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Report of the

State Auditor



DEPARTMENT OF REGULATORY AGENCIES

EXECUTIVE DIRECTOR'S OFFICE
AND

DIVISION OF REGISTRATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1975 AND 1974



STATE of COLORADO
Denver

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTOR'S OFFICE
AND
DIVISION OF REGISTRATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1975 AND 1974
WITH
REPORT OF STATE AUDITOR

Copies of this report have been transmitted to:

Legislative Audit Committee (10)

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Raul Rodriguez, Executive Director (37)
Department of Regulatory Agencies

Joint Budget Committee:

Representative Morgan Smith, Chairman (6)
Robert E. Smith, Jr., Staff Director

Department of State Planning and Budgeting (3)

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DEPARTMENT OF REGULATORY AGENCIES
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STATE OF COLORADO



OFFICE OF STATE AUDITOR
SUITE 2410, 1660 LINCOLN STREET
DENVER, COLORADO 80203

March 30, 1976

Legislative Audit Committee
1660 Lincoln Street, Suite 2410
Denver, Colorado 80203

Gentlemen:

We have examined the financial statements of the various funds and account groups of the Executive Director's Office and the Division of Registration, Department of Regulatory Agencies for the years ended June 30, 1975 and 1974, listed in the foregoing table of contents. Except as stated in the following paragraph, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

Generally accepted auditing standards contemplate a satisfactory system of internal controls for formulation of an opinion by the auditors. Internal controls for the revenue receiving process were ineffective for both audit years. The agencies' records and controls did not permit application of adequate alternative procedures which would overcome the effects of the deficiencies.

Due to the significance of the deficiencies noted above, we do not express an opinion on the statement of revenue earned

for the General Fund for the years ended June 30, 1975 and 1974.

In our opinion, the financial statements listed in the foregoing table of contents, other than the statement of revenue earned for the General Fund, present fairly the financial position of the various funds and account groups of the Executive Director's Office and the Division of Registration at June 30, 1975 and 1974 and the results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,



JOHN P. PROCTOR, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTOR'S OFFICE
AND
DIVISION OF REGISTRATION
JUNE 30, 1975 AND 1974
AUDITOR'S COMMENTS

INTRODUCTION

The primary purpose of our examination was to express an opinion on the financial statements and accordingly included an evaluation of the internal accounting controls as a basis for expressing our opinion. During the audit we reviewed the agency's statutory compliance as it applies to fiscal operations. Also, we have presented recommendations to improve operating efficiency where weaknesses were observed in the normal course of the audit.

X The majority of our recommendations result from the Executive Director's failure to employ a qualified, degreed accountant as recommended in the past two audit reports. Internal controls and supervision of the cash receipts and licensing functions were so poor that we could not express an opinion on the related revenues.

Our recommendations concerning the implementation of a three year license renewal system, the lockbox receipt system, and the use of A.D.P. in issuing licenses should result in a more efficient and accurate operating system.

We have also questioned the propriety of the excess of board revenues over expenditures. This condition exists in

practically all boards, yet they are frequently denied their full budget requests so they can effectively regulate their licensees. We recommended that DORA stress this fact at budget hearings and also consider proposing legislation to allow for flexible license, examination, and inspection fees that could be set on a yearly basis in accordance with expected budgetary requirements.

GENERAL FINANCIAL ADMINISTRATION

Qualified, Degreed Accountant

The establishment and maintenance of a system of accounting control is an important responsibility. The receipting and licensing functions are generally lacking adequate supervision and control. Some employees maintain accounting records with little, if any, understanding of why they are maintained or how they should be used. This problem is caused in part by the lack of a qualified accountant to supervise and evaluate the accounting work and make improvements when needed. This situation has existed during our previous two audits.

Recommendation

- X 1. Employ a qualified, degreed accountant to supervise the accounting and clerical functions and to evaluate and make improvements in the accounting and clerical functions.

DEPARTMENT'S RESPONSE: To be implemented September 1, 1976.

AUTOMATED DATA PROCESSING (ADP)

A substantial portion of the registration boards have or are implementing an ADP system for license renewals through

the State Division of ADP. This should eliminate clerical work especially on the larger boards. Our review disclosed areas we feel inhibit the potential effectiveness of the system.

The primary users of the system are clerical personnel with little, if any, prior experience with computer use and terminology. The user manual provided by ADP is incomplete and oriented to a person with a basic knowledge of computers.

We found no evidence of a training manual or an established training program for agency personnel.

The time required to input information and receive output (turn-around time) varied from one to sixteen working days. The average turn-around time appeared to be five to seven working days.

License renewal forms and licenses that are prepared by ADP are stuffed and mailed manually by the individual boards. The renewal forms returned by the licensees are combined for more than one day without notation of deposit date and forwarded to ADP for license processing. This batching process makes it impractical to audit with the existing reports prepared by ADP.

Recommendations

2. ADP should provide the boards with complete user manuals and periodic updates as necessary.

DEPARTMENT'S RESPONSE: Deferred. This office is in the process of corresponding with ADP to initiate a "user's" manual.

3. The Executive Director should initiate a comprehensive ADP training program under the direction of qualified personnel.

DEPARTMENT'S RESPONSE: Deferred. We do not have the dollars or staff to implement this recommendation, either this fiscal year or next. However, we recognize the need and will implement this program as soon as possible.

4. ADP and DORA should establish satisfactory turn-around times in the licensing and renewal functions.

DEPARTMENT'S RESPONSE: Deferred. Again, we will initiate action with ADP.

5. Obtain services for machine stuffing of large batches of license renewal data.

DEPARTMENT'S RESPONSE: Deferred. This office will research all possible state outlets first and then seek outside resources if state-connected services are unavailable.

6. Prepare an ADP report listing license renewals by deposit date following each renewal period.

DEPARTMENT'S RESPONSE: Deferred. We will work with ADP.

Real Estate - ADP Contract

The Real Estate Board is using an outside computer service for license renewals and examination processing. The service is for approximately \$25,000 annually for which there is no contract.

Recommendation

7. Consider the type, quality, and costs of this service in relationship to use of the State Division of ADP. Obtain a contract if the outside source is continued.

DEPARTMENT'S RESPONSE: Purchase Order has been implemented for 76/77 FY.

Real Estate Recovery Deposit Fund - CAS Classification

Trust funds are set up for the purpose of accounting for assets held by a governmental unit as trustee for individuals, private organizations, and other governmental units. The real estate recovery deposit fund closely resembles this type of relationship. The fund is currently accounted for in the General Fund of the central accounting system (CAS) even though

there is a trust fund series available for these types of funds. Maintaining the real estate recovery deposit fund in the General Fund overstates both assets and liabilities of that fund.

