

# OKLAHOMA STATE BOARD OF EXAMINERS OF PSYCHOLOGISTS

JANUARY 1, 2006 THROUGH  
DECEMBER 31, 2007

# OPERATIONAL AUDIT



Oklahoma State Auditor  
& Inspector

**Audit Report of the  
Oklahoma State Board of Examiners of Psychologists  
For the Period  
January 1, 2006 through December 31, 2007**

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**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

August 18, 2008

**TO THE OKLAHOMA STATE BOARD OF  
EXAMINERS OF PSYCHOLOGISTS**

Pursuant to 62 O.S. § 212, transmitted herewith is the audit report for the Oklahoma State Board of Examiners of Psychologists for the period January 1, 2006 through December 31, 2007. 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,

Michelle Day, Esq.  
Deputy State Auditor and Inspector

## **Mission Statement**

The mission of the Oklahoma State Board of Examiners of Psychologists is to protect the public by regulating the practice of psychology in the State of Oklahoma in order to insure that only properly qualified psychologists practice psychology in the state and that the psychology profession as a whole is conducted in the public's best interest.

## **Board Members**

Gale Hobson, Ph.D .....	Chair
Scott Miller, Ph.D .....	Vice Chair
Cheryl Kilpatrick, Ph.D .....	Member
Paul Tobin – Ph.D .....	Member
Tom Brian, Ed.D .....	Member
Fred Rubin, DDS .....	Member

## **Key Staff**

Sue Fleming.....	Executive Officer
Teanne Rose .....	Administrative Assistant
Thomas J. Vaughn, Ph.D .....	Psychological Consultant



**STATE OF OKLAHOMA**  
**OFFICE OF THE AUDITOR AND INSPECTOR**

Steve Burrage, CPA  
State Auditor and Inspector

**TO THE OKLAHOMA STATE BOARD OF  
EXAMINERS OF PSYCHOLOGISTS**

We have audited the Oklahoma State Board of Examiners of Psychologists (Board) for the period January 1, 2006 through December 31, 2007. The objectives of this audit were to determine if:

- The Board's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- The Board complied with 59 O.S. § 1360(a), 59 O.S. § 1367, 59 O.S. § 1375, 62 O.S. § 211, 62 O.S. § 7.1, and 74 O.S. § 3601.2;
- The Board's corrective actions for reportable conditions noted in prior year's report were implemented.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud, violation of contracts, grant agreements, or other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations. However, providing an opinion on compliance with these laws and regulations was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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.

Michelle Day, Esq.  
Deputy State Auditor and Inspector

July 30, 2008

## **Background**

The Oklahoma State Board of Examiners of Psychologists (Board) licenses and regulates the profession of psychology. The Board's operations are governed by 59 O.S. § 1353 through 1376 as well as Title 575 of the Oklahoma Administrative Code. Oversight is provided by a seven-member board appointed by the Governor. Five members must be psychologists from various areas in psychology and two members must be lay persons. At the expiration of the term of each board member who is a psychologist, the Governor shall appoint a successor from a list of ten licensed psychologists which is provided by the Oklahoma State Psychological Association. Board members serve for a term of four years and until a successor is appointed and qualified. The Board pays for its operations through the various fees they charge. The fees include, but are not limited to, multiple types of licenses.

Table 1 summarizes the Board's sources and uses of funds for fiscal years 2006 and 2007.

**Table 1-Sources and Uses of Funds for FY 2006 and FY 2007**

Sources:	2006	2007
License Fees	<u>\$190,858</u>	<u>\$242,633</u>
Uses:		
Personnel Services	\$159,713	\$167,184
Professional Services	9,459	18,071
Travel	8,702	14,315
Miscellaneous Administrative	10,085	14,954
General Operating Expenses	4,491	2,122
Rent Expense	7,762	7,731
Other	<u>290</u>	<u>2,456</u>
Total Uses	<u>\$200,502</u>	<u>\$226,833</u>

*Source: Oklahoma CORE Accounting System.*

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**Objective 1** – Determine if the Board's internal controls provide reasonable assurance that revenues, expenditures, and inventory were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations.

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## **Conclusion**

The Board's internal controls related to revenues, expenditures, and inventory are generally effective; however, due to the limited staff (one full time and one part time employee) there is a segregation of duties issue with regards to the revenue and expenditure processes, as noted below. We feel the Board has made an effort to segregate the revenue and expenditure processes with the limited staff available.

