

OPERATIONAL AUDIT

OKLAHOMA STATE BOARD OF LICENSED SOCIAL WORKERS

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 Licensed Social Workers**

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



Oklahoma State Auditor & Inspector

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December 3, 2014

TO THE OKLAHOMA STATE BOARD OF LICENSED SOCIAL WORKERS

This is the audit report of the Board of Licensed Social Workers 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

**Oklahoma State Board of Licensed Social Workers
Operational Audit**

Background

The Board of Licensed Social Workers (the Agency) was created by law in 1980 with the passage of the Social Worker’s Licensing Act. The board approves and administers examinations three times each year to qualified applicants. Qualified applicants are approved for licensure and license renewal by the board. The board may deny, revoke, or suspend any license issued or applied for or otherwise discipline a licensed social worker or licensed social work associate upon proof, after a hearing, when unprofessional conduct is noted.

The mission of the board is to safeguard the welfare of the public of the State of Oklahoma by establishing, promoting, and enforcing high standards of practice for licensed social workers.

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

Board members as of October 2014 are:

- Robert Lee, LCSW Board Chair
- Connie Schlittler, LCSW Vice Chair
- Beverly Coon, LMSW, LCSW Board Secretary
- Antoinette “Toni” Lempicki, LSW Member
- Kelly Harmon, LMSW Member
- Sharolyn Wallace, PhD, LCSW Member
- Durand Crosby, JD Member

The Agency contracts with the Agency Business Services (ABS) division of the Office of Management and Enterprise Services to provide certain financial services, including purchasing, posting to the state’s accounting system, mailing of payments to vendors, monthly clearing account reconciliations, and transfer of a required percentage of revenues to the state’s general revenue fund.

Oklahoma State Board of Licensed Social Workers
Operational Audit

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

Chart 1 - Revenues by Category (July 1, 2012 through June 30, 2014)

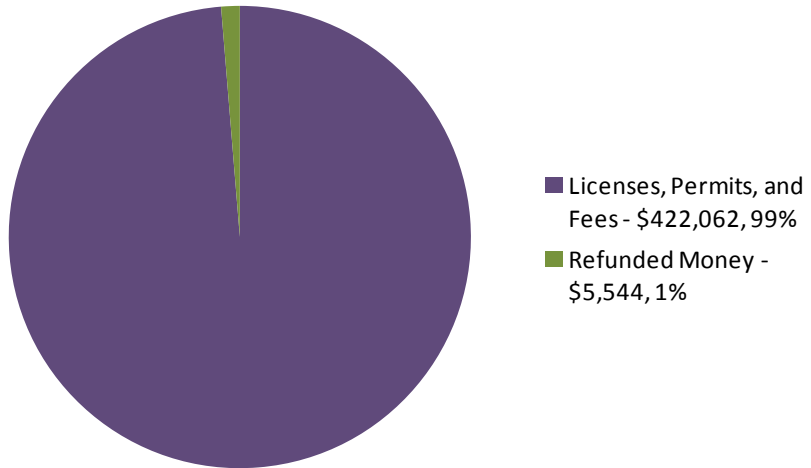
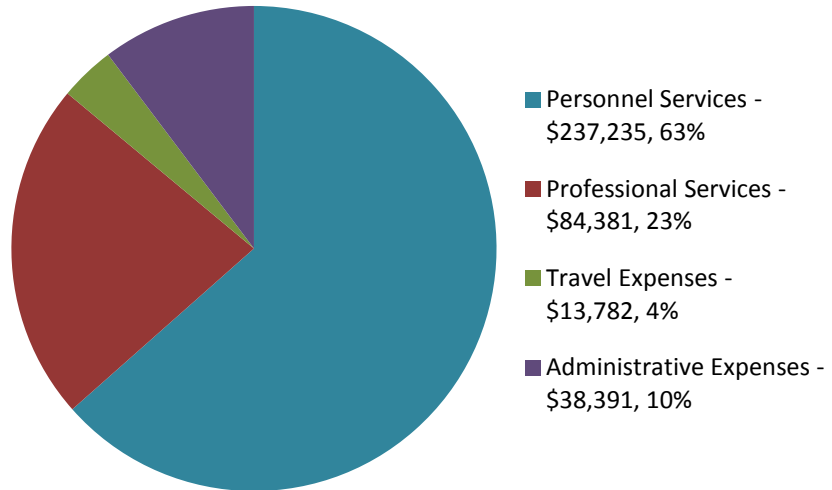


Chart 2 - Expenditures by Category (July 1, 2012 through June 30, 2014)



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

**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 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, 2012 through June 30, 2014. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Board of Licensed Social Workers’ operations. We also tested a sample 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, and financial operations complied with significant laws and regulations.

