

**OKLAHOMA
BOARD OF
EXAMINERS FOR
SPEECH-LANGUAGE
PATHOLOGY AND
AUDIOLOGY**

**FOR THE PERIOD
JANUARY 1, 2007 THROUGH
DECEMBER 31, 2008**

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Board of Examiners for Speech-Language
Pathology and Audiology**

**For the Period
January 1, 2007 through
December 31, 2008**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

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November 19, 2009

TO THE OKLAHOMA BOARD OF EXAMINERS FOR SPEECH-LANGUAGE PATHOLOGY AND AUDIOLOGY

This is the audit report of the Oklahoma Board of Examiners for Speech-Language Pathology and Audiology for the period January 1, 2007 through December 31, 2008. 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 that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**Oklahoma Board of Examiners for Speech-Language Pathology and Audiology
Operational Audit**

Background

The Oklahoma Board of Examiners for Speech-Language Pathology and Audiology (Agency) was established by the Legislature to provide regulatory authority over persons offering speech-language pathology and audiology services to the public.

Oversight is provided by a five member Board appointed by the Governor with the advice and consent of the Senate. Each Board member serves a term of three (3) years.

Board members are:

Kim Winston, M.C.D..... Chair
 Stephen Painton, Ph.D. Vice Chair
 Cynda Olberding, M.A. Secretary
 Keith Frederick Clark, M.D. ORL..... Member
 Nancy Landrum Lay Member

Table 1 summarizes the agency’s sources and uses of funds for fiscal years 2007 and 2008 (July 1, 2006 through June 30, 2008).

Table 1-Sources and Uses Funds for FY 2007 and FY 2008

	2,007	2,008
Sources:		
Speech Pathology/Audiology		
Licensing Fees	\$120,356	\$120,274
Total Sources	\$120,356	\$120,274
Uses:		
Personnel Services	\$71,870	\$93,961
Professional Services	2,494	1,879
Travel	4,670	7,098
Misc. Administrative expenses	7,274	6,576
Rent Expense	7,275	7,543
General Operating Expenses	2,121	3,542
Office Furniture & Equipment	1,338	1,862
Other	149	59
Total Uses	\$97,191	\$122,520

Source: Oklahoma CORE Accounting System (unaudited, for informational purposes only)

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Purpose, Scope, and Sample Methodology

This audit was conducted in response to 62 O.S. § 212, which requires the State Auditor's Office to audit the books, records, and accounts of all self-sustaining boards created by statute to regulate and prescribe standards, practices, and procedures in any profession, occupation or vocation.

The audit period covered was January 1, 2007 through December 31, 2008.

We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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. 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.

Objective 1 - To determine if the Agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with 62 O.S. § 7.1.C.2.a, 62 O.S. § 7.1.E, 62 O.S. § 211, 74 O.S. § 3601.2, 59 O.S. § 1607 and Oklahoma Administrative Code (OAC) 690:1-3-5.

Conclusion

The Agency's internal controls do not provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

With respect to the items tested, the Agency complied with:

- 62 O.S. § 7.1.C.2.a - adequate safekeeping of receipts awaiting deposit;
- 62 O.S. § 211 - 10% transfer of all gross fees charged, collected and received to the state general revenue fund;
- 74 O.S. § 3601.2 - limitation of executive secretary's salary;
- 59 O.S. § 1607 and OAC 690:1-3-5 – Board member travel reimbursement.

With regards to 62 O.S. § 7.1.E – monthly transfers from the Agency's clearing account, the Agency was found to be not in compliance with the statute.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls, which included:
 - Reviewing the Executive Secretary's job description;

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- Reviewing the agency's training certificates for our audit period;
 - Reviewing the agency's ethics policy;
 - Reviewing the agency's Strategic Plan for 2008-2012;
 - Reviewing the agency's Emergency Plan;
 - Reviewing the agency's written office procedures;
 - Reviewing the agency's board meeting minutes for the audit period; and
 - Surveying one employee to obtain an understanding of how they viewed the agency's controls.
- Discussed with personnel and observed location where funds are retained prior to deposit to ensure they are adequately safeguarded as required by 62 O.S. § 7.1.C.2.a;
 - Reviewed a PeopleSoft deposit report for the period of January 1, 2007 through December 31, 2008 to ensure funds were transferred from the clearing account at least once per month as required by 62 O.S. § 7.1.E.;
 - Recalculated the amount transferred to the state's general revenue fund to ensure 10% of all the fees charged, collected and received by the agency were transferred as required by 62 O.S. § 211; and
 - Reviewed an HR All Actions Report to determine the executive secretary's annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2.

Observation

Inadequate Segregation of Duties Related to Receipts and Expenditures Processes – Repeat Finding

To protect against fraud, errors, and professional misconduct, the internal control system should provide reasonable assurance that assets are adequately safeguarded by properly segregating duties of employees.

