

**OKLAHOMA
BOARD OF
LICENSED ALCOHOL
AND DRUG
COUNSELORS**

**FOR THE PERIOD
JULY 1, 2006 THROUGH
JUNE 30, 2008**



OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Board of Licensed
Alcohol and Drug Counselors**

**For the Period
July 1, 2006 through June 30, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

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June 22, 2009

**TO THE BOARD OF LICENSED
ALCOHOL AND DRUG COUNSELORS**

Following is the audit report of the Board of Licensed Alcohol and Drug Counselors for the period of July 1, 2006 through June 30, 2008. 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. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

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

Sincerely,

A handwritten signature in blue ink that reads 'Steve Burrage'.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

Mission Statement

The mission of the Board of Licensed Alcohol and Drug Counselors is to develop an understanding of alcoholism and drug dependency problems; prevent, diagnose or treat alcohol and drug dependency problems; conduct assessments or diagnoses for the purpose of establishing treatment goals and objectives; and to plan, implement or evaluate treatment plans using counseling treatment interventions.

Board Members

Rhonda Cochran Chair
Jane LePak..... Vice-Chair
Kyle McGraw Member
Patti Pojezny Member
Patty Gail Patten Member
Robert L. Stevens Member
Terry Wallace Member

Key Staff

Ric Pierson.....Executive Director
Cheryl Waite..... Administrative Assistant

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Background

The Oklahoma State Board of Licensed Alcohol and Drug Counselors (the Agency) was established by the Legislature to examine and license applicants for the practice of alcohol and drug counseling, and to implement the provisions of the Licensed Alcohol and Drug Counselors Act.

The Agency’s operations are governed by 59 O.S. §§ 1870 through 1885 and Title 38 of the Oklahoma Administrative Code. Some accounting duties, including claims processing and reconciliations, are performed by the Oklahoma Board of Medical Licensure and Supervision staff (OBML&S).

Oversight is provided by a seven-member board (the Board) appointed by the governor with the advice and consent of the Senate. Four members are selected from a list of names submitted by the Oklahoma Drug and Alcohol Professional Counselors Association, one member from a list of names submitted by the Oklahoma Substance Abuse Services Alliance, one member from a list submitted by the Oklahoma Citizen Advocates for Recovery and Treatment Association, and one member shall be appointed from and shall represent the general public. Five members shall be licensed alcohol and drug counselors at time of appointment and one member shall be certified as an alcohol and drug counselor at time of appointment. All members serve a term of five years.

Table 1 summarizes the Agency’s sources and uses of funds for fiscal years 2007 and 2008.

Table 1-Sources and Uses of Funds for FY 2007 and FY 2008

Sources:	2007	2008
Professional Counselor Licenses and Fees	<u>\$143,700</u>	<u>\$130,000</u>
Total Sources	<u>\$143,700</u>	<u>\$130,000</u>
Uses:		
Personnel Services	\$98,628	\$81,834
Professional Services	7,406	15,858
Travel	9,233	8,343
Miscellaneous Administrative	25,661	90,431
Lease Purchases	5,946	6,822
Other	<u>10,582</u>	<u>6,154</u>
Total Uses	<u>\$157,456</u>	<u>\$209,442</u>

Source: Oklahoma PeopleSoft Accounting System (unaudited; for informational purposes only)

**Authority,
Scope, and
Sample
Methodology**

This audit was conducted in response to 62 O.S. § 212, which requires the State Auditor’s Office to audit the books, records, and accounts of all self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocation.

The audit period covered was July 1, 2006 through June 30, 2008.

Our samples were selected in such a way that whenever possible, they are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the

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other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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. 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.

Objective 1 - To determine if the Agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 7.1.C.2.a, 62 O.S. § 7.1.E.1, 62 O.S. § 211, and 59 O.S. § 1883.

Conclusion

The Agency's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records. However, they do not provide reasonable assurance that revenues were accurately reported.

The Agency complied with the following laws:

- 62 O.S. § 7.1.C.2.a - Deposits were adequately safeguarded prior to deposit;
- 62 O.S. § 7.1.E.1 - Monthly transfers were made from the Agency's clearing account;
- 59 O.S. § 1883 - The Board approved expenditures as required by statute.

