

# Audit of the Board of Examiners for Long Term Care Administrators

July 1, 2005 through December 31, 2006



Office of the Oklahoma State Auditor and Inspector  
Jeff A. McMahan, CFE

**Audit Report of the**  
**Board of Examiners for**  
**Long Term Care Administrators**  
**For the Period**  
**July 1, 2005 through December 31, 2006**



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

Jeff A. McMahan  
State Auditor and Inspector

August 13, 2007

**TO THE BOARD OF EXAMINERS FOR  
LONG TERM CARE ADMINISTRATORS**

Transmitted herewith is the audit report for the Board of Examiners for Long Term Care Administrators for the period July 1, 2005 through December 31, 2006. 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 "Jeff A. McMahan".

JEFF A. McMAHAN  
State Auditor and Inspector

## **Mission Statement**

The Oklahoma State Board of Examiners for Long Term Care Administrators (OSBELTCA) has the statutory responsibility to assure quality care for residents of Oklahoma long-term care facilities by licensing competent and well-qualified long-term care administrators, by maintaining continued competency of these administrators through approving quality education programs and/or providing quality education programs and by enforcing standards of practice.

## **Board Members**

J.T. O'Connor, Jr., D.O.....	Chair
Eleanor Kurtz.....	Vice-Chair
Jeannie K. Gault.....	Treasurer/Secretary
Nancy Atkinson.....	Member
Terry W. Clark.....	Member
Marc Edwards.....	Member
James M. Jakubvitz.....	Member
Emma June Jordan.....	Member
Maurice W. Payne, D.O.....	Member
Nancy J. Pfeifer.....	Member
Billy R. Weaver.....	Member
Peggy Elaine Wiebener.....	Member
Terry W. Williams.....	Member
Howard Hendrick, Director of Human Services.....	Member
Dr. Mike Crutcher, Commissioner of Health.....	Member

## **Staff**

Dr. Roger Lanier.....	Executive Director
Pam Duren.....	Executive Secretary



STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

Jeff A. McMahan  
State Auditor and Inspector

**TO THE BOARD OF EXAMINERS FOR LONG TERM  
CARE ADMINISTRATORS AND DR. ROGER LANIER, EXECUTIVE DIRECTOR**

We have audited the Board of Examiners for Long Term Care Administrators (Board) for the period July 1, 2005 through December 31, 2006. The objectives of this audit were to:

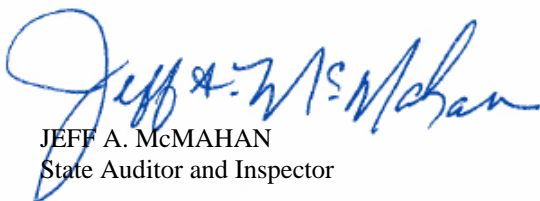
- Determine whether the agency's internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and financial operations complied with applicable finance-related laws and regulations;
- Determine compliance with 63 O.S. § 330.64, 63 O.S. § 330.58(10), Oklahoma Administrative Code (OAC) 490:1-6-1, and OAC 490:10-5-4(b).
- Determine the extent to which 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.



JEFF A. McMAHAN  
State Auditor and Inspector

August 7, 2007

## **Background**

The Oklahoma Board of Examiners for Long Term Care Administrators (Agency or management) was created in 1968 with the principal duties of licensing nursing home administrators and approving a continuing education program for the administrators. Oversight of the agency is provided by a fifteen-member board of directors (Board). Ten of the members are representatives of the profession (i.e., only five can be owners or administrators and none other than those five can have a direct or indirect financial interest in nursing homes), three members represent the general public, and the other two members are the State Commissioner of Health and the Director of the Department of Human Services, or their designees. The thirteen members are appointed by the Governor, with the advice and consent of the Senate.

During the 2005 legislative session, House Bill 1453 was passed which, among other things, vacated all appointed positions of the Board. This action was taken as a result of issues related to the previous Board's non-compliance with its statutory obligations, which include adequately investigating complaints on nursing home administrators. As a result, on July 1, 2005, a new Board was appointed. Also included in HB 1453 were additional mandates for the Board. These mandates included ensuring the Board ruled on each complaint received within 180 days as well as establishing an administrator registry.