Receipts

The Executive Secretary is responsible for:

- Preparing deposits and posting deposits into CORE without an independent review;
- Preparing the OSF Form 11 reconciliation; and
- Issuing licenses when the Administrative Assistant is out of the office.

The Administrative Assistant is responsible for:

- Receiving checks and issuing licenses; and
- Preparing the deposit when the Executive Secretary is out of the office.

Expenditures

The Executive Secretary is also responsible for:

- Creating purchase orders;

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- Approving purchases and invoices;
- Posting expenditure claims to PeopleSoft;
- Approving expenditure claims for payment; and
- Receiving and mailing warrants.

The assignment of these conflicting duties to the Executive Secretary occurred primarily because of the Agency's small size. The Board's Chair does review and approve purchase orders, invoices, and expenditure claims. However, this control is improperly designed to mitigate the risks associated with inadequate segregation of duties because the Board Chair cannot be sure that all items are being presented for approval. Also, the Board Chair only reviews these items at board meetings which are held approximately five times per year. This control should be performed in a timelier manner to properly mitigate the risks associated with inadequate segregation of duties. We realize that the Board Chair verbally approves all claims over \$100 dollars; however, this is not a detailed review. Possible loss or misuse of funds could occur when these duties are not properly segregated.

Recommendation

- The Executive Secretary should implement a process to monitor the funds received versus licenses/renewals issued. This process should be reviewed by the Agency's Board since the Agency's receipting process lacks proper segregation of duties.
- A Board member should review the monthly OSF Form 11 reconciliations against supporting documentation (including Agency records and statements from the Office of the State Treasurer) to verify that the information presented agrees to those supporting documents. This review can occur monthly or on a random basis. If the review occurs on a random basis, it should not be performed in such a way that the employees can predict which months will be reviewed. For example, the Board member should not always select the first or last month of a quarter for review.
- A Board member should review and sign off on the PeopleSoft Voucher Register report when approving expenditure claims. The Board member should use this report to determine if all claims entered into PeopleSoft were submitted to him for approval.
- The Executive Secretary should e-mail or fax all items requiring Board approval to the Board once per month to ensure timely approval and review. The Board member should fax or e-mail back indicating their approval.
- The Executive Secretary should submit a PeopleSoft Cash Receipts and Disbursements report to the Board at each board meeting. The Board should review the agency's budget-to-actual expenditures and this review should be documented in the Agency's Board meeting minutes.

Views of Responsible Officials

Our board chair is currently reviewing OSF Form 11 reconciliations to determine if all claims entered into PeopleSoft are submitted to him. I will make sure that our Cash Receipts and Disbursements report and budget to actual expenditures are viewed at each board meeting and included in our agency's board meeting minutes.

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Observation

Inadequate Transfers from the Clearing Account

62 O.S. § 7.1.E. states, “At least once each month each state agency shall transfer monies deposited in agency clearing accounts to the various funds or accounts, subdivisions of the state, or functions as may be provided by statute...”.

We reviewed a PeopleSoft deposit report for all 24 months of the audit period. We noted there was not a transfer made from the clearing account during February 2007, April 2007, August 2007, September 2007, and November 2008.

Recommendation

We recommend that the agency transfer money from its clearing account at least once per month to ensure compliance with 62 O.S. § 7.1.E.

Views of Responsible Officials

Occasionally a transfer of funds will be made on the last of the month due to the agency Executive Secretary’s schedule. The People Soft system does not post until the next working day, which throws the transfer into the next month. Also, illness and vacations can also affect the timing of the transfers. I take the responsibility for transferring funds seriously and will strive to make sure that all transfers are done once per month as required.

Additional Procedures Performed

Methodology

As a result of the control deficiencies identified under objective 1 of this report, the following procedures were performed:

- Reviewed a random sample of 40 licenses/renewals to ensure that a check was received and deposited into the agency’s account;
- Performed a three year comparison of the Agency’s revenues and non-payroll expenditures to ensure there were no unusual trends. (We reviewed SFY 2006, SFY 2007, and SFY 2008 for this comparison);
- Randomly selected 30 expenditure claims totaling \$3,102.78 and judgmentally selected another 10 expenditure claims totaling \$4,917.43 to ensure claims were: reasonable given the agency’s mission; mathematically accurate; properly supported; and properly coded. This sample included 16 claims for travel reimbursements to Board members to determine if compensation was for actual and necessary travel and subsistence expenses incidental to Board meetings and the conduct of Board business as outlined in OAC 690:1-3-5 and 59 O.S. § 1607;
- Performed a Benford’s Analysis on expenditures for the period of January 1, 2007 through December 31, 2008;
- Scanned the PeopleSoft 6-Digit Expenditure Report for unusual vendors;
- Reviewed the PeopleSoft 6-Digit Expenditure Report to determine if the Agency had any expenditures charged to account code 56113 – employee reimbursement (non-travel); and
- Traced the leave reported on the timesheets approved by the Board to the OPM Leave Report for six (6) randomly selected months.

No exceptions were noted as a result of applying these procedures.



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