

## **AUDIT SUMMARY**

Our audit of the Department of Health Professions for the period July 1, 1997 to December 31, 1998, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving the internal control structure and its operation that we consider material weaknesses; and
- no instances of noncompliance that are required to be reported.

### AGENCY BACKGROUND

The **Department of Health Professions** provides administrative support to the 12 health and behavioral science boards listed below.

Audiology and Speech Pathology	Pharmacy
Dentistry	Professional Counseling and
Funeral Directing and Embalming	Marriage and Family Therapy
Medicine	Psychology
Nursing	Social Work
Nursing Home Administration	Veterinary Medicine
Optometry	

These health regulatory boards establish rules, regulations, and standards of performance for their health care professionals and applicants. The boards also administer professional examinations, issue licenses, and enforce regulations. The Department serves as the support mechanism for the boards in accomplishing their responsibilities.

### Financial Information

The Department supports itself entirely with examination fees, license applications and renewals, and other miscellaneous fees charged to the professional practitioners and applicants. The Department uses no general fund monies. Expenditures consist primarily of payroll costs and contractual services.

### REVENUES AND EXPENDITURES BY BOARD

For the periods ending June 30, 1998 and December 31, 1998

Boards	1998 Revenues	1998 Expenditures	6 months ending 12/31/98 Revenues	6 months ending 12/31/98 Expenditures
Medicine	\$3,157,994	\$3,175,426	\$2,159,427	\$1,797,672
Nursing	2,741,373	2,743,128	1,386,395	1,577,641
Pharmacy	1,041,376	1,043,083	890,719	491,675
Dentistry	532,251	671,017	69,536	356,921
Veterinary medicine	368,844	345,950	10,024	188,158
Funeral directors and embalmers	268,429	348,696	82,260	152,937
Optometry	221,300	216,770	193,423	112,413
Psychology	196,803	251,639	214,325	127,480
Professional counselors	177,878	421,671	36,250	205,234
Nursing home administration	136,781	140,449	19,304	64,079
Audiology and speech pathology	94,623	129,214	132,831	56,904
Social work	70,780	248,321	21,700	128,980
Total	\$9,008,432	\$9,735,364	\$5,216,194	\$5,260,094

Source: Agency Expenditure and Revenue Summary Reports  
Commonwealth Accounting and Reporting System

The Department experiences fluctuations in revenues throughout the year. Each board sets its own fees and the timing of collections. Of the twelve boards, six boards charge an annual fee, two boards charge a biennial fee, and four boards charge a mixture of annual and biennial fees, depending upon occupational specialty. Additionally, most of the boards set licensing renewals as either the date the Department originally received the application or the applicant's birth date. Therefore, the Department's revenues fluctuate from year to year as well as month to month. However, expenditures remain relatively constant.

Annual surpluses or deficits may occur within individual boards due to the timing of revenues. When this occurs the board may use a prior year surplus or adjust future fees. The Department's finance division closely monitors board fund balances because there are limits on both the amount of revenue that boards can accumulate and how much of a deficit can occur. In most of the cases above, the boards are showing an overall surplus in revenues.

#### OVERALL SURPLUSES AND DEFICITS BY BOARD

At June 30, 1997 and 1998 and December 31, 1998

Boards	Balance 6/30/97	Balance 6/30/98	Balance 12/31/98
Medicine	\$2,263,849	\$2,246,417	\$2,608,172
Nursing	971,621	297,970	106,724
Pharmacy	1,061,242	1,059,535	1,485,579
Dentistry	(34,934)	(173,700)	(461,085)
Veterinary medicine	265,527	288,421	110,287
Funeral directors and embalmers	(2,562)	(82,829)	(153,506)
Optometry	56,903	61,433	142,443
Psychology	(31,638)	(86,474)	371
Professional counselors	285,792	41,999	(126,985)
Nursing home administration	22,311	18,643	(26,132)
Audiology and speech pathology	166,122	131,531	207,458
Social work	312,649	135,108	27,828
Net balances	<u>\$5,336,882</u>	<u>\$3,938,054</u>	<u>\$3,921,154</u>

Source: Agency Expenditure and Revenue Summary Reports  
Commonwealth Accounting and Reporting System

The boards are using the majority of the surpluses listed above to fund the new All Health Licensing and Disciplinary Information Network System (AHLADIN) which we discuss further in the section entitled "System Development Project." The board of Nursing began the Nurses Aide Program and supported the majority of the Health Practitioners' Intervention Program, reducing the board's annual surplus.

Each biennium, the finance division performs a detailed analysis of the fees charged by each board. The result of that analysis helps determine whether a board should raise or lower its fees. The July 1998 fee analysis indicated the need for changes in seven of the 12 boards. Of the seven recommended changes, all were increases except the board of Nursing Home Administrators. Since increases need to follow the Administrative Process Act, which can take up to two years to receive approval, the Department has requested the boards to start the necessary proceedings to change their fees.

