

Financial-Related Audit

Selected Health-Related Licensing Boards

July 1, 1995, through June 30, 2000



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 fifty 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 and one best practices review.

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, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

We have audited the following seven health-related licensing boards for the period July 1, 1995, through June 30, 2000, except as otherwise noted:

01-48A	Minnesota Board of Medical Practice
01-48B	Minnesota Board of Examiners for Nursing Home Administrators
01-48C	Minnesota Board of Optometry
01-48D	Minnesota Board of Pharmacy
01-48E	Minnesota Board of Physical Therapy (one year ended June 30, 2000)
01-48F	Minnesota Board of Psychology (four years ended June 30, 2000)
01-48G	Minnesota Board of Social Work

The scope of each of the audits included license revenue, personnel services, rent, and other administrative expenditures.

The overview chapter discusses the general operations of the boards and our overall audit conclusions. This section also includes a discussion about the Administrative Services Unit (ASU) and a current finding and recommendation about safeguarding board receipts that is related to the ASU. The ASU provides administrative support to each of the health-related licensing boards.

The individual board reports include background information, a description of audit objectives and conclusions, any current findings and recommendations, status of prior audit issues, and the board's response to our recommendations, if applicable.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of internal controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the boards complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the boards is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

These reports are intended for the information of the Legislative Audit Commission and the management of the boards. This restriction is not intended to limit the distribution of these reports, which were released as public documents on October 4, 2001.

/s/ James R. Nobles

/s/ Claudia Gudvangen

James R. Nobles
Legislative Auditor

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Selected Health-Related Licensing Boards

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Selected Health-Related Licensing Boards

Overview Summary

Overall Audit Conclusions:

- We audited seven of the fourteen health-related licensing boards. The boards generally maintained financial management controls to provide reasonable assurance that they accurately recorded financial activity and adequately safeguarded assets. The boards accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the boards' purpose.
- In most cases, the boards' fees were sufficient to recover total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285. Two boards had processed fee increases that were effective in July, 2000 and 2001, to offset deficits and recover future costs.
- The audit reports of the Boards of Examiners for Nursing Home Administrators, Optometry, and Pharmacy did not have any written findings.

Key Findings:

- The Administrative Services Unit (ASU) did not adequately safeguard receipts of the boards. We recommended that the ASU limit access to the safe and vary the time and method of taking deposits to the bank. (Finding 1, page 7)
- Some of the boards did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We recommended that these boards reconcile the total licenses issued with the amount of receipts recorded in MAPS. (See individual board reports, as applicable.)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. We audited seven of the fourteen health-related licensing boards. Our audit scope generally covered the period from July 1, 1995, through June 30, 2000. However, the Board of Psychology and the Board of Physical Therapy had audit periods of four years and one year, respectively. We audited license revenue, personnel services, rent, and other administrative expenditures for each board.

Selected Health-Related Licensing Boards

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Selected Health-Related Licensing Boards

Overview

Chapter Conclusions

Generally, the internal control structures of the health-related licensing boards included in our audit scope provided reasonable assurance that they properly recorded financial activity and adequately safeguarded assets. We found, however, that the Administrative Services Unit (ASU) did not adequately safeguard the receipts of the boards. We also found that four boards did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited.

Five of the seven boards audited complied with the statutory requirement that they recover operating costs each biennium. The other two boards processed fee increases effective July 2000 and June 2001 to offset deficits and recover future costs. For the items tested, the boards complied with other material finance-related legal and policy provisions.

The audit reports of the Boards of Examiners for Nursing Home Administrators, Optometry, and Pharmacy did not contain any findings.

Audit Scope

We audited seven of the fourteen health-related licensing boards, including the Boards of Medical Practice, Examiners for Nursing Home Administrators, Optometry, Pharmacy, Physical Therapy, Psychology, and Social Work. These boards are all classified as a health-related licensing board pursuant to Minn. Stat. Section 214.01. We audited the other seven health-related licensing boards in 1998. The boards not included in the current audit scope include the Chiropractic Examiners, Dentistry, Dietetics and Nutrition Practice, Marriage and Family Therapy, Nursing, Podiatric Medicine, and Veterinary Medicine.

