



PHYSICIAN MANPOWER TRAINING COMMISSION

Operational Audit

For the Period of January 1, 2015 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

**For the Period
January 1, 2015 through June 30, 2021**



Cindy Byrd, CPA | State Auditor & Inspector

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TO THE PHYSICIAN MANPOWER TRAINING COMMISSION

We present the audit report of the Physician Manpower Training Commission for the period January 1, 2015 through June 30, 2021. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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Background

The Oklahoma Physician Manpower Training Commission (PMTTC), as developed under the provisions of the Oklahoma State Statutes, became fully functional as of November 1, 1975. PMTC was originally charged by the legislature to administer three programs:

1. The Oklahoma Rural Medical Education Scholarship Loan Program (sunset program December 2016)
2. The Oklahoma Community Physician Education Scholarship Loan Program (which is no longer in existence) and
3. The Oklahoma Intern-Resident Cost-Sharing Program.

Subsequently the Oklahoma Legislature has added the responsibility of a Physician Placement Program, Nursing Student Assistance Program, the FP Resident Rural Program, the Physician Community Match Program and the Physician Assistant Scholarship Program, and Physician Loan Repayment.

There are seven voting commission members appointed by the Governor with the advice and consent of the Senate, three of whom shall be practicing allopathic physicians and two of whom shall be practicing osteopathic physicians and said physician members shall be from throughout the state. Terms of office shall be five years in duration.

Board members as of October 2021 are:

Joe L. Leverett, M.D	Board Chair
Timothy Newton D.O.....	Vice-Chair
Jonathan Bushman D.O.....	Member
Kevin Khoury	Member
Jeffry Lester.....	Member
Shane Stidham, M.D.....	Member
Layne Subera, D.O.....	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2018 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

	2020	2021
Sources:		
Appropriations	\$ 7,236,422	\$ 6,949,116
Co Operative Projects	962,715	939,029
Repayment of Loans	209,702	377,233
Refunded Money	727	6,563
Total Sources	<u>\$ 8,409,566</u>	<u>\$ 8,271,941</u>
Uses:		
Refunds and Reimbursements	\$ 1,292,998	\$ 1,670,017
Assistance Payments to Agencies	2,217,292	5,785,089
Scholarships and Incentive Payments	714,438	492,688
Personnel Services	400,725	505,490
Professional Services	42,731	68,692
Administrative & Other Expenses	71,044	75,560
Total Uses	<u>\$ 4,739,228</u>	<u>\$ 8,597,536</u>

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

The increase in uses to Assistance Payments to Agencies is due to an increase in appropriations in FY2020 for additional funding for the residency programs. The additional FY2020 appropriations were not used and were rerouted to the residency programs as carryover in FY2021. The funds for FY2021 were budgeted and expended for the residency programs.

**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 duty 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 January 1, 2015 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to the Agency's personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the Statewide Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks.
- Analyzing top vendors and expenditures by dollar amount and reviewing a selection of miscellaneous expenditures in detail.
- Reviewing the Agency's HR All Actions Report from the Statewide Accounting System to assess personnel changes that had a financial impact during the audit period.
- Reviewing board minutes to gain an understanding of the Board's and management's processes for approving and working with their financial donors.
- Gathering information relating to the Agency's receipting and expenditure processes.

One objective regarding collecting loan repayments was developed, as discussed in the next section. No other significant risks or findings were identified as a result of these procedures.

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.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>

OBJECTIVE I Determine whether the Agency has a process in place to collect loan repayments in compliance with 70 O.S. § 697.21 and 70. O.S. 625.13 and whether that process is in line with *GAO Standards for Internal Control*.

Conclusion The Agency does not have a process in place to ensure the collection of loan repayments in compliance with 70 O.S. § 697.21 and 70. O.S. 625.13 and whether that process is in line with *GAO Standards for Internal Control*.

Objective Methodology To accomplish our objective, we performed the following:

- Documented our understanding of the receipting processes through discussion with management and review of documentation.
- Evaluated those processes and identified and assessed significant internal controls related to our objective.

FINDINGS AND RECOMMENDATIONS

Independent Review Needed to Ensure All Repayments Are Collected and Deposited

The Physician Assistant Scholarship and Family/General Practice Resident Rural Scholarship Loan and Grant programs encourage physician assistants and residents to practice in rural and medically underserved areas of Oklahoma. The Commission approves selected recipients for scholarship awards. If the recipients do not follow the terms of the contract, they must repay the scholarship awards. Once the Commission approves the repayment amount, the recipient begins making payments that are receipted and processed by the Agency.

The Receptionist receipts repayment checks and enters them into a mail log. The Executive Secretary of Finance tracks the repayments in individual spreadsheets for each recipient, prepares the deposits, and sends the deposits to the Office of Management and Enterprise Services, Agency Business Services (ABS) to be posted in the Statewide Accounting System.

There is not a process in place to ensure all the repayment checks are being deposited. Management does not review or reconcile the individual recipient repayment spreadsheets to the deposits made to the bank. In addition, the Agency does not have a formal process in place to ensure they are receiving all the repayments that are owed to them. Without an independent review, the Executive Secretary of Finance is in a position to misplace or misappropriate funds without detection, or to overlook an individual approved for repayment.

State statutes require the Agency to recoup funds from scholarship recipients who do not satisfy the contract terms:

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- 70 O.S. § 697.21 states in part “If a person receiving Physician Assistant Scholarship Program monies fails to fully comply with the provisions of the contract for the monies, the person shall refund to the Physician Manpower Training Commission all monies received.”
- 70 O.S. § 625.13 relates to the Family/General Practice Resident Rural Scholarship Loan and Grant programs and gives the Commission power to establish any penalties related to the breach of the service contract or failure to repay such loan plus interest and penalty.

According to GAO *Standards for Internal Control*:

- Management should identify and assess risks at all functional levels relevant to the objective.
- If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Recommendation

We recommend someone independent of receipting funds, recording repayment activity, and preparing the deposits reconcile the loan repayment spreadsheets to the mail log and bank deposits. The reviewer should also ensure that the Agency is collecting all repayments the Board has approved (for example, that all repayments approved in Commission meetings are represented by an active spreadsheet and regularly updated).

Views of Responsible Officials

During our audit exit conference, we were able to establish that an internal procedure adjustment was made during the fiscal year 2020 for all repayments of scholarships if not paid in lump sum. To be set up for monthly installments, an EFT payment is required. At this time, all payments are received through electronic funds transfer (EFT) apart from 4 long paying contracts. None of these 4 payments exceed \$100 and span all scholarship programs.

In the case of maintaining consistent recording and collection efforts on default scholarships, current default spreadsheets will now be reviewed monthly.

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