



STATE OF NORTH CAROLINA

NORTH CAROLINA BOARD OF NURSING
FINANCIAL RELATED AUDIT
MAY 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

NORTH CAROLINA BOARD OF NURSING

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NANCY BRUTON-MAREE, BOARD CHAIR

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AUDITOR'S TRANSMITTAL

June 6, 2012

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
North Carolina Board of Nursing
Julia L. George, RN, MSN, FRE, Executive Director

This report presents the results of our financial related audit at the North Carolina Board of Nursing. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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BACKGROUND, GENERAL OBJECTIVES, AND METHODOLOGY

BACKGROUND

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the North Carolina Board of Nursing (Board). There were no special circumstances that caused us to conduct the audit, but rather it was performed in accordance with Chapter 93B of the *North Carolina General Statutes*, which states that the State Auditor shall audit occupational licensing boards from time to time to ensure their proper operation.

North Carolina was the first state in the nation to have a Board of Nursing, which was founded in 1903. Board responsibilities include:

- a. issuing, renewing and reinstating nursing licenses for registered nurses (RNs) and licensed practical nurses (LPNs);
- b. approving and monitoring the state's nursing education programs that lead to initial licensure;
- c. interpreting the practice of nursing based upon the State's Nursing Practice Act;
- d. investigating complaints against licensed nurses;
- e. administering the nurse licensure compact;
- f. maintaining the Nurse Aide II registry and regulating the practice of Nurse Practitioners and Nurse Midwives.

According to its website, the Board currently oversees more than 127,000 RNs and LPNs statewide.

GENERAL OBJECTIVES

The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. The specific fiscal matters included in the audit are described in the Scope and Specific Objectives section of this report.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

METHODOLOGY

To accomplish our audit objectives, we gained an understanding of internal control over matters described in the Scope and Specific Objectives section of this report and evaluated the design of the internal control. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provide evidence about our audit objectives. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records, and examining documentation supporting recorded transactions and balances. Whenever sampling was used, we applied a nonstatistical approach but chose sample sizes comparable to those that would have been determined statistically. As a result, we were able to project our results to the population but not quantify the sampling risk.

As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SCOPE, SPECIFIC OBJECTIVES, AND RESULTS

SCOPE AND SPECIFIC OBJECTIVES

Our audit scope covered the period July 1 through December 31, 2011. During our audit, we considered internal control related to the following accounts and specific objectives:

Cash and Investments – This account includes cash and money market accounts, as well as certificates of deposit. At December 31, 2011, the Board reported a total of \$8.7 million for these accounts. We examined internal controls designed to ensure that the Board properly accounts for and safeguards these assets.

Capital Assets, Net of Accumulated Depreciation – This account includes land, building, furniture and equipment, or software acquired through purchase with an initial cost of \$3,000 or more and with an estimated useful life of more than two years. Accumulated depreciation recognizes the depreciating value of those capital assets over time. At December 31, 2011, the Board reported a total of \$8.6 million in capital assets with accumulated depreciation of \$850,000. We examined internal controls designed to ensure that the Board properly accounts for and safeguards these assets.

Renewal Fees and Deferred Renewal Revenue – These accounts represent license fees collected from renewals every two years and the accounting for the earned and deferred revenue amounts for financial reporting purposes. At December 31, 2011, the Board reported \$2.9 million in renewal fees and \$5.8 million in deferred renewal revenues. We examined internal controls designed to ensure that the Board's collections of fees were as authorized by statutory authority and that revenues were properly recognized and accounted for by the Board.

Salaries and Accrued Vacation – These accounts include salary payments made to permanent employees of the Board and the liability owed to employees for vacation leave earned but not taken. Salary expense for permanent employees reported at December 31, 2011 was \$2.1 million with the accrued vacation liability reported at \$435,000. We examined internal controls designed to ensure that the Board has appropriate hiring procedures in place and employee salary expenditures are properly accounted for by the Board.

General Operations – The Board is subject to regulatory requirements established in *North Carolina General Statutes Chapter 93B - Occupational Licensing Boards* and *Chapter 90, Article 9A - The Nursing Practice Act*. We examined internal controls designed to ensure that the Board met these requirements.

RESULTS

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards.

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ORDERING INFORMATION

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