
Secretary of State

State of Oregon

**BOARD OF EXAMINERS FOR
SPEECH PATHOLOGY AND AUDIOLOGY**
Special Review



Audits Division

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Special Review**



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Auditing for a Better Oregon

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

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This audit encompasses a review of the Board of Examiners for Speech Pathology and Audiology (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 a needed improvement in the internal controls related to the board's processing of revenue transfers. 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 8, 1996

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SUMMARY

The Board of Examiners for Speech Pathology and Audiology (board) operates under *Oregon Revised Statutes* (ORS) Chapter 681. The board consists of seven members appointed by the governor. Two members must be licensed audiologists, two must be licensed speech-language pathologists, one must be licensed to practice medicine, and the remaining two must be public citizens. The board's duties are to adopt rules governing standards of practice; investigate alleged violations; and to grant, suspend, deny, or revoke licenses. The board's administrative functions are carried out by a part-time executive director and a clerical assistant shared with two other licensing boards.

The board is financed from the fees it collects for licensing speech pathologists and audiologists. The licenses cover a two-year period, renewable in January of even-numbered years. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$104,514 and expenditures of \$49,232. The Department of Human Resources (DHR) maintains the board's accounting records.

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, internal controls can be improved over revenues. Transfers were not received to reimburse the portion of the clerical assistant's salary that is to be funded by two other boards. The board did not ensure that these reimbursements were made. The board generally agreed with the finding.

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 audit report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

INTRODUCTION

ORGANIZATION AND FUNCTIONS

The Board of Examiners for Speech Pathology and Audiology (board) operates under *Oregon Revised Statutes* (ORS) Chapter 681. The board consists of seven members appointed by the governor. Two members must be licensed audiologists, two must be licensed speech-language pathologists, one must be licensed to practice medicine, and the remaining two must be public citizens. The board administers, coordinates, and enforces the provisions of the ORS. These duties include adopting rules governing standards of practice; investigating alleged violations; and granting, suspending, denying or revoking licenses.

The board's administrative functions are carried out by two staff members: a part-time executive director and a clerical position which is shared with two other boards.

FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$152,674 of Other Funds expenditure limitation for this board. This was a substantial increase from the 1993-1995 budget due to the establishment of a full-time clerical position to be shared by this and two other boards. Revenues include fees for license application and issue, renewal of existing licenses, and late filing for license renewal. Also, a portion of the shared clerical position is to be paid by revenue transfers from the other two boards.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$104,514 and corresponding expenditures were \$49,232. As of March 31, 1996, the board had a cash balance of \$120,344. These revenues do not include amounts due for the shared clerical position as transfers were not made during the period.

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).^{*} This office is responsible for processing and recording all cash receipts and disbursements as directed by the board, as well as maintaining the accounting records and supporting documentation.

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 actual to budget 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 refunds that were recorded on DHR's cashiering system for the board. These transactions were traced to the licensee applications 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 to the corresponding receipts 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 selected employee time sheets for the month of December 1995 for detail testing. We reviewed

^{*} 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.

these documents and personnel records to verify that employees were paid appropriate amounts.

For testing of services and supplies expenditures, we selected six expenditures from the audit period. 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. Additionally, we tested five 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 Examiners for Speech Pathology and Audiology (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 operation of one or more 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 this 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 TRANSFERS
NOT MADE**

Revenue transfers were not made during the period July 1, 1995, through March 31, 1996, to reimburse the Board of Examiners for Speech Pathology and Audiology for the portion of the salary of the clerical assistant position that was to be funded by two other health-related boards (the Board of Radiologic Technology and the Veterinary Medical Examining Board). These transfers were to be made on a quarterly basis, initiated by DHR. Without these transfers, the board will draw erroneous conclusions about its financial position based on incomplete data.

Though the Department of Human Resources (DHR) maintains the accounting records for all the health-related boards, it does so at the direction of the individual boards. The Board of Examiners for Speech Pathology and Audiology staff are responsible for reviewing accounting and management reports for reasonableness and assuring that all transactions have been processed. Additionally, follow-up should be performed with DHR when this does not occur.

We recommend board management work out a formal agreement with DHR for making quarterly transfers to the Board of Examiners for Speech Pathology and Audiology. In addition, board management should follow up to ensure that these overdue transfers and future transfers are made promptly.

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 Examiners for Speech Pathology and Audiology, 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 Examiners for Speech Pathology and Audiology 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
David Bartlett
Danielle King

AGENCY'S RESPONSE TO THE AUDIT REPORT

March 19, 1997

SECRETARY OF STATE
AUDITS DIVISION
255 CAPITOL ST NE STE 500
SALEM OR 97310

Dear Ms. Goggins,

Thank you for your letter dated March 14, 1997. The Board of Examiners appreciates the opportunity to respond to the audit finding.

FINDINGS AND RECOMMENDATIONS

Revenue Transfers Not Made

The Board recognizes that the current arrangement for the funding of the shared Office Specialist position is not ideal. A new plan has already been developed and approved for the next biennium. Beginning July 1, 1997, the shared position will be reflected in each of the three agency budgets. Revenue transfers will be no longer be necessary.

In the interim, I am working closely with the Board of Radiologic Technology, the Veterinary Medical Examining Board and the Office of Administrative Services, Accounting Section of the Department of Human Resources (DHR) to ensure that the revenue transfer amount is accurate and current.

Sincerely,



Brenda Felber
Executive Officer

