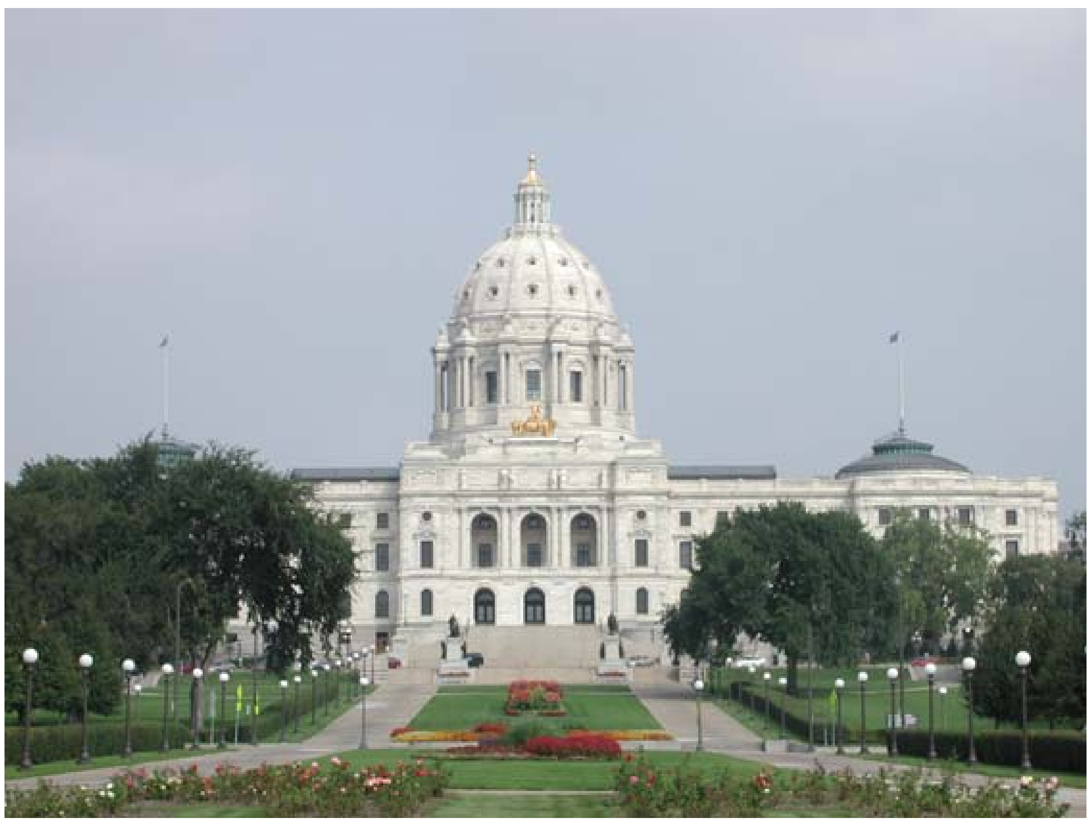
OLA

OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Minnesota Board of Chiropractic Examiners

July 1, 2000, through June 30, 2003



FEBRUARY 3, 2005 **05-05**

Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

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If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Larry Spicer, Executive Director
Minnesota Board of Chiropractic Examiners

We have audited the Minnesota Board of Chiropractic Examiners for the period July 1, 2000, through June 30, 2003. Our audit scope included license and fee receipts, payroll, and administrative expenditures. The Report Summary highlights our overall audit conclusions. The specific audit objectives and conclusions are contained in the Financial Operations Chapter of this report.

We selected the board for audit based on our annual assessment of state agencies and programs. We used various criteria to determine the entities to audit, including the size and type of each agency's financial operations, length of time since the last audit, changes in organizational structure and key personnel, and available audit resources.

We conducted our audit in accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of the board's internal controls relevant to the audit objectives. We used the guidance contained in *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission, as our criteria to evaluate agency controls.

The standards also require that we plan the audit to provide reasonable assurance that the board complied with financial-related legal provisions that are significant to the audit. In determining the board's compliance with legal provisions, we considered requirements of laws, regulations, contracts, and grant agreements.

To meet the audit objectives, we gained an understanding of the board's financial policies and procedures. We considered the risk of misstatements in the accounting records and noncompliance with relevant legal provisions. We analyzed accounting data to identify unusual trends or significant changes in financial operations. We examined a sample of evidence supporting the board's internal controls and compliance with laws, regulations, contracts, and grant provisions.

