

PHYSICIAN MANPOWER TRAINING COMMISSION

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

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Physician Manpower Training Commission**

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

STATE AUDITOR AND INSPECTOR

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State Auditor

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June 10, 2010

TO THE PHYSICIAN MANPOWER TRAINING COMMISSION

This is the audit report of the Physician Manpower Training Commission for the period July 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

Physician Manpower Training Commission Operational Audit

Background The goal of the Physician Manpower Training Commission (Commission or PMTC) is to enhance medical care in rural and underserved areas of Oklahoma by administering residency, internship, and scholarship incentive programs that encourage medical and nursing personnel to practice in rural and underserved areas. Further, the Commission upgrades the availability of health care services by increasing the number of practicing physicians and nurses in rural and underserved areas of Oklahoma and increasing the total number of primary care physicians and nurses in the state. The Commission administers the Rural Medical Education Scholarship Program, the Resident Rural Scholarship Program, Physician/Community Match Program, Doctor of Medicine and Doctor of Osteopathy Internship and Residency programs, the Physician Assistant Scholarship Program, and the Nursing Student Assistance Program.

Operations are governed by 70 O.S. §§ 697.1 through 697.21, as well as Title 540 of the Oklahoma Administrative Code. Oversight is provided by a seven-member commission appointed by the governor with three members required to be practicing allopathic physicians and two required to be practicing osteopathic physicians and two lay-members. Each member serves a term of five years.

Commission members are:

Michael Talley, M.D.....	Chairman
Troy Harden, D.O.	Vice-Chair
Duane Koehler, D.O.....	Member
Staci Foresee	Lay-Member
J Clifton Coffey, M.D.	Member
Pamela Ahearn, M.D.....	Member
Vacant	Lay-Member

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

	2008	2009
Sources:		
Co-Operative Projects	\$ 397,150	\$ 610,315
Federal Grants	12,500	-
Appropriations	5,523,085	5,516,015
Interagency Receipts	-	261,330
Repayment of Loans	424,400	378,453
Total Sources	<u>\$ 6,357,135</u>	<u>\$ 6,766,113</u>
Uses:		
Personnel Expenses	\$ 400,895	\$444,919
Professional Services	3,796,833	3,726,569
Travel Expense	27,516	28,110
Miscellaneous Administrative Expense	26,933	20,685
Rent Expense	22,765	23,997
Scholarship, Incentive Payments	2,115,265	2,632,445
Refunds, Indemnities	32,242	21,652
Other	5,440	3,922
Total Uses	<u>\$ 6,427,889</u>	<u>\$ 6,902,299</u>

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

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Purpose and Scope This 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 state officers whose duty it is to collect, disburse or manage funds of the state.

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

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 - Determine if the Commission's internal controls provide reasonable assurance that revenues and expenditures (excluding payroll) were accurately reported in the accounting records.

Conclusion The Commission's internal controls do not provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure (excluding payroll) processes which included discussions with Commission personnel, observation, and review of documents.

Observation **Lack of Segregation of Duties Related to the Receipting Process –Repeat Finding**

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹ 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 executive secretary is responsible for the following:

- Receipting and endorsing checks delivered through the mail or walk-in;
- Posting checks to the Commission's master file *Alpha 5 Database*;
- Preparing the deposit;
- Physically taking the deposit to the bank;
- Posting the deposit into the PeopleSoft accounting system;
- Preparing the reconciliation between the Office of the State Treasurer (OST) and PeopleSoft (OSF Form-11); and
- Preparing the reconciliation between the Commission's internal records and PeopleSoft.

Although reconciliations are being performed, based on discussion with the director, a cursory review of the OSF Form 11 reconciliation is performed, and no review of the reconciliation between Commission and PeopleSoft records is being performed.

¹ Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

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We considered the payment notification letter, similar to an account statement, which is mailed to each person any time a payment is remitted to the Commission as a possible mitigating control. However, we determined we could not rely on this because the executive secretary is the person responsible for this process and an independent approval of the deposit to actual receipts is not occurring.

