



OKLAHOMA STATE BOARD OF PHARMACY

Operational Audit

For the Period of July 1, 2019 through June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma State Board of Pharmacy**

**For the Period
January 1, 2019 through June 30, 2021**



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

September 13, 2021

TO THE OKLAHOMA STATE BOARD OF PHARMACY

We present the audit report of the Oklahoma State Board of Pharmacy for the period of Jan 1, 2019 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



Background

Authorized by the Oklahoma Constitution, the Oklahoma State Board of Pharmacy (the Agency) is the regulatory agency for the practice of pharmacy and for the sale, storage, and handling of prescription drugs, medicines, chemicals, and poisons. One of the chief board functions is to conduct examinations for the granting of licenses to pharmacists. The board is responsible to promote, preserve and protect public health, safety, and welfare by and through the effective control and regulation of the practice of pharmacy.

The Board has the power and duty to inspect all places handling drugs, medicine, chemicals, and poisons. The Board is charged with the enforcement of federal and state controlled dangerous substance and prescription drug laws. The Board investigates complaints concerning pharmacists, technicians and interns as well as pharmacies, medical gas suppliers and distributors, and prescription drug wholesalers, packagers and manufacturers. The Board conducts hearings on all types of registrants and has the authority to reprimand, fine, suspend or revoke licenses and permits.

Oversight is provided by six board members (Board) appointed by the governor – five pharmacists and one public member. Pharmacist members serve for a period of five years, while the public member serves a term which is co-terminous with the Governor.

Board members as of August 2021 are:

| | |
|----------------------------|----------------|
| Justin Wilson, D.Ph. | President |
| James Willeford | Vice-President |
| Greg Adams, D.Ph. | Member |
| Mark St. Cyr, D.Ph. | Member |
| James O. Spoon, D.Ph. | Member |
| Kyle Whitehead, D.Ph. | Member |

**Oklahoma State Board of Pharmacy
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The following table summarizes the Agency's sources and uses of funds for fiscal years 2020 and 2021 (July 1, 2019 through June 30, 2021).

Sources and Uses of Funds for FY 2020 and FY 2021

| | 2020 | 2021 |
|----------------------------|---------------------|---------------------|
| Sources: | | |
| Licenses, Permits, Fees | \$ 1,778,201 | \$ 2,120,449 |
| Fines, Forfeits, Penalties | 190,210 | 213,416 |
| Grants and Appropriations | 40,763 | 843,493 |
| Total Sources | \$ 2,009,174 | \$ 3,177,358 |
| Uses: | | |
| Personnel Services | \$ 1,526,898 | \$ 1,551,669 |
| Professional Services | 328,270 | 299,550 |
| Administrative Expenses | 183,921 | 177,589 |
| Travel | 25,213 | 9,599 |
| Other | 4,456 | 3,595 |
| Total Uses | \$ 2,068,758 | \$ 2,042,002 |

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

**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, 2019 through June 30, 2021. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to Agency personnel, and performed data analysis and prior audit follow-up. These procedures included:

- Reviewing revenue and expenditure data from the Statewide Accounting System and reviewing trends for any notable risks.
- Reviewing the Agency's transfers to the state's general revenue fund as required by 62 O.S. § 211 and confirming they materially reflected 10% of Agency deposits. We also verified the timing of each transfer during our audit period to ensure the transfers were made monthly as required by statute.
- Reviewing the Agency's HR All Actions Report from the state-wide accounting system to assess personnel changes that had a financial impact during the audit period.
- Analyzing top vendors and expenditures by dollar amount and reviewing a selection of expenditure documentation in detail.
- Reviewing board meeting minutes to gain an understanding of the Board's and management's processes for reviewing the Agency's expenditures.
- Reviewing inventory reports for changes and high appeal items.

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

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 Analyze trends in audit period deposits, including frequency of physical deposits and total licensing receipts, to ensure they were consistent, and no significant concerns are noted.

Conclusion We analyzed the trends in the Agency's audit period deposits, including frequency of physical deposits and amount of total licensing receipts. They were consistent within a reasonable margin and given the Agency's historical trends. No significant concerns were noted.

Objective Methodology Our previous audit report identified opportunities for improvement in the Agency's receipting and deposit processes. We recommended the Agency improve separation of receipting duties while consulting with IT experts to develop a reliable report of licensing activity for reconciliation purposes.

The Agency is currently in the process of transitioning to 100% electronic receipting and implementing the Thentia licensing system, which they believe will allow them to perform reliable reconciliations of licensing activity to deposited funds.

Our objective was developed with these facts in mind. While recommendations related to the audit period process would no longer have been useful to management, analysis of audit period deposits provides some reassurance that there are no alarming or deteriorating trends in deposit activity. We will assess any risks related to the updated revenue process in our next engagement.

To accomplish our objective, we performed the following:

- Using detailed deposit data from the Statewide Accounting System, calculated and evaluated the number of physical deposits made each audit period fiscal year.
- Using Combining Trial Balance reports from the Statewide Accounting System, identified and evaluated the total revenue from licensing fees deposited each fiscal year from 2016 through 2021.

No findings were identified as a result of these procedures.



OKLAHOMA State Board of Pharmacy

2920 N Lincoln Blvd, Suite A, Oklahoma City, OK 73105
Marty Hendrick, Pharm.D., D.Ph., Executive Director
pharmacy@pharmacy.ok.gov • www.pharmacy.ok.gov
Phone: 405.521.3815 • Fax: 405.521.3758

September 7, 2021

Cindy Byrd, CPA
Oklahoma State Auditor and Inspector
2300 N. Lincoln Blvd., Room 123
Oklahoma City, Oklahoma 73105

Attention: Julio Rebollar

Dear Ms. Byrd:

In connection with your performance audit of the Oklahoma State Board of Pharmacy for the period of January 1, 2019 through June 30, 2021, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We have made available to you all information that we believe is relevant to your audit objective(s).
2. We have disclosed to you all bank accounts, used for the operation or functions of the agency, that are under the control of any official or employee of the agency.
3. We have responded fully to all inquiries made to us by you during your audit.

Thank you for your time and attention. We are satisfied with the draft report. No further exit is required.

Sincerely,

Dr. Marty Hendrick, Executive Director

A Constitutional Board Established in 1907

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|--|---|---|--|---|--|
| President Jim Spoon, D.Ph. Sand Springs | Vice-President Justin Wilson, D.Ph. Norman | Member Mark St. Cyr, D.Ph. Jones | Member Jason Willeford Norman | Member Greg Adams, D.Ph. Clinton | Member Kyle Whitehead, D.Ph. Enid |
|--|---|---|--|---|--|

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S·A·I
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