

OKLAHOMA BOARD OF VETERINARY MEDICAL EXAMINERS

JANUARY 1, 2006 THROUGH
DECEMBER 31, 2007

OPERATIONAL AUDIT



Oklahoma State Auditor
& Inspector

**Audit Report of the
Oklahoma Board of Veterinary Medical Examiners**

**For the Period
January 1, 2006 through December 31, 2007**



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

August 19, 2008

TO THE OKLAHOMA BOARD OF VETERINARY MEDICAL EXAMINERS

Pursuant to 62 O.S. § 212, transmitted herewith is the audit report for the Oklahoma Board of Veterinary Medical Examiners 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,

A handwritten signature in blue ink that reads "Michelle R. Day".

Michelle Day, Esq.
Deputy State Auditor and Inspector

Mission Statement

The mission of the Oklahoma Board of Veterinary Medical Examiners is to regulate the practice of veterinary medicine by the licensure of veterinarians and veterinary technicians as well as the investigation of complaints to ensure that licensed veterinarians are practicing within the provisions of the law.

Board Members

Dan Danner, DVM	President
Dwight Olson, DVM	Vice President
Jim Lee, DVM	Secretary/Treasurer
Ross Dewbre, ESQ.	Member
Gary Johnson, DVM.....	Member
Jeff Tidwell, DVM	Member

Key Staff

Cathy Kirkpatrick	Executive Director
Kelly Rahill	Administrative Assistant
Dale Fullerton	Investigator



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

Steve Burrage, CPA
State Auditor and Inspector

TO THE OKLAHOMA BOARD OF VETERINARY MEDICAL EXAMINERS

We have audited the Oklahoma Board of Veterinary Medical Examiners (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 74 O.S. § 3601.2 and 62 O.S. § 211;
- Recommendations included in prior engagements 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 23, 2008

Background

The Oklahoma Board of Veterinary Medical Examiners (the Board) licenses and regulates the veterinary and veterinary technician professions. The Board's operations are governed by 59 O.S. § 661 through 698.29 as well as Title 775 of the Oklahoma Administrative Code. The Oklahoma Board of Veterinary Medical Examiners consists of five licensed veterinarian members and one lay person representing the general public. The Board is responsible for setting licensing and continued competency standards, administering entry level tests, acting on complaints and disciplining those found guilty of misconduct. Regulation of Veterinarians or Certified Veterinary Technicians includes educational requirements, entry level standards, examination for licensure and certification, continued competency, advertising standards, quality of care, adherence to civil and criminal laws and professional regulations. The Board has three full-time employees: an Executive Director, an Administrative Assistant, and an Investigator.

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
Veterinary License/Fee/Charge	<u>\$377,963</u>	<u>\$351,729</u>
Uses:		
Personnel Services	\$173,054	\$192,060
Professional Services	46,184	25,206
Travel	17,624	18,896
Miscellaneous Administrative	14,080	17,049
General Operating	31,994	30,034
Office Furniture and Equipment	3,918	3,720
Other	<u>223</u>	<u>440</u>
Total Uses	<u>\$287,077</u>	<u>\$287,405</u>

Source: Oklahoma CORE Accounting System.

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.

Conclusion

Based on the procedures performed, the Board's internal controls related to revenues, expenditures, and inventory are generally effective; however, a few areas, as noted below, need to be strengthened.

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 receipting, expenditure, and inventory processes;

