
Secretary of State

State of Oregon

BOARD OF MASSAGE TECHNICIANS

Special Review



Audits Division

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Auditing for a Better Oregon

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This audit encompasses a review of the Board of Massage Technicians (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 State Board of Massage Technicians (board) operates under *Oregon Revised Statutes* (ORS) Chapter 687. The board consists of five members appointed by the governor. Four board members must be massage technicians, and one member must be representative of the general public. The board establishes standards of practice, issues licenses, conducts examinations for license applicants, maintains accurate records of current license holders, and investigates alleged violations by licensees.

The board is financed from the fees it collects for licenses and exams given to massage technicians. The licenses are for a two-year period, with the fee payable by December 1 of even-numbered years. During the period July 1, 1995, to March 31, 1996, the board reported revenues of \$66,740 and expenditures of \$117,457. 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. Our audit also reviewed the status of findings contained in a previous audit of the board. Also included in this report is the board's response to the unresolved prior finding related to its cash balance.

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 State Board of Massage Technicians (board) operates under *Oregon Revised Statutes* (ORS) Chapter 687. The board consists of five members appointed by the governor. Four members must be massage technicians, and one member must be a representative of the general public. The board establishes standards of practice, issues licenses, conducts examinations for license applicants, maintains accurate records of current license holders, and investigates alleged violations by licensees. The board's activities are carried out by an executive director and one additional staff.

FINANCIAL ACTIVITIES

For the 1995-97 biennium, the legislature authorized \$311,445 of Other Funds expenditure limitation for this board. Revenues supporting these expenditures include license application, initial license issue, renewal of existing licenses, and late filing fees. The licenses are for a two-year period, with the fee payable by December 1 of even-numbered years.

For the period July 1, 1995, to March 31, 1996, revenues totaled \$66,740 and corresponding expenditures were \$117,457. As of March 31, 1996, the board had a cash balance of \$298,994. 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 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 actual to budget comparisons of revenues and expenditures 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 10 receipts that were recorded on the board's license inventory list. We traced these licenses to the DHR's cashiering system for the board. These transactions were then traced 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 amount paid was supported by an application or other documentation, and that the fee charged was appropriate.

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 employee time sheets for the month of December 1995 for detail testing. We reviewed these documents and personnel records to verify that employees were paid appropriate amounts.

For testing of services and supplies expenditures, we selected 16 expenditures from the audit period, including six travel reimbursements. 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.

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 Massage Technicians (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 no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. We did note other matters involving compliance issues that were communicated separately to management.

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 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*.

**FOLLOW-UP ON PRIOR
AUDIT FINDINGS**

This section reports follow-up action taken by the Board of Massage Technicians' management on the findings presented in the Comments and Findings section of an audit covering the period July 1, 1990, to June 30, 1992.

Prior Audit Findings	Disposition
<p>Of the Personal Service Contracts reviewed, in almost every instance the Independent Contractor Certification Statements were missing, as required by OAR 122-20-050. We recommended that the Budget and Management Division Rules be followed, when using personal service contracts.</p>	<p>Resolved. Current contracts contain Independent Contractor Certification Statements.</p>
<p>The Massage Technicians Board appeared to have a large amount of cash on hand at June 30, 1992. We recommended that cash on hand be carefully reviewed when budgets are prepared and fees are set to avoid excessive amounts of cash on hand.</p>	<p>Unresolved. The Board continues to have a large amount of cash on hand. The cash balance at March 31, 1996, was \$298,994.33, or 96 percent of the total expenditure budget for the 95-97 biennium. However, the board plans to request an additional position in its 1997-1999 budget proposal.</p>

REPORT DISTRIBUTION

This report is a public record and is intended for the information of the Board of Massage Technicians, 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 Massage Technicians 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
Tomás Flores

AGENCY'S RESPONSE TO THE AUDIT REPORT

April 10, 1997

Secretary of State
Audits Division
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Salem, Oregon 97310

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

FINDINGS AND RECOMMENDATIONS

Large Amount of Cash on Hand

The Board is aware of the large cash balance and has discussed the situation with the Legislative Ways and Means Committee. The Board is considering decreasing fees for the 1999/2001 biennium and will monitor the situation closely.

The Legislative Fiscal Officer reported to the Ways and Means sub-committee that this Board does not receive their major funding until eighteen months into the biennium. The Board also received an increase of expenditure limitation in December, 1996, which will lessen the amount of cash on hand. The Ways and Means Committee also approved an increase in FTE (total of 3.5 FTE) for the 1997/1999 biennium. That will result in a considerable decrease of funds. The unexpected and continuing increase of licensees is causing a large amount of cash on hand.

The Board will review the fee structure closely and make arrangements to set fees to avoid excessive amounts of cash on hand.

Sincerely,



Vicky Williams
Executor Director

