
Secretary of State

State of Oregon

BOARD OF NATUROPATHIC EXAMINERS

Special Review



Audits Division

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Auditing for a Better Oregon

The Honorable John Kitzhaber
Governor of Oregon
State Capitol Building
Salem, Oregon 97310

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Board of Naturopathic Examiners
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Board of Naturopathic Examiners
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This audit encompasses a review of the Board of Naturopathic Examiners (board) for the period July 1, 1995, to March 31, 1996. The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. The Office of Administrative Services, Accounting Section of the Department of Human Resources (DHR), Office of the Director, maintains the accounting records for the board.

The results of our review found no material weaknesses in the board's internal controls; however, we found one instance of noncompliance with laws and regulations. The board had not updated its administrative rules to reflect the increases in fees approved by the legislature with the 1995 passage of Senate Bill 333. Additionally, issues related to the central processing and reporting of accounting transactions for the health-related licensing boards by DHR could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

We conducted our audit in accordance with generally accepted government auditing standards. In this regard, we inquired of agency personnel, reviewed policies and procedures, tested relevant reports, and evaluated management controls as required to accomplish the objectives of our audit. Our audit was limited to the specific matters described above, and was based on tests and procedures we considered necessary in the circumstances.

OREGON AUDITS DIVISION

Sam Cochran
Acting State Auditor

Fieldwork Completion Date:
July 27, 1996

-iii-

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	iii
SUMMARY	vii
INTRODUCTION	
ORGANIZATION AND FUNCTIONS	1
FINANCIAL ACTIVITIES.....	1
SCOPE AND METHODOLOGY.....	2
AUDIT RESULTS	
REPORT ON THE INTERNAL CONTROL STRUCTURE	5
REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS.....	6
FINDINGS AND RECOMMENDATIONS	6
OREGON ADMINISTRATIVE RULES NOT UPDATED	6
REPORT DISTRIBUTION	8
COMMENDATION.....	8
AGENCY'S RESPONSE TO THE AUDIT REPORT	9

SUMMARY

The Board of Naturopathic Examiners (board) operates under *Oregon Revised Statutes* (ORS) Chapter 685. The board consists of five members appointed by the governor to serve three-year terms. Four members must be naturopaths who have practiced continuously in the state for a minimum of five years immediately prior to being appointed. The remaining member must be a member of the general public who does not meet the requirements of the other four members. The board's primary purpose is to examine, register, and license naturopathic physicians. The board enforces compliance with the naturopathic statute through administrative procedures, revocation of licenses, and court actions. The board also certifies naturopaths qualified to practice natural childbirth. The executive officer is the only full-time employee of the board.

The board is financed from fees collected for licensing and certifying naturopathic physicians. The licenses are for a two-year period. Half expire in even-numbered years, with the other half expiring in odd-numbered years. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$106,688 and expenditures of \$67,070. The Department of Human Resources (DHR) maintains the accounting records for the board.

The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. We found no material weaknesses in the board's internal controls; however, we found one instance of noncompliance with laws and regulations. The board had not updated its administrative rules to reflect the increases in fees approved by the 1995 legislature with the passage of Senate Bill 333. The board agreed with the finding.

Additionally, issues related to the central processing and reporting of accounting transactions for the health-related licensing boards by DHR could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

INTRODUCTION

ORGANIZATION AND FUNCTIONS

The Board of Naturopathic Examiners (board) operates under *Oregon Revised Statutes* (ORS) Chapter 685. The board consists of five members appointed by the governor to serve three-year terms. Four members must be naturopaths who have practiced continuously in the state for a minimum of five years immediately prior to being appointed. The remaining member must be a member of the general public who does not meet the requirements of the other four members. The executive officer is the only full-time employee of the board.

The board's primary purpose is to examine, register and license naturopathic physicians. The board enforces compliance with the naturopathic statutes through administrative procedures, revocation of licenses, and court actions. The board also certifies naturopaths qualified to practice natural childbirth.

FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$184,792 of Other Funds expenditure limitation for this board. Revenues include fees for examinations, licensing and certifications, and renewals. The licenses are for a two-year period; half expire in even-numbered years, with the other half expiring in odd-numbered years.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$106,688 and corresponding expenditures of \$67,070. As of March 31, 1996, the board reported a cash balance of \$94,447. The board's accounting records are maintained by the Office of Administrative Services, Accounting Section of the Department of Human Resources, Office of the Director.* This office is responsible for processing and recording all cash receipts and disbursements as

* The accounting activity for the health-related licensing boards was formerly performed by the Oregon Health Division. The administrative functions of the Health Division were merged with the Department of Human Resources effective January 1, 1996.

directed by the board as well as maintaining the records and supporting documentation for the accounting system.