Our audit scope generally covered the five-year period from July 1, 1995, through June 30, 2000. However, the Board of Psychology's last audit included fiscal year 1996, so we included only the last four years in the current audit scope. We audited the Board of Physical Therapy from its inception as an independent board on July 1, 1999, through June 30, 2000. Previously, the Board of Medical Practice licensed physical therapists. Our audit scope for all the boards included license revenue, personnel services, rent, and other administrative expenditures.

Board Operations and Organization

Each of the health-related licensing boards is responsible for protecting the public through licensing the professional service providers within their respective occupations. The boards are

Selected Health-Related Licensing Boards

responsible for regulating the services provided by these practitioners. Each board operates under specific Minnesota Statutes and Minn. Stat. Chapter 214, which provides general statutory guidelines for the examining and licensing boards.

Each board has its own computer system for issuing and monitoring licenses. While the process is generally the same in each board, there is a vast degree of difference in complexity among the licensing systems. Some boards use PC-based spreadsheet programs for licensing while other boards use more sophisticated database licensing systems. Many of the boards are in the process of developing and implementing new licensing systems.

Each board is an independent state agency. The Governor appoints board members according to the regulations for each board. Board members are compensated at a rate of \$55 a day spent on board activities, when authorized by the board, pursuant to Minn. Stat. Section 214.09. Total per diem payments for fiscal year 2000 ranged from approximately \$24,000 at the Board of Medical Practice to about \$2,300 at the Board of Optometry. Some boards also allow per diem payments for preparation time for meetings. In addition, the Board of Medical Practice allows per diem payments for non-board members who serve on five councils of disciplines within the board's authority.

The staffing levels of the boards' administrative operations also vary greatly, from one person at the Board of Physical Therapy to approximately 24 staff at the Board of Medical Practice. All staff of the boards are state employees. Table 1-1 shows information about the audited boards, including board size, meetings, and per diem, as well as staffing levels.

**Table 1-1
Summary of Board Activities
Fiscal Year 2000**

<u>Board</u>	<u># of Board Members</u>	<u># of Meetings Per Year</u>	<u># of Committees/ Councils</u>	<u>Per Diem</u>	<u>Per Diem Prep Time</u>	<u># of Staff</u>
Medical Practice	16	6	5/5	Yes	Yes	24
Nursing Home Administrators	11	4	4	Yes	No	2
Optometry	7	4	3	Yes	No	2
Pharmacy	7	10	3	Yes	Yes	10
Physical Therapy	9	6	5	Yes	No	1
Psychology	11	10	7	Yes	No	6
Social Work	15	6	4	Yes	Yes	9

Source: Auditor prepared from discussions with boards, board minutes, and board reports.

Each health-related board is authorized to establish fees with the approval of the Commissioner of Finance so that fees collected will approximate anticipated total expenditures for both direct operations and indirect costs (Attorney General, the ASU, and statewide charges) during the biennium. The boards consider differences between receipts and expenditures from prior years in evaluating the sufficiency of fees. The boards' receipts are deposited as non-dedicated revenue in the state treasury. Table 1-2 compares the total revenues and expenditures of the seven boards

Selected Health-Related Licensing Boards

we audited for fiscal year 2000. A more detailed analysis of each board's financial activity is shown in the individual board audit reports.

Table 1-2
Summary of Revenues and Expenditures
Fiscal Year 2000

<u>Board</u>	<u>Revenues</u>	<u>Expenditures</u>
Medical Practice	\$3,558,319	\$2,924,780
Nursing Home Administrators	212,975	172,045
Optometry	100,909	94,641
Pharmacy	1,032,555	968,897
Physical Therapy	261,337	164,670
Psychology	927,764	989,297
Social Work	787,560	837,556

Note: The revenues in this table include total receipts collected by the boards for licensure, application, examination, and other fees. The revenues are deposited as nondedicated receipts and are not available for expenditure. The expenditures include direct and indirect costs recorded on MAPS and indirect cost allocations for ASU, HPSP, and other activities.

Source: MAPS and ASU fiscal year 2000 financial analysis closing reports as of September 2000.

