



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Procedural Review

Arizona State Board of Chiropractic Examiners

As of March 19, 2010



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

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April 9, 2010

Dr. P. Dianne Haydon, Chairperson
Arizona State Board of Chiropractic Examiners

Ms. Patrice Pritzl, Executive Director
Arizona State Board of Chiropractic Examiners

We have performed a procedural review of the Arizona State Board of Chiropractic Examiner's internal controls in effect as of March 19, 2010. Our review consisted primarily of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed internal controls related to cash receipts, cash disbursements, transfers, payroll, purchasing, equipment, budgeting, and financial reporting.

As a result of our review, we noted the following deficiency in internal controls that the Board's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our finding is described below.

The Board should improve its policies and procedures for compensating board members to demonstrate compliance with state statutes

Criteria: Arizona Revised Statutes (A.R.S.) §32-903 specifies that board members are to be compensated \$100 per day for each day of actual service conducting board business. This statute also allows board members to be reimbursed for travel expenses related to board service. In addition, Attorney General (AG) Opinion I90-084 provides that board members may be compensated for each day in which a member performs substantial services to the Board, for a significant portion of the day, even if such business does not involve attending a board meeting. In addition, the Board is responsible for determining whether substantial or actual service has been performed.

Condition and context: While testing payroll expenditures, auditors noted the following related to board members' timesheets:

Board members did not prepare their own timesheets or certify the number of days of actual service spent conducting board business.

Dr. P. Dianne Haydon, Chairperson
Arizona State Board of Chiropractic Examiners

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- The hours spent attending a 1-day board meeting were allocated on the board members' timesheets to several days during which there were no meetings without documentation or a basis supporting the allocation. Therefore, it would appear that the board members should have been paid for 1 day of actual service rather than several days of service. Auditors were told that it was the Board's common practice to allocate board members' time in this manner to compensate them for time spent conducting board business on both meeting and non-meeting days. Further, auditors were unable to verify whether board members' compensation was proper and represented actual service rendered for board business.
- Board members residing outside Maricopa County were compensated for travel time to and from meetings in addition to being reimbursed for travel expenses. The Board did not have a policy for determining whether or not board members' travel time constituted a day of actual service.

Effect: The Board did not maintain adequate documentation supporting that board members were compensated in accordance with A.R.S. §32-903 or AG Opinion I90-084.

Cause: The Board did not have policies for defining the time spent and specific activities which constitute actual service for compensating board members in accordance with A.R.S. §32-903 and AG Opinion I90-084. Furthermore, board members' timesheets were prepared by the Board's Executive Director to compensate the board members for additional days of service on both meeting and non-meeting days since board members were frequently not available to certify the number of days of actual service recorded on their timesheets.

Recommendation: The Board should work with the Attorney General's Office to adopt policies and procedures for compensating its board members that are consistent with A.R.S. §32-903 and AG Opinion I90-084. These policies should define the time spent and specific activities which constitute a day of actual service. In addition, timesheets, or other time records, should support the amounts paid to board members in accordance with statute and the Board's policies. Further, board members should certify the number of days spent in actual board service.

Dr. P. Dianne Haydon, Chairperson
Arizona State Board of Chiropractic Examiners

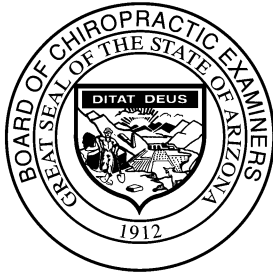
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This letter is intended solely for the information and use of the Board and its management and is not intended to be and should not be used by anyone other than these specified parties. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning our procedural review, please let us know.

Sincerely,

Jay Zsorey, CPA
Financial Audit Director



State of Arizona Board of Chiropractic Examiners

5060 North 19th Avenue Suite 416 • Phoenix, Arizona 85015
Voice: (602) 864-5088 FAX (602) 864-5099
TTY (800) 367-8939 (AZ Relay Service)

April 27, 2010

Jay Zsorey, CPA
Financial Audit Director
Office of the Auditor General
Financial Services Division

Please accept the following in response to the procedural review report received this date, April 7, 2010.

I would first like to state our appreciation for the thoroughness of the procedural review audit. Procedural review staff initially engaged in the audit of our office by July 20, 2009 as demonstrated in an email from audit staff requesting a copy of financial policies and procedures, and continued the review through October of 2009. They conducted numerous thorough reviews of our documentation of policies and procedures, and documentation of handling of cash receipts, cash disbursements, transfers, payroll, purchasing, equipment, budgeting and financial reporting. The lack of negative findings after a detailed, time-consuming, and extensive review confirms that appropriate policies and procedures are in place.

CURRENT PROCEDURES

In opening, I believe it would be best to describe the policies and procedures for Board member payroll in place at the time the audit was conducted. The Board had sought advice from its Assistant Attorney General regarding definition of "day of service" in 1999. The advice from the Assistant Attorney General was that a "day of service" would constitute six or more hours in the service of the Board, and that such service did include time spent preparing for Board meetings. That is consistent with the criteria that your report notes. Specifically, that a "day of service" comprises a significant portion of the day in which a member performs substantial services to the Board, even if such business does not involve attending a Board meeting. Therefore the Board has operated under a policy of defining a day of service consistent with statute and Attorney General Opinion as reflected in the minutes.

The Executive Director had been signing off on Board members payroll forms because the payroll form required by the State of Arizona is generally not available for Board member signature on the day members attend a Board meeting. The payroll form reflects one day of service attending a Board meeting, as can be determined by the date of the Board meeting. The payroll form also reflects other days of service in preparing for the Board meeting, and if travel to the meeting is in excess of six hours prior to the day of the meeting, that day of service is reflected in the payroll as well.

RESEARCH

In consideration of the audit recommendation that the Board establish a policy defining a day of service, we polled a number of directors and legal counsel for other health professions regulatory boards so that any policy we develop will be consistent. We found no other board interviewed has a policy defining day of service and that actual practice varies from any time in the service of the Board, except teleconferences, to the majority of a day. No Board interviewed set a specific number of hours. It appears that the Chiropractic Board is actually more advanced in this regard than most Boards, because it had sought advice and determined that a day of service was comprised of six or more hours.

RECOMMENDATION RESPONSE

Although it is not the common practice of health professions regulatory boards to establish a written policy on the definition of a “day of service”, the Board of Chiropractic Examiners would be happy to do so. I will place the matter on the Board agenda for May 13, 2010 for its review and decision. The policy will include the nature of activities that may be deemed as being in the service of the Board.

The second recommendation has already been implemented. Board members are now signing a payroll form. As previously noted, the State of Arizona payroll form is not generally available on the day of Board meetings for Board member signature. Therefore, the Board of Chiropractic Examiners has developed an internal payroll form. The form allows the Board members to enter the dates and the times spent in the service of the Board, the nature of the service performed and sign the payroll form attesting to the days of service. The internal Board payroll form will be attached to the State of Arizona payroll form, which will be further certified as accurate by my signature.

CLOSING

I believe the above recommendation response addresses the two audit recommendations. Please do not hesitate to contact me if further clarification is desired. I do also need to note that although audit staff directed me to confer with the Board’s legal counsel on setting a policy, I have found that legal counsel does not advise the Board on matters of compensation.

Sincerely,

Patrice Pritzl
Executive Director