

OPERATIONAL AUDIT

# OKLAHOMA STATE BOARD OF PODIATRIC MEDICAL EXAMINERS

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 Podiatric Medical Examiners**

**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 PODIATRIC MEDICAL EXAMINERS

This is the audit report of the Oklahoma State Board of Podiatric Medical Examiners 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". The signature is written in a cursive style with a long, sweeping tail on the letter "s".

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

# Oklahoma State Board of Podiatric Medical Examiners Operational Audit

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## Background

The State Board of Podiatric Medical Examiners (the Agency) was established in 1935 to regulate the profession of chiropody (podiatry) which relates to the treatments of ailments, diseased conditions, deformities or injuries of the foot. The Agency currently has no staff, and its operational functions are performed by the staff of the Oklahoma Board of Medical Licensure and Supervision.

Oversight is provided by a six-member board (the Board) appointed by the Governor and composed of five licensed podiatric physicians and one lay member. The licensed podiatric physicians are selected from a list of not less than five persons submitted annually to the Governor by the Oklahoma Podiatric Medical Association. Each member serves a term of five years, with one such member being appointed to the Board each year.

Board members as of September 2017 are:

Frank Cooper, DPM .....	President
Jody Gene Rose, DPM .....	Vice-President
Kenneth Golda, DPM .....	Secretary/Treasurer
Mary Johnson, DPM .....	Member
Vacant Seat.....	Member
Vacant Seat.....	Member

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
<b>Sources:</b>		
Licenses, Permits, Fees	\$ 21,300	\$ 18,700
<b>Total Sources</b>	<b>\$ 21,300</b>	<b>\$ 18,700</b>
<b>Uses:</b>		
Personnel Services	\$ 178	\$ (178)
Professional Services	10,972	5,024
Administrative Expenses	951	1,225
<b>Total Uses</b>	<b>\$ 12,101</b>	<b>\$ 6,071</b>

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

# Oklahoma State Board of Podiatric Medical Examiners Operational Audit

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## 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 Podiatric Medical Examiners’ 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 Podiatric Medical Examiners  
Operational Audit**

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**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)<sup>1</sup> 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 report of any 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.

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<sup>1</sup> 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.

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## **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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