

**DEPARTMENT OF HEALTH PROFESSIONS**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2006 AND JUNE 30, 2007**



## **AUDIT SUMMARY**

Our audit of the Department of Health Professions (Health Professions) for the years ended June 30, 2006 and June 30, 2007, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and Health Professions' licensing system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- one instance of noncompliance with applicable regulations that is required to be reported.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AUDIT FINDINGS AND RECOMMENDATIONS	1
AGENCY HIGHLIGHTS	2-6
INDEPENDENT AUDITOR'S REPORT	
AUDIT OBJECTIVES	7
AUDIT SCOPE AND METHODOLOGY	7-8
CONCLUSIONS	8
EXIT CONFERENCE AND REPORT DISTRIBUTION	8
AGENCY RESPONSE	9
AGENCY OFFICIALS	10

## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **Properly Complete Employee Eligibility Verification Forms**

Health Professions is not properly completing Employment Eligibility Verification forms (I-9) in accordance with guidance issued by the US Citizenship and Immigration Services of the US Department of Homeland Security in its Handbook for Employers (M-274). The guidance requires the employee to complete, sign, and date Section 1 of the I-9 form on the first day of employment. Furthermore, the employer or designated representative must complete, sign, and date Section 2 of the I-9 form within three days of employment.

During our review of twelve employees, we found the following exceptions:

- On Section 1 of the I-9 form, four employees dated the form after employment began.
- On Section 2 of the I-9 form, four employers did not certify the date of hire within three days of employment.
- On Section 2 of the I-9 form, two employers did not include the issuing authority, document number, and expiration date when recording documents to establish identity and employment eligibility.

These exceptions were a result of Health Professions not having a documented policy for completing I-9 forms and management giving field staff up to five business days after employment to travel to Richmond to complete their forms.

We recommend that the Human Resource Department document procedures regarding the I-9 process and train its staff on completing the I-9 forms in compliance with federal regulations. As a result of our finding, management is already taking corrective action to address the timing and completion of I-9 forms for field staff.

## **AGENCY HIGHLIGHTS**

The Department of Health Professions (Health Professions), the Board of Health Professions (Board), and Virginia's 13 health regulatory boards have responsibility for ensuring the safe and competent delivery of healthcare services through the regulation of health professions. The Board recommends policy, reviews Health Professions' budget matters and monitors its activities, adopts standards to evaluate the competency of the professions and occupations, and certifies compliance with those standards. The Board has one member from each of the 13 health regulatory boards and five citizen members. The Governor appoints all members, who may serve four-year terms.

Health Professions provides administrative services, coordination, and staff support to the following regulatory boards.

Audiology and Speech Pathology	Optometry
Counseling	Pharmacy
Dentistry	Physical Therapy
Funeral Directors and Embalmers	Psychology
Long-term Care Administrators	Social Work
Medicine	Veterinary Medicine
Nursing (including Certified Nursing Aids)	