The Commission is restricted by the limited number of personnel it has (six total employees). The executive secretary is one of the few employees in the Commission who has formal training and working knowledge of the state's PeopleSoft accounting system. As a result of the Commission's inadequate segregation of duties, misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend:

- The duties performed by the executive secretary be segregated to ensure the person who receipts the funds does not prepare the deposit or the reconciliations. If management cannot segregate these duties, we recommend other mitigating controls be considered to assist in reducing the risk associated with the lack of segregation of duties. For example, someone other than the executive secretary could reconcile the deposit to the payments posted to the physicians' and nurses' files;
- Both reconciliations should be reviewed by someone other than the preparer. This review should include at a minimum, verification of mathematical accuracy, tracing amounts to supporting documentation, and review of any reconciling items for reasonableness. It should be noted, the ability for this control to be effective is directly related to implementation of the recommendation above.

Views of Responsible Officials

The secretary will receive the checks, stamp PMTC on back of the check, make copies of the checks received for the nurse repayments, log all checks received (date received, amount received, check number and indicate the program the recipient is associated with) and prepare the deposit slip for the executive director or deputy executive director to review and initial. Copies of the nurse repayment checks are given to the nurse program coordinator to enter into the nurse repayment Excel database and she prepares a letter to the nurse stating PMTC received the check and their balance of remaining amount of repayment.

The executive director or the deputy executive director will review the deposit slip/checks and initial if approved and give the deposit slip and checks to the executive secretary.

The executive secretary will review the deposit slip/checks and enter the amount in the PMTC Clearing Account Access System and also the PeopleSoft Accounts Receivable. The executive secretary enters the physician and/or the physician assistant check amount into the repayment Excel database and prepares a letter to the physician and/or the physician assistant recipient stating PMTC received the check and their balance of remaining amount of repayment and gives the letter to the deputy executive director for his signature.

The deputy executive director reviews the Excel database and the recipient files before sending the letter.

The executive secretary makes copies of the deposit slip and all checks for the file.

The deposit slip/checks are given back to the executive director to deposit at the bank.

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The executive director makes the bank deposit and receives a deposit receipt from the bank and gives this to the executive secretary.

The executive secretary reviews the bank deposit receipt and attaches it to the PeopleSoft Accounts Receivable report and the copies of the deposit slip/checks for the file.

Checks are deposited daily if they total over \$100.00. If the total amount of checks is under \$100.00 the checks are received, stamped, logged in and locked up in the desk drawer.

Each month the executive secretary balances the PMTC Clearing Account and prepares the OSF reconciliation report for the executive director's approval. The monthly OSF reconciliation report is initialed by the executive director and signed by the executive secretary before submitting the report to OSF.

Observation

Inadequate Segregation of Duties Related to the Expenditure Process– Repeat Finding

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*² 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 executive secretary is responsible for the following:

- Generating all purchase orders;
- Making actual purchases;
- All expenditure posting functions;
- Receiving warrants from the Office of State Finance (OSF); and
- Preparing the monthly reconciliation between the OSF's Budget and Cash Balance Report and the Commission's internal expenditure log.

In addition, the monthly reconciliation is not being reviewed by an independent person.

Although the director is performing a review of each claim jacket prior to approval, the review is cursory in nature.

The Commission is restricted by the limited number of personnel it has (six total employees). The executive secretary is one of the few employees in the Commission who has formal training and working knowledge of the state's PeopleSoft accounting system. As a result, misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend:

- The duties performed by the executive secretary be segregated to ensure the employee posting the payments into PeopleSoft does not receive or handle the warrants. If the duties cannot be segregated, we recommend management consider implementing mitigating controls to help reduce the risk associated with the lack of segregation of duties. For example, the executive director could review the warrant register, on a random basis at a minimum, to ensure payments issued agree with approved claims. The reconciliation between OSF

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and Commission records should be reviewed by someone other than the preparer. This review should include, at a minimum, verification of mathematical accuracy, tracing amounts to supporting documentation, and review of any reconciling items for reasonableness;

- The executive director's review of the claim jacket should include, at a minimum, tracing information to supporting invoices, verification of reasonableness, mathematical accuracy, and verification of proper assignment of fund and account code.

Views of Responsible Officials

The executive director will review voucher and invoice, verify reasonableness, mathematical accuracy and proper accounting before sending to OSF.

The executive director will review the warrant register to ensure payments issued agree with approved vouchers. The reconciliation between OSF and PMTC Access Database will be reviewed by the executive director. The executive director will verify mathematical accuracy, trace amounts to supporting documentation and review reconciling items for reasonableness.



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