

**OKLAHOMA
BOARD OF
MEDICAL
LICENSURE AND
SUPERVISION**

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



OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

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

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

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

June 22, 2009

TO THE BOARD OF MEDICAL LICENSURE AND SUPERVISION

Following is the audit report of the Board of Medical Licensure and Supervision 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 Medical Licensure and Supervision 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 licensure of medical doctors, physician assistants, physical therapists, occupational therapists, radiology assistants, anesthesiology assistants, respiratory therapists, athletic trainers, dietitians, electrologists, orthotists, prosthetists, and pedorthists.
- Protect the on-going health, safety, and well-being of the citizens (patients) of Oklahoma by investigating complaints, conducting public hearings, effectuating, and monitoring disciplinary actions against any of the aforementioned licensed professionals, while providing the licensee with proper due process and all rights afforded under the law.
- Provide any member of society upon request, a copy of the specific public records and information on any of the aforementioned licensed professionals.

Board Members

James Gormley, M.D.	President
Curtis Harris, M.D.	Vice-President
Billy Stout, M.D.	Member
Jenny Boyer, M.D.	Member
David Browning, Jr., M.D.	Member
Deborah Huff, M.D.	Member
J. Andy Sullivan, M.D.	Member
Gary Brooks.....	Lay Member
Tom Rine.....	Lay Member

Key Staff

Lyle Kelsey, C.A.E.	Executive Director
Jan Ewing	Deputy Director (through November 30, 2008)
Reji Varghese	Deputy Director (present)
Dela Kwetey	Accountant

Board of Medical Licensure & Supervision
Operational Audit

Background

The Board of Medical Licensure & Supervision (the Agency) was mandated in 1923 to license qualified individuals to practice medicine. Since then, other health care professions have been added to the Agency’s jurisdiction and the Agency has been further charged by the Oklahoma Legislature to enforce laws related to medical practice by disciplinary action.

The Agency’s operations are governed by 59 O.S. §§ 480 through 518 and Title 435 of the Oklahoma Administrative Code.

Oversight is provided by a nine-member board (the Board) appointed by the governor. Seven of the members are allopathic physicians licensed to practice medicine in Oklahoma and two lay members. Each member serves a term of seven 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
Physician License and Fees ¹	<u>\$2,120,000</u>	<u>\$2,465,000</u>
Total Sources	<u>\$2,120,000</u>	<u>\$2,465,000</u>
Uses:		
Personnel Services	\$1,415,516	\$1,522,312
Professional Services	365,503	520,992
Travel – Reimbursement/Direct Payments	59,725	42,351
Miscellaneous Administrative	190,671	265,910
Rent Expense	144,159	163,447
Maintenance/Repair Expense	49,311	63,440
Office Furniture/Equipment	25,258	103,854
Other	<u>56,145</u>	<u>26,706</u>
Total Uses	<u>\$2,306,288</u>	<u>\$2,709,012</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

¹ These amounts include revenues from accounting services provided to the Oklahoma Boards of Podiatric Medical Examiners, Examiners of Perfusionists, Licensed Alcohol and Drug Counselors, and Licensed Social Workers. According to expenditure data for these boards, accounting service revenues totaled \$87,100 for FY 2007 and \$218,544 for FY 2008.

Board of Medical Licensure & Supervision

Operational Audit

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, expenditures, and inventory 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, 59 O.S. § 512, and 74 O.S. § 3601.2.A.3.

Conclusion

The Agency's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records.

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;
- 62 O.S. § 211 - 10% of all gross fees charged, collected and received were transferred to the state's general revenue fund;
- 59 O.S. § 512 - Payments were made to board members only when related to the State Travel Reimbursement Act;
- 74 O.S. § 3601.2.A.3 - The executive director's salary falls within statutory limits.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting, expenditure, and inventory processes, which included discussions with Agency personnel, observation, and review of documents;
- Tested controls, which included:
 - Determining whether the Agency's duties were properly segregated by ensuring the person who:
 - prepared the deposits was independent of the receipting process;
 - prepared the reconciliations was independent of the receipting process;
 - reconciled the check and cash payments to the corresponding list of licensing transactions was independent of the receipting process;
 - approved the expenditures was independent of the claims posting process;
 - received the warrants was independent of the claim posting process; and