Recommendation

8. Reclassify the real estate recovery deposit fund as a trust fund on the central accounting system.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Excess Revenues

During the course of our audit we performed a comparison of board revenues and expenses to determine which boards had excess or deficient balances. Most board revenues exceeded expenditures by a large margin. This was evident when the total excess for the Registration Division averaged approximately \$900,000 for each audit year.

Subsequently, we noted a recurring complaint from the boards concerning recent budget restrictions. In many cases the boards had to reduce the frequency of tests, inspections, hearings, and investigations in order to avoid exceeding budgets.

At this point we considered the effects of these restraints on the licensees regulated by the boards. The licensees pay a fee to regulate their respective field as prescribed by statute, yet, the budget process at times curtails effective regulation. Due to this process, the license fees support more than the cost of regulation. These fees contribute to the State General Fund.

Recommendations

9. Stress the statutory authorization for regulation of its licensees as a basis for supporting budget requests.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

10. Attempt to establish a correlation between amounts paid for regulation and amount expended or clearly define the legislative intent.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Internal Audit Reports

Our review of the responses to the internal auditor's report comments and recommendations created considerable concern. 107 recommendations for 21 boards were reviewed of which 65 were implemented, 10 were not implemented, and 32 had no response. The Executive Director "requires" responses within two weeks but only seven boards complied with the requirement. These results defeat the usefulness of the internal audit function. We believe that an otherwise effective internal audit function is being diminished because of a lack of top administrative support.

Recommendations

11. Require boards to respond to the internal auditor's reports within the required time and implement recommendations on a timely basis.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

12. Provide the internal audit function with adequate administrative support.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

CASH RECEIPTS

General Procedures

The same employees for many of the registration boards receive and deposit cash, issue licenses, maintain records, and issue follow-up letters. Internal control is greatly

weakened when there is not a proper segregation of duties.

The cash receipting procedures followed by the boards were inconsistent and lacked proper controls. Deposits were not made on a timely basis with up to two-month delays.

Recommendations

13. We again recommend the Executive Director's Office establish a central cashier for all boards where practical.

DEPARTMENT'S RESPONSE: Deferred. This office will take steps to centralize the cashing as the need is realized more and after the effects of the upcoming move of state agencies to a central point.

14. Establish written uniform receipt procedures for those boards not centrally located or conducive to the central cashing process.

DEPARTMENT'S RESPONSE: Work shall be started as soon as possible on such procedures.

15. Deposit receipts exceeding \$100 on a daily basis in accordance with State Fiscal Rules.

DEPARTMENT'S RESPONSE: Deferred. This office will seek deviation of this particular fiscal rule from the State Controller's Office. Compliance with this particular fiscal rule would cause an extreme workload on all personnel as well as create excessive paperwork for this department, the State Treasury Department, ADP, and Accounts and Control. This does not seem an efficient or economical recommendation.

Lockbox Receipts Procedures

A large number of boards have or are currently transferring to the lockbox system of receipting cash for license renewals. This system greatly improves internal control over cash receipts and we actively endorse its implementation for all boards. However, during our audit we noted poor records and procedures which made it highly impractical to audit.

Recommendations

16. Require bank validations on renewal applications to indicate date of receipt.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

17. Establish uniform and proper lockbox accounting control procedures for all boards.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Voided Receipts

The Real Estate Board uses a cash register which provides a validation tape receipt. Our examination disclosed situations where voided receipts were not indicated on the validation tape receipt. This would provide a cross-reference to the alpha files and help establish validity to the void validation numbers.

Recommendation

18. Cross-reference all voided receipts with the applicant's name as well as the reason on the back of the original cash register validation tape receipt.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Year-End Cutoffs

During our examination we encountered difficulty in attempting to determine the last receipt and license issued for the fiscal years 1975 and 1974. We also determined boards' receipted cash during one fiscal year and deposited it and recorded revenues during the subsequent fiscal year. Deposits for many boards could not be reconciled to the cash receipts which they purported to include.

Subsequent review of the internal auditor's files presented no indication that year-end cutoff procedures on receipts or licenses had been performed or that receipts and deposits had been reconciled.

Recommendation

19. The internal auditors' scope should be expanded to include 1) reconciliation of receipts and deposits, and 2) year-end cutoff procedures indicating the last receipt and license issued by all boards and cash counts.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

Effective Use of the ABL

The agency budget ledger (ABL) is a unique feature of the central accounting system which will provide greater detail of revenues by class or type. Three of the boards examined are not fully utilizing the ABL since they combine different types of revenues (renewals, original license, fees, etc.) in one account.

Recommendation

20. Establish additional ABL accounts for revenues in the accountancy, chiropractic and pharmacy boards.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

LICENSING

Improper Licensing

The Plumbers' Examining Board issued a master plumbers license to an applicant who failed to meet the minimum examination requirements established for other applicants. This action was taken following a request by a legislator to review the applicant's request for licensing.

Recommendation

21. The Plumbers Board should apply established standards uniformly to all applicants, regardless of outside influence.

DEPARTMENT'S RESPONSE: This office is in the process of reviewing the minutes of the Plumbing Board relative to this particular instance. We will then schedule a meeting with the Board members to fully discuss this matter.

License Procedures

The majority of the boards' regulating function is accomplished through licensing. While the purpose and results of licensing are similar, we noted the procedures followed differed between each board. The procedures generally did not provide adequate controls, making it difficult or impossible to audit in certain instances. Certain boards did not use prenumbered licenses or could not determine the number of licenses renewed.

Recommendation

22. Establish uniform written licensing procedures with proper internal controls.

DEPARTMENT'S RESPONSE: To be implemented September 1, 1976.

Annual License Renewals

All but three of the boards are on a one-year license renewal period. Adopting a longer renewal period should allow more time for other regulatory functions and more efficient use of personnel.

Recommendation

23. Extend the license renewal period to three years for all large boards.

DEPARTMENT'S RESPONSE: In those instances of feasibility and with consent of the Board (pursuant to C.R.S. 24-34-102), extended license renewal periods will be implemented at the next applicable renewal date. In those instances where consent cannot be obtained, legislative action will be sought January 1, 1977.

EXPENDITURES

Board Expenditure Recognition

Our review of payments for supplies and services disclosed an intermingling of individual boards and the Executive Director's Office expenses. This practice precludes an accurate

analysis of each board's true operating expenses in relation to its revenues. Currently, the budgeting and appropriation process supports this practice of intermingling or inconsistent expense treatment.

Recommendation

24. Establish uniform budget, appropriation, and accounting procedures for board expenses, charging all readily identifiable expenditures to the respective boards.

