

# OKLAHOMA BOARD OF LICENSED SOCIAL WORKERS

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

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma Board of  
Licensed Social Workers**

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

# STATE AUDITOR AND INSPECTOR

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June 22, 2009

## **TO THE BOARD OF LICENSED SOCIAL WORKERS**

Following is the audit report of the Board of Licensed Social Workers 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 Oklahoma Board of Licensed Social Workers is to safeguard the welfare of the people of Oklahoma by administering the Social Worker’s Licensing Act that provides that all persons who engage in the practice of social work for compensation or perform the services of a social worker, are licensed social workers, or licensed social worker associates.

**Board Members**

Joy L. Leuthard, M.S., L.S.W.A. .... Chair  
Gwendolyn Gibson ..... Vice-Chair  
Jeff Chace ..... Secretary  
Antoinette Lempicki ..... Member  
Kelly M. Harmon, L.M.S.W ..... Member  
Lanny Endicott, L.C.S.W. .... Member  
Larry G. Cassil, Jr. .... Member

**Key Staff**

Kandi Hoehner ..... Board Administrator

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

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**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 Agency approves and administers examinations three times each year to qualified applicants. Qualified applicants are approved for licensure and license renewal by the Agency. The Agency may deny, revoke or suspend any license issued or applied for or otherwise discipline a licensed social worker or licensed social worker associate upon proof, after a hearing, when unprofessional standards are noted.

The Agency's operations are governed by 59 O.S. §§ 1250 through 1273 and Title 675 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 appointed by the governor with the advice and consent of the Senate. Each member serves 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
Licensed Social Worker Fees	<u>\$169,000</u>	<u>\$170,720</u>
Total Sources	<u>\$169,000</u>	<u>\$170,720</u>
Uses:		
Personnel Services	\$50,618	\$76,895
Professional Services	1,776	25,811
Travel – Reimbursement/Direct Payments	4,352	4,495
Miscellaneous Administrative	62,117	136,023
Rent Expense	4,340	4,260
Lease Purchases	3,583	2,557
Other	<u>1,585</u>	<u>9,656</u>
Total Uses	<u>\$128,371</u>	<u>\$259,697</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 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, 59 O.S. § 1263.B, and 59 O.S. § 1254.C.**

**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 - Funds 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. § 1263.B - 10% of all gross fees charged, collected and received were transferred to the state's general revenue fund; and
- 59 O.S. § 1254.C - Payments were made to board members only when related to the State Travel Reimbursement Act.

**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 a random sample of five claims<sup>1</sup> from the audit period to ensure they were properly and independently approved. This included ensuring 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; and

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<sup>1</sup> As discussed in the background, OBML&S performs several accounting functions for the Agency. The processes used by the OBML&S in accounting for the Agency are the same as those used in accounting for its own finances. As a result, we selected one control testing sample for the OBML&S and the Agency, and divided that sample proportionally between OBML&S and the Agency based upon the number of transactions conducted by each agency during the audit period.

- 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 59 O.S. § 1263.B;
- Reviewed all payments to board members to ensure that they were only made as related to the State Travel Reimbursement Act as required by 59 O.S. § 1254.C.

**Observation**

**Inadequate Segregation of Duties Related to Receipting Process**

An effective internal control system provides for adequate segregation of duties. The board administrator is responsible for:

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

Misappropriation of assets could occur and not be detected in a timely manner.

The Agency has one employee, which limits management’s ability to properly segregate duties. However, the Agency has contracted with the Oklahoma Medical Licensure and Supervision Board (OBML&S) to perform some accounting functions (for example, OBML&S reconciles the clearing account to the Office of the State Treasurer and Office of State Finance). In addition, the Agency does participate in the [www.ok.gov](http://www.ok.gov) licensing renewal service, reducing the amount of funds being handled by the employee. These renewals represent 54% of the funds deposited to the clearing account during our audit period.

**Recommendation**

Since the Agency contracts with the OBML&S to perform their clearing account reconciliation, they should consider requesting the OBML&S reconcile the deposits to licenses issued and renewed monthly.

**Views of Responsible Officials**

Staff will work with OBML&S in developing a reconciliation system to reconcile revenue deposited to licenses issued and renewed. Since there is a lag time between when applications for new licenses are received and issued, OBML&S will perform these reconciliations each quarter for the previous three months.

**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 two licenses issued and 58 licenses renewed to ensure they traced and agreed to Agency deposit records, and that those deposit records agreed to corresponding bank deposit slips and receipts as well as PeopleSoft accounting records. No exceptions were noted as a result of these procedures.



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