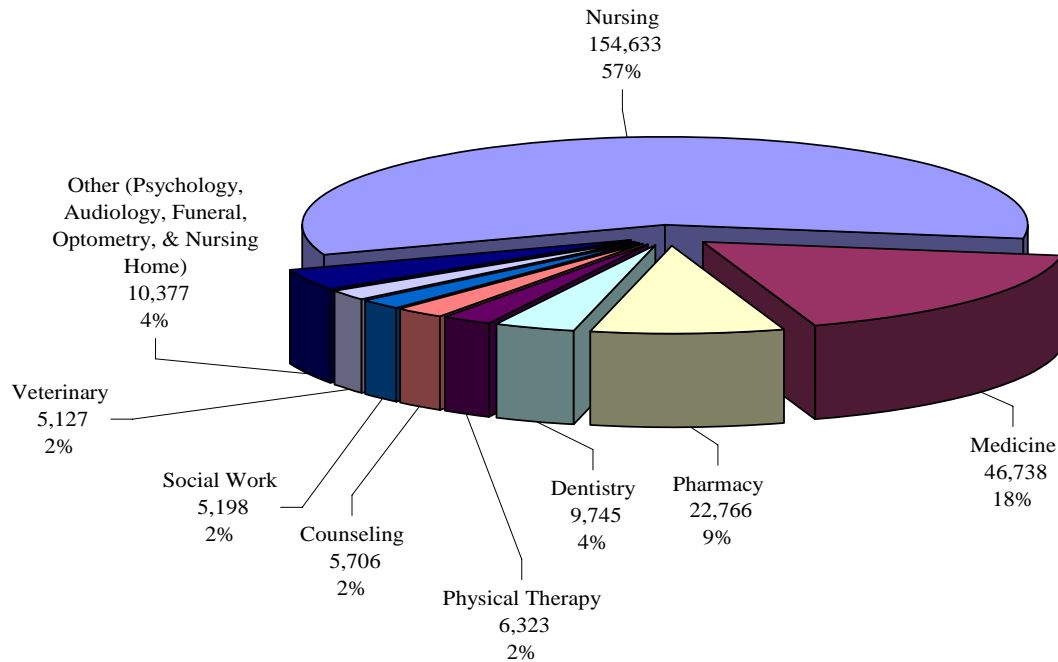
Each of the regulatory boards determines which applicants meet the necessary requirements for licensure, certification, and registration. Licensure or certification typically requires the completion of a board-approved professional education program and the passage of approved examination in the professional field.

### **Licensing**

Health Professions primarily receives its funding from license application, renewal, examination, and other miscellaneous fees charged to practitioners and applicants. The 13 regulatory boards individually set their fees and determine whether to collect these fees annually or biennially. Section 54.1-113 of the Code of Virginia requires each regulatory board to adjust its fees, so that expenses are within ten percent of the fees collected. If fees are not within ten percent of the board's expenses, the board's director initiates the process of adjusting fees. The fee adjustment considers the current status of the budget and future expense expectations, and must comply with the rule-making requirements of the Administrative Process Act. An increase in fees takes approximately two years from the initiation date, while a decrease in fees takes approximately four weeks.

The number of individuals or entities holding active licenses through one of the 13 regulatory boards has remained relatively stable over the last several years. As demonstrated in the following chart, 88 percent of active licenses are with the Boards of Nursing, Medicine, Pharmacy, and Dentistry.

Active Licenses by Board  
As of June 30, 2007



*Source: Health Profession' fiscal year 2007 4<sup>th</sup> Quarter Licensing in Effect Report*

Enforcement

Health Professions' Complaint Intake Unit receives complaints or reports about healthcare practitioners or regulated facilities that may have violated state laws and regulations. If the complaint indicates a possible violation of laws or regulations, Health Profession opens the case and assigns it a priority level, which considers the real or potential danger to public health or safety. Each case has an investigator, who collects evidence and conducts interviews. Once the investigation is complete, the investigator submits an investigative report to the appropriate regulatory board for review.

After a board receives the investigative report, they perform a preliminary review to determine if there is probable cause to charge a licensee with a violation and, if so, the board holds an informal conference with the licensee. The informal committee typically recommends one of the following: 1) close the case with a finding of no violation; 2) offer an order in which the licensee consents to board sanction; or 3) send the case to the full board for further review.

The boards will hold formal hearings if the licensee requests it, if the informal committee recommends it, or if the proposed action may result in the suspension or revocation of a license. These formal hearings are administrative proceedings that are open to the public and parties may call witnesses and introduce evidence. Disciplinary action taken by a board usually takes the form of one or more of the following sanctions:

- Reprimand or censure
- Monetary penalty
- Remedial or corrective action
- Probation with requirements for the licensee to complete within a specified time
- Limitations on the licensee's privilege to practice
- Suspension of the license either indefinitely or for a specific period of time
- Revocation of license

During fiscal years 2006 and 2007, Health Professions collected and deposited penalties from sanctions into the Commonwealth's Literary Fund of \$202,300 and \$141,758, respectively.

