

OPERATIONAL AUDIT

OKLAHOMA STATE BOARD OF EXAMINERS OF PERFUSIONISTS

For the period July 1, 2008 through June 30, 2016



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**Audit Report of the
Oklahoma State Board of Examiners of Perfusionists**

**For the Period
July 1, 2008 through June 30, 2016**



Oklahoma State Auditor & Inspector

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October 18, 2017

TO THE OKLAHOMA STATE BOARD OF EXAMINERS OF PERFUSIONISTS

This is the audit report of the Oklahoma State Board of Examiners of Perfusionists for the period July 1, 2008 through June 30, 2016. 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 that reads "Gary A. Jones".

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

Oklahoma State Board of Examiners of Perfusionists Operational Audit

Background

The Oklahoma Legislature created the Oklahoma State Board of Examiners of Perfusionists (the Agency) to regulate the practice of perfusion, issue licensure where appropriate, and in general, assure the public that the practice of perfusion will be conducted with reasonable skill and safety. The Agency currently has no staff, and its operational functions are performed by the staff at the Oklahoma State Board of Medical Licensure and Supervision.

Oversight is provided by a nine-member board (the Board) appointed by the Oklahoma State Board of Medical Licensure and Supervision. The Board is composed of four licensed perfusionists appointed from a list submitted by a statewide organization representing licensed perfusionists, two physicians licensed pursuant to the Oklahoma Allopathic Medical and Surgical Licensure and Supervision Act and also board certified in cardiovascular surgery, and three members from the general public. Each member serves a term of five years.

Board members as of September 2017 are:

Haden Miller, LP	President
Donald G. Hamilton, LP	Vice-President
Samuel Friedrichsen, LP	Member
Marvin Peyton, MD	Member
R. Darryl Fisher, MD	Member
Leah Davidson, LP	Member
Vacant Seat.....	Lay Member
Vacant Seat.....	Lay Member
Vacant Seat.....	Lay Member

Oklahoma State Board of Examiners of Perfusionists Operational Audit

The following table summarizes the Agency's sources and uses of funds for fiscal years 2015 and 2016 (July 1, 2014 through June 30, 2016).

Sources and Uses of Funds for FY 2015 and FY 2016

	2015	2016
Sources:		
Licenses, Permits, Fees	\$ 12,300	\$ 11,900
Total Sources	\$ 12,300	\$ 11,900
Uses:		
Personnel Services	\$ 266	\$ (266)
Professional Services	4,448	13,817
Travel	146	300
Administrative Expenses	-	1,792
Total Uses	\$ 4,860	\$ 15,643

Source: Oklahoma PeopleSoft accounting system (unaudited, for informational purposes only)

Oklahoma State Board of Examiners of Perfusionists

Operational Audit

Scope and Methodology

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 duties 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, 2008 through June 30, 2016. Detailed audit procedures focused on the period of July 1, 2014 through June 30, 2016 addressing the most current financial processes and providing the most relevant and timely recommendations for management.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Oklahoma State Board of Examiners of Perfusionists’ operations. 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 miscellaneous expenditures were accurately reported in the accounting records.

Conclusion

The Agency’s internal controls do not provide reasonable assurance that revenues and miscellaneous expenditures were accurately reported in the accounting records. Financial operations did comply with 62 O.S. § 211, which requires the transfer of 10% of all gross fees charged, collected, and received to the state general revenue fund.

Oklahoma State Board of Examiners of Perfusionists Operational Audit

FINDINGS AND RECOMMENDATIONS

Inadequate Segregation of Duties Related to Revenue

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (2014 revision)¹ states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities of authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

All of the Agency's revenues are received in check or cash form. They are received by the receptionist and entered into the licensing system by the administrative assistant. The accounting technician is then responsible for preparing and making the bank deposit. The licensing activity has already been conducted at this point, and there is no independent reconciliation of payments deposited to licenses and renewals issued to ensure all funds are deposited.

As a result, the accounting technician could misappropriate checks by excluding them from the deposit.

Recommendation

We recommend management implement a mitigating control, performed by an employee independent of the receipting and deposit process, to provide assurance that all physical payments received for new licenses and renewals were in fact deposited. For example, a member of management could reconcile licenses issued and renewed, and reliable reports of other activity, such as fines paid, to deposit records.

Views of Responsible Officials

The board has now implemented a mitigating control performed by the Business Manager of the Receipting and Depositing process, to provide assurance that all physical collections received are deposited and licenses issued and renewed are reconciled to deposit records.

¹ 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.

Oklahoma State Board of Examiners of Perfusionists

Operational Audit

Inadequate Segregation of Duties Related to Expenditures

The GAO *Standards* again state, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transaction, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

The accounting technician and administrative assistant each have the following abilities:

- Create a purchase order;
- Set up vendors for payment;
- Post claims into PeopleSoft (the State's accounting system).

This could allow the accounting technician or administrative assistant to make an unapproved payment without detection. While the accountant is reportedly performing a detailed review of expenditures after they are made, which would mitigate the risk created by this arrangement of duties, the review is not documented and therefore could not be relied upon in our procedures.

Recommendation

The accountant should regularly perform detailed review of expenditures as noted above, and properly document the review by signing, dating, and retaining a copy of the report in either print or electronic form.

Views of Responsible Officials

The Business Manager will regularly perform detailed review of the expenditures as recommended, and properly document the review by signing, dating, and retaining a copy of the report in either print or electronic form.



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