



Thomas A. Schweich
Missouri State Auditor

INSURANCE, FINANCIAL
INSTITUTIONS, AND
PROFESSIONAL
REGISTRATION

Division of Professional
Registration

Administration

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CITIZENS SUMMARY

Findings in the audit of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, Administration

Board Appointments

The Division of Professional Regulation has not timely filled board vacancies, which has resulted in a lack of a quorum for some boards. Sixty-eight of a total of 256 appointments (27 percent) were vacant at June 30, 2013, and multiple board vacancies resulted in the lack of a quorum at 5 of the 37 boards (14 percent). Sixty-three percent of the 188 active board members were serving beyond their term expiration date, with 30 serving more than 5 years beyond their term expiration date. A member of the State Committee for Social Workers has served more than 11 years, although state law limits these committee members to no more than 10 years of service.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Division of Professional Registration - Administration
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THOMAS A. SCHWEICH

Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
John M. Huff, Director
Department of Insurance, Financial Institutions, and Professional Registration
and
Jane A. Rackers, Director
Division of Professional Registration
Jefferson City, Missouri

We have audited certain operations of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration - Administration, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2013 and 2012. The objectives of our audit were to:

1. Evaluate the division's internal controls over significant management and financial functions.
2. Evaluate the division's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the division; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) no significant deficiencies in internal control, (2) noncompliance with legal provisions, and (3) the need for improvements in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration - Administration.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditors:	Robert McArthur II Joyce Thomson
Audit Staff:	Mariam Ahmedbani

Department of Insurance, Financial Institutions, and Professional Registration
 Division of Professional Registration - Administration
 Management Advisory Report - State Auditor's Finding

Board Appointments

The Division of Professional Registration should improve procedures to ensure board vacancies are filled timely. Vacancies resulted in a lack of a quorum for some boards.

The division oversees 27 regulatory and 10 advisory boards. Advisory boards advise and support applicable regulatory boards and offices. Each board is governed by state laws and regulations that define the number, term length, and qualifications of members. Regulatory board members are generally appointed by the Governor with advice and consent of the Senate. Advisory board members are appointed by the Governor, the applicable regulatory board, or the Division Director. Names of proposed board members are usually submitted to the Governor by the division or related professional organizations.

Member vacancies

Various state laws require the appointment of a total of 256 board members. However, the division had not ensured the appointing authority filled vacant positions in a timely manner, and as of June 30, 2013, 68 appointments (27 percent) remained vacant. Multiple board vacancies resulted in the lack of a quorum at 5 of the 37 boards. The following tables list the number of members, vacancies, and quorum status at each board.

ADVISORY BOARD	Members	Vacancies	Quorum
Advisory Commission for Anesthesiologist Assistants (1)	5	0	Yes
Advisory Commission for Clinical Perfusionists (1)	7	1	Yes
Advisory Commission for Dental Hygienists (2)	5	1	Yes
Advisory Commission for Physician Assistants (1)	5	3	No
Advisory Commission for Professional Physical Therapists (1)	5	0	Yes
Advisory Commission for Speech Language Pathologists and Audiologists* (1)	7	0	Yes
Behavior Analyst Advisory Board (3)	7	2	Yes
Endowed Care Cemetery Advisory Committee** (4)	5	3	No
Missouri Acupuncturists Advisory Committee (5)	5	2	Yes
Missouri Athletic Trainer Advisory Committee* (1)	5	0	Yes
Totals, Advisory Boards	56	12	

- * Members appointed by applicable regulatory board
- ** Members appointed by Division Director
- (1) Advises the State Board of Registration for the Healing Arts
- (2) Advises the Missouri Dental Board
- (3) Advises the State Committee of Psychologists
- (4) Advises the Office of Endowed Care Cemeteries
- (5) Advises the Missouri State Board of Chiropractic Examiners



Department of Insurance, Financial Institutions, and Professional Registration
 Division of Professional Registration - Administration
 Management Advisory Report - State Auditor's Finding

REGULATORY BOARD	Members	Vacancies	Quorum
Board of Cosmetology and Barber Examiners	11	5	Yes
Board of Private Investigator and Private Fire Investigator Examiners	7	1	Yes
Board of Therapeutic Massage	8	4	No
Committee for Professional Counselors	6	2	Yes
Interior Design Council	5	1	Yes
Missouri Board for Architects, Professional Engineers, Professional Land Surveyors and Landscape Architects	15	4	Yes
Missouri Board for Respiratory Care	7	2	Yes
Missouri Board of Examiners for Hearing Instrument Specialists	8	2	Yes
Missouri Board of Geologist Registration	8	4	No
Missouri Board of Occupational Therapy	6	2	Yes
Missouri Board of Pharmacy	7	3	Yes
Missouri Dental Board	7	1	Yes
Missouri Real Estate Appraisers Commission	7	2	Yes
Missouri Real Estate Commission	7	0	Yes
Missouri State Board of Accountancy	7	1	Yes
Missouri State Board of Chiropractic Examiners	6	2	Yes
Missouri State Board of Nursing	9	3	Yes
Missouri State Committee of Interpreters	7	1	Yes
Missouri Veterinary Medical Board	6	1	Yes
State Board of Embalmers and Funeral Directors	6	0	Yes
State Board of Optometry	6	1	Yes
State Board of Podiatric Medicine	5	1	Yes
State Board of Registration for the Healing Arts	9	3	Yes
State Committee for Social Workers	10	5	No
State Committee of Dietitians	6	2	Yes
State Committee of Marital and Family Therapists	6	1	Yes
State Committee of Psychologists	8	2	Yes
Totals, Regulatory Boards	200	56	