DEPARTMENT'S RESPONSE: In an attempt to establish uniform budgeting and accountability, the 1976/77 FY budget request for the Division of Registration was consolidated and the Board Secretarys' currently appropriated to the Executive Director's Office were also transferred to the Division of Registration and integrated into the combined effort. However, the JBC and the Legislature did not recognize the reason or importance of this changed budget and the FY 1976/77 appropriation reflects few changes toward uniformity.

Accounting for the "Long Bill" Line Items

Certain Long Bill appropriation "line items" have been combined in the DORA expenditure accounts of the central accounting system, making it impractical to determine if the Agency complied with the "line item" appropriation on an individual basis.

Recommendation

25. Maintain separate budget and expense accounts in the central accounting system for each "line item" in the Long Bill appropriation.

DEPARTMENT'S RESPONSE: Implemented July 1, 1975.

The Real Estate Board appropriation contains an amount budgeted for printing of real estate manuals. All revenues and expenditures from manual sales are recorded through the inventory account in the general ledger at net amounts and the revenue and expense accounts in the ABL system. This method is in accordance with the State Fiscal Procedures. At year-end the general ledger revenue account reflects net income from manual sales while the expenditure account does not include an amount for these transactions.

As a result, the general ledger accounts for the budgeted and actual expenses do not allow for comparison since the actual expenses have not been recorded in the account.

Recommendations

26. Reflect all real estate manual revenues and expenditures in the general ledger since the cost of printing is budgeted in the Long Bill.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

27. Discontinue the use of the offset accounts in the ABL.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

28. Record actual inventory amounts in the inventory account.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Real Estate Manual Inventory

The Real Estate Board maintains a perpetual inventory record for manuals held for resale. It appears that many hours are spent every month on this record. A physical inventory would take about ten minutes a month and would serve as an acceptable alternative to the perpetual inventory system in reconciling to actual sales.

Recommendation

29. Abolish the perpetual inventory record and take a monthly physical count of real estate manuals.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Manual Records

The DORA accounting section maintains a manual "check book" system which summarizes year-to-date expenses for each board. The process is time consuming and duplicates procedures performed by the central accounting system.

Recommendation

30. Abolish the manual "check book" system of accounting for expenditures.

DEPARTMENT'S RESPONSE: Deferred. Deferrment is asked, due to the fact that this office is seeking approval of State Controller for an "on-line" terminal for accounting purposes. We do not feel that the turn-around time for CAS reports presently is adequate and we find a certain amount of security in the hand-posted "checkbook." We firmly believe a terminal within the Department would provide greater accuracy and security in accountability as well as proving more efficient. We will abolish hand-posted records when practicable.

Supporting Documentation

Internal control over the processing of payment vouchers was weakened by the failure to follow or establish adequate procedures for supporting documentation.

Recommendations

31. Cancel or mark "paid" all invoices at the time vouchers are prepared.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

32. Obtain approval for payment by the respective board for all disbursements.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

Recording Accounts Payable

The Dental Board members have not been paid \$1,400 of per diem incurred prior to fiscal year end 1975 as provided in 12-35-104 (4), C.R.S. 1973. The per diem was not recorded as an accounts payable or otherwise recognized on the accounting system.

Recommendations

33. Record all payables and expenditures as provided in the Controller's year-end closing instructions.

DEPARTMENT'S RESPONSE: To be implemented June 30, 1976.

34. Remit \$1,400 to the Dental Board members.

DEPARTMENT'S RESPONSE: Deferred. This office will review the files for appropriateness of this payment.

Clearing Accounts Payable

Approximately \$5,500 or 46% of accounts payable to vendors established at June 30, 1975 remained outstanding on January 31, 1976. The agency was unable to specifically identify the reason for this sizable balance.

Recommendation

35. Review and clear the account payable balance as soon after the year-end as possible.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Contracts

Our review of Electrical Board inspector contracts disclosed one missing contract, the expiration dates were not specified, and one inspector was paid an amount in excess of the contract provisions.

Recommendations

36. File all contracts in a safe location.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

37. Specify the contract period of all contracts.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

38. Make all payments in accordance with the contract provisions.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

OTHER

Statute Compliance - Inspection Costs

The Passenger Tramway Board currently performs inspections through the services of an engineer paid directly by the operator of the respective passenger tramway. Section 25-5-711, C.R.S. 1973, requires payment by the operator to the Board upon notification of the amount due.

Recommendation

39. Comply with Section 25-5-711, C.R.S. 1973, or seek appropriate revision of the statutes.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Contract Employee

The Executive Director is assisted by a contract employee whose contract is in the process of being renewed for a third time. At the present time the employee does not have a valid contract and is not classified as a civil service employee. The use of a contract employee in a position that should be classified as civil service is a violation of the contract section of the State Fiscal Rules.

Recommendation

40. Comply with State Fiscal Rules by either ceasing the contract services or retaining those services as a civil service employee.

DEPARTMENT'S RESPONSE: Implemented April 1, 1976. The contracted person referred to is presently working under a contract with the Department of Law on assignment to the Division of Registration.

Insurance Coverage

The Executive Director's Office and over 50% of the registration boards are not insured by the State's blanket policy.

Recommendation

41. Obtain coverage under the State blanket policy for all uninsured boards.

DEPARTMENT'S RESPONSE: This office is pursuing the thought of combining the assets of various boards to make worthwhile the \$1,000 deductible State blanket insurance policy.

Payroll System Knowledge

The payroll clerk has sole responsibility for processing the Department of Regulatory Agencies' payroll. Since the Department does not have anyone trained to perform her duties if she were unable to work, it would be extremely difficult to process the monthly payroll.

Recommendation

42. Train a second person to prepare the DORA payroll.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Payroll Check Distribution

The payroll checks are distributed by the same employee who prepares the payroll input.

Recommendation

43. Strengthen internal control by having someone other than the person preparing initial payroll input agree the payroll checks to the payroll register and distribute the checks.

DEPARTMENT'S RESPONSE: To be implemented May 28, 1976.

Payroll

The employee payroll files did not always contain copies of State Personnel "Action Forms" to support rates of pay or employee-signed authorizations to support payroll deductions.

Recommendation

44. Maintain the State Personnel "Action Forms" and employee-signed authorizations in the employee payroll files to support the rate of pay and payroll deductions, respectively.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

Fixed Assets

Inventory control procedures for fixed assets are still inadequate. However, we did note considerable improvement over those in effect for prior audits.

Recommendations

45. Prepare written physical inventory instructions that detail the following at a minimum:
- A. A clear assignment of responsibilities.
 - B. The objective of the inventory.
 - C. Procedures to be followed in performing the inventory.
 - D. Procedures to be followed to initiate changes in inventory listings at interim dates.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

46. Record additions and deletions to the de-tailed inventory listing on a timely basis.

DEPARTMENT'S RESPONSE: To be implemented July 1, 1976.

