

OKLAHOMA STATE BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS

FOR THE PERIOD
JANUARY 1, 2007 THROUGH
DECEMBER 31, 2009

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the Oklahoma State
Board of Licensure for Professional
Engineers and Land Surveyors**

**For the Period
January 1, 2007 through December 31, 2009**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
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April 14, 2010

**TO THE OKLAHOMA STATE BOARD OF LICENSURE FOR
PROFESSIONAL ENGINEERS AND LAND SURVEYORS**

This is the audit report of the Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors for the period January 1, 2007 through December 31, 2009. 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, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors

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Background

The Oklahoma State Board of Licensure for Professional Engineers and Land Surveyors (the Agency) is responsible for the administration and regulation of the professions of engineering and land surveying in Oklahoma. The Agency reviews applications, administers examinations, licenses qualified applicants, and regulates the professional practice of the licensees throughout the state. The Agency also investigates alleged violations of provisions of the licensure law.

Oversight is provided by a seven-member board (the Board) appointed by the governor, including four professional engineers, two professional land surveyors, and a lay member. Each professional member serves a term of six years, while the lay member serves until the governor's term expires.

Board members are:

Mark Fuller Chair
Robert C. Zahl, P.E. Vice-Chair
Roy W. Entz, P.E., P.L.S. Secretary
George T. Gibson, P.E. Member
Bill A. McVey, Jr., P.E. Member
Glen W. Smith, P.E., P.L.S. Member
Ted Sack, P.L.S. Member

Table 1 summarizes the Agency's sources and uses of funds for state fiscal years 2008 and 2009 (July 1, 2007 through June 30, 2009).

Table 1 - Sources and Uses of Funds for SFY 2008 and SFY 2009

	2008	2009
Sources:		
Engineer License/Permit/Fee	\$1,069,351	\$1,178,870
Total Sources	<u>\$1,069,351</u>	<u>\$1,178,870</u>
Uses:		
Personnel Services	\$600,761	\$710,624
Professional Services	165,544	141,847
Miscellaneous Administrative	129,477	144,891
General Operating Expenses	57,653	51,231
Travel Expenses	66,743	62,002
Rent Expense	20,322	21,478
Other	21,547	6,421
Total Uses	<u>\$1,062,047</u>	<u>\$1,138,494</u>

Source: Oklahoma PeopleSoft Accounting System (unaudited, for informational purposes only)

Purpose, 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. It also fulfills the requirements of 59 O.S. § 475.9, which establishes the Professional Engineers and Land Surveyors Fund and states that the fund shall be audited annually by the State Auditor and Inspector.

The audit period covered was January 1, 2007 through December 31, 2009.

We selected our samples in such a way that whenever possible, the samples 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

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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 whether the Agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 59 O.S. § 475.9.A and 74 O.S. § 3601.2.A.3.

Conclusion

The Agency's internal controls provide reasonable assurance that expenditures, revenues received online, and manually receipted revenues other than those noted below were accurately reported in the accounting records. However, the Agency's internal controls do not provide reasonable assurance that manually receipted revenues for license renewals, license reinstatements, and returned check fees were accurately reported in the accounting records.

With respect to the items tested, financial operations complied with the following statute:

- 74 O.S. § 3601.2.A.3 – The executive director's salary does not exceed statutory limits.

Regarding 59 O.S. § 475.9.A, which requires the Agency to transfer 10% of revenues received to the state's General Revenue fund, we performed procedures to verify that, with respect to the items tested, the Agency did transfer 10% of revenues deposited. However, due to observations discussed on pages 3 and 4, we are unable to verify that all revenues received by the agency were deposited, and are therefore unable to conclude as to whether or not the agency complied with this statute.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes (including payroll) which included discussions with agency personnel, observation, and review of documents;
- Tested controls, which included:
 - Determining whether online payments through ok.gov are reconciled to licensing transactions on a regular basis;
 - Determining whether the person responsible for approving invoices prior to payment is independent of the expenditure posting process;
 - Determining whether the person responsible for reviewing warrants received is independent of the expenditure posting process;
 - Reviewing a random sample of three months of online revenue deposits posted during the audit period (totaling \$228,414) to ensure they agree to e-mail notices from ok.gov and to Agency records;

