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Secretary of State

State of Oregon

**OREGON BOARD OF OPTOMETRY**

**Special Review**



Audits Division

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**Audits Division**





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This audit encompasses a review of the Oregon Board of Optometry (board) for the period July 1, 1995, to March 31, 1996. The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. The Office of Administrative Services, Accounting Section of the Department of Human Resources (DHR), Office of the Director, maintains the accounting records for the board.

The results of our review found no material weaknesses in the board's internal control structure and we did not identify any instances of noncompliance with laws and regulations. However, issues related to the central processing and reporting of accounting transactions for the health-related licensing boards by DHR could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

We conducted our audit in accordance with generally accepted government auditing standards. In this regard, we inquired of agency personnel, reviewed policies and procedures, tested relevant reports, and evaluated management controls as required to accomplish the objectives of our audit. Our audit was limited to the specific matters described above, and was based on tests and procedures that we considered necessary in the circumstances.

#### OREGON AUDITS DIVISION

Sam Cochran  
Acting State Auditor

Fieldwork Completion Date:  
July 25, 1996



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## SUMMARY

The Oregon Board of Optometry (board) operates under *Oregon Revised Statutes* (ORS) Chapter 683. The board consists of five members appointed by the governor for three-year terms. Four members are licensed doctors of optometry and the fifth member is a public citizen representing health consumers. The board examines applicants for licensure and imposes disciplinary proceedings against those who violate statutes. The board also makes rules and enforces professional standards for the practice of optometry in Oregon.

The board is financed from the fees it collects for licensing professional optometrists. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$125,036 and expenditures of \$101,546. The Department of Human Resources (DHR) maintains the accounting records for the board.

The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. The results of our review found no material weaknesses in the board's internal control structure and we did not identify any instances of noncompliance with laws and regulations. However, issues related to the central processing and reporting of accounting transactions for the health-related licensing boards by DHR could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.



## INTRODUCTION

### ORGANIZATION AND FUNCTIONS

The Board of Optometry (board) operates under *Oregon Revised Statutes* (ORS) Chapter 683. The board consists of five members appointed by the governor for three-year terms. Four members are licensed doctors of optometry; the fifth member is a public citizen representing health consumers. The board examines applicants for licensure and imposes disciplinary proceedings against those who violate statutes. The board also makes rules and enforces professional standards for the practice of optometry in Oregon.

### FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$309,054 of Other Funds expenditure limitation for this board. Revenues supporting these expenditures come from license applications and renewals.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$125,036 and corresponding expenditures were \$101,546. As of March 31, 1996, the board had a cash balance of \$162,770.

The board's accounting records are maintained by the Office of Administrative Services, Accounting Section of the Department of Human Resources, Office of the Director (DHR).<sup>\*</sup> The board receives, processes, and deposits its cash receipts. DHR records the receipts, maintains the accounting records, and processes all other types of accounting transactions for the board.

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<sup>\*</sup> The accounting activity for the health-related licensing boards was formerly performed by the Oregon Health Division. The administrative functions of the Health Division were merged with the Department of Human Resources effective January 1, 1996.

## **SCOPE AND METHODOLOGY**

The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. We reviewed internal controls and tested transactions for the period July 1, 1995, to March 31, 1996. We tested revenues, personal services expenditures, services and supplies expenditures, and travel expenditures.

Specifically, we performed analytical procedures on the revenues and expenditures recorded for the board. These procedures included budget to actual comparisons of revenues and expenditures to verify that the recorded transactions were consistent with budget projections and auditor expectations. We also compared recorded revenues to the amount generated by multiplying the number of licenses issued by the license fee.

We tested 15 receipts and three revenue refunds recorded on DHR's daily cash system for the board. We traced these transactions to the supporting information received from the licensee to verify that internal controls were operating effectively and the recorded receipts were accurate. We verified that the fee charged was appropriate. We also traced 12 additional applications from the files to the corresponding receipts on the system to verify that all receipts were recorded. Finally, we examined the checks that were awaiting deposit by the board on the day we visited. We determined how many days it took the board to deposit these receipts.

For the audit period, we developed an estimate of payroll expenditures for comparison to actual expenditures to determine if actual payroll expenditures appeared reasonable. We selected employee time sheets for December 1995 for detail testing. We reviewed these documents and personnel records to verify that employees were paid appropriate amounts.

For testing of other expenditures, we selected 12 expenditures from the audit period, including five travel reimbursements. We reviewed supporting documentation to verify that expenditures were adequately supported, properly authorized, and correctly recorded in the

accounting records; and to ensure that internal controls were operating as designed.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our review was limited to the areas specified in this section of the report.



## AUDIT RESULTS

### REPORT ON THE INTERNAL CONTROL STRUCTURE

The management of the Oregon Board of Optometry (board) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities may occur and not be detected within a

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we considered to be material weaknesses as defined above. However, we noted other matters involving the internal control structure and its operation that have been communicated separately to management.

**REPORT ON  
COMPLIANCE WITH  
LAWS AND  
REGULATIONS**

Compliance with laws and regulations applicable to the board is the responsibility of management. As part of our audit, we performed tests of the board's compliance with certain provisions of laws and regulations relating to selected transactions. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

**FINDINGS AND  
RECOMMENDATIONS**

We have no reportable findings specific to the procedures of this board. However, issues related to the central processing and reporting of accounting transactions by the Department of Human Resources, which are common to all the health-related licensing boards, could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

## **REPORT DISTRIBUTION**

This report is a public record and is intended for the information of the Oregon Board of Optometry, the Department of Human Resources' management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

## **COMMENDATION**

The courtesies and cooperation extended by the officials and employees of the Oregon Board of Optometry and the Department of Human Resources during the course of our audit were very commendable and sincerely appreciated.

## **AUDIT TEAM**

Stephanie Schutzler, CPA, Audit Administrator  
Mark Winter, CPA  
Anne Lawrence  
David Bartlett  
Danielle King



