

# Audit



## Highlights

Highlights of Legislative Auditor report on the Board of Homeopathic Medical Examiners, issued on December 14, 2006. Report # LA06-24.

### Background

The Board of Homeopathic Medical Examiners (Board) was established in 1983 under NRS Chapter 630A. The Board has seven members who are appointed by the Governor to serve 4-year terms. The Board protects the public health, safety, and welfare through a self-supporting program of examination, licensing, and regulation of physicians practicing homeopathy and integrative alternative medicine.

The Board has one office located in Reno and one part-time employee, the Executive Director. In fiscal year 2005, the Board reported it collected approximately \$26,000 in licenses and fees. Expenditures reported by the Board were about \$54,000, which included approximately \$41,000 in billings from the Attorney General.

### Purpose of Audit

The purpose of this audit was to evaluate the Board of Homeopathic Medical Examiners' financial management and procedural conduct. This audit focused on the Board's financial management and procedural conduct from July 2004 through February 2006, and activities through June 2006 for certain audit issues.

### Audit Recommendations

This audit report contains nine recommendations to improve the Board of Homeopathic Medical Examiners' financial and procedural activities. These recommendations include policies, procedures and other controls to improve financial management. We also made recommendations to strengthen the process for procedural conduct and to fulfill the Board's mission.

The Board, in its response to our report, accepted the nine recommendations.

### Status of Recommendations

The Board's 60-day plan for corrective action is due on March 14, 2007. In addition, the six-month report on the status of audit recommendations is due on September 14, 2007.

## Board of Homeopathic Medical Examiners

### Results in Brief

The Board of Homeopathic Medical Examiners could improve its financial and procedural practices. The Board has not implemented adequate controls over financial management and procedural conduct to ensure compliance with applicable state laws, regulations, and sound financial practices. As a result, the Board's financial position was negatively impacted and certain actions of the Board were not in compliance with the Open Meeting Law. Further, the legislative mandate requiring the Board to supervise the newly created Nevada Institutional Review Board resulted in dissension among Board members. This conflict ultimately reduced the Board's ability to function efficiently and effectively.

### Principal Findings

The Board does not have adequate controls over expenditures. We reviewed 35 payments and found instances when expenditures were not Board related, properly approved, accurately paid, or adequately supported. The Board does not have any written policies and procedures for expenditures. When controls over expenditures are inadequate, there is an increased risk abuse could occur and go undetected.

The Board did not properly process travel claims. We found required reimbursement forms were not provided and payments exceeded state per diem rates. For example, we found one payment of \$5,500 was to a Board member for travel expenses related to lobbying activities. This amount is significant because it represents about 20% of the Board's annual revenues. The Board did not pre-approve the lobbying expenses, but did approve to pay subsequent to expenses being incurred. We requested receipts to support travel expenses and nothing was provided for 13 of 18 requested receipts. For those provided, the payment amounts did not comply with state per diem rates. Further, a portion of this payment was for expenses incurred by a non-Board member. The Board does not have any written policies and procedures for travel.

The Board did not adequately monitor Attorney General (AG) fees. Beginning in fiscal year 2004, there was a sharp increase in fees from prior years. As of June 30, 2006, the balance due was about \$83,500. Although a majority of the Board's fees were necessary investigation costs, the Board did not act timely to address the balance due and find ways to minimize non-investigation fees. The Board does not have any written policies and procedures for AG fees. Because controls over these fees were inadequate, the Board's financial position was negatively impacted. Also, there is an increased risk of unnecessary or excessive fees.

Issues noted during our audit were caused, in part, because the Board has not developed a strong control environment. For example, the Board was created in 1983 and we found no evidence of any written policies and procedures until April 2006. Strong controls over financial management are important because the Board has limited resources and is not monitored through the state's budget and accounting systems.

The Board does not have an effective process for writing and approving minutes. We found instances when the minutes contained errors and omissions, and did not always comply with state law. Prior to April 2006, the Board did not have any written procedures for minutes. In April 2006, procedures were developed but do not provide guidelines for accurate writing, adequate review, and timely Board approval. As a result, there were instances when people who read the minutes were not properly informed and minutes were not prepared and approved in a timely manner.

The Board has taken action to improve its agenda process by developing written procedures. Our review of the agenda procedures found them to be comprehensive. However, the Board had no written procedures for the agenda process prior to April 2006. As a result, there was an incident when two different agendas were posted for the same meeting. By adopting procedures for the agenda process, the Board has taken action to minimize the risk that an incident of two agendas could happen again.

Since the Board was mandated with the responsibility to supervise the Nevada Institutional Review Board (NIRB), many distractions have occurred that impacted the Board's operations. For example, the President was deposed, there was a meeting with two different agendas, NIRB members appointed by the Board were replaced, and numerous allegations have been made against the Board. This additional responsibility also resulted in an increase in Board meetings and placed more demand on members' time and Board resources. In order to meet its mandates, the Board should develop strategies to supervise the NIRB in an efficient and effective manner; or, consider requesting legislation that places the NIRB elsewhere.