

**REPORT DIGEST**

**DEPARTMENT OF PROFESSIONAL REGULATION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1993**

{Expenditures and Activity Measures are summarized on the reverse page.}

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### GENERAL REVENUE AND DEDICATED FUND SUBSIDIES

Several professions regulated by the Department were not charged expenses proportionate to their cost of service as required by statute.

In fiscal year 1993, the Department had 12 dedicated funds for the administration of various regulated professions. All 12 funds have provisions limiting the use of the fund; however, in fiscal year 1993, 8 of these funds were charged expenses totaling \$1,321,030 that were related to the administration of other regulated professions, including professions funded by the General Revenue Fund. Furthermore, in the professions subsidized in fiscal year 1993, the Department lapsed appropriations of \$100,440 which were available to lessen the total subsidy received by those funds for the fiscal year.

The Department currently does not have an adequate cost allocation methodology to effectively allocate expenditures in a manner consistent with the cost of providing services to the regulated professions. The methodology used by the Department is influenced significantly by budgetary considerations and funding availability. In fiscal year 1993, the Department's request for General Revenue Fund appropriations was reduced by approximately \$2,000,000. As a result, the professions administered with General Revenue Fund monies were subsidized in excess of \$1,000,000. Previously, the General Revenue Fund had provided a substantial subsidy to various dedicated professions.

The following tables provide details regarding the professions that subsidies were provided by (these professions absorbed more than their proportionate share of Department costs) and professions that subsidies were provided to (these professions absorbed less than their proportionate share of Department costs):

<u>Subsidies Provided By</u>		<u>Subsidies Provided To</u>	
<u>Fiscal Year 1992</u>			
General Revenue Fund	\$ 504,387	Dental Profession	\$ (130,756)
Design Professions	145,753	Optometry Profession	(31,534)
Medical Profession	87,853	Pharmacy Profession	(333,943)
Nurse Profession	22,831	Public Accounting Profession	(26,139)
Real Estate Profession	<u>56,403</u>	Podiatry Profession	(153,427)
		Landscape Architect Profession	(47,387)
		Interior Design Profession	<u>(94,041)</u>
Total	<u>\$ 817,227</u>	Total	<u>\$ (817,227)</u>

<u>Subsidies Provided By</u>		<u>Subsidies Provided To</u>	
<u>Fiscal Year 1993</u>			
Real Estate Profession	\$ 427,975	General Revenue Fund	\$(1,004,232)
Nurse Profession	311,410	Appraisal Profession	(215,397)
Design Professions	187,637	Interior Design Profession	(53,605)
Medical Profession	191,008	Landscape Architect Profession	(33,175)
Public Accounting Profession	64,972	Podiatry Profession	<u>(14,621)</u>
Dental Profession	85,712		
Pharmacy Profession	42,986		
Optometry Profession	<u>9,330</u>		
Total	<u>\$1,321,030</u>	Total	<u>\$(1,321,030)</u>

We recommend the Department implement a cost allocation methodology that properly allocates costs to the professions and cease using dedicated fund monies to subsidize the administration of other professions. (Finding #1, page 10)

The Department concurs with our finding and recommendation, but points out that it must continue to regulate professions at expected levels and cross-subsidizing will and does occur when appropriations requests are cut. The Department also stated that legislation was introduced in 1992 to correct this situation through the establishment of an administrative fund, but was not approved. The Department will continue to seek legislative changes to correct this problem.

#### UNTIMELY ENFORCEMENT ACTIVITY AND INADEQUATE DOCUMENTATION

The Department had not established adequate procedures to ensure investigative and prosecutorial duties were performed on a timely basis and properly documented in the Enforcement Case Tracking System (ECTS). The Enforcement Division's internal policy manual had not been updated to comply with the requirements of ECTS. As a result, employees were not conducting and documenting investigative and prosecutorial activities on a timely basis. Our file reviews of Medical and Professional Engineering investigative and prosecutorial activities showed that many reports were not completed at all or not completed within 30 days after the activity; that in 48 of the 75 cases reviewed there were periods of no documented activity ranging from 30 days to two years; that many files were not entered on the ECTS; and that the Records Section did not maintain files for prosecutorial activity. (Finding #5, page 18)

We recommended that the Enforcement Division revise their policy manual, establish adequate procedures over investigative and prosecutorial duties, and provide orientation to employees on timeliness and case documentation requirements.

The Department concurs with our findings and recommendations. The Deputy Director of Statewide Enforcement will review and revise policies to incorporate the use of ECTS; will direct that activities be completed in a timely manner; will require more supervisory review and monitoring; and will consider the establishment of a "double-file" system for attorneys.

### INADEQUATE CONTROL OVER TRAVEL

The Department's system of internal control for the review and approval of travel costs by employees and board members was not adequate to ensure compliance with Travel Regulations. During our audit we noted that travel for an out-of-state conference was not approved in advance, that mileage and per diem were improperly reimbursed, that lodging and parking were reimbursed to an employee which had already been paid for by a hosting association. Further, employees unnecessarily stayed overnight at hotels when there was no business conducted the following day, when a conference was only 20 miles from an employee's residence, and when an employee was approved for employee-owned housing at a lesser rate. In addition, uneconomical practices were allowed, such as use of personal vehicles for out-of-state travel and driving to another city to catch a train even though the train stopped in the city where the employee lived.

We recommended the Department establish effective controls over travel including adequate review and approval of travel requests and vouchers prior to reimbursement, and we recommend the Department collect any overpayments previously made to employees. (Finding #13, page 30)

The Department concurs with our findings and recommendations and will undertake a more stringent review of travel vouchers and will recover amounts overpaid.