/s/ James R. Nobles	*/s/ Claudia J. Gudvangen*
James R. Nobles Legislative Auditor	Claudia J. Gudvangen, CPA Deputy Legislative Auditor

End of Fieldwork: April 30, 2004

Report Signed On: January 27, 2005

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Ken Vandermeer, CPA	Audit Director
George Deden, CPA	Auditor
Susan Mady	Auditor
Alan Sasse, CPA	Auditor
Trihn Bui	Intern
Titima To	Intern

Exit Conference

We discussed the results of the audit with the following staff of the Board of Chiropractic Examiners at an exit conference on October 28, 2004:

Larry Spicer	Executive Director
Karen Dorff	Office Services Supervisor
Juli Vangsness	Accounting Supervisor, Administrative Services Unit

Report Summary

Conclusions:

- The Minnesota Board of Chiropractic Examiners needs to provide an independent review of receipt and disbursement transactions and further restrict access to its business systems. (Finding 1, page 7)

- For the biennium ended June 30, 2003, the board did not comply with the statutory requirement that it collect sufficient fees to cover its costs. The under-recovery of costs resulted from extraordinary legal expenses incurred in the litigation of complaints. However, the board's receipts covered its costs in fiscal year 2004 and the board's financial projections indicate that it will recover its costs for the biennium ended June 30, 2005.

The report contained one finding relating to internal control. There were no prior audit findings.

Audit Scope:

Audit Period: July 1, 2000, through June 30, 2003

Programs Audited:
- Licensing and Fee Receipts
- Payroll Expenditures
- Administrative Expenditures

Agency Background:

The board regulates the licensing of chiropractors, corporations engaged in chiropractic medicine, and acupuncturists. In fiscal year 2003, the board collected approximately $609,000 and incurred direct and indirect costs of about $808,000. During that time, the board issued about 2,200 licenses and processed about 1,000 registrations.

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Chapter 1. Introduction

The Board of Chiropractic Examiners regulates the licensing of chiropractors, corporations engaged in providing chiropractic medicine, and acupuncturists to ensure compliance with the rules for the practice of chiropractic medicine in Minnesota. The board consists of seven members appointed by the Governor and operates under Minn. Stat. Sections 148.01 - 148.106 and Chapter 214. Dr. Larry Spicer is the executive director of the board.

The board processes applications for licensure and issues original licenses and renewal certificates. The board also investigates complaints filed against licensees.

The board obtains administrative support from the Administrative Services Unit (ASU) and legal services from the Attorney General's Office. ASU provides various services for all health boards, such as processing personnel and payroll transactions, purchasing, disbursing funds, and depositing receipts. ASU also assists the boards with budget development and monitoring financial activity throughout the year. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. According to statute, the board must establish fees sufficient to cover both the direct and indirect costs of its operations.

Table 1-1 shows the board's sources and uses of funds during the audit period.

Table 1-1
Sources and Uses of Funds [1]
By Fiscal Year

	2001	2002	2003
Sources:			
Appropriation	$381,451	$455,150	$392,185
Transfers-In [2]	0	75,000	70,000
Balance Forward In (Out)	16,036	(99,695)	99,695
Cancellations	(157)	0	(64,964)
Total Sources	$397,330	$430,455	$496,916
Uses:			
Direct Expenditures	$376,879	$422,304	$488,731
Statewide Indirect Costs	20,451	8,151	8,185
Total Uses	$397,330	$430,455	$496,916

Notes:
(1) Board receipts are deposited in a special revenue fund as nondedicated revenue. See Table 2-1 in Chapter 2 for information on the board's receipts.

(2) The board requested and received a deficiency appropriation for extraordinary legal costs incurred in the litigation of complaints.

Source: Minnesota Accounting and Procurement System.

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Chapter 2. Financial Operations

Chapter Conclusions

The Minnesota Board of Chiropractic Examiners needs to provide an independent review of receipt and disbursement transactions and further restrict access to its business systems.

For the biennium ended June 30, 2003, the board did not comply with the statutory requirement that its receipts cover its direct and indirect expenditures. However, the board's receipts covered its costs in fiscal year 2004 and the board projects that it will cover its costs for the biennium ended June 30, 2005.

The Minnesota Board of Chiropractic Examiners' budget is funded from a State Government Special Revenue Fund appropriation. The appropriation is established to cover both direct and indirect costs of operations. The board pays direct costs associated with board operations from its appropriation. Indirect costs result from the centralized services of the Administrative Services Unit, Health Professional Services Program, and the Attorney General's Office. Centralized service costs are pooled costs allocated to each health-related licensing board and paid from the Special Revenue Fund but not from the board's appropriation. The Legislature requires the board to consider both direct and indirect costs when establishing its fees.