Petty Cash

Only two of the eight petty cash funds maintained in the Department were recorded on the central accounting system.

Recommendation

47. Record all petty cash funds on the central accounting system.

DEPARTMENT'S RESPONSE: To be implemented June 1, 1976.

Minutes to Meetings

A majority of the registration boards had minutes to meetings which could not be located, were not signed by a board member, or did not properly reference the prior meeting dates and appropriate approval of minutes.

Recommendations

48. Establish uniform procedures for recording minutes to meetings.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

49. Review all board minutes centrally on a periodic basis as an effective management control procedure.

DEPARTMENT'S RESPONSE: Implemented May 17, 1976.

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTOR'S OFFICE
AND
DIVISION OF REGISTRATION
PRIOR YEAR RECOMMENDATIONS AND THEIR DISPOSITION
JUNE 30, 1975 AND 1974

Following is a summary of prior audit recommendations made in the individual audit reports for Executive Director's Office and the boards or commissions in the Division of Registration for various audit periods ending between June 30, 1969 and 1973 and their disposition at June 30, 1975.

<u>Recommendation</u>	<u>Disposition</u>
1. The position for the Director of Registrations has never been filled, the organization structure and statutory requirements should be examined to determine the need for the position.	Position is temporarily filled by a contract employee.
2. Executive Director's Office - We again recommend a qualified accountant be hired to 1) supervise the day-to-day accounting and clerical functions and 2) evaluate and make improvements in the accounting and clerical systems when needed.	Recommendation <u>was not</u> implemented. See current year audit comments, page
3. The Department should hire an internal auditor to review, evaluate, and report on departmental operations.	Recommendation <u>was</u> implemented.
4. Executive Director's Office - To improve internal control, process all cash receipts through a centralized cashier and then route documents to other employees for processing and record keeping.	Recommendation <u>was not</u> implemented. See current year audit comments, pages

5. The Executive Director's Office should establish and maintain adequate accounting records and files. Recommendation was implemented.
6. Executive Director's Office - Throughout the year and especially at year-end, the balances in the general ledger should be reviewed to insure all balances are correct. Recommendation was partially implemented.
7. The reports of the Executive Director's Office and six other boards contained recommendations to improve controls over fixed assets by keeping the detailed inventory lists up to date and taking physical inventories on a regular basis. Recommendation was partially implemented.
8. Executive Director's Office - Section 3-27-2 (6), C.R.S. 1963, as amended, should be revised to state that it is the intent of the legislature that the cost of each regulatory board should not exceed its fees and charges. The cost of each board shall include: 1) direct costs, 2) indirect costs allocated from the Executive Director's Office, and 3) other indirect costs. Recommendation was not implemented. See current comments, pages
9. The Executive Director's Office should be able to document costs allocated between their office and the various boards. Also, proper documentation should be obtained and retained prior to paying for services. Recommendation was implemented.
10. Executive Director's Office - Accounts payable should be recorded and classified properly based on goods and services received by June 30. Recommendation was partially implemented.
11. Executive Director's Office - The Department should prepare receiving reports, which disclose the items, quantity and date received and the person taking delivery. The receiving report should be matched to the invoice prior to payment. Recommendation was not implemented. However, the Department was using a receiving stamp with which we concur. Permission of the Controller should be obtained for such use.

12. The Executive Director's Office and three boards received recommendations to improve the procedures regarding sick and annual leave records. Recommendations were implemented.
13. Executive Director's Office - The purpose of the plumber's quarterly report and the related fee should be evaluated in relation to the cost incurred and the value received. Elimination of the fee requires legislative action. Recommendation was not implemented.
14. Transfer all record keeping functions of plumbers, including mathematical checks and follow-up procedures over delinquent returns, to the Department of Regulatory Agencies. If the quarterly report is eliminated, there would not be any returns to check or follow up on. Recommendation was not implemented.
15. Executive Director's Office - Request the Management Services Office make a comprehensive review of control and security over examinations, licenses, and certificates. Recommendation was not implemented.
16. Real Estate Commission - A log book should be maintained showing the following: beginning balance of postage unused, amount of postage purchased, amount of postage used, and the ending balance of unused postage. Recommendation was implemented.
17. The Barber Board should investigate the cost/benefits to be obtained from purchasing its own automobile to be used by the inspector for official purposes. Recommendation was implemented.
18. Electrical Board - When changes are made in the basis of paying a contract inspector, the contract should be amended. Recommendation was implemented.

19. Landscape Architects - Recommendation was not im-
The numerical listing of plemented. See current year
original licenses should comment, page
be revised to include the
date the license is issued.
20. Landscape Architects - Recommendation was imple-
All receipts should be mented.
posted to the applicable
history card.
21. Landscape Architects - Recommendation was imple-
The Board's minutes should mented.
include formal approval of
any penalty that is dis-
charged.
22. Veterinary Medicine - The Recommendation was imple-
Board should follow up on mented after June 30, 1975.
those individuals that do
not renew their licenses.
The renewal information
should be posted to the
registry on a timely basis.
23. Veterinary Medicine - The Recommendation was imple-
Board should comply with mented.
the provision of the stat-
utes concerning hearings
and Attorney General's re-
view prior to enforcement
of Board rules.
24. Optometric Examiners - The Recommendation was imple-
Board should enforce the mented.
penalty provisions for all
late payments.
25. Practical Nursing - At the Recommendation was imple-
completion of the renewal mented.
period, the Board should
account for the renewal
licenses by sorting the
audit copies of the issued,
the unissued, and the voided
licenses into license num-
ber sequence.
26. Practical Nursing - Agree the Recommendation was imple-
deposits of renewal fees with mented.
the issued licenses.
27. Practical Nursing - Void and Recommendation was imple-
package the unissued licenses. mented.

28. Practical Nursing - Prepare new licenses sequentially as the fees are received for nurses applying after the deadline. Recommendation was implemented.
29. Chiropractic - Both kinds of original licenses should have a preprinted control number and a control record should be kept. Recommendation was implemented.
30. Chiropractic - More care should be used in posting the history cards and the cards should include test results. Recommendation was implemented.
31. Psychologist Examiners - All licenses should be pre-numbered. Recommendation was implemented.
32. Nursing Home administrators', engineers' and chiropractic checks should be stamped with restrictive endorsement at the time received. Recommendation was not implemented. See current year comment, page
33. Real Estate - All voided receipts should be cross-referenced with the applicant's name as well as the reason on the back of the original cash register validation tape receipt. Recommendation was not implemented. See current year comments, page
34. Real Estate - A proper cutoff of cash receipts should be made at year-end to insure recording of receipts in the current fiscal year. Recommendation was not implemented. See current year comments for all Boards, page
35. Chiropractic and Basic Science - Receipts should be recorded when received and deposited with the State Treasurer on a more timely basis. Recommendation was not implemented. See current year comment, page
36. Nursing Home Administrators - The first detail cash receipts journal serves no useful purpose and should be discontinued. The Board should also maintain a numerical register of licenses issued. Recommendations were implemented.