The newly-appointed Board hired an executive director on an interim basis in February 2006 and began a national search for a permanent executive director who was hired in May 2006. During this period, the Agency relocated their office space, purchased new equipment and furniture, and entered into new contracts with vendors. These actions accumulated up to an estimated \$75,000 in costs. To cover the expense of these items, management was under the impression they would be receiving at least a \$75,000 supplemental appropriation in spring 2006. This did not occur and the financial condition of the Agency has since been a serious concern. The financial condition was of such concern that, in June 2006, the number of full-time employees of the agency dropped from four to two.

For fiscal year 2007, the legislature appropriated the State Department of Health (DOH) \$100,000 which was to be used by the Board to carry out their duties. Because the Board was created to be self-sustaining through fees they receive for licensing and other items, they receive no state appropriations. Therefore, the appropriation was provided to the DOH as a "pass-through" for the Agency. The Agency signed an agreement with the DOH on July 27, 2006. The agreement states the Agency will be reimbursed by DOH for allowable expenditures which included salaries, fringe benefits, rent and office supplies. According to management, by April 2007 the \$100,000 had been expended for personnel salaries and fringe benefits. In March 2007, an additional \$100,000 supplemental appropriation was provided to the DOH to "contract for services" with the Board.

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

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### ***The Board should continue to closely monitor its financial condition***

When we initially met with management in February 2007, the first item brought to our attention was the financial condition of the Agency. We were told the cash position was so ominous, the Agency would have to close on July 1, 2007, if emergency funding was not provided by the Legislature. In light of concern by management over the financial condition of the Agency, we prepared Table 1 to gain some perspective on the Agency's finances. Note that the fiscal year 2007 data includes only information through May 2007 as that was the latest information available.

**Table 1 – Revenue and Expenditure Trend Analysis**

Fiscal Year	License Revenue	Other Revenue	Total Revenue	Expenditures	Pass Through from Department of Health	Expenditures (Over)/Under Revenue and Transfers	Ending Cash Balance
1998	\$137,309.40	\$25,187.26	\$162,496.66	\$201,369.44	\$ 0	\$(38,872.78)	\$109,276.43
1999	148,054.19	39,222.50	187,276.69	186,171.70	0	1,104.99	110,381.42
2000	149,497.20	88,788.28	238,285.48	194,419.87	0	43,865.61	154,247.03
2001	144,864.90	79,857.36	224,722.26	197,235.61	0	27,486.65	181,733.68
2002	145,269.00	92,912.13	238,181.13	207,859.36	0	30,321.77	212,055.45
2003	135,423.94	28,929.79	164,353.73	190,234.74	0	(25,881.01)	186,174.44
2004	147,951.51	14,816.78	162,768.29	185,616.92	0	(22,848.63)	163,325.81
2005 <sup>1</sup>	133,317.00	0	133,317.00	202,703.63	0	(69,386.63)	93,939.18
2006 <sup>2</sup>	215,005.32	0	215,005.32	266,046.53	0	(51,041.21)	42,897.97
2007 <sup>3</sup>	140,236.74	70,000.00	210,236.74	177,099.32	100,000 <sup>4</sup>	133,137.42	176,035.39

Source: Office of State Finance combining trial balance report

Note: This table should be reviewed in conjunction with the footnotes.

We also reviewed OST records as of May 31, 2007, which indicated the Agency had cash of \$26,625.89 in its clearing account.

As seen in the table above, over this 10-year period, the Agency experienced a large increase in revenue for fiscal years 2000, 2001, and 2002. Also, for five of the ten years, the Agency expended more than the revenue deposited. During fiscal years 2003 through 2006, the Agency maintained a relatively consistent level of spending due to the sizeable cash balance that had built during fiscal years 2000, 2001, and 2002. However, because of the sharp decrease in revenue beginning in fiscal year 2003, this cash balance has slowly decreased over the years, putting the Agency in its current financial situation.

We inquired of management as to what caused the substantially higher revenues in fiscal years 2000, 2001 and 2002, and the subsequent decrease beginning in fiscal year 2003. This was a difficult question to answer because as previously discussed, all Board members and the Agency director are new to their positions so little historical perspective is available. We also inquired about any receipt records remaining from this time period; however, they were no longer available. We were able to obtain and review the Board minutes from this time period. Based on the review of these minutes, it appears that much of the “Other Revenue” for fiscal years 2000, 2001 and 2002 was attributable to the Nursing Home Administrator School, examination/review fees, and administrator-in-training fees. According to Agency management, beginning in fiscal year 2003, the Nursing Home Administrator School was no longer held. This would have impacted the revenues generated by the Agency. The Agency began holding the administrator school again in fall of 2006. Now called “Administrator University”, this program was also held in spring of 2007. These two sessions generated \$70,000 for the Agency. Another contributing factor to the decrease in other revenue is the reduction in number of licensees. According to information provided by the Agency, there were 1,002 licensed administrators in 1998 and only 707 in 2007. The decrease in licensees has an indirect effect on the examination/review fees and the administrator-in-training fees.