The board is authorized to establish fees with the approval of the commissioner of Finance and the Legislature. The board deposits license and other fees into the health occupations licensing account in the State Government Special Revenue Fund as nondedicated revenue. According to Minn. Stat. Section 214.06, fees collected should approximate anticipated total expenditures for both direct operations and indirect costs during the biennium.

Expenditures

Payroll is the board's largest expenditure. The office employs five staff who belong to various compensation plans. Rent was the largest class of nonpayroll administrative expenditures. The second largest class of outlays was a significant investment in information technology that allows licensees to submit their license renewal applications on a web-based system.

Receipts

The board receives application fees, license and renewal fees, and late fees from chiropractors, corporations, and acupuncturists. In fiscal year 2003, the board issued approximately 2,200 licenses and processed about 1,000 registrations. Active and inactive chiropractic licenses expire annually on December 31. Acupuncture registrations expire on September 15, and all other independent examiner registrations expire February 28. The board's fees are set in statute. Fee changes must be approved by the commissioner of Finance and the Legislature during the biennial budget process.

Minnesota Board of Chiropractic Examiners

Administrative Services

Beginning in fiscal year 1994, the board entered into an agreement with 15 other health-related licensing boards to jointly fund the operations of the Administrative Services Unit (ASU). The board utilized the full range of services provided by ASU, a six-employee team who serve as administrative support for all health-related licensing boards. ASU inputs the board's purchasing and disbursement transactions into the Minnesota Accounting and Procurement System (MAPS) and employee expense reimbursements into the Statewide Employee Management System (SEMA4). The board also relies on the services of the ASU for central depositing of receipts, budget preparation, reporting financial activity, and processing of payroll/personnel transactions.

Table 2-1 summarizes the board's receipts, expenditures, and indirect costs for the two years of the biennium ended June 30, 2003.

Table 2-1
Receipts, Expenditures, and Indirect Costs
By Fiscal Year

	2002	2003
Receipts [1]		
License Fees	$469,783	$488,450
Application Fees	47,150	56,850
Fines, Penalties, and Filing Fees	42,530	25,249
Other	34,085	38,632
Total Revenues	$593,548	$609,181
Direct Expenditures		
Payroll and Per Diem	$293,061	$308,815
Rent, Maintenance, and Utilities	38,646	39,955
Computers and System Development	22,334	26,800
Communications and Printing	15,451	21,196
Supplies and Equipment	17,154	32,486
Agency Provided Professional/Technical	6,575	39,023
Other Operating Costs	29,083	20,456
Total Direct Expenditures	$422,304	$488,731
Indirect Costs		
Administrative Services Unit [2]	$ 15,323	$ 19,014
Health Professional Services Program [2]	9,163	9,820
Attorney General Services [2]	278,728	282,478
Statewide Indirect Costs	8,150	8,185
Total Indirect Expenditures	$311,364	$319,497
Total Direct and Indirect Expenditures	$733,668	$808,228
Fiscal Year (Loss) [3]	($140,120)	($199,047)

Notes:
(1) Board receipts are deposited in a special revenue fund as nondedicated revenue.
(2) Although the board does not pay these indirect costs directly from its appropriation, the Legislature requires the board to include these costs when setting fees. The indirect costs are paid from the State Government Special Revenue Fund.
(3) By statute, the board is required to set fees sufficient to cover its costs each biennium.

Source: Minnesota Accounting and Procurement System and ASU Subsidiary Records.

Audit Objectives and Methodology

We focused our review of receipts, payroll, and administrative expenditures on the following objectives:

- Did the board's controls provide reasonable assurance that assets were safeguarded and financial transactions were proper, accurately recorded on the state's accounting system, and processed in accordance with management's authorization?

- Did the board process transactions in accordance with material finance-related legal provisions, including employee compensation plans?

- Did the board set fees to recover costs as required by statute?

Finding and Recommendations

Finding 1 discusses the weaknesses we identified in the department's controls over financial operations.

1. The board did not provide an independent review of receipt and disbursement transactions, and did not adequately restrict access to its business systems.