Board of Medical Licensure & Supervision Operational Audit

- maintained the inventory records was independent of the procurement and receiving processes.
 - Determining whether reconciliations were completed for all months of the audit period;
 - Reviewing a random sample of three monthly reconciliations² to ensure they were prepared by someone independent of the receipting process, they traced and agreed to supporting documentation, and that reconciling items appeared reasonable;
 - Reviewing a random sample of 19 deposits to ensure they were adequately supported and were posted to PeopleSoft accounting records in a timely manner;
 - Determining whether payments through www.ok.gov were reconciled to Agency licensing records on a daily basis;
 - Reviewing a random sample of 19 deposits from www.ok.gov to ensure they agreed to Agency records and www.ok.gov e-mail records;
 - Reviewing a random sample of 20 claims³ 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;
 - Reviewing inventory records and discussing with personnel to determine a periodic inventory count was conducted;
 - Visually inspecting 13 inventory items randomly selected from Agency inventory records to ensure their identifying numbers and descriptions matched Agency records;
 - Reviewing Agency records for 13 inventory items haphazardly selected from the floor to ensure their identifying numbers and descriptions in the records matched the physical items; and
 - Reviewing surplus approval forms for 15 surplus inventory items randomly selected from Agency surplus inventory records to ensure they were properly approved;
- Discussed with personnel and observed the 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;

² The Agency performs two separate reconciliations. The OSF Form 11 reconciles agency records to the Office of the State Treasurer, and an internal form has been created to reconcile agency records to the Office of State Finance. Both reconciliations were tested.

³ The Agency also performs accounting functions for the Oklahoma Board of Podiatric Medical Examiners (OBPME), and the Oklahoma Board of Perfusionists Examiners (OBPE). The processes used by the Agency in accounting for its own finances are the same as those of the OBPME and OBPE. As a result, we selected one control testing sample for the Agency, OBPME, and OBPE, and divided that sample proportionally amongst the agencies based upon the number of transactions conducted by each agency during the audit period.

Board of Medical Licensure & Supervision
Operational Audit

- 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;
- Reviewed 14 randomly selected payments to board members, totaling \$2,251, to ensure that they were made in accordance with the State Travel Reimbursement Act, as required by 59 O.S. § 512; and
- Reviewed the Agency’s HR All Actions Report in the PeopleSoft accounting system to ensure the executive director’s annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2.A.3.

Other Items Noted

Although not considered significant to the audit objective, we feel the following issues should be communicated to management.

Observation

Inaccurate Revenue Account Code for Inter-Agency Administrative Services

The Office of State Finance (OSF) Procedures Manual Chapter 100, Appendix A2 lists the revenue account code for Inter-Agency Administrative Expenses as 452005.

The Agency is recording revenues it receives for providing accounting services to four other state agencies under revenue account code 425436 (Physician License and Fees). The Agency received \$87,100 in inter-agency administrative service revenues during state fiscal year 2007 (4.1% of total revenues) and \$218,544 for state fiscal year 2008 (8.9% of total revenues).

Revenues are not presented accurately, and state-wide financial data may also be misstated as a result of the inter-agency account code not being used.

Recommendation

The Agency should record revenues received from inter-agency administrative services separately from licensing revenues using the correct revenue account code.

Views of Responsible Officials

Effective immediately we will separate our monthly transfer of funds from clearing account to revolving account to identify correct source of revenue collected. All revenue collected from other agencies for services provided will be coded 452005. All other revenue will be transferred using code 425436.

Observation

Reimbursed Mileage Reported Inaccurately by Non-State Employees

The OSF Procedures Manual § 330.C.4.d describes map mileage as “based on the official mileage distance between points of travel as referenced in the latest Oklahoma Department of Transportation (ODOT) Statewide Mileage Chart.”

OSF Procedures Manual § 330.C.4.f states: “Vicinity mileage shall be entered separately on the travel claim form,” and § 330.C.4.d states: “Excess odometer mileage over the map miles as recorded from the starting and ending points of travel can be claimed as vicinity mileage if such travel was official business travel and based on the most direct route. Vicinity mileage appearing to be excessive based on the nature of official business will be questioned if not justified.”

Board of Medical Licensure & Supervision
Operational Audit

In six of the 14 board member travel reimbursement claims reviewed, map mileage did not match ODOT standard mileage, and no separate vicinity mileage was listed. By not reporting the mileage correctly, excessive vicinity mileage may be more difficult to detect.

Reimbursement payments may not be accurate if mileage is incorrect.

Recommendation

Non-state employees seeking travel reimbursement for mileage should separate map mileage (miles driven city-to-city, regulated by ODOT standards) from vicinity mileage (mileage driven within a city, tracked using odometer readings), and report these numbers separately on travel voucher forms. Authorities approving travel vouchers should review map mileage against ODOT standard distances, and review vicinity mileage for reasonableness.

Views of Responsible Officials

Effective immediately all travel vouchers will be corrected to include both ODOT map mileage and vicinity mileage as required.



**OFFICE OF THE STATE AUDITOR AND INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896**

WWW.SAI.OK.GOV