#### Financial Information

Health Professions uses a dedicated special revenue fund to account for the daily operations of the agency. The largest source of revenue comes from licensing application and renewal fees. The schedule below summarizes the activity and cash balance of the operating fund for fiscal years 2006 and 2007.

	<u>2006</u>	<u>2007</u>
Prior year cash balance	\$11,657,397	\$10,790,491
Revenues	19,573,510	21,194,814
Direct expenses	(5,558,567)	(5,921,807)
Allocated expenses	(13,858,931)	(14,905,641)
Octagon, Prescription Monitoring Program, and other	<u>(301,439)</u>	<u>33,108</u>
Revenues less expenses	(145,427)	400,474
Payment to Department of Health	(615,039)	(341,570)
Other expenses	<u>(106,440)</u>	<u>(35,512)</u>
Change in cash balance	(866,906)	23,392
Department of Charitable Gaming Funds	<u>-</u>	<u>231,635</u>
Current year cash balance	<u>\$10,790,491</u>	<u>\$11,045,518</u>

*Source: Commonwealth Accounting Reporting System 0402 Option B1 Report Fund 0900  
Fiscal Year 2006 and Fiscal Year 2007.*

In fiscal years 2006 and 2007, Health Professions used cash from its non-federal Octagon grant, discontinued Controlled Substance Registration fees, and a new federal grant to establish its Prescription Monitoring Program.

The following schedule summarizes the activity and cash balance of Health Professions' operating fund for each of the regulatory boards and the Prescription Monitoring Program.

	<u>Nursing</u>	<u>Medicine</u>	<u>Dentistry</u>	<u>Funeral Directors and Embalmers</u>	<u>Optometry</u>	<u>Veterinary Medicine</u>	<u>Pharmacy</u>
2005 cash balance	\$ 5,008,815	\$2,729,401	\$ (532,651)	\$ 55,722	\$ 449,800	\$385,667	\$ 1,604,529
Revenues	7,684,149	6,814,541	1,195,915	419,565	302,150	477,620	1,521,685
Direct expenses	1,843,685	1,962,707	301,615	129,234	78,322	125,357	583,206
Allocated expenses	5,304,475	4,048,990	1,235,101	330,233	183,401	504,852	1,206,460
Payment to Department of Health	<u>54,471</u>	<u>560,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2006 cash balance	<u>5,490,334</u>	<u>2,971,676</u>	<u>(873,452)</u>	<u>15,820</u>	<u>490,227</u>	<u>233,078</u>	<u>1,331,973</u>
Revenues	7,925,822	6,265,775	2,110,370	484,352	158,585	622,420	1,588,370
Direct expenses	2,004,470	1,886,499	438,828	139,354	116,489	165,742	611,734
Allocated expenses	5,872,585	4,264,630	1,193,378	356,794	151,114	630,724	1,289,116
Payment to Department of Health	<u>61,286</u>	<u>280,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2007 cash balance	<u>\$ 5,477,815</u>	<u>\$2,806,038</u>	<u>\$ (395,287)</u>	<u>\$ 4,024</u>	<u>\$ 381,208</u>	<u>\$ 59,032</u>	<u>\$ 1,019,493</u>
	<u>Psychology</u>	<u>Counseling</u>	<u>Social Work</u>	<u>Long-term Care Administrators</u>	<u>Audiology and Speech Pathology</u>	<u>Physical Therapy</u>	<u>Total For Boards</u>
2005 cash balance	\$ 247,036	\$ 452,559	\$ 366,986	\$ 53,848	\$ (149,080)	\$552,338	\$11,224,970
Revenues	249,555	317,005	89,350	192,680	213,410	82,115	19,559,740
Direct expenses	99,920	108,831	104,719	37,060	82,125	101,785	5,558,567
Allocated expenses	190,016	271,304	188,493	120,025	96,523	179,059	13,858,931
Payment to Department of Health	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,039</u>
2006 cash balance	<u>206,655</u>	<u>389,429</u>	<u>163,124</u>	<u>89,443</u>	<u>(114,318)</u>	<u>353,609</u>	<u>10,747,598</u>
Revenues	235,941	348,148	585,200	194,240	239,665	384,030	21,142,918
Direct expenses	99,931	111,147	110,105	59,251	68,755	109,501	5,921,807
Allocated expenses	208,610	292,624	199,705	134,059	110,091	202,211	14,905,641
Payment to Department of Health	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,570</u>
2007 cash balance	<u>\$ 134,055</u>	<u>\$ 333,806</u>	<u>\$ 438,514</u>	<u>\$ 90,373</u>	<u>\$ (53,499)</u>	<u>\$425,926</u>	<u>\$10,721,498</u>
	<u>Total for Boards</u>	<u>Prescription Monitoring Program</u>	<u>Miscellaneous</u>	<u>Charitable Gaming Funds</u>	<u>Grand Total</u>		
2005 Cash Balance	\$11,224,970	\$ 428,002	\$ 4,425	\$ -	\$11,657,397		
Revenue	19,559,740	14,799	(1,029)	-	19,573,510		
Expenses	19,417,498	407,279	600	-	19,825,377		
Payment to Department of Health	-	-	-	-	615,039		
2006 Cash Balance	<u>10,747,598</u>	<u>35,522</u>	<u>2,796</u>	<u>-</u>	<u>10,790,491</u>		
Revenue	21,142,918	9,195	42,700	-	21,194,813		
Expenses	20,827,448	1,303	1,100	-	20,829,851		
Payment to Department of Health	341,570	-	-	-	341,570		
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,635</u>	<u>231,635</u>		
2007 Cash Balance	<u>\$10,721,498</u>	<u>\$ 43,414</u>	<u>\$ 44,396</u>	<u>\$231,635</u>	<u>\$11,045,518</u>		