<sup>1</sup> Revenue for this fiscal year is likely skewed due to the Agency not regularly transferring revenue from the clearing account to its revolving fund. This allowed a large cash balance to build in the clearing account before being transferred out in fiscal year 2006. Based on State Treasurer’s Office clearing account information, revenue deposited by the agency for this period is \$201,372.25 with approximately 90%, or \$181,235, of this amount eventually being transferred to the Agency’s revolving fund for operations.

<sup>2</sup> See footnote 1. Based on State Treasurer’s Office clearing account information, revenue deposited by the agency for this period is \$183,717.06 with approximately 90%, or \$165,345, of this amount eventually being transferred to the Agency’s revolving fund for operations.

<sup>3</sup> Amounts are for the period July 2006 through May 2007.

<sup>4</sup> An additional \$100,000 supplemental appropriation was provided to DOH in March 2007. It is not included in this table as none of the funds had been provided to the Agency through May 2007.

**Recommendation:** We recommend the Board continue to closely monitor the revenues, expenditures, and cash balance of the Board's revolving fund and clearing account. In addition:

- The Agency should routinely transfer its monies from the clearing account to the revolving fund so that these monies are available to fund operations. Only a minimal amount of cash necessary to cover anticipated refunds should be maintained in the clearing account.
- As discussed later in this report, the Agency is not properly coding its receipts. All receipts for our audit period were coded as license revenue even though the Agency receives numerous types of fees. Specifically, internal receipt records should be maintained at a detailed level and the Agency should monitor the revenues received and periodically compare the receipts to budgeted amounts. Any significant variances to the budgeted amounts should be investigated.
- As discussed later in this report, the Agency is understaffed and is not able to comply with its statutory requirements at the current staffing level. As a result, the Agency should determine the number of staff necessary to carry out its functions. From this determination, an estimate of annual costs should be made and the Board should evaluate whether the fees charged by the Board are sufficient to cover the Board's operating costs. If necessary, fee increases should be proposed and implemented in a timely manner. However, if the number of licensees continues to drop, the fees necessary to cover the costs of the Agency may become unreasonable.
- The current staff, while knowledgeable in matters regarding nursing facility administration, lacks the background and training related to accounting and budgeting. As a result, the Board should consider hiring qualified personnel or providing appropriate training to existing personnel to administer the accounting functions of the Agency. Another option may be to contract for financial services with the Office of State Finance as approved at the November 2006 Board meeting. These services include claims payment, purchasing and budgeting.

**Views of Responsible Officials** - These accounts were systematically monitored by the Board, Board officers, and staff. Moreover, there may have been communication problems between some State agencies, but at least four Agency representatives (i.e., two Board members and two executive directors) made numerous requests for improved financial intelligence. What was received was monitored.

We would also note that while Table 1 provides a standardized review (i.e., the norm for state agencies) of income and expenditures by fiscal year, but it can be problematic for non-appropriated state agencies. The ending cash balance on July 1 has much more significance for an appropriated state agency expecting an appropriation with the new fiscal year. For non-appropriated state agencies and this Agency in particular the next major revenue stream was expected to be December 2007 and January 2008 (i.e., licensure renewal). Consequently, when a May 31, 2007 estimated outstanding accounts payable of \$37,000; seven remaining months of average expenditures of approximately \$15,000 per month; and seven more months of accounts payable accumulations estimated to be \$37,000; this results in a deficit of at least \$3,000 prior to the arrival of licensure income. A net deficit leaves a vastly different perception than a net cash balance of \$176,035.39. Neither is technically wrong; we understand the State norm; but the practical significance to this Agency is limited.

As the report mentions and documents, there were serious funding and consequent staffing problems during major portions of this time period. Additional funding, staffing, and expertise have now been acquired to address the important issues related to the Board's revolving fund and clearing account. The increased staffing will also allow for better, more accurate coding of income and expenditure categories.

#### ***Agency should track amounts payable to vendors***

During our inquiries, we asked management for a listing of amounts owed to vendors; however, they were unable to provide one as certain invoices had been provided to DOH for processing. Management explained that DOH agreed to temporarily assist the Agency and process their claims for payment. As a result, management suggested we ask DOH for the amount owed. We spoke with DOH personnel who were unaware of an amount as their service is only related to paying invoices sent to them by the Agency.