The Agency generally complied with 62 O.S. § 211, which requires self-sustaining boards to transfer 10% of all gross fees charged, collected, and received to the state's general revenue fund. However, the June 2007 transfer was understated by \$4,774.50.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes, which included discussions with Agency and Oklahoma Board of Medical Licensure and Supervision personnel, observation, and review of documents;
- Tested expenditure controls, which included:
 - Determining whether the Agency's duties were properly segregated by ensuring the person who:
 - approved the expenditures was independent of the claim posting process; and
 - received the warrants was independent of the claim posting process.
 - Reviewing 25 randomly selected claims from the audit period to ensure they were properly and independently approved. This included ensuring that the invoice supported the payment, was approved by a designated official, was mathematically accurate, the correct account code was used, and the expenditure appeared reasonable given the Agency's mission;

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- Discussed with personnel and observed location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
- Reviewed transfers from the Agency’s clearing account to ensure they were being made monthly as required by 62 O.S. § 7.1.E.1;
- Recalculated the amount transferred to the state’s general revenue fund to ensure 10% of all the fees charged, collected and received by the Agency were transferred as required by 62 O.S. § 211; and
- Reviewed ten months of board meeting minutes to ensure the Board is approving expenditures as required by 59 O.S. § 1883.

Observation

Inadequate Segregation of Duties Related to Receipting Process

To protect against fraud, errors, and professional misconduct, the internal control system should provide reasonable assurance assets are adequately safeguarded by properly segregating duties of employees.

The administrative assistant is responsible for:

- Receipting funds;
- Preparing deposits;
- Issuing new licenses.

The Agency has two employees, which limits management’s ability to properly segregate duties in a cost-effective manner. They have contracted with the Oklahoma Medical Licensure and Supervision Board to perform some accounting functions. In addition, the Agency does participate in the www.ok.gov renewal licensing service, reducing the amount of funds being handled by the employee. These renewals represent 41% of the funds deposited to the clearing account during our audit period. Despite these factors, the current process could still allow for funds to be received and not deposited.

Recommendation

We recommend management implement mitigating controls to address the risk of funds being received and not deposited. For example, the executive director could:

- Monitor the number of licenses issued and renewed compared to revenue received;
- Trace a selected number of licenses issued or renewed back to the actual deposit slip.

Views of Responsible Officials

Management will develop a reconciliation system to reconcile revenue deposited to licenses issued and renewed. Executive Director will perform these reconciliations each quarter for the previous three months.

Observation

Notable Variance in 10% State General Revenue Transfer Amount

62 O.S. § 211 states in part:

Unless otherwise provided by law, all self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocations, shall . . . pay into the General

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Revenue Fund of the State ten percent (10%) of the gross fees so charged, collected and received by such board.

The June 2007 transfer was understated by \$4,774.50. According to the executive director, this error was due to his assistant basing the 10% calculation on incorrect figures. The June 2007 understatement resulted in an overall shortfall of 16% in transfers for the audit period.

The Agency was not in compliance with 62 O.S. § 211 for the month of June 2007.

Recommendation We recommend the Agency perform an independent review of the 10% calculation to ensure amounts are properly calculated and transferred. The Agency should also transfer the \$4,774.50 to the state general revenue fund to correct the underpayment.

Views of Responsible Officials Current procedure in place will eliminate such oversight in the future. The underpayment was already rectified.

Additional Procedures Performed

Methodology As a result of the control deficiencies identified under objective 1 of this report, the following procedures were performed:

- Reviewed a selection of four licenses issued and 56 licenses renewed to ensure they traced and agreed to Agency deposit records, and that those deposit records agreed to corresponding bank deposit slips and PeopleSoft accounting records.

Observation

Insufficient Deposit Review Process

To protect against fraud, errors, and professional misconduct the internal control system should provide reasonable assurance licenses are not issued without funds being deposited.

We noted two licenses which had been renewed without payment being received. One error occurred because two licenses were paid for with one credit card. The payment listing only provides the credit card holder's name instead of the licensee's name. As a result, the Agency thought a duplicate payment had been received, and the second payment was refunded. The second error appears to have occurred because of Agency oversight.

A sufficient review process of comparing licenses issued and renewed to funds received is not being performed and may have prevented these issues. Licenses may have been issued or renewed without payment being received.

Recommendation The executive director should reconcile a list of licenses issued and renewed to deposit documentation. This reconciliation can be randomly performed throughout the year at the executive director's discretion. We also suggest daily deposit documentation include a list of transactions which identify the name and license number of each licensee.

Views of Responsible Officials Management will develop a reconciliation system to reconcile revenue deposited to licenses issued and renewed. Executive Director will perform these reconciliations each quarter for the previous three months.



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