

Interstate Medical Licensure Compact Commission Audit Committee

Thursday, January 31st
6 PM Central Telephone conference

Agenda

- 6:00 Dr. Zanolli Call to order
Roll Call
Introduction and Charge of the Committee
- 6:05 Ms. Slife/Mr. Miller Brief Overview of the Audit process
Review of Independent Auditors' Report
Significant Audit Findings
Review of Material Weaknesses
Review of Deficiencies
- 6:35 Initial questions/clarifications
- 6:45 Dismissal of Ad Hoc Members
- 6:45 Closed session of Audit Committee Members with CLA Auditors
- 7:00 Discussion by Audit Committee Members
- 7:15 Adjournment

Members (all are appointed Commissioners from their respective states):

Michael Zanolli MD (TN) Chair **Present**
Karen Silas (AL) **Present**
Kim Templeton MD (KS)
Elmo Rosario MD (SD) **Present**
Melanie deLeon (WA) **Present**
Lisa Galbraith DO (WA) **Present**
Anne MacGuire MD (WY)

Ad Hoc Members

Ken Simons MD (WI) Chair
Claude Brunson (MS) Vice Chair
Edward Cousineau JD (NV) Treasurer **Present**

Marschall Smith Executive Director **Present**

CliftonLarsonAllen LLP Auditors

Ms. Allison Slife CPA Principle Auditor

Present

Mr. Eric Miller CPA Manager State and Local Government

Present

Charge of the Committee

To provide:

- Oversight of financial reporting and related internal controls
- Review of financial filings and earnings reports
- Risk oversight
- Oversight of the independent auditor

The Audit Committee reports to the IMLCC.

Minutes of the meeting:

Call to order and roll call at 6:01 PM Central time.

Dr. Zanolli gave an overview of the interactions as Chair of the Audit Committee with the representatives from CliftonLarsonAllen LLC Audit firm in addition to the communications with IMLCC administration. The charge of the committee (stated above) was emphasized. There was also emphasis on the fact that the IMLCC is not incorporated and is not a non profit organization. The IMLCC does not have to pay taxes as it is categorized as a Governmental Instrument with the IRS (IRS 115). Because the IMLCC is not a non profit corporation, it does not have to file a public 990 form which is usually part of an audit.

Thirty five minutes were given to the representatives from CLA with a very clear overview of the role of the auditing firm by the principle auditor for the Audit of the IMLCC, Ms. Allison Slife. Mr. Eric Miller entered into the presentation as he has worked extensively on this audit and is the manager of state and local government for CLA in their Colorado offices. Highlights and topics of interest to the committee were:

1. The audit extended for more than a calendar year and encompasses the time of the inception of the IMLCC (time of first meeting October 27, 2015) through the first full fiscal year (June 31st, 2017)
2. The “Deliverable” from the audit firm to the client is the Audit.
3. The Audit includes several documents which were reviewed by the audit committee at least six days before the conference call and include the
 - a. Planning letter
 - b. Financial statements

- c. Management letter
 - d. Governance letter
 - e. Representation letter from IMLCC to CLA
4. Highlights of the discussion were:
- a. The Opinion of the audit firm was the Audit was “clean” and “unmodified”. This is the highest grade for an audit. Although there were adjustments made by the auditors regarding some classifications of entries considered material weaknesses (see below).
 - b. There were explanations from the accounting perspective related to the statement of revenues and access to the grant of \$245,419. Invoices or requests for payment using this source of revenue were sent to the FSMB who obtained the grant and the payments were made “on-behalf” of the IMLCC. See page 2, item 4, of the Management letter.
 - c. There was also a non federal grant of \$25,000 received from the FSMB Foundation for start up revenue.
 - d. There were material weaknesses considered as serious deficiencies found in our internal controls. These resulted in adjustments to the journal entries (see page 4 of the Governance letter). These adjustments were necessary to be made with administration’s knowledge to have the final audit considered clean. A second category of material weakness was allowing outsourcing of some accounting functions during the initial startup of the IMLCC.
 - e. Significant deficiencies are considered less severe than a material weakness but important and reported by the auditors. In this category the lack of segregation of administrative duties for those working for the IMLCC was highlighted. (see page 3 of the Management letter)

Time for questions and interaction with the auditors was given to the entire group who logged on to the conference call, followed by a closed session of only the members of the Audit Committee and the auditors. This amount of time was felt adequate to have all questions at that time addressed by the CLA representatives.

The Audit Committee stayed on the conference call and had additional discussions leading to the following motion by Ms. deLeon and seconded by Dr. Galbraith:

To approve the Audit of the financial statements of the IMLCC from October 27th, 2015 to June 31, 2017 as performed by CLA and recommends the IMLCC accepts the Audit as submitted.

The motion passed.