Since management was unable to provide an amount owed, we performed procedures to estimate the amount. We obtained management's representation of outstanding invoices and from these determined an estimated amount



owed to vendors. This amount was calculated through auditor analysis and only represents an estimate based on the information provided by management. As of April 2007, it is estimated the Agency owes \$37,000 to vendors.

**Recommendation:** We recommend the Agency develop and implement a process to know at all times the amounts due to its vendors.

**Views of Responsible Officials** - The Agency had precise figures and detail on obligations to vendors through December 2006 (the stated date of the audit). Beginning in December 2006, the OSHD graciously volunteered to assist the Agency with budget and procurement issues. Invoices were transferred between Agencies and certain obligations were satisfied. The multi-agency involvement confounded a precise knowledge of vendor obligations in the spring of 2007.

Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to address this important issue related to the Board's vendor obligations. We would not anticipate similar problems in the future.

### *Internal controls over receipts and expenditures need improvement*

#### Segregation of Duties

We noted the same person is responsible for receiving, endorsing, and receipting fees, as well as preparing the deposits and delivering them to the bank without the review of another employee. Effective internal controls should provide adequate segregation of duties to reduce the opportunity for any person(s) to both perpetrate and conceal errors and irregularities in the normal course of their duties. The limited number of office personnel within the agency may limit a proper segregation of accounting functions which is necessary to assure sound internal control. While the number of personnel may limit duties from being segregated, mitigating controls can be put in place to alleviate the risk caused by the lack of segregation.

**Recommendation:** We recommend the Board implement mitigating controls to alleviate the risk caused by the lack of segregation of duties. These controls may include a comparison of the receipt log to the deposit by the Executive Director before delivery to the bank. In addition, based on discussions with management and the Board's Treasurer, it appears a comparison of estimated revenues to actual revenues is performed during the renewal months of October, November, and December. However, we recommend this process along with any follow-up performed on any large or unexpected variances be documented.

**Views of Responsible Officials** - While the audit spans a longer period of time, mitigating controls with a staff of two approaches an oxymoron. When there was a staff of four, it is my understanding that there were more mitigating controls. When a State agency's staffing is allowed to drop below a certain staffing level, there are a number of inherent risks and structural violations. This is simply one.

While the same person receives, endorses, receipts, then prepares and delivers the deposits, the Agency required paperwork and processing suggests a net financial result. Those results are broadly monitored on a weekly, if not daily, basis by the Executive Director and on a monthly basis by the Treasurer and the Board. Again, most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to address this important issue related to the Agency's financial control issues. We would not anticipate similar problems in the future.

#### Timely Deposits

62 O.S. § 7.1(C) requires funds to be deposited into the Agency's clearing account on the banking day of receipt if more than \$100 or held until accumulated receipts equal \$100 or for five days, whichever occurs first. 62 O.S. § 7.1(C)(2)(c) requires each check to be restrictively endorsed immediately upon receipt. Management stated collection of more than one day's checks for license renewals will occasionally accumulate before being endorsed and subsequently deposited. This practice increases the risk of loss or theft of the receipts.

**Recommendation:** We recommend the Agency immediately endorse checks upon receipt and ensure deposits are made in accordance with 62 O.S. § 7.1(C).

**Views of Responsible Officials** - Agency checks are all immediately endorsed. All deposits are made in accordance with 62 O.S. §7.1 (C) with the most minor of exceptions as this has been a major emphasis for the Agency. As explained, there were a few instances in the rush of annual licensure renewal when deposits could not get to the bank before it closed.

Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to assist with this important issue related to the Agency's timely deposits. In all probability, seasonal temporary help will most likely be necessary to solve the problem. We would not anticipate similar problems in the future at this point.

**Auditor's Response** – During our documentation of internal controls related to receipts, the executive assistant stated that at times during the renewal period, she does not open renewals immediately as they are received.

### **Reconciliations**

As part of our analysis in preparing Table 1 above, we reviewed the Office of State Finance's (OSF) April 2007 Summary of Receipts and Disbursement report for fund 799<sup>5</sup> (clearing account) to gain an understanding of the Agency's current cash position. We compared the balance presented in this report to the balance presented on the OST monthly agency statement for fund 799 and identified a \$220,280 variance between the ending balances. OSF notified all agency finance officers in their February 26, 2007, DCAR newsletter to reconcile their June 2006 clearing account balances with the CORE system by March 31, 2007. Currently, the Agency is reconciling to OST using OSF Form 11; however, no reconciliation is being made to the CORE accounting system.

