Report Highlights

Why DLA Performed This Audit

The purpose of the audit was to determine if there is a need for the board's continued existence and whether its termination date should be extended. The board is set to sunset June 30, 2018, and will have one year from that date to conclude its administrative operations.

What DLA Recommends

- Division of Corporations,
 Business, and Professional
 Licensing's (DCBPL) director,
 in consultation with the board,
 should reduce fees.
- 2. DCBPL's director should develop and implement procedures to ensure courtesy licensees comply with monthly reporting requirements.

A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Psychologist and Psychological Associate Examiners (board)

October 5, 2017 Audit Control Number 08-20107-17

REPORT CONCLUSIONS

Overall, the audit concludes the board served the public's interest by effectively licensing and regulating psychologists and psychological associates. The board monitored licensees and worked to ensure only qualified individuals practice in Alaska.

In accordance with AS 08.03.010(c)(18), the board is scheduled to terminate on June 30, 2018. We recommend that the legislature extend the board's termination to June 30, 2026.

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE





P.O. Box 113300 Juneau, AK 99811-3300 (907) 465-3830 FAX (907) 465-2347 legaudit@akleg.gov

October 31, 2017

Members of the Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Psychologist and Psychological Associate Examiners (board) and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,
AND ECONOMIC DEVELOPMENT
PSYCHOLOGIST AND PSYCHOLOGICAL ASSOCIATE EXAMINERS
SUNSET REVIEW

October 5, 2017

Audit Control Number 08-20107-17

The audit was conducted as required by AS 44.66.050(a). Per AS 08.03.010(c)(18), the board is scheduled to terminate on June 30, 2018. We recommend that the legislature extend the board's termination date to June 30, 2026.

The audit was conducted in accordance with generally accepted government auditing standards. 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. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

Kris Curtis, CPA, CISA Legislative Auditor

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ABBREVIATIONS

AAC Alaska Administrative Code ACN Audit Control Number

AS Alaska Statute

board Board of Psychologist and Psychological Associate

Examiners

CISA Certified Information Systems Auditor

CPA Certified Public Accountant

DCBPL Division of Corporations, Business, and Professional

Licensing

DCCED Department of Commerce, Community, and

Economic Development

DLA Division of Legislative Audit

FY Fiscal Year

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ORGANIZATION AND FUNCTION

Board of Psychologist and Psychological Associate Examiners

The Board of Psychologist Exhibit 1 and Psychological Associate Examiners (board) established for the purpose of regulating the practice of psychology in Alaska. The board is comprised of five members: three licensed psychologists, one licensed psychological associate, and one public member with no direct financial interest in the health care industry.

Alaska statutes define the practice of psychology diagnosis, prevention, the treatment, or amelioration of emotional and mental disorders and psychological problems

Board of Psychologist and Psychological **Associate Examiners** as of August 31, 2017

Allen Levy, Chair Psychological Associate

> Deborah Gideon Psychologist

> > Joel Wieman Psychologist

Sarah Angstman Psychologist

Suzanne Dutson Public Member

Source: Office of the Governor, Boards and Commissions website.

for individuals, groups, and organizations or for research on human behavior. Psychologists provide services involving the application of psychological principles, methods, and procedures of understanding, predicting, and influencing behavior.

Per AS 08.86.070, the duties of the board include:

- 1. Establishing examination and education requirements for applicants seeking licensure as well as examining and issuing licenses to qualified applicants;
- Establishing continuing education requirements for license renewal:
- Establishing standards for the practice of psychology;
- Imposing disciplinary sanctions; 4.
- Reviewing the quality and availability of psychological

services in the state, when requested by the Department of Commerce, Community, and Economic Development (DCCED); and

6. Compiling information for submission to DCCED on the practice of psychology by licensees in the state.

DCCED's Division of Corporations, Business, and Professional Licensing (DCBPL)

DCBPL provides administrative and investigative assistance to the board. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving application forms, publishing notices for meetings, and assisting with board regulations.

Alaska Statute 08.01.087 gives DCBPL authority to act on its own initiative or in response to a complaint. The division may:

- 1. Conduct an investigation if it appears a person is engaged or about to engage in a prohibited professional practice.
- 2. Bring an action in Superior Court to enjoin the act.
- 3. Examine or have examined the books and records of a person whose business activities require a business license or licensure by a board listed in AS 08.01.010, or whose occupation is listed in AS 08.01.010.
- 4. Issue subpoenas for the attendance of witnesses and records.

Alaska Statute 08.01.065 requires the department adopt regulations that establish the amount and manner of payment of application, examination, and license fees.