- Tested controls which included:
 - Reviewing six reconciliations and determining that the reconciliation was performed, was clerically accurate, and was performed in accordance with OSF guidelines;
 - Reviewing 25 deposits and ensuring the deposit amount recorded in CORE agreed to the Board's records and monies were deposited in accordance with O. S. 62 § 7.1.C;
 - Reviewing 25 claims and determining that the claim was properly approved, supported by appropriate documentation and that the expenditure was charged to the correct account code and class funding;
 - Reviewing 25 p-card transactions and determining:
 - The dollar amount of the transaction did not exceed the single purchase limit of \$2500;
 - The transactions were not for split purchases;
 - The transactions were not for prohibited purchases;
 - The transactions appeared to be supported by receipts and/or other supporting documentation and reconciled to the supporting monthly memos;
 - Transactions were limited to purchases made by only the employee whose name is embossed on the card;
 - The transaction logs were reviewed and approved by the cardholder;
 - The memo statements were approved by the cardholder, and by the approving official (signed and dated);
 - The receipts and/or other supporting documentation were annotated "Received", signed, and dated by the receiving employee;
 - The transactions did not include state sales tax;
 - The Board used merchant preference before making a transaction (Statewide Contract);
 - The transaction appeared reasonable given the Board's mission.
 - Reviewing 15 assets from the inventory listing to verify their existence on the floor, ensuring they were identified as property of the State, and ensuring the inventory tag number and serial number agreed to the listing;
 - Reviewing 15 assets from the floor to verify they were identified on the inventory listing, ensuring they were identified as property of the State, and ensuring the inventory tag number and serial number agreed to the listing;
 - Reviewing 30 travel expenditures and determining:
 - Correct mileage rate was used;
 - Correct per diem rate was used;
 - Lodging amount did not exceed allowable per diem amount.
 - Reviewing one month's cell phone bill for indications of misuse;
 - Reviewing one month's mileage log for indications of misuse;
 - Reviewing six months of employee time sheets to ensure the time sheets were signed by the employee and were properly approved, and that the time reported appeared reasonable.

Observations

Purchases not Made from Mandatory State Contract

Section 6.2.5.3 of DCS's Purchase Card (p-card) Procedures states in part, "State entities shall make purchases from mandatory statewide contracts regardless of purchase price unless State Purchasing Director has issued a waiver to the entity." For six of 25 claims tested, we noted the Board purchased items available on mandatory state contract from other retailers. The Board is not in compliance with the Central Purchasing Act.

Recommendation: We recommend the p-card holder and the p-card approving official review the DCS Purchase Card Procedures and attend p-card training provided by the DCS to ensure they understand how to comply with these requirements.

View of Responsible Officials: All p-card holders and approving officials have taken the required DCS purchase card training. The six items noted are purchases that were made at Wal Mart for our Board meetings. The items are the cups, napkins, and other paper goods. These items are purchased in smaller quantities (less than 30 each item) on an as needed basis. Our agency does not have the storage room to provide for cases and large boxes of the paper goods. The quantities that would have to be purchased on the statewide contract would last our agency for a minimum of two years.

Travel Claims Prepared Using Incorrect Rates

Per the U.S. General Services Administration, if neither the city nor the county is listed, the location is a standard CONUS destination with a rate of \$60.00 for lodging and \$39.00 for meals and incidental expenses (M&IE). The rates for Oklahoma City are:

- Max lodging = \$73.00
- M&IE = \$49

State Statute 74 O.S. § 500.9E. specifically states that reimbursement for meals and lodging on **out-of-state** trips shall not begin more than 24 hours before or after the objective of the trip.

According to Chapter 300, Sub-section 330 of the Office of State Finance State Travel Reimbursement Procedures, Part C.2.a. – Regular Lodging Rates, “Reimbursement for lodging expense shall not exceed the maximum daily rates. Any associated tax charges will be reimbursed in addition to the maximum rate. Note: Reimbursement of taxes on room rates exceeding the maximum rate must be prorated down and based on the maximum rate amount.”

We tested 30 travel expenditures and noted the following:

- One travel claim for in-state travel (claim #953) was prepared using an incorrect lodging and meals and incidentals expense (M&IE) rate. In addition, lodging and M&IE were claimed for one day longer than necessary. According to supporting documentation, the conference concluded at noon on October 28, 2006, but lodging and per diem were claimed through 12:00 p.m. the following day. This resulted in an overpayment of \$353.40 on lodging and \$56.75 on per diem. Also, State and city taxes, county taxes, and city lodging taxes were reimbursed at the higher lodging rate resulting in an overpayment of \$38.25;
- Three additional travel claims tested exceeded the lodging rate of \$73 for Oklahoma City as stated by the U.S. General Services Administration and the State and city taxes, county taxes, and city lodging taxes were reimbursed at the higher lodging rate. This resulted in an overpayment of \$91.10 on these claims.

Recommendation: Per diem rates should be reviewed by someone other than the preparer and rates should be based on the local area in which the employee traveled. Lodging rates exceeding the per diem lodging rate should only be reimbursed up to the per diem lodging amount. We recommend the Board personnel review the OSF Procedures Manual regarding travel.

View of Responsible Officials: The Director does review each travel claim after the Administrative Assistant prepares the claim; both were under the assumption for Oklahoma there is only 2 per diem rates, Oklahoma City and Tulsa. It was assumed the overnight stay in Stillwater would be the per diem rate for Oklahoma City. We have noted the overpayment of \$10.00 and have made changes.