**Recommendation:** We recommend the Agency contact OSF to determine the appropriate course of action regarding this discrepancy and implement procedures to begin reconciling the Agency's records to OSF's CORE records on a monthly basis, as well as to OST.

**Views of Responsible Officials** - OSF has been contacted regarding this discrepancy. The problem with reconciliation is that there has to be a proper answer, or possibly any answer, to reconcile. An answer has been sorely lacking. Moreover, given the nature of this Board's construction, there were no internally feasible answers.

Two other important details are embedded in this recommendations response. First, our approaches to OSF have been sporadically every month or two. The additional funding, staffing, and expertise that have now been acquired will assist with consistent and determined follow-up related to the discrepancy. Moreover, this issue and several others assume, imply, or specifically mention, OSF CORE budget expertise and its related problems. The new staff position was specifically selected to bring this expertise to the Agency. We would not anticipate similar problems in the future at this point.

### **10% Transfer to the State's General Revenue Fund**

62 O.S. § 211 states in part, "Unless otherwise provided by law, all self-sustaining boards created by statute to regulate and prescribe standards, practices and procedures in any profession, occupation or vocation...shall pay into the General Revenue Fund of the state ten percent (10%) of the gross fees so charged, collected and received by such board." We noted during our procedures, the Agency appeared to have transferred \$731.33 more than required to the state's general revenue fund during the audit period. It is important to note that in July 2005, the Agency transferred \$5,635.42 to the State which is substantially more than 10% of the receipts received during this month. Under the previous administration, the Agency had a history of months passing without transferring 10% of their fees and the current management was unable to provide supporting documentation related to this large transfer. However, in August 2006, the Agency transferred \$4,357.52 less than required to the State. The net effect of the two transfers plus three smaller identified variances represent the \$731.33 overpayment during the period.

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<sup>5</sup> This report is generated through the CORE accounting system.

<b>Table 2- Amount Transferred to the State General Fund – July 2005 through December 2006</b>			
Amount Deposited per CORE Records	10% of Amount Deposited	Amount Actually Transferred to the State General Fund	Variance
\$449,087.91	\$44,908.79	\$45,640.12	\$731.73

**Recommendation:** We recommend the Agency transfer 10% of gross fees charged, collected, and received to the state's general revenue fund on a monthly basis.

**Views of Responsible Officials -** The Agency's error has been to transfer in excess of the 10% due the general revenue fund under 62 O.S. § 211. Moreover, it was recently brought to our attention that certain fees may fall outside the definition of "gross fees" as related to licensure activities and the Agency will explore those options. This, of course, may have compounded the overpayment issue. The primary issue with this recommendation is the "on a monthly basis," where performance has been more uneven due to understaffing.

Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to address this important issue related to the Agency's contribution to the general revenue fund. We would not anticipate similar problems in the future.

#### **Supporting Documentation**

An effective internal control system provides for accurate and reliable information while 67 O.S. § 206 A. states "The head of each agency shall: 1. Establish and maintain an active, continuing program for the economical and efficient management of records for the agency..." We noted the following during the course of our testwork related to receipts and expenditures:

- The Agency was unable to provide the vouchers and supporting documentation for five of 33 vouchers we requested. We attempted to review the original vouchers sent to the Department of Libraries records center by OSF; however, the vouchers could not be located there as well. We were able to view an image of the warrant (front and back) through OST's website to determine if the check was endorsed by the payee; however, two of the warrants were not endorsed while one endorsement was illegible. We did note that the payee of these five vouchers/warrants were to known vendors for items such as rent of office space, office supplies, printing services and software.
- OST sends the Agency a monthly statement indicating total deposits made into the clearing account, including license renewals made through the Agency's internet web site. However, this statement provides no detail regarding the administrators who make up the deposit amount. The Agency is not reconciling on-line renewals to on-line fees received per OST records.

**Recommendation:** We recommend the Agency ensure all appropriate supporting documentation is maintained for deposits and expenditures. Regarding the on-line renewals, the Agency can access the www.ok.gov system and determine which administrators renewed their license on-line in a given month. This listing could then be reconciled to the OST report which indicates the fees deposited from on-line transactions. For example, if \$1,000 was deposited through on-line transactions, the report generated through the www.ok.gov system should identify the five administrators who renewed their license at \$200 each.

