |

**ADMINISTRATIVE
STAFF**

Ms. Beth Kelly
Executive Director

Ms. Kim McClelland
Executive Secretary



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA BOARD OF CHIROPRACTIC EXAMINERS

We have applied the procedures enumerated below to certain aspects of internal control for the period July 1, 2002 through June 30, 2003.

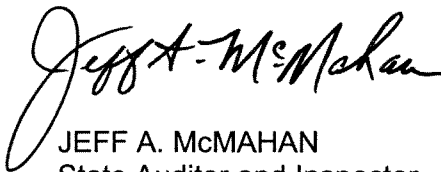
1. We reviewed management's internal controls over financial records and operations, and performed a walk-through of controls to determine whether they have been designed as represented by management. We reviewed controls in the following specific areas:
 - a. Cash receipting and depositing of funds.
 - b. Fixed Assets.
 - c. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
 - d. Segregation of duties regarding authorization, recording, and custody.
2. We reviewed procedures for remitting required portions of fees to the State of Oklahoma and tested a sample of remittances for adherence to these procedures.
3. We reviewed the Agency's policies and procedures and tested compliance with such policies and procedures in the following specific areas:
 - a. Agency's compliance with policies and procedures regarding budgetary matters.
 - b. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

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The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma Board of Chiropractic Examiners, make recommendations in certain areas, and determine whether stated controls were operating as represented to us or if additional controls were necessary to reduce the risk of errors and irregularities.

Our procedures were more limited than would be necessary to express an opinion on any of the items referred to above or to express an opinion on the effectiveness of the Agency's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Our finding is reported in the comments and recommendations section of this report. Had we performed additional procedures or made an audit of the effectiveness of the Agency's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

June 16, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-145-002

Criteria: 74 O.S. Supp. 2002, § 110.1 states in part:

A. The Department of Central Services shall maintain a current inventory of tangible assets owned by state boards, commissions, institutions, agencies and institutions comprising The Oklahoma State System of Higher Education and the University Hospitals Authority.

B. The Director of Central Services shall have authority to promulgate rules to implement the provisions of this section.

C. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity, not to exceed the federal capitalization rate specified in the Office of Management and Budget Circular A-21 or future federal circulars or regulations as amended. When establishing the tangible reporting threshold for an entity, the Director of Central Services shall consider the entity's capability to provide tangible asset records, finance and accounting systems, inventory accuracy and other pertinent factors.

D. Tangible assets shall consist of machinery, implements, tools furniture, livestock, vehicles and other apparatus that may be used repeatedly without material impairment of its physical condition and have a calculable period of service and a value exceeding the reporting threshold the Director of Central Services, establishes for the entity.

E. Rules that the Director of Central Services promulgates shall cause all tangible assets to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained.

74 O.S. 2001, § 110.2 states, "The Office of Public Affairs may require inventory records to be maintained at state departments, boards, commissions, institutions, or agencies of the state, of all classes of supplies, books, machinery, implements, tools, furniture, livestock, and other apparatus as the Office deems necessary in order to comply with the provisions of Section 110.1 of this title.

Condition: The Board did not:

- Have an inventory list that contained acquisition date or cost.
- Assign custodial accountability for assets.
- Perform a physical inventory count.
- Investigate differences in the physical inventory count and fixed assets list for the fiscal year.

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Effect: Errors and/or misappropriation of fixed assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Board maintain complete and accurate records for fixed assets.

Management's Corrective Action Plan

Contact Person: Beth Kelly, Executive Director

Anticipated Completion Date:

Corrective Action Planned: Currently the Board of Chiropractic Examiners maintains an inventory list on all fixed assets. Annually the Executive Secretary performs the annual inventory count, and provides the list to the Executive Director. However, acquisition dates nor the cost were attached to the previous inventory list. We will implement this procedure on the new inventory list(s) to ensure that we are in compliance with statutes and rules for the Department of Central Services.

We are a small agency with 2 FTE (Fulltime Employees) therefore it can be difficult to separate the duties for this procedure. However, we will work on policy and procedures to define delegated duties for fixed assets to ensure that this will be alleviated in the future.