## **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 62 O.S. § 7.1 – **depositing requirements for agency clearing accounts and agency special accounts**;
- Documented internal controls related to the revenue, expenditure, and inventory processes;

- Tested controls which included:
  - Determining if checks are endorsed upon receipt;
  - Reviewing 40 deposits from the period to ensure the deposit slip was supported with the appropriate receipt log;
  - Determining if receipts are stored in a secure location prior to deposit;
  - Reviewing 40 deposits to determine if receipts of \$100 or more were deposited on the same banking day received;
  - Reviewing 40 deposits to ensure the deposit was posted into CORE within one day of being deposited at the bank;
  - Selecting 30 receivables posted from the period and determining if payment had been posted at the bank;
  - Reviewing a CORE deposit report for the period to ensure funds were transferred from the Board's clearing account to the revolving fund at least once per month;
  - Reviewing six OSF-Form 11 reconciliations to ensure the preparer and reviewer were independent of each other, the reconciling items were adequately supported, and the reconciliation was prepared in a timely manner.
  - Reviewing 40 expenditure claims to ensure they were properly authorized. This included ensuring the invoice supported the payment, the invoice was mathematically accurate, and the correct account code was used;
  - Determining if an inventory listing is maintained and contains the items' inventory tag number, description, cost, serial number (if applicable);
  - Reviewing four assets from the inventory listing to verify their existence on the floor (four assets represents 100% of the population), ensuring they were identified as property of the State, and ensuring the inventory tag number and serial number agreed to the listing;
  - Observing the Board's assets to determine if all items valued at over \$500 had been included on the inventory listing;
  - Determining all items surplused during the period had an approved DCS Form 001 supporting their removal;
  - Determining if portable equipment was properly secured and accounted for;
  - Determining if timesheets were properly reviewed and approved.

## **Observations**

### **Inadequate Segregation of Duties Related to the Revenue and Expenditure Processes**

An effective internal control system provides for adequate segregation of duties. Based on conversation with the executive officer and administrative assistant, the executive officer is responsible for the following:

- Receiving and endorsing checks received through the mail;
- Posting checks to a deposit log;
- Preparing the deposit without the review of another employee before the deposit is made;
- Posting deposits into the CORE system;
- Preparing and approving claims for payment, mailing warrants to vendors, and posting disbursements to CORE.

Without adequate segregation of duties, errors and improprieties could occur and not be detected in a timely manner.

**Recommendation:** We recommend the Board evaluate current procedures to determine if some duties could be re-assigned or if additional procedures could be implemented to strengthen internal controls in place.



## **View of Responsible Officials:**

Receiving and endorsing checks received through the mail: The Administrative Assistant works half time. On the days that she is in the office, she receives and endorses checks received in the mail, and on the days that she is not in the office, the Executive Officer receives and endorses checks received in the mail. The Executive Officer reviews the receipt of checks and makes sure they are endorsed when prepared by the Administrative Assistant.

Posting checks to a deposit log: On the days that she is in the office, the Administrative Assistant posts checks to the deposit log and is reviewed by the Executive Officer. On the days that she is out of the office, the Executive Officer posts checks to a deposit log. The Administrative Assistant is given a copy of the deposit log and then she records the deposits into an electronic log.

Preparing the deposit without the review of another employee before the deposit is made: When the Administrative Assistant prepares the deposit, the Executive Officer reviews it, and when the Administrative Assistant is not in the office, the Executive Officer prepares the deposit. There is no one else to review the deposits. The administrative assistant is given a print out of deposits and she logs them into an electronic ledger.

Posting deposits to CORE: The Executive Officer posts to CORE. The Administrative Assistant is now trained to do the deposits on CORE and will also be making entries which will be reviewed by the Executive Officer on the days she is in the office.

Preparing and approving claims for payment, mailing warrants to vendors, and posting disbursements to CORE: The Executive Officer prepares and approves claims for payment. The Administrative Assistant verifies the amounts of the claims and mails out the warrants to the vendors. These are held for the Administrative Assistant for the days that she is in the office. The Executive Officer posts the disbursements to CORE.

We try very hard to disburse the duties in this area as best we can. We have a method of double checking on the days that the Administrative Assistant is in the office. When there is only 1 full time employee it is difficult.