REPORT CONCLUSIONS

In developing our conclusion regarding whether the Board of Psychologist and Psychological Associate Examiners' (board) termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c), which are included as Appendix A of this report. Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

Overall, the audit concludes the board served the public's interest by effectively licensing and regulating psychologists and psychological associates. The board monitored licensees and worked to ensure only qualified individuals practice in Alaska.

In accordance with AS 08.03.010(c)(18), the board is scheduled to terminate on June 30, 2018. We recommend that the legislature extend the board's termination to June 30, 2026.

Detailed report conclusions are as follows.

The board operated in the public interest and does not duplicate the efforts of other entities.

Board meetings held from FY 15 through March 2017 were conducted in an effective manner. During this period, 12 meetings were held, which exceeded the minimum number required by statute; however, the board's workload supported the number held. Additionally, board meetings allowed time for public comment and were public noticed timely. There were vacancies in board membership during the audit period; however, quorum was consistently met. As of August 2017, there were no board vacancies. The audit also determined that the board does not duplicate the efforts of another governmental or private sector agency.

A review of board investigative activity found 43 cases were open or opened between July 2014 and March 2017; all but one case was closed during the audit period. The audit found 14 of the cases were open for over 180 days. Testing of a judgmental sample of three of the 14 cases found one continuing education case had an

unjustified period of inactivity. Per management, staff turnover resulted in a backlog of continuing education cases.

Between FY 15 and March 2017, the board amended 12 AAC 60.185 (ethics and standards of conduct) to ensure licensees adhere to current national standards. The national standards contain the types and methods of provided services including electronic delivery of psychological services, also referred to as telehealth.

The board licensed individuals according to statutes and regulations.

The audit found the board operated in the public's interest by licensing psychologists, psychological associates, temporary licensees, and courtesy licensees in accordance with statutes and regulations. A random sample of 25 licenses issued during the audit period was tested, and all were found to be issued in compliance with state law.

As shown in Exhibit 2, from FY 14 through FY 16, the board issued 106 new licenses. As of March 31, 2017, there were a total of 285 licensees, representing a 174 percent increase when compared to the 2009 sunset audit. According to the board chair, this increase is due to the establishment of in-state psychologist doctoral programs, producing the first graduates in 2009.

Division of Corporations, Business, and Professional Licensing (DCBPL) staff did not ensure courtesy licensee reporting met regulatory requirements. According to the board chair, a courtesy license allows a licensed psychologist in another jurisdiction to provide limited services in Alaska, such as expert testimony in a legal case. A courtesy license authorizes the licensee to practice psychology for no more than 30 days in a 12-month period. Regulations stipulate that a courtesy licensee must report monthly the number of days worked. The audit found licensees were not in compliance with the reporting requirement. Furthermore, DCBPL licensing staff did not consistently notify the board of non-compliance, nor were the required reports tracked. The same issue was identified in the previous sunset audit. (Recommendation 2)

¹The number of total licenses reported in the 2009 sunset audit (ACN 08-20066-10) was 104.

Exhibit 2

Board of Psychologist and Psychological Associate Examiners Licensing Activity FY 14 through March 31, 2017

	(Exc	New Issued	Total Licenses as of	
	FY 14	FY 15	FY 16	March 31, 2017
Psychologist	16	17	21	221
Psychological Associate	2	1	2	45
Temporary License				
Psychologist	16	9	6	15
Psychological Associate	-	2	1	1
Psychologist Courtesy License	1	7	5	3
Totals	35	36	35	285

Source: Compiled from DCBPL licensing database.

DCBPL management, as requested by the board, increased fees despite an existing surplus. Primarily, the board receives its revenue from licensure and renewal fees. Renewals are conducted on a biennial basis, creating a two-year cycle in board revenues. As shown in Exhibit 3, fees were increased in FY 17 for the initial application and the associate license. At the end of FY 17, as shown in Exhibit 4, the board had a surplus of \$399,525. Per the board, associate fees were increased to equal the fees for psychologist licenses. The application fee was increased to fully account for the costs of processing incoming applications. DCBPL management did not adequately consider the surplus when setting the fees, which resulted in licensees paying higher than justified fees in FY 17. (Recommendation 1)

Exhibit 3

Board of Psychologist and Psychological Associate Examiners License Fees FY 14 through FY 17

	FY 14	FY 15	FY 16	FY 17
Application fee for initial license	\$75	\$75	\$75	\$200
Application fee for any courtesy psychologist license	50	50	50	50
Psychologist license fee for all or part of the initial				
biennial license period	775	775	775	775
Psychologist biennial license renewal fee	775	775	775	775
Psychological associate license fee for all or part of				
the initial biennial license period	550	550	550	775
Psychological associate biennial license renewal fee	550	550	550	775
Courtesy psychologist license fee	200	200	200	200
Temporary license fee	150	150	150	150
Credential review fee	100	100	100	100
State examination fee	50	50	50	50
Examination for Professional Practice in Psychology				
examination retest fee	25	25	25	25

Source: DCBPL Regulations.