Conclusion

The Agency’s internal controls provide reasonable assurance that expenditures (both miscellaneous and payroll) were accurately reported in the accounting records. However, they do not provide reasonable assurance that revenues were accurately reported.

Financial operations complied with 74 O.S. § 3601.2, which statutorily limited the executive director's salary during state fiscal year 2013. As discussed later in this report, operations generally complied with 59 O.S. § 1263 in that 10% of funds *deposited* by the Agency were transferred to the state general revenue fund, but those funds were not transferred monthly as required by 62 O.S. § 34.57.E.1.

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties Related to Revenues – Repeat Observation

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*² states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction."

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.

Also due to workload and staff size issues, funds are not always deposited at the bank on a timely basis. 62 O.S. § 34.57.C.1 requires that funds received be deposited at the bank daily or upon totaling \$100.

It should be noted that the risk created by these conditions is limited by the fact that the Agency receives a substantial portion of its revenues through online transactions. State accounting records show that approximately 60% of revenues collected by the Agency during the audit period were received online.

Recommendation

We recommend an independent party, such as a Board member or ABS³ staff, perform a regular reconciliation of licensing activity to deposits in order to ensure that all funds received by the Agency are deposited. That independent party should ensure that it is able to obtain complete and

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.

³ The agency contracts with ABS for financial services as discussed in the background section on page 1.

reliable records of licensing activity, which could require alterations to the Agency's database system.

Management and the Board could also consider moving to collect all payments online, which would greatly decrease revenue-related risk by eliminating manually processed payments.

Views of Responsible Officials

Management will certainly consider the recommendation and consult with the Board of Directors to determine the best mitigating control to reduce the associated risk. Of note, the Agency would like to point out that Agency Business Services does present a comprehensive financial report to the Board of Directors at every board meeting, advising the Board of revenue and expenditures. The Agency agrees with the recommendation to consider the creation of an online payment system for collection of revenue. This is will be a primary goal for calendar year 2015.

10% Transfers Not Completed Monthly

59 O.S. § 1263 requires that the Agency "shall pay into the General Revenue Fund of the state ten percent of the gross fees . . . collected and received." 62 O.S. § 34.57.E.1 further requires that state agencies "transfer monies deposited in agency clearing accounts to the various funds or accounts, subdivisions of the state, or functions provided by statute" at least monthly.

The Agency's transfers to the general revenue fund are calculated and executed by ABS staff without input from Agency management. We recalculated 10% of funds deposited per state accounting records⁴ and compared these figures to the Agency's transfers to the general revenue fund, identifying a 2.6% variance between actual transfers and our calculated figure. Because this variance was in the state's favor, we concluded that the transfers had technically fulfilled the requirements of 59 O.S. § 1263, but the variance suggests that improvements to the transfer calculation process could be made.

State accounting records also show that transfers to the general revenue fund were not conducted on a monthly basis, as the transfers for December 2012, August 2013, October 2013, and November 2013 were not

⁴ It is important to note that because of the lack of segregation of duties discussed on page 4, we were only able to ensure that 10% of funds deposited by the agency were transferred. Proper controls are not in place to assure that all funds received were deposited.

made during the following month. This places the Agency out of compliance with 62 O.S. § 34.57.E.1.

Recommendation

Management should work with ABS staff to improve the transfer process, ensuring that the 10% calculation is applied to the correct revenues and transfers are performed monthly. Management should then establish a process to monitor transfers performed by ABS for accuracy and timeliness.

Views of Responsible Officials

The Agency currently meets with Agency Business services quarterly and has regular contact regarding structuring of budgets and processing requisitions and invoices. The Agency will include in these meetings discussion regarding how the 10% calculation is being applied to the correct revenues and the timeliness of transfers.



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