Each health-related board is funded by a state government special revenue fund appropriation. The appropriation is established to cover the direct and statewide indirect costs of operating the boards. In addition, the boards receive accounting and support services from the Administrative Services Unit (ASU), and investigative and legal services from the Office of the Attorney General. Each board incurs expenses to support counseling services provided to their respective members through the Health Professional Services Program (HPSP) and the HIV/HBV program. The HPSP program is administered by one of the health-related boards in accordance with Minn. Stat. Sections 214.29 through 214.37. During the audit period, the HPSP was administered by the Boards of Medical Practice and Examiners for Nursing Home Administrators. The HIV/HIB program is directed by the Department of Health. These services are separately funded.

The ASU was created to assist the boards with various accounting and administrative services. The ASU is located in the same building as the health boards. The Board of Pharmacy receives an appropriation which it transfers to the ASU's account to finance the costs of providing services to the boards.

The ASU provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU assists the boards with budget development and provides financial reports to the boards throughout the year. Each board determines the extent of support services it needs from the ASU. All boards, except the Boards of Medical Practice and Physical Therapy, utilized the full services of the ASU. The Board of Medical Practice processed its own payments into the state's accounting and payroll systems, but utilized the ASU services for budget development and financial reporting. The Board of Physical Therapy relied on the Board of Medical Practice for processing its transactions, but also used the ASU for budgeting and financial reporting services.

Table 1-3 shows the financial activity of the ASU during fiscal years 1998 through 2000.

Selected Health-Related Licensing Boards

Table 1-3
Administrative Services Unit
Sources and Uses of Funds
by Fiscal Year

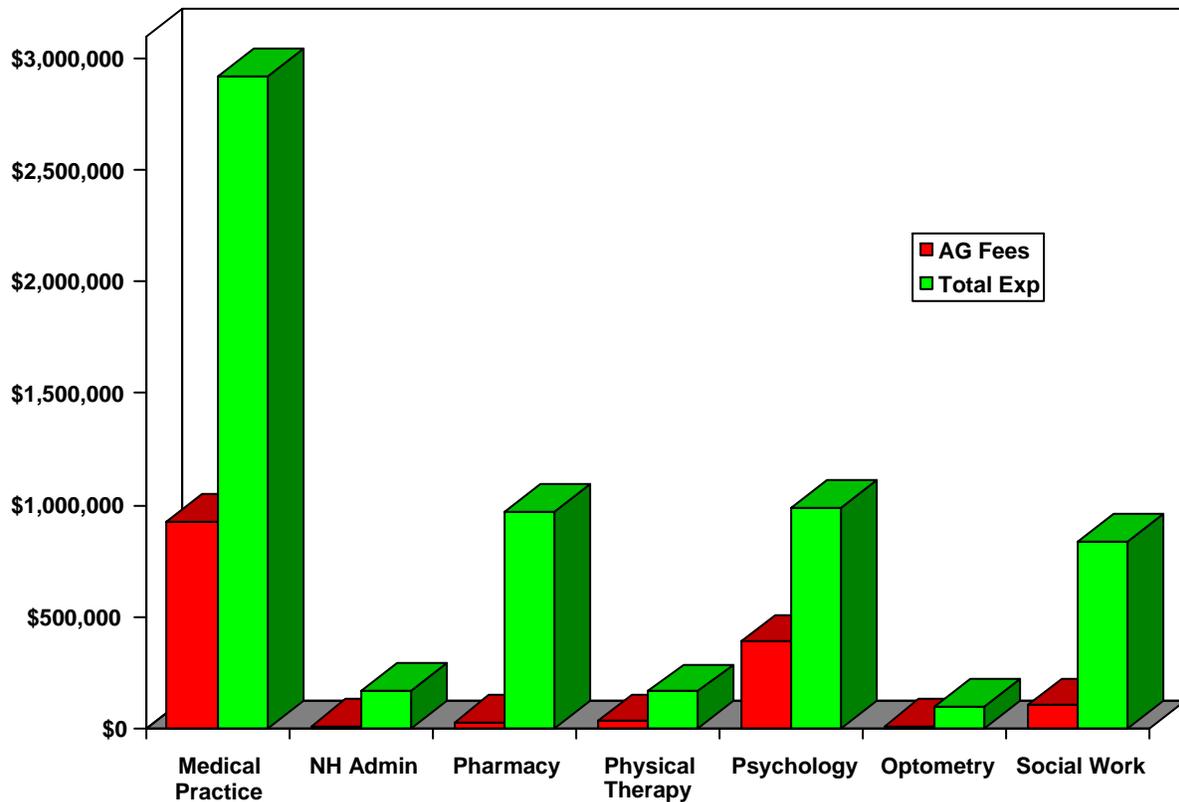
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Transfers-In	\$216,000	\$222,000	\$259,000
Balance Forward In (Out)	(14,061)	9,921	(25,523)
Receipts	37,000	39,000	50,000
Cancellations	<u>0</u>	<u>(4,422)</u>	<u>0</u>
Total Sources	<u>\$238,939</u>	<u>\$266,499</u>	<u>\$290,640</u>
Uses:			
Payroll	\$179,289	\$198,733	\$231,155
Rent (Space)	14,168	14,957	15,516
Computer System Development and Maintenance	6,816	16,175	6,520
Other Expenditures	<u>38,666</u>	<u>36,634</u>	<u>29,776</u>
Direct Expenditures Paid From Boards' Appropriation	\$238,939	\$266,499	\$282,967
Statewide Indirect Costs	<u>0</u>	<u>0</u>	<u>7,673</u>
Total Uses	<u>\$238,939</u>	<u>\$266,499</u>	<u>\$290,640</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Source: MAPS Accounting System and ASU financial analysis reports.

