
Secretary of State

State of Oregon

PHYSICAL THERAPIST LICENSING BOARD

Special Review



Audits Division

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Auditing for a Better Oregon

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This audit encompasses a review of the Physical Therapist Licensing Board (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 control structure and we did not identify any instances of noncompliance with laws and regulations. However, 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 19, 1996

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SUMMARY

The Physical Therapist Licensing Board (board) operates under *Oregon Revised Statutes* (ORS) Chapter 688. The board consists of seven members appointed by the governor to serve four-year terms. Four board members must be licensed physical therapists actively engaged in practice. One member must be a licensed physician, one a licensed physical therapist assistant, and one a member of the general public. The board regulates the practice of physical therapy through enforcement of statute and rules, which includes investigation of complaints; licensure of physical therapists and physical therapist assistants; administration of licensing exams; and promulgation of administrative rules.

The board is financed from licensing application and renewal fees. The licenses are for a one-year period, payable in January, February, or March of each year. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$114,668 and expenditures of \$94,758. 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. The results of our review found no material weaknesses in the board's internal control structure and we did not identify any instances of noncompliance with laws and regulations. However, 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 Physical Therapist Licensing Board operates under *Oregon Revised Statutes* (ORS) Chapter 688. The board consists of seven members appointed by the governor to serve four-year terms. Four board members must be licensed physical therapists actively engaged in practice. One member must be a licensed physician, one a licensed physical therapist assistant, and one a member of the general public. The board regulates the practice of physical therapy through enforcement of statute and rules, which includes investigation of complaints; licensure of physical therapists and physical therapist assistants; administration of licensing exams; and promulgation of administrative rules. The board's activities are carried out by its only employee, the executive director.

FINANCIAL ACTIVITIES

The board is financed from license application and renewal fees. The licenses are for a one-year period, payable in January, February, or March of each year. For the 1995-97 biennium, the legislature authorized \$316,855 of Other Funds expenditure limitation for this board.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$114,668 and expenditures were \$94,758. As of March 31, 1996, the board had a cash balance of \$197,590. 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 (DHR).^{*} This office is responsible for processing and recording all cash receipts and disbursements as directed by the board, as well as maintaining the records and supporting documentation for the accounting system.

^{*} 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.

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 comparing actual revenues and expenditures to budgeted amounts to verify that the recorded transactions were consistent with budget projections and auditor expectations. We also compared recorded revenues to the amount generated by multiplying the number of licenses issued by the license fee.

We tested 15 receipts and two revenue refunds recorded on DHR's cashiering system for the board. We traced these transactions to the supporting information received from the licensee to verify that internal controls were operating effectively and receipts were accurately recorded in the accounting records. We verified that the amounts received were supported by an application or other documentation, and that the fee amount was appropriate. We traced 12 additional applications from the licensing files to the corresponding receipts on the cashiering system to verify that all receipts were being recorded.

Our testing of personal services expenditures included selecting employee time sheets for the month of December 1995 and reviewing these documents and personnel records to verify that employees were paid appropriate amounts.

For testing of services and supplies expenditures, we selected five expenditures from the audit period. We reviewed supporting documentation to verify expenditures were adequately supported, properly authorized, and correctly recorded in the accounting records, and to ensure that internal controls were operating as designed. We also tested 15 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 Physical Therapist Licensing Board (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 operations 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 no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

**FINDINGS AND
RECOMMENDATIONS**

We have no reportable findings specific to the procedures of this board; however, issues related to the central processing and reporting of accounting transactions by DHR, 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 Physical Therapist Licensing Board, 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 Physical Therapist Licensing Board 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
David Bartlett