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- Reviewing a random sample of 40 expenditure claims processed during the audit period (totaling \$63,251.59) to ensure they were properly and independently approved. This included ensuring that the invoice supports the payment, is approved by a designated official, is mathematically accurate, the correct account code is used, and the expenditure appears reasonable given the Agency's mission;
 - Reviewing timesheets from six randomly selected months to ensure they were signed by employees and approved by the executive director;
 - Reviewing payroll documentation from six randomly selected months to ensure payroll registers were approved by the executive director and the hours listed on the payroll funding sheets agreed to employees' timesheets; and
 - Reviewing form OPM-14 for all seven salary changes made during the audit period to ensure they were approved by the executive director and, when changes were made to unclassified employees' salaries, by the Board.
- Recalculated the amount transferred to the state's general revenue fund for a random sample of nine months to ensure 10% of revenues deposited by the Agency were transferred as required by 59 O.S. § 475.9.A; and
 - Reviewed PeopleSoft's "HR Actions" report to ensure the executive director's annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2.A.3.

Observation

Inadequate Segregation of Duties Related to Bank Receipts

To protect against fraud, errors, and professional misconduct, the internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties of employees.

Although the receipting and depositing duties for some revenue types were segregated, we noted that one administrative assistant II is responsible for:

- Receipting funds received via mail and walk-ins for license renewals, license reinstatements, and returned check fees;
- Preparing deposits.

While deposits are reviewed by the executive secretary after they have been taken to the bank, it is possible for the administrative assistant II to provide the executive secretary with deposit reports which do not include misappropriated funds. This process could allow for funds to be received and not deposited without being detected in a timely manner.

Management was not aware of the risks associated with relying on the reports prepared by the administrative assistant II.

Recommendation

We recommend the Agency segregate duties related to the bank receipting process by having an employee who has no posting responsibilities prepare the bank deposit. If this is not possible, the executive secretary should generate deposit reports from the agency database for comparison to the completed bank deposit.

Views of Responsible Officials

This recommendation has been implemented. The Executive Secretary is generating deposit reports from the agency database for comparison to the completed bank deposit.

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Observation

Inadequate Safeguarding of Receipts

An effective internal control system provides for adequate safeguarding of assets. In addition, 62 O.S. § 34.57.C requires that deposits of \$100 or greater be taken to the bank the same day as received, and receipts awaiting deposit be properly safeguarded.

- Checks and cash receipts received by the Agency are not deposited at the bank on a daily basis (this includes many deposits over \$100), and instead are deposited approximately twice per week;
- Funds are maintained in an unlocked metal box in a storage room prior to deposit. The room is closed and locked after hours, but the door to the room is propped open during the day to allow employees access to the deposit box and various files in the room. The fact that multiple days' deposits are maintained as described above compounds the risk created by a lack of physical safeguarding.

Improprieties could occur and not be detected in a timely manner.

Deposits were not made on a daily basis due to staff workload. Funds were not physically safeguarded because a large percentage of the staff needed access to the storage room and deposit box throughout the day.

Recommendation

We recommend:

- The Agency should deliver deposits of \$100 or more to the bank the same day as received;
- Receipts awaiting deposit should be properly safeguarded. This may include storing funds in a locked box or locking the room in which deposits are stored during the day, with access limited to essential personnel.

Views of Responsible Officials

The Agency will deliver deposits in a timely manner and has revised our Revenue Policies and Procedures and provided those to the auditor. Receipts awaiting deposit are now stored in a locked file cabinet during the day and locked in a room overnight.

Other Items Noted

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

Observation

Deposits Not Posted to PeopleSoft in a Timely Manner

An effective internal control system provides for prompt recording of accounting transactions.

While reviewing bank deposit records from September 2009, we noted that while there were six deposits made during the month, bank deposits were only posted to PeopleSoft on three dates: September 8, 22, and 28. We further reviewed deposits from April 2007, noting two occasions on which deposits waited three or more business days before being posted to PeopleSoft, and May 2008, noting three occasions on which deposits waited three or more business days before being posted. It appears deposits are not consistently being posted to PeopleSoft in a timely manner.

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In the PeopleSoft system, cash is not available until the journal entry is made and added to the Agency's cash balance. Therefore, the available cash balance on PeopleSoft reports could be misstated.

The delay in posting the September deposits was due to employee vacations. The delay in posting the April and May deposits was due to the executive secretary's workload.

Recommendation

We recommend management exercise diligence and ensure their deposit entries are posted into PeopleSoft within one business day of deposit.

**Views of Responsible
Officials**

Because of the size of our staff, occasionally it is impossible to deposit entries into PeopleSoft within one business day of deposit. However, this occurs only rarely and we will exercise diligence in accomplishing this except on those rare occasions.



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