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Secretary of State

State of Oregon  
**BOARD OF CLINICAL SOCIAL WORKERS**  
**Special Review**



Audits Division

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**Special Review**



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Honorable John Kitzhaber  
Governor of Oregon  
State Capitol  
Salem, Oregon 97310

Roger A. Kryzanek, Chair  
Board of Clinical Social Workers  
Deschutes County Mental Health  
409 NE Greenwood Avenue, No. 2  
Bend, Oregon 97701

Elizabeth A. Buys, Administrator  
Board of Clinical Social Workers  
3218 Pringle Road SE, Suite 140  
Salem, Oregon 97302

This audit encompasses a review of the Board of Clinical Social Workers (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.

Our audit identified an internal control weakness related to the board's receipts processing. 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 we considered necessary in the circumstances.

#### OREGON AUDITS DIVISION

Sam Cochran  
Acting State Auditor

Fieldwork Completion Date:  
July 30, 1996



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## SUMMARY

The Board of Clinical Social Workers (board) operates under *Oregon Revised Statutes* (ORS) Chapter 675. The board consists of seven members appointed by the governor. Four board members must be licensed clinical social workers. The remaining three members are public citizens. The board determines the qualifications of applicants to practice clinical social work in this state. The board also conducts examinations, grants certificates or licenses to qualified applicants, and renews existing certificates and licenses.

The board is financed from the fees it collects for licenses and giving examinations to clinical social workers. The licenses are for a one-year period, payable by December 31. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$174,583 and expenditures of \$90,074. 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. During the audit, we noted no instances of noncompliance with laws and regulations. However, the board can improve internal controls over the processing of receipts. Some payments are received by the board rather than being sent to DHR for processing. In its response, which is included in this report, the board acknowledges the finding and intends to address the issue.

Additionally, 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 Clinical Social Workers (board) operates under *Oregon Revised Statutes* (ORS) Chapter 675.510 to 675.600. The board consists of seven members appointed by the governor. Four members must be licensed clinical social workers. The remaining three members are public citizens who have demonstrated an interest in the field of clinical social work. The board determines the qualifications of applicants to practice clinical social work in this state. The board also conducts examinations and grants certificates or licenses to qualified applicants, and renews existing certificates and licenses. The board's activities are carried out by the executive director and one assistant.

### FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$297,843 of Other Funds expenditure limitation for this board. Revenues supporting these expenditures include license application, initial license issue, renewal of existing licenses, and late fees. The licenses are for a one-year period, payable by December 31.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$174,583 and corresponding expenditures were \$90,074. As of March 31, 1996, the board had a cash balance of \$237,692. 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> This office is responsible for processing and recording all cash receipts and disbursements as directed by the board as well as maintaining the records and supporting documentation for the accounting system.

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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.

The board receives payments for initial applications directly at its office, which are then forwarded to DHR to be deposited and processed. Payments for renewals are submitted directly to DHR.

## **SCOPE AND METHODOLOGY**

The objectives of the audit were to determine whether controls are 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 actual to budget comparison of revenues and expenditures to verify that the recorded transactions were consistent with budget projections and auditor expectations. We also compared recorded revenues to our estimate of revenues generated by multiplying the number of licenses issued by the license fee.

We also tested ten receipts that were recorded on the board's license inventory list. We traced these licenses to the DHR's daily cash system. These transactions were then traced to the supporting information received from the licensee to verify that internal controls were operating effectively and receipts were accurately recorded in the accounting records. We verified that the amount paid was supported by an application or other documentation, and that the fee charged was appropriate.

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 then selected employee time sheets for the months of December 1995 and January 1996. We reviewed these and related documents to verify that the expenditures were properly authorized, and that employees were paid the correct amount.

For testing of services and supplies expenditures, we selected 10 expenditures from the audit period and

reviewed supporting documentation to verify that expenditures were adequately supported, properly authorized, correctly recorded in the accounting records and to ensure that internal controls were operating as designed. Additionally, we tested six travel reimbursements for compliance with state policies.

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 Board of Clinical Social Workers (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.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data. A material weakness is a reportable condition in which the design or operations

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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described is not a material weakness. Reportable conditions are reported in the FINDINGS AND RECOMMENDATIONS section of the report. We also 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*.

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**FINDINGS AND  
RECOMMENDATIONS****REVENUE PROCESSING  
PROCEDURES**

The Department of Human Resources' cashiers office in Portland (DHR) is responsible for processing and recording cash receipts for the Board of Clinical Social Workers (board). However, because of the significant amount of time it takes for DHR to process the application materials and checks, the board requires all initial applications and fees be sent directly to the board. Once the applications are received by the board, the money is forwarded to DHR for deposit and recording into the accounting records. The board indicated there can be more than a two-week delay (or longer) in processing if the application and payments are sent directly to DHR prior to the board seeing the application. The board stated that by having the initial applications and payments sent directly to the board, it is able to process them faster and keep applicants better informed on their status.

The board has one employee who is responsible for opening the mail, processing the payments, and also issuing licenses. The board has made a decision to receive cash in its office. Therefore, the board should ensure that proper controls are in place to limit the risk of misappropriation and error in the process. One way the board can do this is to have an independent person perform a reconciliation of the cash received by the board to the licenses issued.

**We recommend** the board put into place appropriate controls to ensure it is limiting the risk of misappropriation and error in the cash receipting process.

We have no other reportable findings specific to the procedures of this board. However, issues related to the central processing and reporting of accounting transactions by DHR, 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 Board of Clinical Social Workers, 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 Board of Clinical Social Workers 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  
Tomas Flores  
Danielle King

**AGENCY'S RESPONSE TO THE AUDIT REPORT**



April 4, 1997

Oregon

STATE  
BOARD OF  
CLINICAL  
SOCIAL  
WORK

Stephanie Schutzler, Audit Administrator  
Secretary of State Audits Division  
255 Capitol Street NE, Suite 500  
Salem, OR 97310

Dear Ms. Schutzler:

This is to follow-up on our discussion from the exit interview of March 27.

The Board acknowledges the findings of the Audit Report and is currently in the process of developing a procedure to address the issue cited in the report.

Until better turnaround time can be guaranteed from DHR Health Division, the Board will have to continue to receiving application fees in the Salem office and then forward them for deposit. All other fees are (and have been) mailed directly to the cashier in Portland.

Sancha and I will work out a procedure as soon as possible to address the issue of one person handling the entire process. As soon as we can figure out a different method, I will send you a description to bring closure to the concern. Again, thank you for your help in this matter.

Sincerely,



Elizabeth A. Buys  
Administrator

EAB:b



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