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**Objective 2** – Determine if the Board complied with 59 O.S. § 1360(a), 59 O.S. § 1367, 59 O.S. § 1375, 62 O.S. § 7.1, 62 O.S. § 211, and 74 O.S. § 3601.2.

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## **Conclusion**

Based on procedures performed, it appears the Board is in compliance with 59 O.S. § 1360(a), 59 O.S. § 1367, 59 O.S. § 1375, 62 O.S. § 7.1, 62 O.S. § 211, and 74 O.S. § 3601.2.

## **Methodology**

To accomplish our objective, we performed the following:

- Reviewed 59 O.S. § 1360(a) – **Psychologists Licensing Fund requirements**, reviewed the Board’s CORE 6-digit Expenditure report, and interviewed management to determine expenditures were paid from the appropriate fund;
- Reviewed 59 O.S. § 1367 – **Board license and renewal fee requirements**, and the Board’s CORE Combining Trial Balance report to determine fees collected were sufficient to meet the administrative expenditures of the Board and did not result in a surplus;
- Reviewed 59 O.S. § 1375 – **Annual report to the Governor**, and the Board’s 2006 and 2007 fiscal reports to ensure the reports were submitted timely to the Governor and contained the appropriate information;



- Reviewed 62 O.S. § 7.1 - **depositing requirements for agency clearing accounts and agency special accounts**, and 40 deposits as indicated in Objective 1 of this report;
- Reviewed 62 O.S. § 211 – **10% of fees transferred to the State’s General Revenue Fund**, and performed procedures to ensure the Board transferred 10% of the fees charged, collected, and received to the State’s general fund;
- Reviewed 74 O.S. § 3601.2 – **Executive Director’s salary**, and performed procedures to determine if the executive director’s salary was in compliance with the law.

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**Objective 3** – Determine if recommendations from prior engagements were implemented.

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### **Conclusion**

Based on review of the prior engagement report issued by the Office of the State Auditor on November 14, 2006, there were four findings reported. Based on follow up procedures, one finding that has not been corrected.

### **Methodology**

To accomplish our objective, we performed the following:

- Reviewed the Office of State Auditor’s prior engagement report dated November 14, 2006;
- Documented internal controls over the revenue, expenditure, and inventory processes as discussed under Objective 1 in this report;
- Tested controls by reviewing 40 expenditures, 40 deposits, 4 assets, and 6 OSF Form 11 Reconciliations as indicated in Objective 1 in this report.

### **Observations**

*Note: The Office of the State Auditor’s report issued on November 14, 2006 should be read in conjunction with the observations noted below. The report may be accessed at [www.sai.state.ok.us](http://www.sai.state.ok.us).*

See finding regarding inadequate segregation of duties related to the receipt and expenditure processes noted at objective 1.

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### **Other Items Noted**

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### **Securing Sensitive Data**

The State of Oklahoma’s Information Security Policy, Information and Guidelines states in part: “...The confidentiality of all information created or hosted by a State Agency is the responsibility of that State Agency...The objective of the owning State Agency is to protect the information from inadvertent or intentional damage, unauthorized disclosure or use...” This policy includes “any data or knowledge collected, processed, stored, managed, transferred or disseminated by any method.” Based on conversation with management, sensitive data is maintained in hard copy format within the Board’s office and may not be adequately secured. We found no evidence to suggest sensitive data had been compromised, but the lack of safeguarding the information makes it a risk.

**Recommendation:** We recommend management explore options for adequately securing sensitive data after business hours.

**Views of Responsible Officials:**

The sensitive data is secured behind locked office doors. The front door is locked at all times, and requires office staff to push button to allow entry to the offices. The office is also monitored by security system.

**Auditor Response:** We recommend that sensitive data be secured after business hours, for example, locking the sensitive data in a file cabinet.

**Code of Ethics**

It is an agency's responsibility to create a culture of honesty and ethics and to clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provides the foundation for employees as to how the agency conducts its business. During our assessment of internal controls, we noted Board has not developed and implemented an official policy addressing ethical behavior in the workplace. Without a written policy and procedure in place, employees may not be aware of management's expectations regarding ethical behavior.

**Recommendation:** We recommend the Board develop and implement a policy and procedure regarding ethical behavior in an effort to reduce the possibility of unethical behavior occurring.

**View of Responsible Officials:**

A Code of Ethics will be proposed to the Board for adoption.



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