The board did not provide an independent review of receipt and disbursement transactions and did not adequately restrict access to its business systems. We identified the following weaknesses in the board's financial procedures:

- The board assigned a concentration of duties to the office services supervisor. In the receipts area, this position is responsible for preparing the deposits and also reconciling the deposits to the accounting system (MAPS) and the board's licensing system. In the purchasing cycle, the supervisor authorizes purchases, receives supplies, authorizes payments, and reconciles authorized payments to the accounting system. In payroll, the supervisor authorizes payroll and personnel actions and verifies the information was accurately recorded in the personnel system (SEMA4). Ideally, someone independent of these accounting processes should reconcile the accounting information to the supporting records in order to timely identify potential errors or irregularities. Alternatively, if the office services supervisor continues to have these functional responsibilities, someone else could independently approve and verify the reconciliation to supporting records.

- Several state employees have unnecessary access to the board's business systems. First, the board granted full access to all five of its employees to create, update, and delete licensing records. As a result, the employees who process and deposit receipts also have access to change information in the licensing system. Second, the current access profiles for payroll and personnel at ASU do not follow requirements established by the Department of Employee Relations. Ideally, access to human resource functions such as adding new staff to the personnel system and adjusting pay rates are separate from payroll functions such as processing biweekly payroll and retroactive pay increases. Third, two individuals at the Board of Medical Practice have access to the accounting and human resources systems to back-up ASU employees. We think this compromises the confidentiality of the Board of Chiropractic Examiners' data.

Lack of separation of critical control procedures exposes the organization to unnecessary risks that receipts could be stolen or misplaced. For expenditures, unauthorized or inappropriate transactions could be processed against the board's budget, or errors could occur and remain undetected. Department of Finance policy 102-01 requires the person performing receipt reconciliations to be independent of the depositing and data entry processes for receipts. The policy requires similar independent reconciliations for the authorization and processing of expenditure transactions.

Department of Finance policy 102-01 also requires agencies to periodically review and restrict access to their computer systems. Access to computer systems should be restricted based on each individual's job duties. Individuals responsible for reconciliations of system activity could be limited to view-only access to prevent intentional or unintentional alteration of system balances.

Recommendations

- *The board should segregate incompatible duties or perform an independent review and approval of the reconciliations prepared by the office supervisor.*

- *The board should restrict access to its business systems, including access by ASU and Medical Practices Board personnel. Personnel and payroll access profiles recommended by the Department of Employee Relations should be used to properly separate duties. The board should also perform periodic reviews to ensure that employees only have the system access necessary to fulfill their job responsibilities.*

Status of Prior Audit Issues
As of April 30, 2004

Most Recent Audit

Legislative Audit Report 98-54 covered the two fiscal years ending June 30, 1997. The audit focused on the internal control structure over license receipts, personnel services, rent, and other administrative expenditures. There were no audit findings noted in the report.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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Minnesota Board of Chiropractic Examiners

January 19, 2005

JAMES R NOBLES
OFFICE OF THE LEGISLATIVE AUDITOR
ROOM 140 CENTENNIAL BUILDING
658 CEDAR STREET
ST. PAUL MN 55155-1603

Dear Mr Nobles:

The Minnesota Board of Chiropractic Examiners (MBCE) is in receipt of the draft audit report, dated December 14, 2004, derived from the 2004 audit of the MBCE. We appreciate the opportunity to respond to the audit and ask that you please accept the following as the response to your report. The undersigned will address the audit reports current concerns as well as outline what remedies may be available.

The Minnesota Board of Chiropractic Examiners needs to provide an independent review of receipt and disbursement transactions and further restrict access to it's business systems.

With regard to the concentration of duties related to the receipts, the report expresses concerns that the person preparing the deposit, is also later responsible for reconciling the deposits to the accounting system (MAPS). Effective as of 1/5/05, the deposit and deposit report will be prepared by the licensing coordinator, and the reconciliation will remain with the office manager.

With regard to the purchasing cycle, the report states that the duties are too concentrated. Currently the office manager approves purchases, receipts are conducted by our front desk support staff person, and reconciliations performed by the office manager. Effective immediately, this configuration will change to purchase orders being approved by the executive director, and the other duties remaining as described.[1]

The report states that in payroll, the supervisor authorizes payroll and personnel actions, and verifies the information was accurately recorded in the personnel system. In fact the system is much more complex than this. For example a change in pay, or a refusal to approve a

[1] Additionally, purchase authorizations are reviewed by the Boards Administrative Officer.

