OKLAHOMA BOARD OF TESTS FOR ALCOHOL AND DRUG INFLUENCE

Operational Audit

For the period of July 1, 2016 through June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector
Audit Report of the
Oklahoma Board of Tests for Alcohol and Drug Influence

For the Period
July 1, 2016 through June 30, 2018
May 6, 2019

TO THE OKLAHOMA BOARD OF TESTS FOR ALCOHOL AND DRUG INFLUENCE

We present the audit report of the Oklahoma Board of Tests for Alcohol and Drug Influence for the period July 1, 2016 through June 30, 2018. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR
Background

In 1967, Senate Bill 28 of the 31st Oklahoma legislature authorized chemical tests for intoxication and created the State Board of Chemical Tests for Alcoholic Influence. The Board created the position of State Director of Tests and developed rules governing evidential breath testing, approved breath test instruments and created a training program to certify instrument operators. The program was administered by the Alcohol Drug Countermeasures Unit of the Department of Public Safety until the unit was abolished in 2003. The powers, duties, and responsibilities were transferred to the Board of Tests for Alcohol and Drug Influence (Agency) which was designated as a state agency and re-created through July 1, 2022 by 47 O.S. § 759.

The mission of the Agency is to enhance public safety through the administration and regulation of the impaired driving breath alcohol and blood testing programs in the state of Oklahoma.

Oversight is provided by eight board members (the Board). Each member shall receive an appointment in writing with the chair and vice-chair elected from membership of the Board every two (2) years. The Board is to be composed of:

- The Dean of the Oklahoma State University College of Osteopathic Medicine, or a designee;
- The Dean of the University of Oklahoma College of Medicine, or a designee;
- The Commissioner of Public Safety, or a designee;
- The Director of the Oklahoma State Bureau of Investigation, or a designee;
- The State Commissioner of Health, or a designee;
- The Director of the Council on Law Enforcement Education and Training, or a designee;
- One certified peace officer who is a member of a local law enforcement agency selected by the Oklahoma Sheriffs and Peace Officers Association; and
- One person selected by the Oklahoma Association of Chiefs of Police.
Board members as of April 2019 are:

Dr. Kenneth Blick, Ph.D. ................................................................. Chair
Dr. Jarrad Wagner, Ph.D............................................................... Vice-Chair
Dr. S. Terence Dunn, Ph.D............................................................... Member
Assistant Director Chuck Gerhart ............................................... Member
Chief Vernon Griffin.................................................................. Member
Keven Kramer, Criminalistics Administrator.............................. Member
Major Todd Blish........................................................................... Member
Sheriff Chris West................................................................. Member

The following table summarizes the Agency’s sources and uses of funds for fiscal years 2017 and 2018 (July 1, 2016 through June 30, 2018).

<table>
<thead>
<tr>
<th>Sources:</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licenses, Permits, Fees</td>
<td>509,856</td>
<td>543,007</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>-</td>
<td>369</td>
</tr>
<tr>
<td>Total Sources</td>
<td>509,856</td>
<td>543,376</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses:</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>388,976</td>
<td>399,569</td>
</tr>
<tr>
<td>Professional Services</td>
<td>51,192</td>
<td>56,336</td>
</tr>
<tr>
<td>Travel</td>
<td>16,758</td>
<td>38,713</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>84,057</td>
<td>73,066</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>367</td>
<td>4,967</td>
</tr>
<tr>
<td>Total Uses</td>
<td>541,350</td>
<td>572,651</td>
</tr>
</tbody>
</table>

Source: Oklahoma Statewide Accounting System (unaudited, for informational purposes only)
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 duty 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, 2016 through June 30, 2018.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Board of Tests for Alcohol and Drug Influence operations. Further details regarding our methodology are included under each conclusion.

We utilized sampling 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.

### Conclusion

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

In addition, financial operations do not comply with the following statutes:

- 62 O.S. § 211 - 10% transfer of all gross fees charged, collected, and received to the state general revenue fund;
- 74 O.S. § 3601.2A – Salaries of Executive Officers.

### Objective Methodology

To accomplish our objective, we performed the following:

- Identified significant internal controls related to receipting and tested those controls; see results in related finding.
- Recalculated the amount transferred to the state’s general revenue fund for all months during the audit period and compared to records from the Statewide Accounting System to ensure 10% of all fees charged, collected, and received by the Agency were transferred as required by 62 O.S. § 211.
- Identified significant internal controls related to miscellaneous expenditures and tested those controls, see results in related finding.
- Identified significant internal controls related to payroll expenditures and tested those controls; see results in finding.
- Determined Compliance with 74 O.S. §3601.2A – Salaries of Chief Executive Officers, which included:
  - Reviewing all data on the HR All Actions report and comparing it to approved salary ranges established by the Office of Management and Enterprise.
The United States Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* (2014 version)\(^1\), states that in designing control activities to achieve objectives and respond to risks, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.” The Standards further require that “Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.”

