



Agreed-Upon Procedures
Report

Oklahoma State Board
of Pharmacy

July 1, 2005 Through
December 31, 2006



Office of the Oklahoma State Auditor and Inspector
Jeff A. McMahan, CFE

Oklahoma State Board of Pharmacy

Agreed-upon Procedures Report

For the Period

July 1, 2005 through December 31, 2006



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

April 11, 2007

TO THE STATE BOARD OF PHARMACY

Transmitted herewith is the agreed-upon procedures report for the Oklahoma State Board of Pharmacy. 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 "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

The Mission of the Oklahoma State Board of Pharmacy is to *protect the health, safety, and welfare of the citizens of Oklahoma* by regulating and enforcing the laws regarding the practice of pharmacy and the manufacturing, sales, distribution and storage of drugs, medicines, chemicals and poisons.

Board Members

Mr. Gordon Richards, D.Ph.....	President
Dr. Diana Hampton, M.D.	Vice-President, Public Member
Mr. William "Bill" Osborn, D.Ph.	Secretary
Mrs. Dorothy Gourley, D.Ph.	Member
Mr. John Lassiter, D.Ph.	Member
Mr. James O. Spoon, D.Ph.	Member

Key Staff

Bryan H. Potter, D. Ph.....	Executive Director
Mary Ann Terral.....	Business Manager



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan
State Auditor and Inspector

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below, which were agreed to by management of the Oklahoma State Board of Pharmacy, solely to assist you in evaluating your internal controls over the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the period of July 1, 2005 through December 31, 2006. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We compared the Oklahoma State Board of Pharmacy's internal controls over receipts and disbursements with the following criteria:
 - Accounting duties were segregated by functions into those who initiate or authorize transactions; those who execute transactions; and those who have responsibility for the asset, liability, expenditure, or revenue resulting from the transaction;
 - Receipts were issued for cash and/or checks received;
 - Incoming checks were restrictively endorsed upon receipt;
 - Receipts not deposited daily were safeguarded;
 - Voided receipts were retained;
 - 10% of the gross fees charged, collected and received were deposited to the State's General Revenue Fund;
 - Receipts and disbursements were reconciled to Office of State Treasurer and Office of State Finance records;
 - Disbursements were supported by an original invoice;
 - Timesheets were prepared by employees and approved by supervisory personnel;

During our comparison of Office of State Finance (OSF) CORE Peoplesoft system access authorization role descriptions for Financials, Budgeting and HRMS, we found incompatible roles for employees with access within the CORE PeopleSoft system. Segregation of duties is a basic control that prevents or detects errors, improprieties, and fraud.

We recommend that management review the access rights/ PeopleSoft roles to ensure that personnel are performing only those duties stipulated for their respective jobs/positions and that incompatible roles have not been assigned. Management should ensure that system access is given to staff on a need-to-know basis. If management has no alternative to the current situation, mitigating controls should be adopted.

Management Response: 1.) We are a small agency (8 total - 3 office/accounting staff) for this reason we have manual checks outside of the PS system. Mary Ann Terral security information is set-up but I have not been provided training and so have no access. This lack of access covers Express check supervisor and

all items listed on the matrix on Page 2 from Position Modified w/Delegation authority through Interface Download. When training is established, we will establish a manual review process before we begin processing any of these personnel / payroll functions. We don't expect to have Express check access at this time. All PS Personnel / Payroll functions are currently being handled by OPM.

2.) On Mary Ann Terral's access for Report Reviewer / deposit entry / transfer entry. All reconciled reports and transfer are reviewed by the director. Deposits made by reviewer will be reviewed by the Director. All claims are reviewed and signed by the Director. All reconciliations are reviewed by the Director. All P-Card claims and payroll withholding claims are reviewed and signed by the Director.

3) On Mary Ann Terral's access for Claims entry, Reviewer, Report Requester. Once the PO is completed it is provided to the receiver who checks the item as received. Then the receiving document and the PO are given to the Mary Ann Terral for comparing to invoice before claim is prepared or in the case of monthly bills like rent etc, the invoice is checked against the PO and the claim prepared. Finally the director reviews and signs the claim. Manual checks and balances exist.

4.) On Susan Dozal's access for Requestor / Requisition / Buyer / PO Approver. On the agency's internal policy the requester is the employee requesting the item or sometimes Susan Dozal. An agency manual requisition is completed, reviewed and signed by requestor or Susan Dozal, reviewed and signed by Business Manager, if \$251 - \$25,000, and reviewed and approved by director if \$10,001 - \$25,000. Once the PO is completed it is provided to the receiver who checks the item as received. Then the receiving document and the PO are given to the accounts payable person for comparing to invoice before claim is prepared. Finally the director signs the claim after review of the same. Manual checks and balances exist.

5.) On Mary Ann Terral's access for Purchasing Assistants this is for backup to Susan when she is absent. On the agency's internal policy the requester is the employee requesting the item or sometimes Susan Dozal. An agency manual requisition is completed, reviewed and signed by requestor or Susan Dozal, reviewed and signed by Business Manager, if \$251 - \$25,000, and reviewed and approved by director if \$10,001 - \$25,000. Once the PO is completed it is provided to the receiver who checks the item as received. Then the receiving document and the PO are given to the accounts payable person for comparing to invoice before claim is prepared. Finally the director signs the claim after review of the same. Manual checks and balances exist.