Vacancies result in boards that contain fewer members than authorized or required by state law. Although the day-to-day operation of boards is overseen by the Division Director and each board's executive director, multiple vacancies resulting in the lack of a quorum prevent impacted boards from conducting business.



Term limits

The division should improve monitoring procedures to ensure members do not serve longer than allowed by state law. While state laws and regulations generally allow board members to continue to serve until reappointed or a replacement is named, some boards have limits on the total length of service or the number of terms. For example, a member of the State Committee for Social Workers whose term expired in 2005 has served more than 11 years, while state law limits these committee members to no more than 10 years of service.¹

In addition, of 188 active board members, 118 (63 percent) were serving beyond their expiration date as of June 30, 2013, with 30 members serving more than 5 years beyond their term expiration date.

Board members who serve significant years beyond their term expirations could result in members serving beyond the maximum time allowed by state laws and regulations.

Recommendation

The Division of Professional Registration work with the Governor's office and boards with appointing authority to fill board vacancies timely.

Auditee's Response

The Division of Professional Registration will continue to work toward the appointment of superior candidates that meet the specific statutory qualifications who are willing to expend the time needed to prepare for and attend board meetings. The Division commends the hundreds of dedicated professionals serving on the boards, including the 128 individuals appointed or reappointed since 2009.

¹ Report No. 2013-148, *Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration, State Committee for Social Workers*, issued in December 2013.

Department of Insurance, Financial Institutions, and Professional Registration

Division of Professional Registration - Administration

Organization and Statistical Information

The Division of Professional Registration was established by the Omnibus State Reorganization Act of 1974. By Executive Order 06-04, the division moved from the Department of Economic Development to the reorganized Department of Insurance, Financial Institutions and Professional Registration on August 28, 2006.

The division provides administrative support to 20 administrative and 20 non-administrative professional licensing boards and offices responsible for licensing and regulating the activities of approximately 430,000 Missourians. The members of the boards are generally appointed by the Governor with the advice and consent of the Senate.

The division's administrative section establishes a system of accounting and budgeting and provides various clerical services to the various boards and offices. The division director assigns an executive director for each of the administrative boards and offices and provides staff needed for clerical and other staff services relating to the issuance and renewal of licenses. The non-administrative boards hire an executive director to oversee the day-to-day operations and hire staff to provide clerical and other staff services relating to the issuance and renewal of licenses. Some non-administrative boards utilize centralized services, including investigation services, provided by the administrative section.

The division is responsible for the administration and staffing of the following administrative boards and offices:

- Behavior Analyst Advisory Board
- Board of Private Investigator and Private Fire Investigator Examiners
- Board of Therapeutic Massage
- Committee for Professional Counselors
- Interior Design Council
- Missouri Acupuncturists Advisory Committee
- Missouri Board for Respiratory Care
- Missouri Board of Examiners for Hearing Instrument Specialists
- Missouri Board of Geologist Registration
- Missouri Board of Occupational Therapy
- Missouri Office of Athlete Agents **
- Missouri Real Estate Appraisers Commission
- Missouri State Committee of Interpreters
- Office of Athletics **
- Office of Endowed Care Cemeteries (Endowed Care Cemetery Advisory Committee)
- Office of Tattooing, Body Piercing and Branding **
- State Committee for Social Workers
- State Committee of Dietitians
- State Committee of Marital and Family Therapists
- State Committee of Psychologists



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Non-administrative boards include the following:

Advisory Commission for Anesthesiologist Assistants
Advisory Commission for Clinical Perfusionists
Advisory Commission for Dental Hygienists
Advisory Commission for Physician Assistants
Advisory Commission for Professional Physical Therapists
Advisory Commission for Speech Language Pathologists and Audiologists
Board of Cosmetology and Barber Examiners
Missouri Athletic Trainer Advisory Committee
Missouri Board for Architects, Professional Engineers, Professional Land
Surveyors and Landscape Architects *
Missouri Board of Pharmacy *
Missouri Dental Board *
Missouri Real Estate Commission *
Missouri State Board of Accountancy *
Missouri State Board of Chiropractic Examiners
Missouri State Board of Nursing *
Missouri Veterinary Medical Board
State Board of Embalmers and Funeral Directors
State Board of Optometry
State Board of Podiatric Medicine

State Board of Registration for the Healing Arts *

* Board has its own personal service appropriations

** Offices not served by a board

The division is headed by a director who is appointed by the Governor with the advice and consent of the Senate. Jane A. Rackers serves as Director of the Division of Professional Registration. At June 30, 2013, the division and the non-administrative boards had 222 employees.

