

OPERATIONAL AUDIT

OKLAHOMA STATE BOARD OF VETERINARY MEDICAL EXAMINERS

For the period January 1, 2008 through June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

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

**For the Period
January 1, 2008 through June 30, 2010**



Oklahoma State Auditor & Inspector

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January 27, 2011

**TO THE OKLAHOMA STATE BOARD OF
VETERINARY MEDICAL EXAMINERS**

This is the audit report of the Oklahoma State Board of Veterinary Medical Examiners for the period January 1, 2008 through June 30, 2010. 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 "Gary Jones".

Gary Jones, CPA, CFE
Oklahoma State Auditor and Inspector

**Oklahoma State Board of
Veterinary Medical Examiners
Operational Audit**

Background

The Oklahoma State Board of Veterinary Medical Examiners (Agency) was established in 1913 and is the chief regulatory agency for the practice of veterinary medicine, including the licensing and enforcement of state laws, rules, and regulations of the Agency.

Oversight is provided by six board members (Board) appointed by the governor with the advice and consent of the Senate. Each member serves a term of three years. Operations are governed by 59 O.S. §§ 698.1 through .30 and Title 775 of the Oklahoma Administrative Code.

Board members are:

Jim Lee, DVM President
 Dan Danner, DVM..... Vice-President
 Paul Sells, DVM.....Secretary/Treasurer
 Jeff Tidwell, DVM..... Member
 Frank Denney, DVM Member
 Carole Houghton, ESQ Member

Table 1 summarizes the Agency’s sources and uses of funds for fiscal years 2009 and 2010 (July 1, 2008 through June 30, 2010).

Table 1 - Sources and Uses of Funds for FY 2009 and FY 2010

	2010	2009
Sources:		
Veterinary License/Fee/Charge	\$ 451,553	\$ 387,449
Total Sources	<u>\$ 451,553</u>	<u>\$ 387,449</u>
Uses:		
Personnel Services	\$ 262,762	\$ 228,590
Professional Services	57,403	58,847
Travel	17,087	24,099
Miscellaneous Administrative	23,248	26,112
Rent	24,437	30,286
General Operating	6,014	7,613
Office Furniture and Equipment	5,167	4,677
Refunds, Indemnities, Restitution	5,426	-
Other	938	1,032
Total Uses	<u>\$ 402,482</u>	<u>\$ 381,256</u>

Source: Oklahoma PeopleSoft Accounting System (unaudited - for informational purposes only)

**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, 2008 through June 30, 2010.

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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 – Determine whether the Agency’s internal controls provide reasonable assurance that revenues and expenditures (including payroll) were accurately reported in the accounting records.

Conclusion

The Agency’s internal controls:

- Provide reasonable assurance that revenues and payroll expenditures were accurately reported in the accounting records;
- Do not provide reasonable assurance that expenditures (excluding payroll) were accurately reported in the accounting records.

Methodology

To accomplish our objective, we performed the following:

- Documented internal controls related to the receipting and expenditure (including payroll) processes which included discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
 - Discussing with personnel and observing the location where funds are retained prior to deposit to ensure they are adequately safeguarded;
 - Determining who is responsible for preparing the OSF form 011 clearing account reconciliation and ensuring the employee is independent of the receipting process;
 - Ensuring funds receipted for license renewals were deposited by re-performing management’s monitoring procedures;
 - Randomly selecting nine months’ PeopleSoft reconciliations and ensuring they agreed to supporting documentation;
 - Reviewing nine randomly selected months’ payroll claims ensuring they were properly approved and agreed to supporting documentation;
 - Reviewing the supporting documentation for all five payroll changes that occurred during our audit period ensuring they were properly approved and reflected in the payroll system; and

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- Reviewing the supporting documentation for all four separations that occurred during our audit period ensuring employees were removed from the payroll system in a timely manner.
- For the Agency's agency special account (Advance Funds), we ensured a requisition was approved, expenditures were supported and appeared allowable under Advance Funds policy II C¹, and warrants were approved, as applicable. All Advance Funds activity was reviewed for the audit period.

Observation

Lack of Segregation of Duties Related to Expenditures

The United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*² states in part, "Key duties and responsibilities need to be...segregated among different people to reduce the risk of error or fraud....No one individual should control all key aspects of a transaction..."

The administrative assistant is responsible for the following:

- Purchasing;
- Posting the invoice into the PeopleSoft system;
- Approving the voucher jacket;
- Receiving warrants from the State Treasurer (OST).

The executive director felt her review of PeopleSoft's "6-Digit Expenditure by account" report was a mitigating control to offset the segregation of duties risk above; however, this report is summarized by account code and provides no detail, such as vendors. Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation

We recommend an employee other than the administrative assistant receives the warrants from OST, match them to the appropriate invoice/purchase order, and mail them to the vendors. If this is determined not to be feasible, the executive director should review PeopleSoft's "6-Digit Detail Expenditure" report monthly ensuring she has approved all expenditures identified.

**Views of Responsible
Officials**

Now that we have another employee, our Investigative Assistant will receive, match the warrant to the invoice and mail to the vendor which should reduce the risk of error or fraud.

¹ The Agency policy states the funds may be used for items that will be used for evidence in veterinary related cases, fees or per diem for informants, and for other expenses necessary to apprehend and convict violators of state and federal laws related to the practice of veterinary medicine.

² Even though this publication addressed controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

Objective 2 – Determine whether the Agency complied with 74 O.S. § 3601.2 A. 3. and 62 O.S. § 211.

Conclusion

Financial operations:

- Complied with 62 O.S. § 211 (10% of fees received are transferred to the state’s general revenue fund);
- Complied with 74 O.S. § 3601.2 A.3. (statutory limitation on the executive director’s salary).

Methodology

To accomplish our objective, we performed the following:

- Recalculated the amount transferred to the state’s general revenue fund during the audit period to ensure 10% of all the fees charged, collected and received by the Agency were transferred as required by 62 O.S. § 211;
- Reviewed payroll information in the PeopleSoft accounting system to ensure the executive director’s annual salary did not exceed the maximum limit set forth in 74 O.S. § 3601.2 A. 3. during the audit period.

There were no exceptions as a result of these procedures.



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