

LOUISIANA STATE BOARD OF
CHIROPRACTIC EXAMINERS

DEPARTMENT OF HEALTH AND HOSPITALS

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 28, 2015

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana State Board of Chiropractic Examiners
Department of Health and Hospitals

October 2015

Audit Control # 80150157

Introduction

The primary purpose of our procedures at the Louisiana State Board of Chiropractic Examiners (Board) was to evaluate certain controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

The Board was established by Louisiana Revised Statute (R.S.) 37:2801 in 1974, within the Department of Health and Hospitals. The mission of the Board is to protect the public health, safety, and welfare through the regulation of individuals licensed under the authority of the Board.

Results of Our Procedures

We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of applicable laws and regulations. Based on the documentation of Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, travel expenses, contracts, payroll, and budget.

Follow-up on Prior-year Findings

We reviewed the status of the prior-year findings reported in the Agreed-Upon Procedures report dated September 23, 2014. We determined that management has resolved the prior-year finding related to airline tickets not purchased through the state's contracted travel agency. However, the prior-year findings related to inadequate segregation of duties over cash deposits, lack of bank reconciliation and expense reimbursement reviews, and no itemized receipt for a travel expense reimbursement have not been resolved and are addressed again in this report.

Current-year Findings

Inadequate Segregation of Duties

The Board has not established segregation of duties over cash receipts and cash disbursements. Specifically, we noted that one person:

- collects cash, prepares the deposit, and records the cash receipt in the General Ledger;
- prepares, signs, and remits checks without anyone reviewing for appropriateness; and
- prepares the monthly bank reconciliation.

As a compensating control, the monthly bank statements and reconciliations are provided to the Board's secretary-treasurer; however, there was no evidence of subsequent review or approval of the bank statements and reconciliations.

Adequate segregation of duties requires these activities to be performed by separate individuals; however, the Board has limited staff. Inadequate segregation of duties increases the risk of employee error or fraud, although no such errors or fraud were identified.

The Board's secretary-treasurer or other designated Board member should routinely compare the fees deposited to the expected fees based on the number of licenses issued or renewed, and should review and approve the reconciliation of the monthly bank statements. The designated Board member should further review payments on the bank statements for reasonableness. Evidence of Board member review should be documented and maintained as part of the Board's accounting records. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Support for Reimbursements

The Board did not have itemized receipts to support three travel and meal reimbursements totaling \$1,703. The Office of State Procurement's (OSP) Travel Guide requires all expenditures to be supported by itemized receipts; however, the Board did not follow OSP's requirements for all reimbursements. By reimbursing employees without itemized receipts, there is an increased risk of employee error or fraud, although the three reimbursements identified above were ultimately determined to be reasonable.

The Board should only accept itemized receipts for reimbursement requests. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Other Results of Our Procedures

Cash

The Board maintains a checking account for general operations. The Board also maintains a savings account and owns numerous certificates of deposits. The Board's checking and savings account balances at June 30, 2015, totaled \$100,143 and \$4,585, respectively. The certificates of deposit balances at June 30, 2015, totaled \$172,614. We performed procedures to reconcile cash transactions to the Board's General Ledger, evaluated the segregation of duties between Board staff, and confirmed the timely preparation of bank account reconciliations. During our review of cash receipts and disbursements, we noted that the Board has not established adequate segregation of duties over cash receipts and cash disbursements. See Current-year Findings mentioned previously in this report.

Travel Expenses

Travel expenses include conference travel for the Board's director and Board members, as well as reimbursement of travel expenses for Board members to attend meetings. Travel expenses totaled \$21,085 for the year ended June 30, 2015. We traced travel expense reimbursements to supporting documentation and evaluated compliance with laws and regulations. Based on the results of our procedures, we identified three reimbursements totaling \$1,703 for hotels and special meals that were not supported by itemized receipts. See Current-year Findings mentioned previously in this report.

Contracts

The Board contracted with several parties to perform accounting, consulting, and legal services. Contract expenditures totaled \$6,369 for the year ended June 30, 2015. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No exceptions were noted.

Payroll and Personnel

Approximately 66% of the Board's expenditures relate to payroll and related benefits. Board personnel include a director and two administrative staff. We traced employees' salaries to contract terms or pay structure, and evaluated controls over time and attendance records. No exceptions were noted.

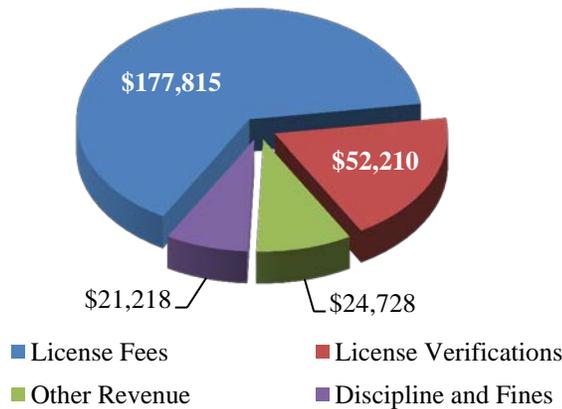
Budget

The Board annually adopts a budget by majority vote of its board of directors. We confirmed the adoption of the Board's budget and evaluated variances between budgeted and actual expenditures for reasonableness. No exceptions were noted.