37. Cosmetology - The Board should evaluate the benefits which could be obtained from a revision of its license and history file system by using EDP to eliminate some of the manual record keeping. Recommendation was not implemented. See current year comment, page
38. The reports for six registration boards recommended greater control over meeting minutes, signing by board members, or increased detail to be included in the minutes. Recommendation was partially implemented. See current year comments, page
39. Electrical Board receipt procedures should be written and modified to ensure adequate internal control and increased operating efficiencies. Recommendation was partially implemented.
40. The Athletic Commission should insure that all reports and related remittances for State tax are received in the time provided by the statutes. Recommendation was implemented.
41. The key for the engineers' lockbox in a safe should be in the possession of the principal clerk-stenographer and the executive secretary of the board. Recommendation was implemented.

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTORS OFFICE AND DIVISION OF REGISTRATION
ORGANIZATION AND FUNCTIONS

The Department of Regulatory Agencies was created by the Reorganization Act of 1968.

The Executive Director of the department is responsible for the budgeting, purchasing and related management functions of eight (8) divisions/commissions and thirty-three (33) regulatory boards within the Division of Registration.

The eight commissions are transferred to the principal department by a Type 1 transfer. The boards within the Division of Registration are also transferred by a Type 1 transfer with only four exceptions. The Electrical Board was made a Type 2 agency in the 1975 legislative session. Three new agencies (Hearing Aid Dealers, Mobile Home Dealers and Social Workers) which were created by the legislature in 1975, were also made a part of the Division of Registration by a Type 2 transfer.

The divisions and boards exercise their prescribed statutory powers, duties and functions independently of the Executive Director. The boards' primary functions are to examine and license applicants and perform inspections and/or investigations. Each board is composed of from 3 to 9 board members, appointed by the Governor, and serve the determinate term set by statute. Most board members are paid a per diem and are reimbursed for their actual and necessary expenses.

A list of the boards is attached.

ORGANIZATION

LIST OF BOARDS, AGENCIES AND COMMISSIONS
WITHIN THE DIVISION OF REGISTRATION

- | | |
|----------------------------------|---------------------------------|
| 1. Abstractors | 17. Medical |
| 2. Accountancy | 18. Mobile Homes |
| 3. Architects | 19. Mortuary Science |
| 4. Athletic | 20. Nursing |
| 5. Barbers | 21. Nursing Home Administrators |
| 6. Basic Science | 22. Optometric |
| 7. Cemetery | 23. Passenger Tramway |
| 8. Chiropractic | 24. Pharmacy |
| 9. Collection Agency | 25. Physical Therapy |
| 10. Cosmetology | 26. Plumbers |
| 11. Dental | 27. Practical Nursing |
| 12. Electrical | 28. Psychologist |
| 13. Engineers and Land Surveyers | 29. Real Estate |
| 14. Hearing Aid Dealers | 30. Sanitarians, Professional |
| 15. Landscape Architects | 31. Shorthand Reporters |
| 16. Life Care | 32. Social Workers |
| | 33. Veterinary Medicine |

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTORS OFFICE AND DIVISION OF REGISTRATION
BALANCE SHEET
June 30, 1975 and 1974

	<u>1975</u>	<u>1974</u>
<u>ASSETS:</u>		
Petty Cash	\$ 315	\$ 315
Cash in Transit/ State Treasurer		519
Accounts Receivable	440	540
Due from Other Agencies	146	
Inventory - Real Estate Manuals	11,331	10,911
Controller's Clearing	<u>90,863</u>	<u>135,450</u>
TOTAL	<u>\$103,095</u>	<u>\$147,735</u>
 <u>LIABILITIES AND ENCUMBRANCES</u>		
Vouchers Payable	\$ 59,250	\$103,337
Accounts Payable	26,585	27,999
Salaries and Net Wages Payable	7,417	8,669
Reserve for Encumbrances	<u>9,843</u>	<u>7,730</u>
TOTAL	<u>\$103,095</u>	<u>\$147,735</u>

See Notes to Financial Statements

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTORS OFFICE AND DIVISION OF REGISTRATION
STATEMENT OF REVENUE EARNED FOR THE GENERAL FUND
YEARS ENDED JUNE 30, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Administrative Office	\$ 21	\$
Abstractors	3,800	2,175
Accountancy	111,190	102,644
Architects	62,193	59,046
Athletics	28,985	43,841
Barbers	44,485	44,492
Basic Science	21,229	19,062
Cemetery	2,513	2,380
Chiropractic	9,645	6,969
Collection Agencies	6,945	2,607
Cosmetology	177,994	165,165
Dental	40,171	36,439
Electrical	406,991	331,858
Engineers	117,868	126,757
Landscape Architects	6,750	7,070
Medical	112,940	102,831
Mortuary Science	13,629	14,640
Nursing	100,060	251,140
Nursing Home Administrators	16,175	9,563
Optometric	28,481	3,581
Passenger Tramway	12,601	12,497
Pharmacy	167,370	156,595
Physical Therapy	12,410	11,495
Plumbers		
Practical Nursing	40,275	87,683
Psychologists	4,769	3,941
Real Estate	658,187	910,282
Sanitarians	1,145	
Shorthand Reporters	2,150	1,075
Veterinary Medicine	18,741	18,122
Misc. General Fund		2,442
	<u>\$2,229,713</u>	<u>\$2,536,392</u>

See Notes to Financial Statements

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTORS OFFICE AND DIVISION OF REGISTRATION
STATEMENT OF EXPENDITURES COMPARED WITH AUTHORIZATIONS
YEARS ENDED JUNE 30, 1975 and 1974