Source: Commonwealth Accounting Reporting System 0402 Option B1 Report Fund 0900 and Health Professions' fiscal year 2006 and 2007  
4th Quarter Cash Balances Report



The Code of Virginia states that net revenues should not exceed expenses by more than ten percent each fiscal year. Health Professions did not exceed the permitted variance in fiscal year 2006 or 2007. The boards make fee adjustment decisions based on an analysis Health Professions prepares for each board projecting outcomes over a four biennium period (immediate past, current, and two subsequent).

The boards use the projections to prevent wide fluctuations in fee amounts. Health Professions reviews each board's expenses and calculates projected increases for salaries and wages, health insurance, other fringe benefits, staffing, and other operating costs. Health Professions also factors in anticipated increases in expenses associated with federal and state legislation.

Based on the most recent analysis, the Board of Psychology and the Board of Counseling temporarily reduced fees for fiscal year 2007. As a result of the Board of Audiology and Speech-Language Pathology's negative cash position, Health Professions made a recommendation that they increase their fees. However, the board did not increase their fees due to organizational changes which reduced costs and, while still not positive at the end of fiscal year 2007, caused it to increase its cash balance. The Board of Audiology and Speech-Language Pathology is expecting to have a positive cash balance at the end of fiscal year 2008.

The following schedules summarize Health Professions' budgeted expenses compared with their actual results for fiscal years 2006 and 2007.

Analysis of Budgeted and Actual Expenses by Program and Funding Source

Fiscal Year Ended June 30, 2006					
<u>Program</u>	<u>Program Expenses</u>			<u>Expenses by Funding Source</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Special Revenue</u>	<u>Federal</u>
Higher education student financial assistance	\$ 65,000	\$ 65,000	\$ 55,856	\$ 55,856	\$ -
Regulation of professions and occupations	<u>19,816,977</u>	<u>20,586,269</u>	<u>19,872,424</u>	<u>19,718,937</u>	<u>153,487</u>
Total uses	<u>\$19,881,977</u>	<u>\$20,651,269</u>	<u>\$19,928,280</u>	<u>\$19,774,793</u>	<u>\$153,487</u>

