CliftonLarsonAllen LLP
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Board of Commissioners and Management
Interstate Medical Licensure Compact Commission
Littleton, Colorado

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, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the period ending June 30, 2018, 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.

1. **Internal Controls Over Financial Reporting** -The original trial balance that was provided to CLA contained material errors that included fund balance not rolling to the prior year audited statements, as well as a material understatement of license fee expense and payables to state boards. During our audit procedures with IMLCC over this original trial balance we discovered that the general ledger and trial balance did not include all of the fiscal year 2018 activity. As a result, our audit was delayed while IMLCC went through the fiscal year 2018 transactions in order to ensure that all activity was recorded in the general ledger in order to provide a complete general ledger and trial balance. In the original trial balance received fund balance did not roll to the 2017 audited statements by approximately $90,000. Once the fourth and final trial balance was obtained from IMLCC, the liabilities and expenses had increased by approximately $200,000 compared to the original trial balance that was provided for the audit.

2. **Adjusting Entry** - 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 ending June 30, 2018. 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 $158,989 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.

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.

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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.

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Broomfield, Colorado
June 3, 2020