In planning and performing our audit of the Interstate Medical Licensure Compact Commission (IMLCC), which are comprised of the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the period from inception (October 27, 2015) to June 30, 2017, and the related notes to the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the entity’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the entity’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses
We consider the following deficiencies in the entity’s internal control to be material weaknesses.

Adjusting Journal Entries
We identified material adjusting journal entries which were identified as part of the audit procedures applied. Below is a description of the adjusting journal entries.

1. At the close of fiscal year 2017, IMLCC had received cash in the amount of $53,135 for license applications which should have been classified as deposits in transit, however, it was recorded as accounts receivable. As a result, cash was understated as of June 30, 2017.
2. For each application fee processed by IMLCC for the period of inception (October 27, 2015) to June 30, 2017, $300 is collected and subsequently remitted to the State Board for which a license was issued. It was identified that IMLCC had recorded the cash receipts net of remittances. As a result, revenues and expenses were understated by approximately $85,450.

3. Through audit procedures performed over IMLCC’s liabilities, it was identified that approximately $8,375 in payments due to state boards had been recorded twice. As a result, IMLCC liabilities were overstated as of June 30, 2017.

4. To assist with start-up expenses for IMLCC, the Federation of State Medical Boards (FSMB) utilized federal grant funds to make payments on-behalf of IMLCC for expenses incurred during the period of inception (October 27, 2015) to June 30, 2017. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires governments to recognize revenue and expenses for on-behalf payments. Revenue should equal the amounts that third party recipients have received and expenses should equal the amounts recognized as revenue. As a result, an adjusting journal entry was made for $245,419 to recognize the payments made by the FSMB on-behalf of IMLCC.

Financial Statement Preparation

The Board of Commissioners and management share the ultimate responsibilities for IMLCC’s internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. This condition increases the possibility that a misstatement of IMLCC’s financial statements could occur and not be prevented or detected by IMLCC’s internal control.

IMLCC engages CLA to assist in preparing its financial statements and accompanying disclosures. While it is acceptable for CLA to assist in the preparation of the financial statements, as independent auditors, CLA cannot be considered part of IMLCC’s internal control system. IMLCC should design a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Significant deficiencies

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the entity’s internal control to be significant deficiencies:

Evidence of Transactions

Through audit procedures performed over cash receipts, it was identified that records for three cash receipts in the aggregate amount of approximately $1,200 during the period of inception (October 27, 2015) to June 30, 2017 could not be located by IMLCC. It is recommended that IMLCC implement a process and control to ensure all evidence of cash receipts is maintained for the fiscal year.
Segregation of Duties/IT Access

We noted there is a lack of segregation of duties due to individuals with full access within Quickbooks. Due to the small number of people employed in administrative functions, IMLCC may not be able to fully achieve an ideal segregation of duties. Currently, the Board of Directors’ close oversight and review of accounting information are the best means of preventing or detecting errors and irregularities. As part of this oversight function, known control deficiencies should be re-evaluated periodically in order to determine if the internal control system could be changed to better segregate duties. This includes the usage of a third party company to assist in the preparation of the financial information.

None of the identified significant deficiencies are considered to be material weaknesses.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

* * *

This communication is intended solely for the information and use of management, Board of Commissioners, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Broomfield, Colorado
January 28, 2019