62 O.S. § 34.57.C further states, All such monies collected pursuant to this section shall be deposited as follows in the agency clearing account or agency special account established therefor:

1. Receipts of One Hundred Dollars ($100.00) or more shall be deposited on the same banking day as received; and

2. Receipts of less than One Hundred Dollars ($100.00) may be held until accumulated receipts equal One Hundred Dollars ($100.00) or for five (5) business days, whichever occurs first, and shall then be deposited no later than the next business day.

Both the administrative technician and the office manager have the conflicting duties of receiving walk-in payments, opening mail and receiving mail-in payments, recording received payments on the check log, preparing the deposit, and taking the deposit to the bank. This creates an opportunity for someone in this position to misappropriate funds received and the ability to conceal the misappropriation by improperly recording or modifying deposit records.

Additionally, payments received are not deposited in a timely manner as required by state statute. Funds received and deposited are also not independently reconciled to licenses and permits issued. Although monthly clearing account reconciliations are being independently performed by the Office of Management Enterprise Services - Agency Business Services division, the data being reconciled is unreliable due to the lack of segregation of duties.

\(^1\) Although this publication (GAO Standards) 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.
Recommendation
We recommend management segregate duties to ensure that individuals preparing the deposit do not have access to record payments or deposits on the check received log or make deposits. This could be accomplished by eliminating the administrative technician’s and office manager’s role of preparing the deposit and giving that role to the agency director. Mail should be opened, and payments logged and processed, with at least two individuals present. Additionally, revenues received should be deposited in accordance with 62 O.S. § 34.57.C to ensure the safeguarding and timeliness of deposits. Someone independent of the revenue process, such as the Director or a board member, should perform a documented independent reconciliation of licenses and permits issued to revenues received and deposited using data from the Statewide Accounting System and internal documentation.

Views of Responsible Officials
The agency accepts this finding and will take corrective action as described below.

Corrective Action Plan: The agency will adopt additional steps and protocols to assure further segregation of duties related to the receipt and deposit of revenues. The agency will take further steps to ensure deposit of revenues immediately upon receipt. The agency’s policy and procedure statements will be updated by July 1, 2019. The agency will once again attempt to establish a system to reconcile permits with payments with OMES and Oklahoma Interactive.

The office manager has the conflicting duties of approving purchase requests, purchase orders, and invoices. She is also responsible for coordinating with the Office of Management Enterprise Services – Agency Business Services for generating purchase orders and posting expenditures in the Statewide Accounting System.

Expenditures are not properly and independently approved before payment, and the majority of purchasing requests during the audit period were made verbally, with informal and undocumented approval prior to the purchase.

The lack of documented and independent approval and the conflicting duties create the risk that funds could be misappropriated through unauthorized expenditures and go undetected. Further, there is no independent and documented detailed review of agency expenditures which could mitigate that risk.
As discussed previously, GAO Standards state that in designing control activities to achieve objectives and respond to risks, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.” The Standards further require that “Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.”

**Recommendation**
The agency should establish proper segregation of key duties related to the expenditures process to ensure that a single individual would not be able to initiate, authorize, process and record an expenditure transaction. If the agency is unable to segregate key duties, at a minimum, someone independent of the expenditure process, such as the Director or a Board member, should perform and document a detailed review of the PeopleSoft 6-digit detailed expenditure report on a routine basis.

**Views of Responsible Officials**
The agency accepts this finding and will take corrective action as described below.

**Corrective Action Plan:** The agency will adopt additional steps and protocols to assure further segregation of duties related to purchasing. The agency will adopt additional procedures to audit the 6-digit detailed expenditure report on a monthly basis. The agency’s policy and procedure statements will be updated in this regard by July 1, 2019.

The office manager currently has the following abilities and duties:
- Act as the agency contact with OMES-HCM to initiate payroll changes;
- Approve payroll claims;
- Responsibility for detailed review of payroll reports.

In addition, payroll changes (such as hires, separations, and pay rate changes) are not properly documented and approved. The Agency was unable to provide sufficient documentation showing communication of approved changes to OMES-HCM.

Finally, there is no detailed and documented independent review of payroll and personnel changes after payroll is processed to verify that only authorized changes were made. This type of review if properly
performed and documented could mitigate the risks associated with the inadequate segregation of duties. Failure to properly document and approve payroll change transactions increases the likelihood that changes could be made, by mistake or purposefully, without authorization.