As for the overpayment for the direct lodging we use the Marriott in Oklahoma City when our Board meetings go long into the evening and our Board members are too exhausted to drive to their homes. We did not realize we had exceeded the per diem rate. For the past 10 years we have always used the Marriott. The Director has contacted the Marriott and has ensured the per diem rate for overnight stay in Oklahoma City will not be exceeded. As for the tax we were unaware there was a difference in paying for the Room and City tax if it was a direct bill instead of a reimbursement. The Director is in negotiations with the Marriott to have the Room and City tax to be refunded to the Agency.

We process our claims in the Core system and then send to OSF for payment, why would these "overpayments" be processed for payment by OSF. If this is per OSF Procedures Manual, why wouldn't OSF reject these claims if we were over paying? In the past there was a claim rejected for \$1.20 for a bag of ice, it seems this should have been caught earlier on.

Auditor Response: All travel claims should be checked to ensure the proper per diem and lodging rates are used. Claims for extended stay after Board business has concluded should not be reimbursed.

Objective 2 – Determine compliance with 74 O.S. § 3601.2 and 62 O.S. § 211.

Conclusion

Based on procedures performed, it appears the Board is in compliance with 74 O.S. § 3601.2 and 62 O.S. § 211.

Methodology

To accomplish our objective, we performed the following:

- Reviewed 74 O.S. § 3601.2 (salary limitations) and performed procedures to determine if the executive director's salary was in compliance with the law;
- Reviewed 62 O.S. § 211 (general fund transfer amounts) and reviewed six months to ensure the Board transferred 10% of the fees charged, collected, and received to the State's general fund.

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

Conclusion

Based on review of the Office of the State Auditor's report issued June 21, 2006, two findings regarding segregation of duties related to payroll, reconciliations, calculation of the amount required to be sent to the State's General Revenue Fund, and CORE access were noted. Although a finding regarding segregation of duties regarding receipts and deposits was noted during the current audit, prior engagement recommendations were implemented for the issues noted in the previous audit.

Other Items Noted

Board Should Develop Cell Phone Policy

Cell phone invoices are reviewed by the Executive Director for any abuse; however, no formal policy exists documenting who is authorized to have a cellular phone or determination of the plan to be purchased. We reviewed one cell phone claim from November 2006 and charges appeared reasonable.

Recommendation: We recommend written policy be developed, implemented and communicated to Board personnel which, at a minimum, includes:

- Personal use (allowable, limitations on frequency);
- Need of a phone based on job duties;
- Type of phone required based on job duties;
- Size of plan (minutes/features required).

Views of Responsible Officials: We have had a cell phone in excess of the eight years the Investigator has been employed with this agency. Has it always been necessary to have a cell phone policy, or is this new with this audit. Nevertheless, a cell phone policy has been implemented for the agency.

Mileage Log

An effective internal control system provides for detailed supporting documentation. We reviewed the log used to track the mileage for the car that the Board leases from DCS. This log only included beginning and ending mileage for the month. We were unable to determine if the mileage for the month was reasonable due to the mileage not being tracked by individual trips.

Recommendation: We recommend the Board implement a policy requiring the investigator to use DCS/Fleet Management form 020 (06/2007) State of Oklahoma Vehicle Log.

View of Responsible Officials: The Investigator is the only employee that drives the state leased vehicle. We have always provided a mileage log (created by our agency) that shows each place the car is driven; it consists of the daily trips and notes the beginning monthly mileage and the ending monthly mileage. We have researched our files and have contacted Fleet management and asked if they could provide us with a date we were notified of the existence for Form 020 and also requiring us to use this form. They cannot seem to locate a date or time when we were notified to use Form 020. We have also asked Fleet Management to review our mileage log form in lieu of Form 020.

We have also spoken with other agencies and they were not aware Form 020 was to be used. If this form is required then each agency that is audited by the State Auditor should have the same recommendation as our agency. There is a huge inconsistency if we have received a recommendation and we were even providing more than the known required information given what other agencies are providing. We feel this recommendation is not justified.

Auditor Response: The log that the Board uses at this time makes it impossible for a third party to accurately account for the mileage claimed, often only saying who the investigator met with but not including the location where the meeting took place. We recommend the Board use the form 020 State of Oklahoma Vehicle Log or something similar that provides sufficient detail to support the monthly mileage claimed.



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