## Licensure Statistics

### LICENSES ISSUED BY BOARD

For the years ended June 30, 1997 and 1998 and 6 months ending 12/31/98

Boards	1997	1998	12/31/98
Nursing	142,228	147,832	149,182
Medicine	40,888	43,779	44,527
Pharmacy	10,743	11,094	10,357
Dentistry	8,054	8,276	8,453
Professional counselors	5,950	6,300	6,905
Veterinary medicine	4,087	4,139	4,288
Social workers	3,801	3,898	4,052
Funeral directors	2,364	2,395	2,443
Audiology and Speech pathology	2,068	2,213	1,984
Psychology	1,806	1,908	1,880
Optometry	1,344	1,385	1,345
Nursing home administration	904	903	948
Total licensees	224,237	234,122	236,364

Source: Department MIS Licensee Report

## Enforcement Statistics

A vital function for the boards is tracking and investigating complaints filed against licensees. Currently, it takes an average of 28 days to investigate and resolve the highest priority cases.

### AGENCY ENFORCEMENT STATISTICS

From 1997 to December 31, 1998

	1997	1998	12/31/98
Complaints received	1,734	1,684	903
Cases closed with no violation	1,484	1,451	673
Cases closed with violation	569	557	324
Cases open at year end	1,917	1,610	1,528

Source: Agency MIS Case Summary and Findings Reports

## System Development Project

During fiscal year 1998, the Department purchased the All Health Licensing and Disciplinary Information Network (AHLADIN) from Client Servers to replace the Department's Commonwealth Occupational Regulation and Licensing System (CORALS) and the Complaint Tracking and Reporting System (CTARS). The Department implemented this new system in response to the Council on Information Management's directive that the Department stop using the Department of Information Technology's

mainframe computer. At the same time, the Department had already started to find a new system as a part of their business process reengineering efforts.

AHLADIN is a client-server system that has modules to process license applications, license renewals, discipline, rehabilitation, verification, inquiries, accounting, administration, import/export, and audit/security modules. The AHLADIN system interfaces with integrated voice response, as well as allowing data entry from several different sources, such as imaging and the Internet. Another essential function of the system is that it is multi-platform, which means that it can work in several different environments.

The Department's contract to purchase the AHLADIN system totaled \$1,310,000. The Department modified the contract to include options for integrated voice response and a system warranty for an additional cost of \$296,344. Surplus board revenues will fund the purchase of the system, installation, new hardware, training, and other costs. As of December 31, 1998, the Department has spent \$687,000 towards the contract price.

The original AHLADIN completion date was December 31, 1998. However, due to several problems encountered by the Department, Client Server could not meet the original implementation date. Initially, the Department could not provide Client Server the system documentation for CORALS and CTARS within the time specified by the contract. Client Server needed this information to design the new system. In addition, the extended illness of the Information Systems Director contributed to the delay. To speed up implementation, Client Server proposed implementing the Licensing modules as scheduled, and following up with implementation of the Discipline module on March 31, 1999.

In November 1998, the Department determined that it could not separate the data within the existing systems, CORALS and CTARS, so the Department could not implement the Licensing module without the Discipline module. Also the Department could not convert the data separately. Therefore, the Department and the contractor decided to implement the AHLADIN Licensing module and its existing License 2000 Discipline module with as many of DHP's modifications as possible by April 14, 1999. The AHLADIN system went live April 15, 1999.

AHLADIN is currently operational with issuance of licenses, renewal notices, loading of lockbox payments, and tracking of discipline cases. The financial aspects of AHLADIN are functional, but modifications and refinements are necessary. The Department formed a committee to address AHLADIN financial issues. The Department expects final implementation of the financial modules by September 30, 1999.

May 21, 1999

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit and  
Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Health Professions** for the period July 1, 1997 to December 31, 1998. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the Department's accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, adequacy of the internal control structure, and compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts  
Expenditures

Payroll  
Fixed Assets

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management is responsible for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed according to management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Department's Commonwealth Occupational Regulation and Licensing System.

We noted no matters involving the internal control structure and its operation that we considered material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the Department's operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations found no instances of noncompliance that we are required to report under Government Auditing Standards.

AUDITOR OF PUBLIC ACCOUNTS

DBC:aom  
aom:37

DEPARTMENT OF HEALTH PROFESSIONS  
Richmond, Virginia

Board of Health Professions

Charles M. Bristow, Jr., F.S.L.	Gary L. Pillow, M.A.
Barbara A. Cebuhar	Julia Beatrice Reed, Esq.
Timothy E. Clinton, L.P.C., Ed.D.	Benjamin W. Robertson, Sr.
Carthan F. Currin, Jr.	Clarke Russ, M.D.
Delores C. Darnell, R.N.	William E. Russell
Janice S. Golec	Samuel C. Smart, O.D.
Krishan D. Mathur Ph.D.	William A. Truban, D.V.M.
Isabelita M. Paler, R.N.	Richard D. Wilson
William M. York, Jr.	

John W. Hasty, Director