**Views of Responsible Officials -** The five of 33 vouchers that lacked documentation were not brought to the current Executive Director's attention. Consequently, it is unclear under which "head of each agency ..." as specified in 67 O.S. § 206 this might apply or what the problem was.

Moreover, the ok.gov licensure renewal system was newly implemented this year. It has a variety of gaps, bugs, and problems. Nevertheless, there is no way the Agency's licensure renewal system could function without reconciliation (as in the example provided) with detailed supporting documentation. There may still be problems of matching precise credit card transactions to specific licensure renewal deposits. Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been

acquired to address this important issue. The new and experimental nature of ok.gov, as well as the expanded requirements for 2007, makes it impossible to anticipate a full resolution of future problems.

**Auditor's Response** – There was no intent to withhold the information from the executive director regarding five vouchers which could not be produced. The Agency's executive assistant was asked to provide the 33 vouchers and she stated she could not locate five of them.

### **Sales Tax**

During our testwork of 28 vouchers, we noted the Agency paid sales and local taxes in the amount of \$6.42 to a telecommunications vendor. In separate procedures in which we reviewed 12 months of cell phone provider invoices, we noted the Agency paid \$21.62 in sales and local taxes. State agencies are exempt from these taxes per 68 O.S. § 1356.

**Recommendation:** We recommend the Agency use diligence in ensuring they are not paying state and local taxes on products/services received.

**Views of Responsible Officials** - Additional diligence will be directed towards not paying state and local taxes on products and services. Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to address this important issue and related to procurement issues in general. We would not anticipate similar problems in the future.

### **Incorrect Account Codes**

OSF's account listing includes the following accounts:

531130 Telecommunication Services

515170 Contractual Administration Services

515010 Offices of Lawyers

During testwork of 28 vouchers, three had the incorrect account code applied:

- Voucher #615 was coded with account code 532110 (rent of office space) while the correct code of 531130 should have been used to describe telecommunication services;
- Voucher #637 was coded with account code 515560 (office administrative services) while the correct code of 515170 should have been used to describe contractual administration services;
- Voucher #546 was coded with account code 515660 (education services) while the correct code of 515010 should have been used for offices of lawyers.

In addition, we noted the Agency coded all revenue received during our audit period to account 425846-Nursing Home Administrators License. However, the agency receives other types of revenue as well. For example, in fall of 2006, the Agency held an "Administrator University" at the cost of \$2,500 per participant. It appears the Agency should have coded this revenue as 478105-Registration Fees. It is important to properly code revenues and expenditures so financial reports from the CORE system contain accurate information. Financial reports from CORE are often relied on by agencies to assist in making management decisions.

**Recommendation:** We recommend the Agency ensure account codes used are correct based on the types of purchases made and revenue received.

**Views of Responsible Officials** - It is recognized that there has been a long standing problem with Agency account codes. It is believed that this has been a staffing level issue and the decision to change the prior Administrative

Assistant position to a Deputy Director position should address this problem. Most specifically, his specialized expertise and experience with the CORE system is anxiously anticipated. Most of the response to Objective 1, Recommendation # 1 is also relevant, but I will repeat that additional funding, staffing, and expertise have now been acquired to address this important issue of the Agency account codes. We would not anticipate similar problems in the future.

### **Conclusion**

Based on the items noted, the Agency's internal controls related to receipts and disbursements are generally not effective and need to be strengthened. The controls do not operate in such a manner to provide reasonable assurance revenues and expenditures were accurately reported in the accounting records and that financial operations complied with applicable finance-related laws and regulations.

### **Methodology**

Our methodology to accomplish this objective included reviewing 62 O.S. § 7.1, 62 O.S. § 211; interviewing the executive director and executive secretary of the Agency regarding internal controls over deposits, expenditures, and capital assets; interviewing finance personnel from the Department of Health; testing a sample of receipts and expenditures; and recalculating the Agency's 10% payment to the State's general revenue fund.

Regarding the recalculation of the Agency's 10% payment to the fund, we reviewed Agency records indicating total fees received during the period, compared this amount to amount posted into the CORE accounting system, determined 10% of total fees received, and reviewed a CORE transfer report indicating what was actually transferred to the State's general revenue fund.

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**Objective 2:** Determine compliance with 63 O.S. § 330.64, 63 O.S. § 330.58(10), Oklahoma Administrative Code (OAC) 490:1-6-1, and OAC 10-5-4 (b).