Fiscal Year Ended June 30, 2007					
<u>Program</u>	<u>Program Expenses</u>			<u>Expenses by Funding Source</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Special Revenue</u>	<u>Federal</u>
Higher education student financial assistance	\$ 65,000	\$ 65,000	\$ 52,060	\$ 52,060	\$ -
Regulation of professions and occupations	<u>22,815,937</u>	<u>23,368,985</u>	<u>21,080,017</u>	<u>20,794,340</u>	<u>285,676</u>
Total uses	<u>\$22,880,937</u>	<u>\$23,433,985</u>	<u>\$21,132,077</u>	<u>\$20,846,400</u>	<u>\$285,676</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

May 21, 2008

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Department of Health Professions** (Health Professions) for the years ended June 30, 2006 and June 30, 2007. We conducted this performance audit in accordance with generally accepted Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of Health Professions recording of financial transactions in the Commonwealth Accounting and Reporting System and Health Professions' internal licensing system, review the adequacy of Health Professions internal controls, and test for compliance with applicable laws and regulations.

## Audit Scope and Methodology

Health Professions management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls surrounding these cycles, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues  
Payroll Expenses

Contractual Service Expenses  
Small Purchase Charge Card

We performed audit tests to determine whether Health Professions controls were adequate, had been placed in operation, and were being followed. Our audit also included test of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection

of documents and records, and observation of Health Professions operations. We reviewed The Board of Health Professions Board minutes and applicable sections of the Code of Virginia and the 2006 and 2007 Virginia Acts of Assembly. We tested transactions and performed analytical procedures, including budgetary and trend analysis.

Our audit did not include the review of Health Professions' performance measure information. We will audit this information separately and the results will be reported in the Review of Performance Measures for the year ended June 30, 2007 report. Additionally, our audit did not include a follow-up to our Office's Review of Information Security in the Commonwealth of Virginia dated December 2006. The results of our follow-up will be communicated in a separate report.

### Conclusions

We found that Health Professions properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in its internal licensing system. Health Professions records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported under Government Auditing Standards. These matters that require management's attention and corrective action are described in the section entitled "Audit Findings and Recommendations."

### EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with management. Management's response has been included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

GDS:clj



# COMMONWEALTH of VIRGINIA

## *Department of Health Professions*

Perimeter Center  
9960 Mayland Drive, Suite 300  
Richmond, Virginia 23233-1463

www.dhp.virginia.gov  
TEL (804) 367- 4400  
FAX (804) 527- 4475

Sandra Whitley Ryals  
Director

May 21, 2008

Mr. Walter J. Kucharski  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Mr. Kucharski:

Please accept this letter as our response to the audit of the Department of Health Professions for Fiscal Years 2005-06 and 2006-07.

First, I would like to express appreciation for the quality of the staff work done on our audit. Your staff was courteous, thorough, understanding of the additional workload their efforts had on DHP's finance staff, and fair.

We concur with the finding and recommendations made in the audit report. In fact, we have already amended our internal procedures as recommended. We expect to have the recommended policy in place within 30 days.

An exit conference is not necessary.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandra Whitley Ryals", with a large, sweeping flourish extending from the end of the signature.

Sandra Whitley Ryals  
Director

## AGENCY OFFICIALS

### DEPARTMENT OF HEALTH PROFESSIONS

Sandra Ryals  
Director

### BOARD OF HEALTH PROFESSIONS

David R. Boehm  
Chairman

Paula Boone	Juan Montero.
Susan Chadwick	Vilma Seymour
Lynne McNally Cooper	Mary M. Smith
Jennifer Edwards	Demis L. Stewart
Meera Gokli	Sandra Price-Stroble
Mary Gregerson	Mary Gregerson
Damien Howell	John Penn Turner
Billie W. Hughes	Roxana Valencia
John T. Wise	