	1975			1974		
	BUDGETED	EXPENDITURES ACTUAL	DIFFERENCE*	BUDGETED	EXPENDITURES ACTUAL	DIFFERENCE
Administrative Office	\$ 304,304	\$ 294,316	\$ 9,988	\$ 258,233	\$ 231,171	\$ 27,062
Contractors	897	897		735	716	19
Accountancy	64,999	63,279	1,720	60,045	58,773	1,272
Architects	27,675	26,598	1,077	28,269	28,246	23
Athletics	5,610	4,700	910	5,610	4,125	1,485
Bakers	47,983	47,105	878	47,795	42,710	5,085
Biological Science	2,059	1,713	346	3,620	2,168	1,452
Butchery	229	164	65	610	249	361
Chiropractic	4,000	3,985	15	3,186	3,185	1
Collection Agencies	2,565	1,293	1,272	2,565	2,349	216
Comptology	104,238	98,379	5,859	95,763	84,749	11,014
Dental	27,513	27,510	3	26,173	21,119	5,054
Electrical	406,926	406,849	77	324,749	322,699	2,050
Engineers	92,742	91,998	744	87,464	84,351	3,113
Landscape Architects	2,632	1,512	1,120	2,951	2,950	1
Nursing Home Care	1,000	427	573			
Medical	50,590	49,873	717	47,734	45,096	2,638
Ornithology Science	4,945	4,543	402	4,945	2,860	2,085
Printing	120,470	119,293	1,177	114,324	103,658	10,666
Nursing Home Administrators	8,634	6,518	2,116	8,352	7,056	1,296
Podiatric	9,190	9,171	19	9,190	8,809	381
Passenger Tramway	8,520	7,748	772	8,520	6,941	1,579
Pharmacy	138,882	135,301	3,581	140,574	117,743	22,831
Physical Therapy	3,500	3,216	284	3,500	3,031	469
Public Health	3,085	3,027	58	3,085	3,013	72
Podiatric Nursing	46,268	45,268	1,000	47,577	43,295	4,282
Psychologists	3,944	3,836	108	2,420	2,307	113
Real Estate	476,413	415,356	61,057	467,870	367,934	99,936
Sanitarians	1,375	697	678			
Shorthand Reporters	685	446	239	685	451	234
Veterinary Medicine	13,071	12,003	1,068	11,555	11,555	
TOTAL	\$1,984,944	\$1,887,021	\$ 97,923	\$1,818,099	\$1,613,309	\$ 204,790

See Notes to Financial Statements

* Unencumbered balance.

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTORS OFFICE AND DIVISION OF REGISTRATION
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
JUNE 30, 1975 and 1974

<u>Furniture and Equipment by Agency</u>	<u>1975</u>	<u>1974</u>
Executive Directors Office	\$ 41,817	\$ 38,196
Abstractors	172	77
Accountancy	6,468	6,468
Architects	2,103	2,103
Athletic	2,123	2,123
Barbers	8,064	7,504
Basic Science	1,102	982
Cemetery	68	68
Chiropractic	1,016	1,307
Collection Agencies	495	495
Cosmetology	29,191	29,231
Dental	4,379	4,379
Electrical	71,002	60,060
Engineers	15,449	14,244
Landscape Architects	248	248
Medical	9,376	9,082
Mortuary Science	1,061	1,061
Nursing	30,648	30,648
Nursing Home Administrators	1,017	1,017
Optometric	1,434	1,434
Passenger Tramway	175	175
Pharmacy	18,026	13,117
Physical Therapy	846	846
Plumbers	525	525
Practical Nursing	8,733	9,494
Psychologists	159	159
Real Estate	43,592	46,372
Sanitarians		
Shorthand Reporters		
Veterinary Medicine	1,131	1,499
Status of Women		
Life Care		
TOTAL	<u>\$300,420</u>	<u>\$282,914</u>
Investment in Fixed Assets	<u>\$300,420</u>	<u>\$282,914</u>

See notes to financial statements

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
REAL ESTATE RECOVERY DEPOSIT TRUST FUND
BALANCE SHEET
JUNE 30, 1975 and 1974

	<u>1975</u>	<u>1974</u>
<u>ASSETS:</u>		
Cash	\$633,149	\$548,951
TOTAL	<u>\$633,149</u>	<u>\$548,951</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Due to the General Fund	\$	\$ 38,194
Fund Balances	<u>633,149</u>	<u>510,757</u>
TOTAL	<u>\$633,149</u>	<u>\$548,951</u>

See Notes to Financial Statements

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
REAL ESTATE RECOVERY DEPOSIT TRUST FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1975 and 1974

	<u>1975</u>	<u>1974</u>
Beginning Fund Balance	\$510,757	\$235,821
Additions:		
Salesmen and Broker Payments	<u>170,520</u>	<u>315,830</u>
TOTAL BALANCE AND ADDITIONS	\$681,277	\$551,651
 Deductions:		
Claim Settlements	\$ 48,128	\$ 2,700
Transfer to the General Fund	<u>48,128</u>	<u>38,194</u>
TOTAL DEDUCTIONS	\$ 48,128	\$ 40,894
 ENDING FUND BALANCE	 <u>\$633,149</u>	 <u>\$510,757</u>

STATE OF COLORADO
DEPARTMENT OF REGULATORY AGENCIES
EXECUTIVE DIRECTOR'S OFFICE
AND
DIVISION OF REGISTRATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1975 AND 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Executive Director's Office and Division of Registration of the Department of Regulatory Agencies conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

A. Basis of Accounting

The Executive Director's Office and the Division of Registration of the Department of Regulatory Agencies uses the modified accrual basis of accounting. Modifications in such method from the accrual basis follow:

- a. Revenues are recorded as received in cash.
- b. Expenditures are recorded on an accrual basis except for:
 1. prepaid expenses, which normally are not recorded.
 2. the encumbrance method of accounting for expenditures.

B. General Fixed Assets - Furniture and Equipment

General fixed assets purchased are recorded as capital outlay expenditures in the General Fund at the time of purchase. Such assets are then capitalized at cost in the general fixed assets group of accounts. Acquisitions by transfer from other agencies

are recorded at original cost.

C. Depreciation

No depreciation has been taken on general fixed assets in accordance with generally accepted accounting principles and the State Controller's policy.

D. Inventory

The real estate manuals held for resale are the agencies' only material inventory item. The cost basis is used in recording the year-end balance.

E. Deferred Income

Deferred income is not recognized on the two and three-year licenses issued by three of the boards since the fees are not refundable and are general fund revenues when received.

F. Unencumbered Balance - Reversion to General Fund

Unexpended and unencumbered funds lapse at June 30, of each year and revert to the General Fund.

2. REAL ESTATE RECOVERY DEPOSIT - TRUST FUND

The real estate recovery deposit fund was created to protect the public from illegal or unfair business transactions with real estate salesmen and brokers. Salesmen and brokers pay a specified amount to the fund each time they renew their license. Claims are paid from the fund after the claimant has proved the salesmen or brokers to be at fault for any losses. Currently the maximum amount which may be paid from the fund for any one licensee is \$50,000.

The statutes provided for annual transfers from the fund to the general fund in the amount of 10% of the fund balance in excess of \$200,000. For fiscal year 1975-1976, the amount was amended to 10% of the excess over \$500,000.