As previously stated, GAO Standards state that in designing control activities to achieve objectives and respond to risks, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.” The Standards further require that “Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.”

**Recommendation**
We recommend management segregate duties to ensure that employees responsible for reviewing and approving payroll claims do not have the ability to also act as the contact with OMES-HCM to initiate changes to payroll or personnel data. The agency Director should periodically perform a detailed and documented independent review of payroll claims and supporting documentation to provide assurance that only authorized payroll changes are made.

In addition, we recommend documentation of all payroll change authorizations be retained and reflect appropriate approvals.

**Views of Responsible Officials**
The agency accepts this finding and will take corrective action as described below.

**Corrective Action Plan:** The agency will adopt different procedures for payroll submission to require the Director’s review and appoint a point of contact with OMES for payroll changes that is separate and distinct from the processing system.

62 O.S. § 211 states:

“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 vocation shall pay into the General Revenue Fund of the state ten percent (10%) of the gross fees charged, collected and received by such board.”
During the audit period, the Agency collected $1,010,904 in fees but failed to transfer $101,090 to the state general fund.

By not performing the required 10% transfer per statute, the agency is not in compliance with 62 O.S. § 211.

**Recommendation**
The Agency should consider seeking an opinion from the Oklahoma Attorney General regarding the applicability of 62 O.S. §211 as well as any requirements to repay prior year transfers that were not previously made. If applicability is confirmed, the agency should establish policies and procedures to make the required 10% transfers to the General Revenue fund per statute in a timely manner.

**Views of Responsible Officials**
The agency disagrees with this finding. Specifically, the agency is not “self-sustaining” as described in 62 O.S. §211. The statutory authority establishing the agency states, in relevant part: “The Legislature shall appropriate funds to the Department of Public Safety for the support of the Board of Tests [f]or Alcohol and Drug Influence and its employees, if any.” As such, 62 O.S. §211 is inapplicable.

**Auditor Response**
Based on our review of records available in the Statewide Accounting system dating back to Fiscal Year 2007, the agency did not receive appropriated funds from the Legislature during the entire period of Fiscal Year 2007 through Fiscal Year 2018 and therefore does appear to be “self-sustaining” as described in 62 O.S. §211. Our finding and recommendation stand related to seeking an opinion from the Oklahoma Attorney General regarding the applicability of 62 O.S. §211 as well as any requirements to repay prior year transfers.

74 O.S. §3601.2 states:

> Beginning July 1, 2013, each agency, board, commission, department or program in the executive branch of state government shall establish the salary of each of the chief executive officers for which they have appointing authority. Such salary shall be set between the minimum and maximum of the range specified in the annual compensation reports required by paragraph 5 of Section 840-1.6A of this title, for full-time employees only.
The compensation reports prepared by the Office of Management and Enterprise Services (OMES), as required by 74 O.S. §840-1.6A(5), establish the salary ranges during our audit period for the executive director of the Board of Tests for Alcohol and Drug Influence (BOT) as follows:

<table>
<thead>
<tr>
<th>BOT</th>
<th>Compensation Report Year</th>
<th>Minimum</th>
<th>Midpoint</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY14</td>
<td>$50,826</td>
<td>$63,532</td>
<td>$76,238</td>
</tr>
<tr>
<td></td>
<td>FY17</td>
<td>$53,367</td>
<td>$66,709</td>
<td>$80,050</td>
</tr>
</tbody>
</table>

The executive director receives an annual salary of $82,587, which is above the maximum range allowable for this position. This results in a $2,537 overpayment annually or $5,074 ($2,537 X 2 Fiscal Years) overpayment in total for the audit period. The agency is not in compliance with 74 O.S. §3601.2.

**Recommendation**

We recommend that the director’s salary be adjusted so that it is within the allowable salary range as established by statute.

**Views of Responsible Officials**

The agency disagrees with this finding. Specifically, the auditor’s interpretation of 74 O.S. §3601.2 is apparently at odds with the interpretation of this statute set forth by OMES. The agency has received correspondence from OMES on two separate occasions related to the established salary range. Both of these letters specifically state that the salary range is not mandatory and the agency is authorized to make its own decisions related to the Director’s salary and resources. The agency will contact OMES to resolve this discrepancy in interpretations of 74 O.S. §3601.2.

**Auditor Response**

The intent of the Legislature in 74 O.S. §3601.2 does not appear vague or ambiguous in the requirement that salaries “shall be set within the minimum and maximum of the range specified in the annual compensation reports required by paragraph 5 of Section 840-1.6A” regardless of any communication received from any other source (emphasis added). Our finding stands. The agency should consider seeking an opinion from the Oklahoma Attorney General regarding this issue.