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Secretary of State

State of Oregon

**OCCUPATIONAL THERAPY LICENSING BOARD**  
Special Review



Audits Division

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Secretary of State

Audits Division

*Auditing for a Better Oregon*

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This audit encompasses a review of the Occupational Therapy Licensing Board (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 disclosed an internal control weakness related to the board's methods for processing cash receipts. We did not identify any instances of noncompliance with laws and regulations. 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*.

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 15, 1996

-iii-



# TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT.....	iii
SUMMARY.....	vii
INTRODUCTION	
ORGANIZATION AND FUNCTIONS.....	1
FINANCIAL ACTIVITIES .....	1
SCOPE AND METHODOLOGY .....	2
AUDIT RESULTS	
REPORT ON THE INTERNAL CONTROL STRUCTURE.....	5
REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS .....	6
FINDINGS AND RECOMMENDATIONS.....	7
REVENUE PROCESSING PROCEDURES .....	7
REPORT DISTRIBUTION.....	8
COMMENDATION.....	8
AGENCY'S RESPONSE TO THE AUDIT REPORT.....	9



## SUMMARY

The Occupational Therapy Licensing Board (board) operates under *Oregon Revised Statutes* Chapter 675. The board consists of five members appointed by the governor to four-year terms. Three members must be licensed occupational therapists. The remaining two members are representatives of the general public. The board's primary functions are to regulate occupational therapy practice by determining qualifications for licensure; grant, suspend, and revoke licenses; establish minimum requirements for continuing education of licensees; and investigate alleged violations of the Occupational Therapy Act.

The board is financed from the fees it collects for licensing occupational therapists. The licenses are for a one-year period, and expire on May 31. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$15,175 and expenditures of \$50,806. 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 found no instances of noncompliance with laws and regulations; however, the board could improve internal controls related to the processing of the board's cash receipts from initial license applications. The board requires that all initial license applications be sent directly to the board rather than going to the DHR cashier's office for initial receipting. Since the board has only one employee, this practice increases the risk that errors and irregularities will occur and not be detected by the board because all aspects of the licensure process are performed by one individual. The board generally agreed with the recommendation.

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 Occupational Therapy Licensing Board (board) was created in 1977 and operates under *Oregon Revised Statutes* (ORS) Chapter 675. The board consists of five members appointed by the governor to four-year terms. Three members must be licensed occupational therapists in this state. The remaining two members are representatives of the general public. The board's primary functions are to regulate occupational therapy practice by determining qualifications for licensure; grant, suspend, and revoke licenses in accordance with its administrative rules; establish minimum requirements for continuing education of licensees; and investigate alleged violations of the Occupational Therapy Act. The board's executive officer manages the day-to-day activities and is the board's only permanent employee.

### FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$150,616 of Other Funds expenditure limitation for the board. Revenues include fees for initial license applications, license renewals, license reinstatements, and other miscellaneous fees.

For the period, July 1, 1995, to March 31, 1996, revenues totaled \$15,175 and corresponding expenditures were \$50,806. As of March 31, 1996, the board had a cash balance of \$54,620.

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.\* 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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\* 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 comparing actual revenues and expenditures to the budgeted amounts. This served 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 eight receipts that were recorded on DHR's cashing system for the board. These transactions were 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. We also traced 11 additional applications recorded on the board's license inventory list to the corresponding receipts on the cash system to verify that all receipts were being recorded.

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 reviewed all time sheets during the audit period for detail testing. We reviewed these documents and personnel records to verify that employees were paid appropriate amounts.

For testing of services and supplies expenditures, we selected eight expenditures from the audit period and 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. Additionally, we tested three 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 Occupational Therapy Licensing Board (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. The reportable condition is 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*.

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

The Occupational Therapy Licensing Board (board) requires all initial license applications and fees to be sent directly to the board's office. On the day the payments are received by the board, the money is forwarded to the Department of Human Resources (DHR) for receipting and depositing. The board believes that by having the applications sent directly to the board, it is able to process applications faster and can keep applicants better informed of their status.

DHR is responsible for processing and recording cash receipts for the board. However, the board voiced concern about the significant time it takes for them to get the application material and information on the checks processed at DHR.

There are control risks associated with having fees sent directly to the board's office, such as: only one individual being present when mail is opened, one person being able to receive funds and issue licenses, and the increased risk of cash being lost or misappropriated while being transmitted between the board and DHR. The board has only one employee and therefore cannot segregate duties to provide adequate controls over the cash receipting process.

**We recommend** the board have all applications and fees be sent to DHR for processing. DHR and the board should work together to find a practical solution to the timing problem noted above.

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 Occupational Therapy Licensing Board, 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 Occupational Therapy Licensing Board 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  
Mark Montgomery

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



March 26, 1997

Secretary of State  
Audits Division  
255 Capitol St. NE, Suite 500  
Salem, OR 97310

OCCUPATIONAL  
THERAPY  
LICENSING  
BOARD

Re: Draft of Occupational Therapy Licensing Audit Report

Dear Ms. Goggins:

Thank you for the opportunity to respond to your letter of March 14 and the draft audit report on the Occupational Therapy Licensing Board. It was also helpful to meet with Stephanie Schutzler to clarify the findings and recommendations and to discuss the Board's response.

### Findings and Recommendations

The draft audit report concluded with a recommendation that the Board should have all fees sent directly to DHR for processing and that the Board should work together with DHR to find a practical solution to reduce the time lapse between cash receipt and forwarding receipts to Board Office.

The Board, as noted in the audit report, has invited licensure applicants to mail fees directly to the Licensing Board office to expedite the licensure process and allow applicants to begin employment as soon as all qualifications have been met. When checks were mailed directly to the cashier's office, the Board did not receive the cash sheets for 3-4 days under the best of circumstances, and there were many times when there were delays of over a week. In many cases, processing the check was the only thing that stood between the applicant and employment.

### Corrective Actions

The Board will ask that applicants mail payments directly to the Health Division cashier. I also understand that the Health Division, through increased staff, will be able to provide a more acceptable turn-around time in processing payments. We will continue to monitor the timeliness of the cashiering functions and work with DHR to balance good customer service without compromising auditing standards.

Please contact me if you have questions or require additional information.

Sincerely,



Peggy G. Smith  
Executive Officer



cc: Marlyn Lewis, Manager, HD Business Services

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