We noted subsequent payments from the fund totaling \$29,453.98

in fiscal year 1975-1976. There is also one claim pending for \$50,000, which is likely to be paid in the opinion of the Attorney General's staff.

3. GENERAL FUND AGENCIES

The Executive Director's Office and Division of Registration are funded by appropriations from the General Fund. All revenues, except for the real estate recovery deposits, are treated as revenue earned for the General Fund and deposited directly to the State Treasurer. As general fund agencies of the State of Colorado, the Executive Director's Office and Division of Registration are only a part of the State General Fund.

4. CONTROLLER'S CLEARING

The balances in Controller's Clearing at June 30, 1975 and 1974 represent the net year-end effect of certain transactions between the agency and the State General Fund, under the "Home Office and Branch" accounting principles followed in private industry. The balance represents the agencies' net accountability to the State General Fund for the other assets and liabilities included in the balance sheet.

5. CONTINGENT LIABILITIES

Several boards in the Department of Regulatory Agencies have been named as defendants in lawsuits. Following is a summary by board including the nature of the lawsuit, the amount of the claim and the board counsel's opinion as to the outcome:

Electrical Board - The lawsuit alleges that the Board's examinations are unduly restrictive. The complaint prays for \$3 million against the State but counsel believes the chance for success on any monetary liability against the State is negligible.

Optometric Board - The lawsuit alleges that the Board's examinations discriminate against out-of-state applicants. The complaint prays for monetary relief (approximately \$100,000) against the Board members in their individual capacities; therefore, there is no potential liability against the State.

Pharmacy Board - An Equal Employment Opportunity Commission complaint has been filed against the Board. Counsel believes the complaint has little or no chance of success.

Passenger Tramway Safety Board - There is a good chance that the Board will be sued by one more of the injured parties or the families of the deceased parties in the Vail gondola accident which occurred March 26, 1976. Counsel believes that since the Board carried out its statutory duty in inspecting the gondola, the chance for success of obtaining monetary relief against the State is small.



STATE OF COLORADO

RICHARD D. LAMM
GOVERNOR

DEPARTMENT OF REGULATORY AGENCIES

100 STATE SERVICES BUILDING • 1525 SHERMAN STREET
DENVER, COLORADO 80203 • TELEPHONE 303/892-3304

RAÚL N. RODRIGUEZ
EXECUTIVE DIRECTOR

May 20, 1976

MEMORANDUM

TO:

State Auditors Office

FROM: Raúl N. Rodriguez

Attached hereto is the reply to the auditors comments and recommendations for the Executive Directors Office and the Division of Registration.

The explanation of comments corresponds with the numbered audit comments.

2. This office is in the process of corresponding with ADP to initiate a "user's" manual.
3. We do not have the dollars or staff to implement this recommendation, either this fiscal year or next. However, we recognize the need and will implement this program as soon as possible.
4. Again, we will initiate action with ADP.
5. This office will research all possible state outlets first and then seek outside resources if state connected services are unavailable.
6. We will work with ADP.
7. Purchase Order has been implemented for 76/77 FY.
13. This office will take steps to centralize the cashiering as the need is realized more and after the effects of the upcoming move of state agencies to a central point.
14. Work shall be started as soon as possible on such procedures.
15. This office will seek deviation of this particular fiscal rule from the State Controller's Office. Compliance with this particular fiscal rule would cause an extreme workload on all personnel as well as create excessive paperwork for this department, the State Treasury Department, ADP and Accounts and Control. This does not seem an efficient or economical recommendation.
21. This office is in the process of reviewing the minutes of the Plumbing Board relative to this particular instance. We will then schedule a meeting with the Board members to fully discuss this matter.
23. In those instances of feasibility and with consent of the Board (pursuant to CRS 24-34-102)7, extended license renewal periods will be implemented at the next applicable renewal date. In those instances where consent cannot be obtained, legislative action will be sought January 1, 1977.
24. In an attempt to establish uniform budgeting and accountability, the 1976/77 FY budget request for the Division of Registration was consolidated and the Board Secretarys' currently appropriated to the Executive Director's Office were also transferred to the Division of Registration and integrated into the combined effort. However, the JBC and the Legislature did not recognize the reason or importance of this changed budget and the FY 1976/77 appropriation reflects few changes toward uniformity.
30. Deferrment is asked, due to the fact that this office is seeking approval of the State Controller for an "on-line" terminal for accounting purposes. We do not feel that the turn around time for CAS reports presently is adequate and we find a certain amount of security in the hand posted "checkbook." We firmly believe a terminal within the Department would provide greater accuracy and security in accountability as well as proving more efficient. We will abolish hand posted records when practicable.

34. This office will review the files for appropriateness of this payment.
40. The contracted person referred to is presently working under a contract with the Department of Law on assignment to the Division of Registration.
41. This office is pursuing the thought of combining the assets of various boards to make worthwhile the \$1,000 deductible State blanket insurance policy.

Report Page Ref.		Recommendations	(*Include Date) (**If checked-explain in comments)					
No.		DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Imple- mented+	To Be Imple- mented+	Deferred **	Reject **
		<u>GENERAL FINANCIAL ADMINISTRATION</u>						
		<u>Qualified - Degreed Accountant</u>						
4	1	Employ a qualified, degreed accountant to supervise the accounting and clerical functions and to evaluate and make improvements in the accounting and clerical functions.				9/1/76		
		<u>ADP</u>						
5	2	ADP should provide the boards with complete user manuals and periodic updates as necessary.	2				**	
5	3	The Executive Director should initiate a comprehensive ADP training program under the direction of qualified personnel.	3				**	
6	4	ADP and DORA should establish satisfactory turn-around times in the licensing and renewal functions.	4				**	
6	5	Obtain services for machine stuffing of large batches of license renewal data.	5				**	
6	6	Prepare an ADP report listing license renewals by deposit date following each renewal period.	6				**	
		<u>Real Estate - ADP Contract</u>						
6	7	Consider the type, quality, and costs of this service in relationship to use of the State Division of ADP. Obtain a contract if the outside source is continued.	7					