Appendix A

Department of Insurance, Financial Institutions, and Professional Registration (DIFP)
 Division of Professional Registration - Administration
 Professional Registration Fees Fund
 Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments

	Year Ended June 30,	
	2013	2012
RECEIPTS		
Operating transfers from boards	\$ 6,391,993	6,119,964
Miscellaneous	3,508	5,841
Total Receipts	<u>6,395,501</u>	<u>6,125,805</u>
DISBURSEMENTS		
Salaries and wages	3,321,691	3,279,188
Employee fringe benefits	1,492,216	1,474,925
Expense and equipment	1,365,750	1,291,041
Startup loan payback	0	5,000
Transfer to DIFP Administrative Fund (1)	167,459	159,333
Total Disbursements	<u>6,347,116</u>	<u>6,209,487</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	48,385	(83,682)
CASH AND INVESTMENTS, JULY 1	273,658	357,340
CASH AND INVESTMENTS, JUNE 30	<u>\$ 322,043</u>	<u>273,658</u>

(1) For departmental operating costs charged to the division.

Appendix B

Department of Insurance, Financial Institutions, and Professional Registration (DIFP)
 Division of Professional Registration - Administration
 Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2013			2012		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
PROFESSIONAL REGISTRATION FEES FUND						
Professional Registration Administration -						
Personal Service	\$ 3,351,663	3,059,702	291,961	3,334,640	3,031,751	302,889
Expense and Equipment	1,037,686	611,649	426,037	1,056,552	639,316	417,236
Examination and other fees	252,000	208,963	43,037	88,000	86,883	1,117
Refunds	125,000	83,068	41,932	50,500	48,437	2,063
DIFP leases	12,515	8,209	4,306	9,606	7,151	2,455
DIFP state owned leases	201,265	200,626	639	197,267	194,223	3,044
Total Professional Registration Fees Fund	<u>\$ 4,980,129</u>	<u>4,172,217</u>	<u>807,912</u>	<u>4,736,565</u>	<u>4,007,761</u>	<u>728,804</u>

Appendix C

Department of Insurance, Financial Institutions, and Professional Registration (DIFP)
 Division of Professional Registration - Administration
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2013	2012	2011	2010	2009
Salaries and wages	\$ 3,059,702	3,031,750	2,912,009	2,885,972	2,865,272
Travel, in-state	62,674	70,953	73,004	77,637	87,403
Travel, out-of-state	25,272	20,397	8,298	32,747	54,879
Fuel and utilities	881	698	490	0	0
Supplies	127,923	104,618	127,054	106,884	134,059
Professional development	196,089	68,972	116,871	48,474	121,756
Communication service and supplies	50,926	52,721	41,310	48,722	48,381
Professional services	265,674	309,012	310,651	299,838	299,967
Housekeeping and janitorial services	48	44	50	54	0
Maintenance and repair services	17,582	15,738	23,200	27,840	18,553
Motorized equipment	50,984	18,769	0	0	31,558
Office equipment	1,985	9,532	45,107	15,519	17,000
Other equipment	0	31,675	234	249	10,974
Property and improvements	0	0	0	0	2,549
Building lease payments	217,416	211,079	217,647	214,138	216,562
Equipment rental and leases	2,234	1,741	2,104	2,240	2,288
Miscellaneous expenses	9,759	11,625	22,417	18,231	28,367
Refunds	83,068	48,437	44,514	40,304	57,495
Total Expenditures	\$ 4,172,217	4,007,761	3,944,960	3,818,849	3,997,063

Appendix D

Department of Insurance, Financial Institutions, and Professional Registration (DIFP)
 Division of Professional Administration - Administration
 Statement of Changes in General Capital Assets

	Buildings	Furniture and Equipment	Motor Vehicles	Total General Capital Assets
Balance, July 1, 2011	\$ 2,300,000	967,310	235,264	3,502,574
Additions	0	32,199	18,769	50,968
Dispositions	0	(21,936)	(24,398)	(46,334)
Balance, June 30, 2012	2,300,000	977,573	229,635	3,507,208
Additions	0	73	54,240	54,313
Dispositions	0	(70,898)	(33,876)	(104,774)
Balance, June 30, 2013	\$ 2,300,000	906,748	249,999	3,456,747