



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, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the period ending June 30, 2019, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. Our audit was also not designed to identify deficiencies in internal control that might be 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.

### Significant Deficiency

We consider the following deficiency in the entity's internal control to be a significant deficiency.

1. **Completeness of Grant Revenues and Expenses** – In our testing of grant revenues and expenses we noted that grant revenue in the unadjusted trial balance was understated by \$51,541. This misstatement existed because the final grant reimbursement request for grant expenses incurred in 2019 was not recorded as a receivable and revenue for fiscal year 2019. For grants that are funded under the reimbursement method, revenue should be recognized at the time eligible expenses are incurred. This misstatement also existed because \$8,663 of grant expenses and revenues paid on behalf of IMLCC by FSMB were not recorded. This resulted in an audit adjustment to record grant receivable and revenue of \$51,541.

Also, in our reconciliation of eligible grant expenses incurred by IMLCC in 2019 to the general ledger, we noted a total of \$15,201 of grant expenses incurred that were not recorded in the general ledger. This resulted in an audit adjustment to record expenses and payables for grant expenses incurred in 2019.

## **Other Deficiencies**

During our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below.

### **Year- end Reconciliation of Accounts Payable**

In our testing of accounts payable, we noted two invoices for services performed in fiscal year 2019 that were not properly recorded as expenses and payables within 2019. This resulted in an audit adjustment for \$14,576 to record the expenses and correlating liabilities for fiscal year end 2019. We recommend that IMLCC implement a process to review payments made after the fiscal year end to ensure that the expense for the payment is recorded in the fiscal period that the service provided to IMLCC was performed in.

### **Accurate Recording of Transactions**

In our testing of license fees payable to state boards we noted a total of \$92,940 of license fee expenses and payables that were recorded in the incorrect state board's general ledger account. This generated a reclassification of the amount to the correct state board accounts. We recommend that IMLCC implement a process to review manual journal entries to ensure that the financial activity is recorded in the correct account.

### **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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Broomfield, Colorado  
February 16, 2021