Exhibit 4

Board of Psychologist and Psychological Associate Examiners Schedule of Revenues and Expenditures FY 13 through FY 17 (Unaudited)

	FY 13	FY 14	FY 15	FY 16	FY 17
n					
Revenues	¢156 000	\$20. <i>65</i> 0	¢174 020	Ф22 57 2	¢102.265
Licensing Revenue	\$156,899	\$38,650	\$174,938	\$33,572	\$193,265
Total Revenues	156,899	38,650	174,938	33,572	193,265
Direct Expenditures					
Personal Services	55,234	69,884	58,896	37,479	28,054
Travel	9,816	14,041	22,637	13,090	14,489
Contractual	1,763	26,033	14,070	10,189	3,825
Supplies	172	78	50	19	149
Total Direct Expenditures	66,985	110,036	95,653	60,777	46,517
Indirect Expenditures	17,246	25,827	31,271	19,713	20,570
-					
Total Expenditures	84,231	135,863	126,924	80,490	67,087
•					
Annual Surplus (Deficit)	72,668	(97,213)	48,014	(46,918)	126,178
,	,	,	,	, , ,	•
Beginning Cumulative Surplus					
(Deficit)	296,796	369,464	272,251	320,265	273,347
•					
Ending Cumulative Surplus (Deficit)	\$369,464	\$272,251	\$320,265	\$273,347	\$399,525

Source: Compiled from DCBPL licensing database.

FINDINGS AND RECOMMENDATIONS

The prior 2009 sunset audit made three recommendations:

- The Division of Corporations, Business, and Professional Licensing's (DCBPL) administrative officer should take steps to improve administrative support.
- DCBPL's administrative officer should take steps to ensure courtesy licensees comply with reporting requirements.
- The Board of Psychologist and Psychological Associate Examiners (board) and staff within the Office of the Governor should work together to increase the pool of qualified applicants available for board appointments to ensure full representation.

The prior audit recommendation to improve administrative support described problems with accurate reporting of licensing statistics in annual reports, public noticing board meetings, accounting of expenditures, and analyzing fees. The prior deficiencies have generally been addressed by implementing checklists and changing administrative staff. However, the current sunset audit found the division's fee analysis did not address the board's surplus. (Recommendation 1)

The prior audit recommendation to ensure courtesy licensees comply with reporting requirements has not been resolved. Although DCBPL management implemented a process to inform courtesy licensees of the requirements, no monitoring procedures were developed to ensure compliance. (Recommendation 2)

The prior audit recommendation to address the board vacancies has been addressed. As of August 2017, there were no board vacancies.

Recommendation 1:

DCBPL's director, in consultation with the board, should reduce fees.

DCBPL management did not adequately set licensing fees equal to the costs of regulating the profession. Alaska Statute 08.01.065 requires the Department of Commerce, Community, and Economic Development annually review fees to determine whether regulatory costs of each occupation approximately equal fees collected. If fees and costs do not equal, fees should be adjusted.

At the end of FY 16, the board had a surplus of \$273,347. Rather than adjusting fees downward to reduce the deficit, DCBPL management, at the request of the board, increased the FY 17 application fee for psychologists and psychological associates and the FY 17 licensure fees for psychological associates. Per the board chair, fees were changed to ensure associate and psychologist licensees paid the same fee. The application fee was increased to cover the costs of processing incoming applications. When analyzing the fee levels, DCBPL management did not adequately consider the surplus and make necessary adjustments. The oversight resulted in licensees paying higher than justified license fees.

We recommend DCBPL's director, in consultation with the board, reduce fees.

Recommendation 2:

DCBPL's director should develop and implement procedures to ensure courtesy licensees comply with monthly reporting requirements. The audit found four out of 13 courtesy licenses issued during the audit period did not comply with the monthly reporting requirements. According to 12 AAC 60.035(a), a courtesy licensee must submit a monthly report to the board during the period of licensure indicating the number of days practiced during the month. Absent submitting the required reports, there is no way to determine if the licensee was performing services in excess of the 30 days allowed by the license.