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mandated pay increase must first be approved by the executive director, generally resulting from a performance review. Such raises are a function of contractual obligations. The process to refuse such a raise requires notification to the manager, the employee, the employees bargaining unit and the Department of Employee relations (DOER). The process to approve such a raise requires the executive directors approval.[2] Then the office manager completes forms and sends it to the Administrative Services Unit for processing. The personnel officer reviews the information, and gives it to the accounting supervisor for input into MAPS. The MAPS system is replete with integrated controls which test the input for accuracy and eligibility based on numerous contractual parameters such as proper amount of raise and compliance with eligibility time-line operators. Should the input not meet the business rules, it is kicked out of the system for further review/correction. Assuming the input is correct, a report is generated where it proceeds to DOER for further review and processing. Reports are returned from DOER which are reconciled by two separate persons...one from ASU, and the office manager of the agency. It is, a challenge to understand how adding one more person into this mix is going to improve the integrity of the system. However, the undersigned will place this on the Board meeting agenda for further consideration. The undersigned will recommend to the Board (at it's next regularly scheduled Board meeting) that a designated Board member be given the responsibility of reviewing and signing off on all personnel action reconciliations.

The audit report expresses concerns regarding the ability of all staff having access to all functions of the Boards computer system, specifically "being able to create, update, and delete licensing records." The MBCE is a small agency with limited staff. There was a need to create redundant systems, in order to create backup coverage in the event of further staff shortage during critical periods. For example during our recent relicensing period (October 15, to December 31) two key staff became unavailable due to family illness and death. Such absence would have created a critical situation in which many hundreds of doctors would have been unable to have their licenses renewed. Moreover, the current system (recently constructed for approximately $65,000) would have to be retooled. The Board no longer has access to any IT staff capable of accomplishing this at a reasonable cost. The Board has included a change item request in its budget for the purposes of developing a new licensing program. Should this be approved, the Board will make every attempt to establish these controls as part of the development process. However, it should also be pointed out that a mechanism needs to remain in place where the controls can be modified in the face of exigent circumstances. The Board recognizes that certain risks have to be balanced against the crisis offered if staff emergencies interfere with our abilities to carry out critical functions. In addition all critical functions are intimately integrated into the computer database system. Therefore to divorce backup capabilities from the critical system can have an outcome far worse than the risks attending the current system.

However, the Legislative Auditor rightfully illuminates the risk and the Board can take some measures to mediate these risks. To begin with, some comfort may be derived from the

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[2] This does not apply to performance reviews, pay raises or achievement awards for the executive director, which are always conducted or approved by the Board president.

notion that making changes or deleting licensing records is a relatively complex task, which not all of the staff have ever been trained on. However, for those who have been trained in such procedures, it should be pointed out that making changes in the system always results in a date/time stamp, along with identification of the person making the changes. In addition, the MBCE staff has been instructed (with ongoing training) as to who can make changes and under what conditions. As a general matter, normal changes (eg entry of a new licensing record, or updating the record as additional information becomes available) is performed by one person, our licensing coordinator. Beyond that, no changes are made in the database by anyone other than the executive director. This generally follows a discussion between the staff person creating the erroneous input and the executive director, and is directed toward mitigating further errors. As an attempt to further improve the system, the MBCE has created a form to be utilized for all future database corrections. This form will document the alteration to the system in the following manner: The requestor must describe the problem to be remedied, and propose the solution. The proposed solution must be approved by the executive director. The licensing coordinator or the executive director will make the change (depending on the complexity of the change and the method of making the change required.) The licensing coordinator will then sign that the correction is reflected in the record, and it will be checked separately by the office manager who will sign off on the completed procedure. Finally, the procedure will be countersigned by a designated Board member.

The audit report describes a concern with the access profiles stating that they “do not follow the requirements established by the Department of Employee Relations.” In fact, my understanding is that DOER actually assisted in the development of the access profiles. In addition the access profiles are reviewed on an annual basis and modified as appropriate. The audit report further states that two individuals at the Board of Medical practice have access to the accounting and human resources systems. I have been advised that these personnel never did have access to the accounting systems but did, during a period of staff need, act as a back up for the SEMA 4 system (human resources.) Nevertheless, I have been advised that these persons profiles have been removed.

For the biennium ended June 30, 2003, the Board did not comply with the statutory requirement that it collect sufficient fees to cover its costs. The under-recovery of costs resulted from extraordinary legal expenses incurred in the litigation of complaints. However, the Board’s receipts covered its costs in fiscal year 2004, and the board’s financial projections indicate that it will recover it’s costs for the biennium ended June 30, 2005.