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As previously noted, the Agency has various legislative mandates and requirements set forth in administrative code. In reviewing the applicable state statutes and OAC, we identified two sections of state statute and two sections of the OAC that we believed were most significant to the overall mission of the Agency.

### ***Improvements Needed in Managing Complaints Process and Administrator Registry***

63 O.S. § 330.64 states in part:

A. Each investigation of a complaint received by the Oklahoma State Board of Examiners for Nursing Home Administrators shall be completed within one hundred eighty (180) days from the date the complaint is received by the Board. The investigation may be extended for good cause for a maximum of two extensions of sixty (60) days...

B. ...the Board shall create and maintain a registry of all complaints or other referrals complaining of acts or omissions of licensed administrators. The registry shall be maintained in both electronic and paper formats and shall be available for inspection by the public...

Expanding on 63 O.S. § 330.64 B. from above, OAC 490:1-6-1 states in part:

- (a) A registry of administrators shall be created and maintained by the Board. The registry will include information such as name, license number, date first licensed, current facility of employment, history of facility employment, results of criminal background check, notation if the individual is required to register pursuant to the Sex Offenders Registration Act or the Mary Rippey Violent Crime Offenders Registration Act, history of complaints registered against the

- individual, history of referrals received from OSDH, status as a preceptor; AIT or status of license...
- (c) Board decisions and other data required to keep the Administrator Registry current shall be entered into the Registry no later than three (3) working days after receipt.

63 O.S. § 330.64 B requires a complaint received by the Board to be resolved within 180 days after receipt. Management began addressing this requirement in November 2006 by monitoring the status of the complaints on a monthly basis. Additionally, a listing of administrators with the data required by OAC 490:1-6-1 is not being maintained. Management is aware of these requirements, but stated their staffing situation is a major factor in complying with these requirements. In addition, cases with weak evidence and/or unclear allegations against the administrator may take a longer period of time to resolve. At one time, the Agency had two investigators under contract but, beginning in the spring of 2006, their use was eliminated due to the Agency's financial position. These contracts were not renewed when they expired.

In connection with complaints received on administrators, 63 O.S. § 330.58.10 requires the Agency to report the final adverse action to the Healthcare Integrity and Protection Data Bank. Management stated that due to staffing, they are not in compliance with this requirement.

#### ***Improvement Needed for Monitoring Continuing Education Hours of Administrators***

OAC 490: 10-5-4 (b) states, "An annual audit of at least 5% of the total number of licensed administrators will be made to verify compliance with statements made on renewal forms." In discussing this requirement with management, we found it is not occurring due to staffing issues.

**Recommendation:** The Agency's lack of compliance with state statutes and OAC are directly related to the fiscal issues previously discussed. We recommend the Agency determine the appropriate number of staff needed to comply with the Agency's statutory and operational mandates, prepare a budget within the means of the Agency's current funding structure and hire qualified personnel to aid the Agency in fulfilling its mission.

**Views of Responsible Officials -** We agree. We would only add that this was never a definitional problem. This was a serious funding problem related to the minimum funding required to comply with various State statutes and even minimally address the Agency's mission (which we note received only the most minimal attention in the audit). The response to Objective 1, Recommendation # 1 is also directly relevant.

#### **Conclusion**

Based on the items noted, the Agency is not in compliance with 63 O.S. § 330.64, 63 O.S. § 330.58(10), OAC 490:1-9-5(b), and OAC 490:1-6-1.

#### **Methodology**

Our methodology to accomplish this objective included reviewing 63 O.S. § 330.51 through 330.65, OAC 490: 1 and 10, as well as interviewing the executive director and executive secretary of the Agency.

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**Objective 3:** Determine the extent to which recommendations included in prior engagements were implemented.

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#### ***Prior Period Finding Not Addressed***

We noted one finding in our report issued April 29, 2005. The finding was related to the timely deposit of receipts. As previously discussed, this condition may occasionally occur during peak periods. As a result, this finding has not been corrected since our last engagement.

## **Conclusion**

Based on the item noted, it appears our recommendation included in our prior engagement has not been implemented.

## **Methodology**

Our methodology to accomplish this objective included reviewing one prior period audit finding, as well as interviewing the executive director and executive secretary of the Agency.