SCOPE AND METHODOLOGY

The objectives of the audit were to determine whether controls were in place to safeguard assets and whether selected transactions complied with pertinent laws, rules, and regulations. We reviewed internal controls and tested transactions for the period July 1, 1995, to March 31, 1996. We tested revenues, personal services expenditures, services and supplies expenditures, and travel expenditures.

Specifically, we performed analytical procedures on the revenues and expenditures recorded for the board. These procedures included actual to budget comparison of revenues and expenditures to verify that the recorded transactions were consistent with budget projections and auditor expectations.

We tested 15 receipts that were recorded on DHR's cashiering system for the board. These transactions were traced to the supporting information in the licensee files to verify that internal controls were operating effectively and receipts were accurately recorded in the accounting records. We verified that the amount paid was supported by an application or other documentation, and that the fee charged was appropriate. We also traced 20 additional applications to the corresponding receipts on the system to verify that all receipts were being recorded.

For the audit period, we developed an estimate of payroll expenditures for comparison to actual expenditures to determine if actual payroll expenditures appeared reasonable. We selected an employee time sheet for the month of November 1995 for detail testing to verify that the board's sole employee was paid the appropriate amount.

For testing of services and supplies expenditures, we selected eight expenditures from the audit period. We reviewed supporting documentation to verify that expenditures were adequately supported, properly authorized, and correctly recorded in the accounting

records; and to ensure that internal controls were operating as designed. Additionally, we reviewed five travel reimbursements for compliance with state policies.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our review was limited to the areas specified in this section of the report.

AUDIT RESULTS

REPORT ON THE INTERNAL CONTROL STRUCTURE

The management of the Board of Naturopathic Examiners (board) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low

level the risk that errors or irregularities may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we considered to be material weaknesses as defined above. However, we noted other matters involving the internal control structure and its operation that have been communicated separately to management.

**REPORT ON
COMPLIANCE WITH
LAWS AND
REGULATIONS**

Compliance with laws and regulations applicable to the board is the responsibility of management. As part of our audit, we performed tests of the board's compliance with certain provisions of laws and regulations relating to selected transactions. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance that is required to be reported herein under *Government Auditing Standards*. This instance of noncompliance is reported in the FINDINGS AND RECOMMENDATIONS section of the report.

**FINDINGS AND
RECOMMENDATIONS**

**OREGON ADMINISTRATIVE
RULES NOT UPDATED**

The Board of Naturopathic Examiners (board) has not updated its administrative rules for the increases in fees approved by the 1995 legislature. This problem was also noted in a prior audit. The increases in fees were put into effect; however, the board has not completed the action necessary to get those changes integrated into its chapter of the *Oregon Administrative Rules* (OAR). Because the OARs serve to implement, interpret or prescribe law or policy, they must be updated to reflect

changes in the enabling statutes whenever such changes occur.

We recommend the board take the steps necessary to update the OARs to reflect the new fees as soon as is practicable.

We have no other reportable findings specific to the procedures of this board. However, issues related to the central processing and reporting of accounting transactions by the Department of Human Resources, which are common to all the health-related licensing boards, could impact this board's operations. These issues are presented in a separate report entitled *Department of Human Resources, Review of Accounting for Health-Related Licensing Boards*.

REPORT DISTRIBUTION

This report is a public record and is intended for the information of the Board of Naturopathic Examiners, the Department of Human Resources' management, the governor of the state of Oregon, the Oregon Legislative Assembly, and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by the officials and employees of the Board of Naturopathic Examiners and the Department of Human Resources during the course of our audit were very commendable and sincerely appreciated.

AUDIT TEAM

Stephanie Schutzler, CPA, Audit Administrator
Mark Winter, CPA
Danielle King

AGENCY'S RESPONSE TO THE AUDIT REPORT

March 26, 1997

SECRETARY OF STATE
AUDITS DIVISION
255 CAPITOL ST NE STE 500
SALEM OR 97310

Dear Ms. Goggins:

Thank you for your letter dated March 14, 1997. The Naturopathic Board of Examiners appreciates the opportunity to respond to the audit finding.

FINDINGS AND RECOMMENDATIONS
Oregon Administrative Rules not updated

The Naturopathic Board of Examiners recognizes that the administrative rules were not updated at the time of the 1996 audit. At the time of the audit the Board was in the process of writing rules that included updating of fees. These rules were filed with the Secretary of State on October 18, 1996 and are now concurrent with present fees.

Sincerely,



Kathy Soderberg
Executive Officer



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