As this finding points out, this was “extraordinary”, and results from the rare, but occasionally expected result of one of the mission critical functions of the board, which is to impose discipline when appropriate. Most of the time this is accomplished in a most cost effective manner. Occasionally, as in this case, disciplinary cases cannot be resolved inexpensively. However, if a revocation or suspension is warranted, costs cannot be allowed to prohibit the MBCE from carrying out one of its primary duties. To do so runs the risk of exposing the public to great, unmitigated harm. However, it does illuminate an ongoing problem which is going to likely need some legislative repair.

It is clear that some statutory and policy ambiguity exists with regard to the accounting for funds related to the Health Licensing Boards (HLB's). These Boards determine their budgets based on expected expenditures and receive appropriations accordingly. The HLB's can rarely, if ever, predict the likelihood of a contested case occurring during any given biennial cycle. Such a case can cost anywhere from $40,000 to $200,000 (and sometimes even more). This Board resolves approximately 200 complaints per year, any one of which can explode into a contested case status at any moment. On the other hand, this Board can go for many years (as it did for nearly 10 years) without a single contested case.

This must be viewed in the context of statute and "evolving" policy by the Department of Finance. For many years the HLB's operated under the policy that their carryforward balances were maintained ad infinitum. Very recently, the Boards were surprised (perhaps shocked) to learn that this is no longer the case.[3] In addition the Department of Finance was struggling with vague statutory language which indicated that the Boards had to either recover their costs over the two year biennium or over a 5 year period. This points out an inexplicable statutory inconsistency, which should be considered for legislative repair. Specifically, MS 214.06 states:

> *...As provided in section 16A.1285, the adjustment shall be an amount sufficient so that the total fees collected by each board will as closely as possible equal anticipated expenditures during the fiscal biennium, including expenditures for the programs authorized by sections 214.17 to 214.25 and 214.31 to 214.37. For members of an occupation registered after July 1, 1984, by the commissioner of health under the provisions of section 214.13, the fee established must include an amount necessary to recover, over a five-year period, the commissioner's direct expenditures for adoption of the rules providing for registration of members of the occupation.*

There seems to be no discernable rationale for allowing some health licensing boards to recover costs over 2 years and other health licensing boards to recover costs over 5 years, with the mitigating factor being when the Boards were enacted.

The auditors, in this case have focused on the two year time frame. As a practical matter, this is HIGHLY IMPROBABLE for any agency that has a contested case hearing during any biennial cycle, particularly if the case occurs in the second year of the cycle. Since, in order to

[3] This policy was extended to the Boards through communication with the Executive Budget Officer that had served the Boards for many years. Unfortunately, it was forwarded verbally, and the Boards have been unable to locate any written documentation memorializing this policy. However, it has been relied upon by the Boards for nearly the entirety of the 12 years that the undersigned has been employed here, until the recent notification of a change of view.

prosecute the case the Board would no longer have access to the legislature for that year, the Board would automatically be in violation of the biennial budget recovery period.

As a result, Boards will be deficient and unable to recover costs (or remain "revenue neutral") unless or until one of three conditions are met:

- Later revenue surplus's "catch up" with the Board's deficit;
- Consideration is given to previous surplus's (in effect legislating the long term carryforward balance for the Board's)
- Sufficient time elapses to allow for legislative consideration and repair, as a result of fee modification. The drawback to this approach is that a fee modification may not come for several years after the time period for which the recovery is sought. Therefore, the net effect would be a fee modification which repairs a prior deficiency, but which would now result in a substantial surplus for current or future years, requiring that the agency now reduce the recently raised fee. The net result would be an erratic approach to the establishment of fees, confusing to licensee's and a regulatory nightmare for the agency.

The second option worked very well for the agencies, in that it allowed the agencies to remain revenue neutral over the long term, gave the agency the opportunity to spot legitimate cost trends and react responsibly to them, and utilize well designed practices to moderate budgets over the long term. The net result for this agency has been that fees have not had to be changed over the 12 years that the undersigned has been director of this agency. Current interpretation of policies will likely result in returning to the legislature every two years for fee modifications, based on "best guess" methods. This approach is inefficient, erratic, confusing and inconsistent with a reasonable public policy. The undersigned will be engaging the other HLB's in a discussion related to what type of legislative repairs might assist in effectuating a resolution to this challenge.

The above information constitutes my response to the audit findings that pertain to the MBCE. Thank you for the opportunity to reply to the legislative audit. If you have any further questions or concerns, please feel free to contact the undersigned directly.

Sincerely,

/s/ Larry A. Spicer

Larry A. Spicer, DC
Executive Director