Port age of.	Recommendations		(*Include Date)		(**If checked-explain in comment-)			
	No.		See Comments	Requires Legislative Action **	Imple- mented*	To be Imple- mented*	Deferred **	Reject **
		DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE						
		<u>Real Estate Recovery Deposit Fund - CAS Classification</u>						
7	8	Reclassify the real estate re- covery deposit fund as a trust fund on the central accounting system.				7/1/76		
		<u>Excess Revenues</u>						
7	9	Stress the statutory authoriza- tion for regulation of its licensees as a basis for supporting budget re- quests.				7/1/76		
8	10	Attempt to establish a correla- tion between amounts paid for regula- tion and amount expended or clearly de- fine the legislative intent.				7/1/76		
		<u>Internal Audit Reports</u>						
8	11	Require boards to respond to the internal auditor's reports within the required time and implement recommenda- tions on a timely basis.			5/17/76			
8	12	Provide the internal audit func- tion with adequate administrative support.			5/17/76			
		<u>CASH RECEIPTS</u>						
		<u>General Procedures</u>						
9	13	We again recommend the Executive Director's Office establish a central cashier for all boards where practical.	13				**	
9	14	Establish written uniform receipt procedures for those boards not cen- trally located or conducive to the central cashiering process.	14					

Report Page Ref.	No.	DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Implemented*	To Be Implemented*	Deferred **	Reje. *
9	15	Deposit receipts exceeding \$100 on a daily basis in accordance with State Fiscal Rules. <u>Lockbox Receipts Procedures</u>	15				**	
9	16	Require bank validations to indicate the bank and date of receipt.				7/1/76		
10	17	Establish uniform and proper lockbox accounting control procedures for all boards. <u>Voided Receipts</u>				7/1/76		
10	18	Cross-reference all voided receipts with the applicant's name as well as the reason on the back of the original cash register validation tape receipt. <u>Year-End Cutoffs</u>				7/1/76		
11	19	The internal auditors' scope should be expanded to include 1) reconciliation of receipts and deposits, and 2) year-end cutoff procedures indicating the last receipt and license issued by all boards and cash counts. <u>Effective Use of the ABL</u>			5/17/76			
11	20	Establish additional ABL accounts for revenues in the accountancy, chiropractic and pharmacy boards.				7/1/76		

Report Page of.		Recommendations	(*Include Date)		(**If checked explain in comments)			
No.		DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Imple- mented*	To Be Imple- mented*	Deferred **	Reject **
		<u>LICENSING</u>						
		<u>Improper Licensing</u>						
11	21	The Plumbers Board should apply established standards uniformly to all applicants, regardless of outside influence.	21					
		<u>License Procedures</u>						
12	22	Establish uniform written licensing procedures with proper internal controls.				9/1/76		
		<u>Annual License Renewals</u>						
2	23	Obtain legislative authorization to extend the license renewal period to three years for all large boards.	23					
		<u>EXPENDITURES</u>						
		<u>Board Expenditure Recognition</u>						
3	24	Establish uniform budget, appropriation, and accounting procedures for board expenses, charging all readily identifiable expenditures to the respective boards.	24					
		<u>Accounting for the "Long Bill" Line Items</u>						
3	25	Maintain separate budget and expense accounts in the central accounting system for each "line item" in the Long Bill appropriation.				7/1/75		

Report Page Ref.	No.	Recommendations		(*Include Date) (**If checked-explain in comments)				
		DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Imple- mented*	To Be Imple- mented*	Deferred **	Rejec *
		<u>Real Estate Manual Expenditures</u>						
14	26	Reflect all real estate manual revenues and expenditures in the general ledger since the cost of printing is budgeted in the Long Bill.					7/1/76	
14	27	Discontinue the use of the offset accounts in the ABL.					7/1/76	
14	28	Record actual inventory amounts in the inventory account.					7/1/76	
		<u>Real Estate Manual Inventory</u>						
14	29	Abolish the perpetual inventory record and take a monthly physical count of real estate manuals.					7/1/76	
		<u>Manual Records</u>						
15	30	Abolish the manual "check book" system of accounting for expenditures.	30					**
		<u>Supporting Documentation</u>						
15	31	Cancel or mark "paid" all invoices at the time vouchers are prepared.					7/1/76	
15	32	Obtain approval for payment by the respective board for all disbursements.				5/17/76		
		<u>Recording Accounts Payable</u>						
16	33	Record all payables and expenditures as provided in the Controller's year-end closing instructions.					6/30/76	
16	34	Remit \$1,400 to the Dental Board members.	34					**

Report Page Ref.	No.	DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Implemented*	To Be Implemented*	Deferred **	Rejec +
		<u>Clearing Accounts Payable</u>						
16	35	Review and clear the account payable balance as soon after the year-end as possible.				7/1/76		
		<u>Contracts</u>						
16	36	File all contracts in a safe location.			5/17/76			
17	37	Specify the contract period of all contracts.			5/17/76			
17	38	Make all payments in accordance with the contract provisions.			5/17/76			
		<u>OTHER</u>						
		<u>Statute Compliance - Inspection Costs</u>						
17	39	Comply with Section 25-5-711, C.R.S. 1973, or seek appropriate revision of the statutes.				7/1/76		
		<u>Contract Employee</u>						
18	40	Comply with State Fiscal Rules by either ceasing the contract services or retaining those services as a civil service employee.	40		4/1/76			
		<u>Insurance Coverage</u>						
18	41	Obtain coverage under the State blanket policy for all uninsured boards.	41					
		<u>Payroll System Knowledge</u>						
18	42	Train a second person to prepare the DORA payroll.				7/1/76		

Report Page Ref.		Recommendations	(*Include Date) (**If checked-explain in comments)					
No.		DEPARTMENT OF REGULATORY AGENCIES EXECUTIVE DIRECTOR'S OFFICE	See Comments	Requires Legislative Action **	Imple- mented*	To Be Imple- mented*	Deferred **	Reje *
19	43	<p><u>Payroll Check Distribution</u></p> <p>Strengthen internal control by having someone other than the person preparing initial payroll input agree the payroll checks to the payroll register and distribute the checks.</p>				5/28/76		
19	44	<p><u>Payroll</u></p> <p>Maintain the State Personnel "Action Forms" and employee-signed authorizations in the employee payroll files to support the rate of pay and payroll deductions, respectively.</p>			5/17/76			
19	45	<p><u>Fixed Assets</u></p> <p>Prepare written physical inventory instructions that detail the following at a minimum:</p> <p>A. A clear assignment of responsibilities.</p> <p>B. The objective of the inventory.</p> <p>C. Procedures to be followed in performing the inventory.</p> <p>D. Procedures to be followed to initiate changes in inventory listings at interim dates.</p>				7/1/76		
20	46	<p>Record additions and deletions to the detailed inventory listing on a timely basis.</p>				7/1/76		
20	47	<p><u>Petty Cash</u></p> <p>Record all petty cash funds on the central accounting system.</p>				6/1/76		
20	48	<p><u>Minutes to Meetings</u></p> <p>Establish uniform procedures for recording minutes to meetings.</p>				5/17/76		

Recommendations

(*Include Date) (**If checked-explain in comments)

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10	49	Review all board minutes centrally on a periodic basis as an effective management control procedure.			5/17/76			

