

OPERATIONAL AUDIT

OKLAHOMA BOARD OF EXAMINERS FOR SPEECH-LANGUAGE PATHOLOGY AND AUDIOLOGY

For the period January 1, 2011 through June 30, 2013



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Oklahoma Board of Examiners for Speech-Language Pathology
and Audiology**

**For the Period
July 1, 2011 through June 30, 2013**



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

September 2, 2014

TO GOVERNOR MARY FALLIN AND THE OKLAHOMA BOARD OF EXAMINERS FOR SPEECH-LANGUAGE PATHOLOGY AND AUDIOLOGY

This is the audit report of the Oklahoma Board of Examiners for Speech-Language Pathology and Audiology for the period July 1, 2011 through June 30, 2013. 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,

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma Board of Examiners for Speech-Language Pathology and Audiology Operational Audit

Background

The Oklahoma Board of Examiners for Speech-Language Pathology and Audiology (the Agency) is the only agency in the state regulating health care services in the area of communicative disorders of the speech, language and hearing mechanisms. The mission of the Oklahoma Board of Examiners for Speech-Language Pathology and Audiology (OBESPA) is to regulate the practices of speech-language pathology and audiology in order to protect the health, safety and welfare of the public and to support practitioners in their professional endeavors.

Oversight is provided by five board members (the Board) appointed by the governor. Each member serves a term of three years.

Board members as of July 2014 are:

- Tracy Grammer, M.S. Chair
- Cheryl Giddens, Ph.D. Vice Chair
- Mary Hudson, Ph.D. Secretary
- Kristin Hopper Lay Member
- Greg Krempl, M.D., ORL Otolaryngologist Member

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The charts below illustrate how the agency is primarily funded, and where the funds are expended.¹

Chart 1 - Revenues by Category ²
July 1, 2011 through June 30, 2013

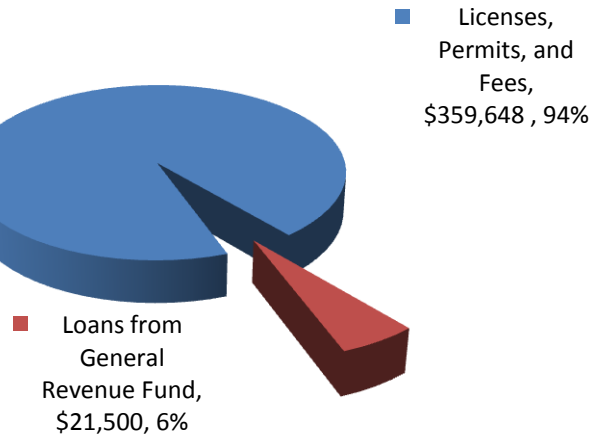
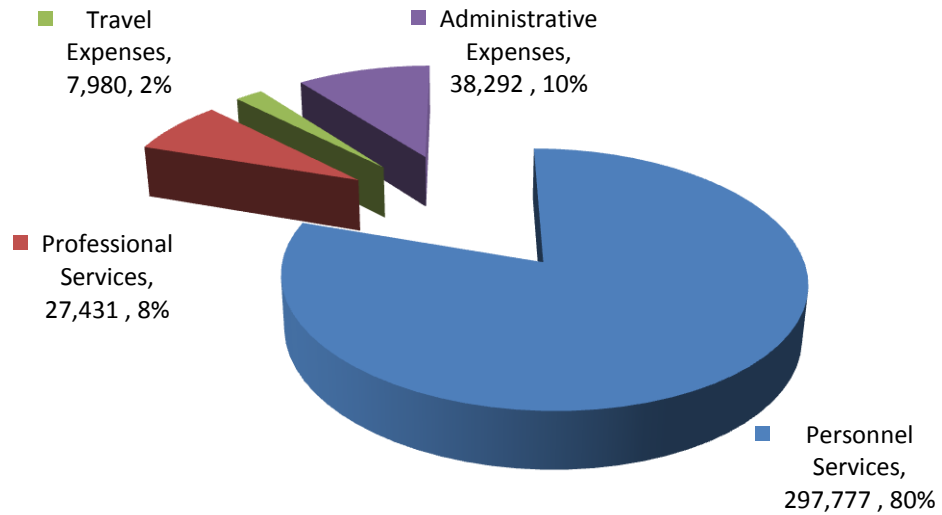


Chart 2 - Expenditures by Category
July 1, 2011 through June 30, 2013



¹ This information was obtained from Oklahoma PeopleSoft accounting system. It is for informational purposes only and has not been audited.

² Two loans were issued to OBESPA from the State General Revenue Fund: one for \$7,500 in September 2011, which was repaid in November 2011; and one in September 2012 for \$14,000, which was repaid in November 2012. Because the loan repayments were handled through transfer entries to the State General Revenue Fund, repayments are not reflected in the expenditure chart above.

