

**OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION
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

August 3, 2004

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

Transmitted herewith is the Oklahoma State Board of Medical Licensure and Supervision 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. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

**OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION
INTERNAL CONTROL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

BOARD MEMBERS

<u>Name</u>		<u>Term Expires</u>
Eric Frishche, M.D.	President	July 1, 2008
John Leatherman, M.D	Vice President	July 1, 2005
Tim Smalley, M.D.	Member	July 1, 2004
John Alexander, M.D.	Member	July 1, 2006
Dianne Gasbarra, M.D.	Member	July 1, 2008
James Gormley, M.D.	Member	July 1, 2009
Billy Scout, M.D.	Member	July 1, 2010
Mr. Gary Brooks	Member	Co-Terminus with Governor
Mr. Tom Rine	Lay Member	Co-Terminus with Governor

ADMINISTRATIVE STAFF

Lyle Kelsey, Executive Director

Jan Ewing,
Deputy Director

Elizabeth Scott,
Assistant Attorney General

Kathy Plant,
Executive Secretary



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

TO THE OKLAHOMA STATE BOARD OF MEDICAL LICENSURE AND SUPERVISION

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

10. 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:

- m. Cash receipting and depositing of funds.
- n. Fixed Assets.
- o. Recording of cash receipts, disbursement of funds, and reconciliation of funds.
- p. Segregation of duties regarding authorization, recording, and custody.

11. 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.

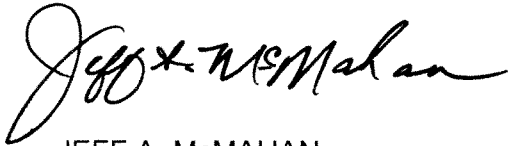
12. We reviewed the Board's policies and procedures and tested compliance with such policies and procedures in the following specific areas:

- g. Agency's compliance with policies and procedures regarding budgetary matters.
- h. Agency's compliance with policies and procedures regarding personnel and payroll issues such as attendance record keeping, compensation increases, and annual evaluations.

The purpose of these procedures was to identify the internal controls designed or developed by the Oklahoma State Board of Medical Licensure and Supervision, 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 Board'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. Had we performed additional procedures or had we made an audit of the effectiveness of the Board's internal control, other matters might have come to our attention that would have been reported to you.

Sincerely,

A handwritten signature in black ink, reading "Jeff A. McMAHAN". The signature is written in a cursive style with a large initial "J" and "M".

JEFF A. McMAHAN
State Auditor and Inspector

July 27, 2004

COMMENTS AND RECOMMENDATIONS

Comment 2003-450-001

Criteria: An effective system of internal controls should provide for adequate segregation of duties that reduces the opportunity for any person to both perpetrate and conceal errors and irregularities in the normal course of their duties.

Condition: Based on management's response to the internal control questionnaire, the following internal control weaknesses were noted:

- ◆ The same person responsible for the performing a physical inventory count of fixed assets is also assigned to post and maintain the record keeping of fixed assets.
- ◆ The same person responsible for investigating differences in physical inventory counts also authorizes and adjusts records.
- ◆ The same person responsible for accepting delivery of fixed assets and consumable inventory is also assigned to compare packing slips to purchase orders.
- ◆ The same person responsible for authorizing fixed assets additions and deletions is also assigned to adjust fixed assets records when they have been sold, retired, or transferred.

Effect: It is possible errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend the Medical Licensure and Supervision Board establish and implement controls to provide for proper segregation of duties.

Contact Person: Reji Varghese, Business Manager

Anticipated Completion Date: 5/30/04

Corrective Action Planned: Proper steps have been taken to draft a procedure to handle fixed assets' handling. The following will highlight the expansion of duties in handling fixed assets:

Maintaining the Fixed Assets record

- The Business Manager and/or Accountant will be responsible to maintain all Fixed Assets records.

-

Assigning custody of the Fixed Assets

- The Executive Director and/or Deputy Director will assign custody of all Fixed Assets

Accepting delivery of Fixed Assets and Consumable Inventory

- Original Requestor will accept delivery of Fixed and Consumable Inventory. If the original requestor is same as the Business Manager or Accountant, then the Account Tech will accept delivery.

Comparing packing slip to purchase orders

- Packing slip comparison to goods received and again to the purchase order will be conducted by the person accepting the inventory item. The Business Manager and/or Accountant will repeat this step before updating the inventory records.

Authorizing Fixed Assets additions and deletions

- The Business Manager and/or Accountant will prepare the request and the Executive director will authorize all additions and deletions of Fixed Assets inventory.

Adjusting Fixed Assets records when they have been sold, retired, or transferred

- Department heads will provide a list of surplus inventory items in their department. Business office will prepare a surplus transfer form for the Executive Director's approval and mail to Director of Central Purchasing for final approval. Upon receiving the approval from the Director of Central Purchasing, the Business Manager and/or Accountant will update the inventory record.

Performing physical inventory

- Business office staff; the Business Manager, Accountant and Account Tech, will perform annual physical inventory and prepare a discrepancy report that will be given to the department heads for their review and report.

Adjusting differences in records and physical count

- The discrepancy report from the department heads will be forwarded to Executive Director to approve inventory record adjustments.

Authorizing adjustments – Executive Director.