## **Other Items Noted**

### ***Agency Cell Phone Used Mainly for Personal Calls***

The Agency had two cell phones during our audit period. We requested the invoices for the period, but management was unable to provide them as certain invoices had been provided to DOH for processing. As a result, we contacted the vendor who provided all months except July 2005 through January 2006. In reviewing the invoices, we noted both were assigned to the contracted investigators and were used sparingly. However, one of the phones was reassigned to the executive director in June 2006. Since that time, it is estimated that the number of personal calls made from the phone approached 70% of the total calls made. This estimate was made by assuming calls made after 6:00 p.m. and before 6:00 a.m. and those made on the weekends were of a personal nature.

**Recommendation:** The Agency has no policies and procedures related to cell phones. Given management's opinion of the Agency's financial condition, it may not be fiscally prudent to continue incurring costs related to a phone which was being used for personal calls 70% of the time. It should be noted the plan used by the Agency was the smallest available and there were no overages on minutes used. We recommend policy be developed and implemented which, at a minimum, includes:

- Personal use (allowable, limitations on frequency);
- Need of a phone based on job duties.

**Views of Responsible Officials** - A policy on cell phone availability and use is needed to protect all parties from potential misinterpretation or misunderstanding. During the time period in question, the cell phones were originally available for the investigators and then subsequently for the Executive Director. As the audit notes, the lowest priced plan possible was secured and there were no overage in charges. Consequently, it is currently believed that the Agency will either choose the convenience of cell phone availability, or will eliminate it. Percentages of calls under the minimum minute usage continue to appear irrelevant. We note, however, should there ever be an overage in used minutes a policy needs to cover the resolution of that possibility.

### ***Sensitive Data Susceptible to Theft or Misuse***

The Agency receives a large influx of administrator license renewals during October, November and December of each year. Due to staffing issues discussed throughout this report, the two employees of the Agency are under pressure to process the renewals as quickly as possible. As a result, employees from the Department of Health and the Department of Human Services, who also serve as Board members, were brought in to assist in processing the renewals. This renewal data contains sensitive information such as name, address, and social security number. We noted this information lying unsecured on desks within the office where it would be accessible to others. We also noted this information was at times taken out of the office for input into the [www.ok.gov](http://www.ok.gov) system. All administrators are maintained in a database within [www.ok.gov](http://www.ok.gov) so citizens can access this information through the Agency's website to determine if complaints have been filed against a nursing home administrator. However, the sensitive information is not available to the public for viewing.

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.” We found no evidence to suggest sensitive information had been compromised, but the lack of safeguarding the information makes it a risk.

**Recommendation:** We recommend the Agency implement policies and procedures to reduce the risk associated with theft and/or loss of sensitive information. The policy should address, but not be limited to, adequately securing the data within the office, such as maintaining it in locked cabinets, as well as the removal of the information from the office.

**Views of Responsible Officials** - As adequate staffing is secured, we agree there needs to be a reasonable review of policies related to access to sensitive data. With minimum staffing since June 2006, there was no possibility that a restrictive security policy could have allowed for minimal functioning of the Agency. Multiple volunteers (Board Members and other State employees) were exposed to sensitive data and certain files left the office. Such a risk was and is recognized. We specifically note, however, that our evaluation was and is that to do otherwise presented an even greater and more substantial risk to the mission of the Agency. These policies will be reviewed.

### ***Capital Asset Listing is Not Maintained***

OAC 580:70-3-1 requires an agency to submit an annual inventory report to the Department of Central Services (DCS) which includes: (1) the asset tag number (2) model and serial number, (3) manufacturer (4) description (5) product name (6) physical location (7) acquisition dates and cost for all tangible<sup>6</sup> assets. OAC 580:70-5-1 requires an inventory tag on all tangible assets. We noted the Agency does not have a complete tangible asset listing and it has not been updated since June 30, 2004. Additionally, of the two assets observed (one laptop computer and an LCD projector), neither contained an inventory tag identifying them as property of the State of Oklahoma.

**Recommendation:** We recommend the Agency comply with all applicable sections of OAC 580:70, including but not limited to conducting an annual inventory, submitting the results to DCS, and ensuring all tangible assets are properly tagged as property of the State.

**Views of Responsible Officials** - We recognize the need to be more diligent in reporting our limited inventory to DCS to comply with all applicable sections of OAC 580:70, including but not limited to conducting an annual inventory. Our understanding of the details of the noncompliance is that it currently applies to one PowerPoint projector and possibly two very dated, used, and donated laptop computers from OSDH which may not have been properly retagged when transferred. We agree that these three pieces of State property are potential theft risks.

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<sup>6</sup> A tangible asset is defined as having a value of \$500 or more unless specifically exempted by the Central Purchasing Director of DCS.





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