Failure to ensure compliance was due in part to high turnover of licensing staff during the audit period and lack of procedures to ensure DCBPL staff were monitoring and reporting noncompliance to the board.

We recommend DCBPL's director develop and implement procedures to ensure courtesy licensees comply with monthly reporting requirements.

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Board of Psychologist and Psychological Associate Examiners (board) to determine if there is a demonstrated public need for its continued existence.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently under AS 08.03.010(c)(18), the board will terminate on June 30, 2018, and will have one year from that date to conclude its administrative operations.

Objectives

The three central, interrelated objectives of our report are:

- 1. To determine if the termination date of the board should be extended.
- 2. To determine if the board is operating in the public's interest.
- 3. To determine the status of recommendations made in the prior sunset audit.

Scope

The assessment of operations and performance of the board was based on criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board. We reviewed the board's activities from July 2014 through August 2017. Financial information is presented, unaudited, from FY 13 through FY 17.

Methodology

During the course of our audit we reviewed and evaluated the following:

• The prior sunset audit report (ACN 08-20066-10) to identify issues affecting the board and to identify prior sunset audit recommendations.

- Applicable statutes and regulations to identify board functions and responsibilities, determine whether statutory or regulatory changes enhanced or impeded board activities, and help ascertain if the board operated in the public interest.
- The State's online public notice system to verify the board meetings were adequately public noticed.
- Board meeting minutes and annual reports to gain an understanding of board proceedings and activities, the nature and extent of public input, whether a quorum was maintained, and whether board vacancies impeded operations.
- Expenditures, revenues, and fee levels for the board to determine whether fee levels covered the costs of operations.
- Investigation data of the board for cases open six months or longer from FY 15 through March 31, 2017. A judgmental sample of three of 14 cases open for over 180 days were reviewed for unjustified periods of inactivity.
- Division of Corporations, Business, and Professional Licensing (DCBPL) fee analysis tool to gain an understanding of the methodology for establishing board fees.
- Various State and news related websites to identify complaints against the board or other board related concerns.
- The American Psychological Association's Ethical Principles of Psychologists and Code of Conduct, including 2010 and 2016 amendments, to gain an understanding of tele-health requirements as adopted through regulatory reference by the board.
- Internal controls over the licensing database and investigative case management system were assessed to determine if controls were properly designed and implemented.

To identify and evaluate board activities, we conducted interviews with DCBPL staff and board members. Specific issues of inquiry included board operations, regulations, duplication of effort, fee

levels, and complaints against the board.

A random sample of 25 licenses, 15 new and 10 renewal applications, was selected from 285 licensees that were active as of March 31, 2017. Applications were assessed for statutory and regulatory compliance. The sample size was based on low control and inherent risk and high audit risk. Test results were projected to the population.

A judgmental sample of four courtesy licenses was selected from 13 licenses that were active between July 1, 2014 and March 31, 2017. Applications were assessed for statutory and regulatory compliance including monthly reporting requirements. Test results were not projected to the population due to additional evidence obtained identifying a systemic issue.

APPENDIX SUMMARY

In developing our conclusion regarding whether the Board of Psychologist and Psychological Associate Examiners' termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c). Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public policy need for continuing operations.

APPENDIX A

Analysis Of Public Need Criteria (AS 44.66.050(c))

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

- (1) the extent to which the board or commission has operated in the public interest;
- (2) the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
- (3) the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
- (4) the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
- (5) the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
- (6) the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
- (7) the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;

- (8) the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;
- (9) the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
- (10) the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated; and
- (11) the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

Agency Response from the Office of the Governor

STATE CAPITOL P.O. Box 110001 Juneau, AK 99811-0001 907-465-3500 Fax: 907-465-3532



Governor Bill Walker STATE OF ALASKA

550 West Seventh Avenue, Suite 1700 Anchorage, AK 99501 907- 269-7450 fax: 907- 269-7463 gov.alaska.gov Governor@alaska.gov

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LEGISLATIVE AUDIT

Kris Curtis, CPA, CISA Legislative Auditor P.O. Box 113300 Juneau, AK 99811-3300

November 17, 2017

Dear Kris Curtis:

Thank you for the opportunity to respond to the Legislative Budget and Audit Committee regarding the preliminary audit reports for the Board of Psychologist and Psychological Associate Examiners under the Department of Commerce, Community and Economic Development.