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Scope and Methodology

Our audit was conducted at the request of the Governor in accordance with 74 O.S. § 212.C and 74 O.S. § 213.2.B, which require the State Auditor and Inspector's office to conduct an audit at the request of the Governor.

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, 2011 through June 30, 2013. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma Board of Examiners for Speech-Language Pathology and Audiology operations.

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 revenues and miscellaneous expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

Conclusion

The Agency's internal controls do not provide reasonable assurance that revenues and miscellaneous expenditures were accurately reported.

The Agency was in compliance with 74 O.S. § 3601.2, regarding the maximum salary of the Executive Secretary. However, they were not in compliance with 62 O.S. § 211, regarding the monthly transfer of 10% of applicable revenue to the State's General Revenue Fund.

FINDINGS AND RECOMMENDATIONS

**Segregation
of Duties
Relating to
Revenues –
Repeat
Observation**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*³ states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction."

The Agency has a staff of two. The Administrative Assistant is responsible for receipting funds and enters them into an online database if related to a license application or renewal. The Executive Secretary prepares the deposit, takes it to the bank, and provides Agency Business Services⁴ (ABS) with deposit information so they can record in PeopleSoft (the state accounting system). There is no independent review of the Executive Secretary's duties.

When only one staff member is in the office, that person is responsible for all aspects of the receipting and deposit process, including printing temporary and renewal licenses. It appears both staff members have the opportunity to misappropriate funds and conceal their actions by facilitating the issuance of the related license.

Segregation of key duties at the agency is difficult due to its limited staff size, and mitigating controls have not been put in place.

Recommendation

- To eliminate the opportunity for staff to misappropriate funds, it would be advantageous for the Agency to require all payments be made through its online payment portal. This would also create a uniform system for tracking all revenue, including miscellaneous revenues received for items such as document fees and license verifications.
- The Board Chair or another responsible, independent party should reconcile licenses issued and renewed against deposit records in order to verify that the amount of revenue recorded is reasonable given licensing activity. Ensuring that reliable licensing records are available may require further review and refinement of the Agency's database system.

³ Although this publication 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.

⁴ Division of the Office of Management and Enterprise Services (OMES)

Views of Responsible Officials

The Board of Examiners for Speech-Language Pathology and Audiology concurs with this recommendation.

Segregation of Duties Relating to Expenditures – Repeat Observation

The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government*⁵ states in part, “Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud No one individual should control all key aspects of a transaction.”

During the audit period, the Executive Secretary was responsible for approving purchases and invoices, creating vouchers in PeopleSoft (the State’s ERP system), receiving checks issued by the State Treasurer’s Office and mailing them to vendors. This creates the opportunity for someone in that position to make inappropriate expenditures and conceal them.

Segregation of key duties at the agency is difficult due to its limited staff size. In the last month of the audit period, the Agency contracted with ABS for voucher processing services, which will cover the tasks of creating vouchers, receiving vendor payments, and paying vendors.

Recommendation

In consideration of recent changes to the Agency’s expenditure process, we recommend the following be implemented in order to ensure expenditures are being processed appropriately by both Agency staff and contracted OMES-ABS staff:

- The Board, or a responsible, independent individual such as the Board Chair, should approve expenditures at each board meeting by reviewing the Six-Digit Expenditure Detail Report from PeopleSoft. This report should be generated directly from PeopleSoft in PDF format to ensure its independence, and should be included in the board meeting packet as a record of the review.

⁵ Although this publication 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.

Views of Responsible Officials

The Board of Examiners for Speech-Language Pathology and Audiology concurs with this recommendation. Corrective action will be in effect by the end of October.

**Inadequate
Transfer to
the General
Revenue
Fund -
Repeat
Observation**

According to 62 O.S. § 211, "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." In addition, 62 O.S. § 34.57.E.1 requires that transfers be made to the Agency's revolving fund from its clearing account on a monthly basis. Due to the lack of effective revenue controls for physical receipts (as discussed on page 4), we could only test that *deposited* receipts were transferred properly.

Our procedures indicated that the prescribed General Revenue Fund transfers were unusually timed and no transfer was made in April or June 2012, or in February 2013. According to our recalculation, the Agency's General Revenue Fund transfers for the months of July 2011 through June 2013 totaled \$4,148.49 less than the expected 10% figure.

The cause of the overall discrepancy is unclear, as the staff member who performed these transfers has retired. In June 2013, OMES-ABS was contracted to perform this function for the agency.

Recommendation

In consideration of recent changes to the Agency's transfer process, we recommend the following:

- The Executive Secretary should monitor the monthly transfer entries made by ABS to ensure that they are accurate and occur monthly.
- The Executive Secretary should consult with ABS to ensure that the 10% amount is based on the properly adjusted monthly revenue total.

Views of Responsible Officials

The Board of Examiners for Speech-Language Pathology and Audiology concurs with this recommendation. Corrective action will be in effect by the end of October.



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

WWW.SAI.OK.GOV