### INTERNAL AUDIT

The Internal Audit Unit was not complying with all the provisions of the Fiscal Control and Internal Audit Act. First, the Internal Audit Unit did not perform detailed reviews of all major systems of internal accounting and administrative controls. (Finding #15, page 35) Second, the Internal Audit Unit did not perform detailed reviews of the design of major electronic data processing systems. (Finding #16, page 37) Third, the Internal Audit Unit remained involved in operational and management responsibilities. (Finding #17, page 39) The Chief Internal Auditor attributed the cause of these problems to insufficient staff resources, including a vacancy for an information systems auditor. The Chief Internal Auditor also said that the Internal Audit Unit ceased performing operational functions during fiscal year 1993 and that the fiscal year 1994 audit plan does not allocate any time to such operational functions.

We recommended the operational duties performed by the Internal Audit Unit be reassigned and audit staff resources be fully utilized to conduct reviews of major systems as required.

The Department concurs with our findings and recommendations. The Department will redirect Internal Audit staff hours, will hire an information systems auditor, and will review assigning

others to perform the operational functions that were previously done by the Internal Audit Unit.

### COMPUTER SECURITY AND CONTROLS

The Department did not have an effective, independent computer security administration function for its mainframe computer operations or for its four Local Area Networks (LANs). Personnel with other computer responsibilities are also responsible for security administration but no written policies and procedures exist and no independent reviews of the security coordinators' activities had been performed. We found that there was no security awareness program, that eight users had improper mainframe access authority to Department data, that security controls for LANs were not consistent, and that a computer virus had infected the LANs because diskettes were not scanned. (Finding #18, page 41) Additionally, security controls for the LANs were not adequate. For example, security features to control entry were not in use, secure user directories were not established, backup tapes were not stored offsite, and passwords could be displayed on screens. (Finding #19, page 45)

We recommended the Department document security policies and procedures, develop a security awareness program, correct improper access to Department data, and develop standards and security parameters for the LANs.

The Department concurs with our findings and recommendations and will review access authorizations, will review and revise procedures as applicable, will purchase a virus scanner, and will review and revise standards and security parameters for the LANs.

### POOR INTERNAL CONTROL OVER CASH RECEIPTS

The Department's internal control over cash receipts needs to be improved. In fiscal year 1992 the Department collected almost \$18.5 million in fees and in fiscal year 1993 the Department collected over \$16.2 million in fees. Fee receipts typically consisted of checks which ranged in value from \$5.00 to \$100.00. In this audit we noted that there were no controls in place to safeguard unopened mail; that checks were not restrictively endorsed when received in the mail; and that there were no documented controls to ensure that all revenue received was deposited. Department officials said they did not have sufficient resources assigned to this function and that the mechanical processes used by the Department were outdated and inefficient. (Finding #22, page 52)

We recommended that the Department promptly endorse checks upon receipt and that controls be designed to prevent or detect shortages in deposits.

The Department concurs with our findings and recommendations. The Department noted they have been in the process of updating the Cash area via automation, but funding problems have delayed the process for the last two fiscal years.

### OTHER FINDINGS

The remaining findings are less significant and are being given appropriate attention by the Department. We will review progress toward implementing these recommendations in our next audit. Responses to the recommendations were provided by Director Zollar.

**AUDITORS OPINION**

Our auditors state that the Department's financial statements for the two years ending June 30, 1993 are fairly presented.

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WILLIAM G. HOLLAND, Auditor General

WGH:KMC:jr

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	26	21
Repeated Findings	10	10
Recommendations Implemented or not Repeated	11	7

**SPECIAL ASSISTANT AUDITORS**

Sikich, Gardner & Co. were our special assistant auditors for this audit.

**DEPARTMENT OF PROFESSIONAL REGULATION**  
**COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1993**

<b>EXPENDITURE STATISTICS</b>	<b>FY 1991</b>	<b>FY 1992</b>	<b>FY 1993</b>
● <b>Total Expenditures (All Funds)</b>	<b>\$19,413,759</b>	<b>\$19,110,336</b>	<b>\$17,860,074</b>
<u>OPERATIONS TOTAL</u> % of <b>Total</b> Expenditures	\$19,413,759 100%	\$19,110,336 100%	\$17,860,074 100%
Personal Services % of Operations Expenditures Average No. of Employees	\$12,246,810 63% 407	\$11,661,367 61% 372	\$11,041,436 62% 338
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$1,917,311 10%	\$2,104,258 11%	\$2,826,300 16%
Contractual Services % of Operations Expenditures	\$2,476,706 13%	\$2,368,184 12%	\$1,771,713 10%
All Other Operations Items % of Operations Expenditures	\$2,772,932 14%	\$2,976,527 16%	\$2,220,625 12%
<u>GRANTS TOTAL</u> % of <b>Total</b> Expenditures	0 0%	0 0%	0 0%
● <b>Cost of Property and Equipment</b>	<b>\$2,310,230</b>	<b>\$2,522,551</b>	<b>\$2,892,485</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>FY 1991</b>	<b>FY 1992</b>	<b>FY 1993</b>
●Number of Licenses Granted	61,141	63,164	65,426
●Number of Licenses Renewed	238,907	169,221	224,743
●Total Active Licensees	559,325	448,405	507,888
●Number of Complaints	8,278	7,354	8,297
●Number of Investigations	6,671	7,519	8,657
●Total Fees Collected	\$18,983,067	\$18,489,015	\$16,216,168

<b>AGENCY DIRECTOR(S)</b>
During Audit Period: Ms. Nikki Zollar Currently: Ms. Nikki Zollar