While no recommendations were listed in the report for our office, we agree that the board is functioning in the best interest of the public. They continue to regulate licensing standards, examine applicants, and, when necessary, provide disciplinary sanction of licensed psychologists and psychological associate examiners. We believe the board's termination date should be extended until June 30, 2026.

Sincerely,

Shirley Marquardt

Director

Boards and Commissions

SM/li

Agency Response from the Department of Commerce, Community, and Economic Development



Department of Commerce, Community, and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800 Juneau, AK 99811-0800 Main: 907.465.2500 Fax: 907.465,5442

November 28, 2017

RECEIVED NOV 2 8 2017 LEGISLATIVE AUDIT

Kris Curtis, CPA, CISA Division of Legislative Audit P.O. Box 113300 Juneau, AK 99811

Confidential Preliminary Audit Report, Department of Commerce, Community, and Economic Development, Board of Psychologist and Psychological Associate Examiners,

October 5, 2017

Dear Ms. Curtis:

Thank you for the opportunity to comment on Confidential Preliminary Report regarding the Board of Psychologist and Psychological Associate Examiners. I am pleased to know that you are recommending a full extension of this board to June 30, 2026. The department has the following response to the information and recommendations presented in the letter:

Recommendation No. 1 - DCBPL's director, in consultation with the board, should reduce fees.

During the fee-setting process this year, the board and director discussed the board's strong desire to avoid unexpectedly spiking and plummeting fees, a syndrome that for the last decade has plagued boards that have not maintained a modest surplus. The director recommended that target surplus to be approximately a year's worth of expenses, which has been an informal guideline for the last few years. The board unanimously voted to support an application fee increase of \$125 and to increase fees for licensure in keeping with their long-term stated goals.

The board acknowledged that there will likely be a reduction in license fees prior to their next renewal period. Per AS 08.01.065, the director accepted this reasonable and constructive input and plans to reduce the fees at that time as anticipated.

Recommendation No. 2 - DCBPL's director should develop and implement procedures to ensure courtesy licensees comply with monthly reporting requirements.

The policy is for the examiner to check monthly for any active courtesy licenses and determine if the required monthly report has been submitted. If the report has not been submitted, the licensee is notified via email and/or postal mail and reminded that the report is mandatory. The board chair noted this audit finding when working on the board's annual report this summer, and it is now a standard item on every meeting agenda.

Kris Curtis, CPA, CISA Division of Legislative Audit November 28, 2017 Page 2

At this time, there are no active courtesy licenses.

Again, thank you for the opportunity for the DCCED to provide input on this matter. Should you have any questions about the contents of this letter, please do not hesitate to contact me at 907-465-2500.

Sincerely,

Mike Navarre Commissioner

cc: Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing Micaela Fowler, Legislative Liaison, DCCED

Agency Response from the Board of Psychologist and Psychological Associate Examiners



Allen Levy LPA 3340 Arctic Boulevard Suite 201 Anchorage, Alaska 99503 Phone: 907-222-4954 Fax: 907-222-7862 www.levyal.com Mailing address: PoBox 90941 Anchorage, Ak 99509

November 28, 2017

Kris Curtis, CPA, CISA Legislative Auditor Division of Legislative Audit P.O.Box 113300 Juneau, AK 99811-3300

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LEGISLATIVE AUDIT

Dear Mr. Curtis:

I have received and reviewed the Confidential Preliminary Report of the Audit of the Board of Psychologist and Psychological Associate Examiners. I reviewed the Preliminary Report in executive session with the board and Division Director Janey Hovenden. Also present was our licensing examiner Renee Hoffard.

We discussed the two recommendations in the report:

- The Division in consultation with the board should reduce fees. The board and
 Director Hovenden are in agreement with this recommendation. We discussed
 options and a timeline for carrying out this recommendation. The reduction in fees
 will go into effect at the next biennial licensing period in 2019.
- 2. The division will develop and implement procedures to ensure courtesy licensees comply with monthly reporting requirements. Renee Hoffard, our current licensing examiner reported that she has already put into place procedures to accomplish this. These procedures have been written into the updated licensing examiners desk manual. Included in this procedure is a permanent agenda item to address courtesy licenses at each board meeting.

On behalf of the board I would like to express our appreciation for the audit committee's efforts. We are pleased that the report's conclusions find that we have operated in the public interest and that our termination date be extended to June 30, 2026. We are committed to continuing our work and carrying out the recommendations in the report.

If I can be of any further assistance, please feel free to contact me.

Sincerely,

Allen L. Levy MS LPA

Board Chair

Board of Psychologist and Psychological Associate Examiners