6.) On Access for Receiver. We do not use PS receiver, our agency receiver is Rhonda Jenkins and it is handled manually. Manual checks and balances exist.

7.) On Mary Ann's Budget Preparer, Position Budgeting, Position Reviewer, Queries access. The agency's internal policy is a draft budget is prepared and the director reviews and approves. The budget is entered on the PS system and the Director reviews and reviews the final output. Manual checks and balances exist.

8.) PS access was set up the same as the old legacy system access for Susan and MaryAnn to cover in the other's absence. For those areas that are not being used we will discontinue access. If a need arises, during extended leave, we can request access then.

SA&I Response: We emphasize management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

During our comparison of the Pharmacy Board internal controls over the receipting process, we noted the Executive Secretary is responsible for opening all mail but does not record the revenue before disbursing the funds to other employees for processing. In addition, the Executive Secretary is also responsible for posting a portion of the receipts. We recommend the Board develop a policy to log all revenue at the time of receipt and ensure that revenue posted agrees to the log prior to deposit.

Management Response: Currently we do not have the staff time to log these receipts. Because we have a relatively fixed number of registrants, variations in income are easy to spot and the benefit of such log is negligible. We will present the information to the Board to see if they will add additional staff.

SA&I Response: We emphasize management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of operations.

With respect to the other procedures applied, there were no findings.

2. We compared the Pharmacy Board's internal control over the safeguarding of capital assets with the following criteria:
 - Inventory records were maintained for capital assets costing \$500 or more;
 - Packing slips were compared to the purchase order when capital assets are received;
 - Inventory records were adjusted promptly when capital assets are acquired, retired, sold, or transferred;
 - Obsolete or unusable assets were disposed of through the Department of Central Services' Surplus Property Division;
 - Physical inventories were performed;
 - Differences between physical inventory counts and inventory records were resolved;

In comparing the Pharmacy Boards internal inventory procedures, it states that at least once each year the Administrative Assistant II shall conduct a physical inventory. However, during our comparison of the Pharmacy Board internal controls over capital assets, we noted the last physical inventory was performed December 2004. We recommend the board comply with the internal inventory procedure to ensure accurate capital asset records are maintained.

Management Response: The individual responsible (Susan) and the supervisor evaluating (MaryAnn) both missed it for 2005 and 2006. OSBP plans to establish an annual report of physical inventory prepared by the assigned employee, go to the supervisor (for review and initials) and finally to the director (for review and initials) before filing. This adds a third layer to our review process.

With respect to the other procedures applied, there were no findings.

3. We randomly selected 20 deposits and:
 - Compared the Treasurer's deposit date to agency deposit slip date to determine if dates were within one working day, *or if deposits were picked up by a courier service substitute the following procedure* - Compared courier pick up date to agency deposit slip date to determine if dates are within one working day.
 - Examined receipts to determine if they were pre-numbered and issued in numerical order.
 - Agreed cash/check composition of deposits to the receipts issued.
 - Agreed the total receipts issued to the deposit slip.
 - Inspected agency receipts to determine whether receipts of \$100 or more were deposited on the same banking day as received.
 - Inspected agency receipts to determine whether receipts of less than \$100 were deposited on the next business day when accumulated receipts equaled \$100 or after five business days, whichever occurred first.
 - Inspected agency receipts to determine whether receipts were safeguarded.
 - Compared the fund type to which the deposit was posted in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the deposit to the account code description to determine consistency.

With respect to the procedures applied, there were no findings.

4. We recalculated the required percentage/amount to be deposited to the State's General Revenue Fund and agreed it to the amount transferred to the General Revenue Fund.

With respect to the procedures applied, there were no findings.

5. We randomly selected 60 vouchers and:
 - Compared the voucher amount and payee to the invoice amount and payee;
 - Compared the voucher amount and payee to the CORE system;
 - Compared the fund type to which the disbursement was charged in CORE to the CAFR fund type listing for consistency;
 - Compared the nature of the purchase to the account code description to determine consistency.

With respect to the procedures applied, there were no findings.

6. We selected one (1) employee of the Pharmacy Board employees whose gross salary at December 31, 2006 had increased since July 1, 2005 (excluding legislative pay raises) and observed the "Request for Personnel Action" (OPM-14) or equivalent form to determine it was signed by the appointing authority.

With respect to the procedures applied, there were no findings.

7. We selected one (1) of the employee from the December 31, 2006 payroll and agreed the amount paid to the "Request for Personnel Action" (OPM-14) or equivalent form that was in effect for December 31, 2006

With respect to the procedures applied, there were no findings.

8. We selected 10 assets from the capital asset listing and:
 - Visually inspected each asset to ensure its existence and that it was identified as property of the State of Oklahoma;
 - Compared the identification number on the listing to that shown on the asset.

With respect to the procedures applied, there were no findings.

9. We selected 10 assets from the floor and:
 - Traced them to the capital asset listing;
 - Compared the identification number on the asset to that shown on the listing;
 - Inspected the asset to determine it was properly identified as property of the State of Oklahoma.

With respect to the procedures applied, there were no findings.

We were not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, disbursements, and capital assets for the agency. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Pharmacy Board and should not be used for any other purpose. This report is also 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.



JEFF A. McMAHAN
State Auditor and Inspector

April 3, 2007



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