

Secretary of State
AUDIT REPORT

**Oregon Board of Accountancy
Review of Cash Handling
Procedures**



Phil Keisling, Secretary of State
John Lattimer, Director, Audits Division

Summary

This audit was conducted at the request of the Administrator of the Oregon Board of Accountancy. The Administrator was concerned that revised staff duties may not be providing adequate internal control over cash.

The Oregon Board of Accountancy (board) is authorized by *Oregon Revised Statutes* Chapter 673 to establish and enforce standards and regulations, examine applicants, and register qualified candidates in the field of public accounting.

Our audit was limited to reviewing staff duties, interviewing staff, examining documents and reports, and evaluating the effectiveness of control procedures. Our audit was conducted in accordance with generally accepted government auditing standards applicable to performance audits.

We found appropriately segregated staff duties; however, improvements could be made in control procedures. Recommended improvements include:

- Reconciling the number of exams given and licenses issued to fees recorded in the accounting records.
- Increasing security over the terminal used to record credit card transactions.
- Establishing control over cash receipts received in the office and sent to the lockbox for deposit.
- Verifying that receipts sent to the Department of Administrative Services are accurately recorded.

The Board's staff agreed with the recommendations and has implemented some new procedures and controls.

BACKGROUND

The Oregon Board of Accountancy (board) is authorized by *Oregon Revised Statutes* Chapter 673 to establish and enforce standards and regulations, examine applicants and register qualified candidates in the field of public accounting. The board assures that approximately 7,000 Certified Public Accountants, Public Accountants, and Municipal Auditors registered to practice in Oregon demonstrate and maintain knowledge of accounting standards and practices to serve the needs of their clients and other users of their services.

The board collects fees for license renewals, new licenses, examinations, and firm registrations.

The Department of Administrative Services, Fiscal Services Section, records accounting transactions for the board.

SCOPE AND METHODOLOGY

This audit was conducted at the request of the Administrator of the Oregon Board of Accountancy. The Administrator was concerned that revised staff duties may not be providing adequate internal control over cash. The audit was conducted in accordance with generally accepted government auditing standards applicable to performance audits. Our audit objectives were to evaluate whether staff assignments provided for appropriately segregated duties and whether the controls provided appropriate assurance that cash receipts are

correctly deposited and recorded as of February 22, 1999.

In that regard, we:

- Reviewed written staff duties,
- Interviewed staff on actual practice of the duties,
- Examined documents and reports, and
- Evaluated the effectiveness of control procedures.

AUDIT RESULTS

We determined that staff duties were appropriately segregated, but improvements could be made in control procedures, as follows.

1. License and Exam Fees

The board collects fees for issuing new licenses, renewing licenses, and

taking the CPA examination. These fees are recorded in a subsidiary data base system used to keep track of candidates due to be licensed, professionals required to renew their licenses, and candidates eligible for the next CPA examination. The fees for each of these are recorded separately in the accounting system.

The licenses and examinations are tracked in numeric sequence.

An added control would be to periodically reconcile the number of new licenses, renewals, and examinations amounts recorded in the accounting system.

We recommend that the board's staff determine whether reports can be generated out of the subsidiary data base system that can be used to tie licenses and renewals issued to fees recorded in the accounting records. Also, the number of examinations given should be reconciled to the fees recorded.

AGENCY'S RESPONSE:

We have set up a monthly report that is generated out of the database that ties certificates and permits issued and exam candidates approved to amounts recorded.

2. Credit Card Payments

The board began accepting credit card payments for fees in April 1998. The terminal for credit card transactions is located in an unsecured area open to the public, and no password or logon procedure is necessary.

The credit card payments are processed as a separate deposit, and the transactions can include corrections and refunds.

The board's staff has since implemented a new procedure that requires a specific code to process transactions.

We recommend that the terminal be secured physically or by passwords.

AGENCY'S RESPONSE:

We have added a password that must be entered into our credit card terminal in order for the transaction to be processed by the bank. Only two or three Board staff will know this password. We believe this password and the fact this office gets very little public traffic adds the necessary security need for the credit card terminal.

3. Lockbox Receipts

The board's office has most applications and fees sent to a bank lockbox. The bank prepares the deposit and forwards the applications and deposit listing to the board. Occasionally, some applications and fees are sent directly to the board or an applicant comes into the office and drops off the application and fee. The board staff puts these applications and receipts into an envelope and sends them to the bank lockbox without making a record of their initial receipt.

The board's staff has now implemented a procedure to prepare a listing of the applications and fees received in the office before they are forwarded to the lockbox.

AGENCY'S RESPONSE:

A procedure has been established at the reception desk to record all money received in the Board office that is sent to the lockbox. This notebook records the item received, name of applicant, amount paid, and date sent to lockbox. When this item is received the date deposited is recorded in the book. A weekly check will be done to this notebook to verify all money received in the

Board office and sent to the lockbox has been deposited.

4. Recording Deposits

When the record of the lockbox deposits is received, staff records the receipts in the subsidiary data base system and prepares a coding sheet that identifies the accounting classifications used to record these items in the accounting system. This coding sheet is sent to the Department of Administrative Services, Fiscal Services Section, for recording in the accounting system. There is no procedure to verify that the Fiscal Services Section received the information or that it was recorded correctly in the state's accounting system.

We recommend that a procedure be established to review month end reports and verify that all deposits sent to the Fiscal Services Section were received and recorded correctly.

AGENCY'S RESPONSE:

We have set up a monthly report that is generated out of the database and sorted by revenue code that lists all amounts received. This is checked against the report the Board office receives (in revenue code order) from SFMS showing the amounts deposited.

This report, which is a public record, is intended to promote the best possible management of public resources. Copies may be obtained by mail at Oregon Audits Division, Public Service Building, Salem, Oregon 97310, by phone at 503-986-2255 and 800-336-8218 (hotline), or internet at Audits.Hotline@state.or.us and <http://www.sos.state.or.us/audits/audithp.htm>.

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The courtesies and cooperation extended by the officials and staff of the Oregon Board of Accountancy were commendable and much

appreciated.

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