Comparison of Activity between Years

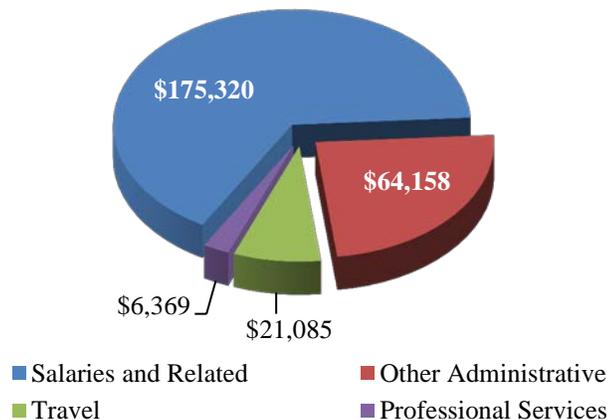
We compared the most current and prior-year financial activity using the Board's annual fiscal reports and system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board's cash basis revenues and expenditures for the most recent fiscal year ended June 30, 2015.

Fiscal Year 2015 Revenues



Source: Prepared by legislative auditor's staff using the Board's General Ledger

Fiscal Year 2015 Expenditures



Source: Prepared by legislative auditor's staff using the Board's General Ledger

Under R.S. 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial 'D'.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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LSBCE2015

APPENDIX A: MANAGEMENT'S RESPONSES



State of Louisiana

BOARD OF CHIROPRACTIC EXAMINERS

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Patricia A. Oliver
Executive Director

Michael R. Cavanaugh, D.C.
Vice President
105 Independence Blvd., Ste. 3
Lafayette, LA 70506

September 30, 2015

Jon E. Zeagler, D.C.
Secretary-Treasurer
366 South Drive
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LA Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Wynn T. Harvey, D.C.
Immediate Past President
1319 Donahue Ferry Rd.
Pineville, LA 71360

ATTN: Daryl G. Purpera, CPA, CFE
Legislative Auditor

Mark B. Kruse, D.C.
4416 Trenton Street
Metairie, LA 70006

RE: Response to Reportable Findings

Joseph E. Turk, D.C.
610 W. Walnut Avenue
Eunice, LA 70535

Dear Mr. Purpera:

This communication is the Board's response to "reportable findings" in our most recent audit/review:

Inadequate Segregation of Duties

The Board office is staffed by two full-time employees and one part-time employee. One of the two full time employees is bonded. The bonded employee (executive director) opens the mail, prepares a journal of checks collected, prepares the deposit slips, and reconciles the monthly statement. The other full time employee (administrative assistant) logs in the checks received. Either the administrative assistant or the part time employee takes the prepared deposits to the bank and secures a receipt for the deposit.

At each Board meeting, the Board Secretary-Treasurer (board member) reviews the monthly bank statement as well as any expense reimbursements to any staff member. The Secretary-Treasurer then makes a verbal report to the full Board at the Board meeting. Further, the full Board receives reviews and discusses the "monthly financial report" which is generated from the Board's accounting software, Quick Books. The statutorily required annual audit/review auditor has access to the Board's Quick Books and is able to compare all Board finance records, transactions, deposits, charges, etc.

R. Buckley VanBremen, D.C.
2107 S. Burnside Ave., Ste. 1
Gonzales, LA 70737

Prior to the onset of the audit work, the majority of the checking account statements for the fiscal year 2014-15 were reviewed however some of the statements did not contain the signature "proof of review" by the Secretary-Treasurer. Particular reimbursements and bank statements in question, in my opinion, were those that fell in the time frame when a board meeting was cancelled (June 2015) and the Secretary-Treasurer was absent for the Board meeting (July 30, 2015), therefore making him unable to review and sign those certain statements and reimbursements since the April 2015 meeting. Upon this matter being made aware by the auditor to the Executive Director, the 12 month period of checking account statements as well as the reimbursements in question were FED EXed to the Secretary-Treasurer who reviewed and approved the account statements and the reimbursements. An emailed explanation of this action as well as a verbal telephone call was given to the auditor and the supervisor.

Therefore, we concur, there is a lack of "segregation of duties" which is a direct result of only a staff composed of two full time employees. As best as is possible with a staff of two full time employees, and as a corrective action, we will initiate full review by the Secretary-Treasurer of all expenses and reimbursements which will supplement the review of the monthly financial statement by the full Board at each Board meeting.

If any other information is needed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patricia A. Oliver', written in a cursive style.

Patricia A. Oliver

cc: All Board Members



State of Louisiana

BOARD OF CHIROPRACTIC EXAMINERS

8621 SUMMA AVENUE
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September 30, 2015

Patricia A. Oliver
Executive Director

LA Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

ATTN: Daryl G. Purpera, CPA, CFE
Legislative Auditor

RE: Response to Reportable Findings

Dear Mr. Purpera:

This communication is the Board's response to "reportable findings" in our most recent audit/review:

Inadequate Support for Reimbursements

The lack of itemized receipts for reimbursement for 3 board meals was simply an oversight because the itemized receipt was left out of the reimbursement paperwork OR was not secured from the vendor/restaurant. The lack of itemized receipts for the reimbursements in question were for meals consumed by the Board members and staff which occurred on board meeting days after the conclusion of each meeting. The Board members and staff are very aware of the exclusions related to meals and meal reimbursements. No reimbursements have been processed which included excluded items. Further, no reimbursements were paid without a receipt – however we do concur that the three reimbursements in question were lacking an itemized receipt.

As a corrective action and plan, in the future, specific attention will be paid to the obtaining/securing of itemized receipts to be submitted for reimbursement and a formal announcement in the next scheduled board meeting will be made about this requirement.

If any other information is needed, please contact me at your convenience.

Sincerely,

Patricia A. Oliver

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana State Board of Chiropractic Examiners (Board) for the period from July 1, 2014, through June 30, 2015. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the Board's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. The Board's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, travel expenses, contracts, payroll, and budget.
- We compared the most current and prior-year financial activity using the Board's annual fiscal reports and system-generated reports and obtained explanations from the Board's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the Board and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.