The Attorney General's Office also supports each board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The legal costs can be a significant part of the total operating costs for these boards. For example, more than 30 percent of the operating costs of the Medical Practice and Psychology Boards were for legal fees. As demonstrated by Figure 1-4, the Pharmacy, Psychology, and Social Work Boards all had fairly similar total expenditures for fiscal year 2000. However, the legal fees of these boards ranged from \$29,000 to \$387,000.

Selected Health-Related Licensing Boards

Figure 1-4
Comparison of Legal Fees and Total Expenditures
Fiscal Year 2000



Source: Administrative Services Unit fiscal year 2000 financial analysis reports.

Conclusions

The boards' and Administrative Services Unit's internal controls generally provided reasonable assurance that financial activity was properly recorded and assets were safeguarded. As discussed in Finding 1, however, the ASU did not adequately safeguard receipts under its control.

We also found one significant control issue that affected several of the boards. Four boards did not reconcile receipts collected with the total number of licenses issued. This reconciliation would provide the boards with a level of assurance that they collected and accounted for the appropriate amount of license revenue. This issue is further discussed in the individual board reports, as applicable.

We also found that five of the seven boards audited complied with the statutory requirements that they recover operating costs each biennium. The other two boards processed fee increases effective July 2000 and June 2001 to offset deficits and recover future costs.

Selected Health-Related Licensing Boards

Other control and compliance issues unique to individual boards were also identified. All current findings and recommendations specifically related to each board are discussed in the individual board reports.

1. The ASU needs to improve controls to adequately safeguard receipts.

The ASU did not sufficiently reduce the security and safety risks associated with the receipts of the boards under its control. The ASU did not adequately restrict access to the safe in its office. In addition, the ASU did not protect the combination to the safe. The boards collect receipts and submit them to ASU for processing and deposit. The ASU stores the receipts waiting to be deposited in the safe. Numerous employees from the various boards, including business managers and information technology staff, had access to the safe. The ASU publicly displayed the combination to the safe for the convenience of employees needing access. In order to protect the receipts contained in the safe, the ASU must restrict access to the safe and ensure that the combination to the safe is secured. In fiscal year 2000, the ASU processed approximately \$6.9 million for the licensing boards included in our audit scope, and also processed receipts for the other seven boards not included in our current scope.

In addition, the same ASU employee takes the receipts to the bank for deposit on a daily basis. As a result, the ASU subjected itself to unnecessary security and safety risks in handling funds. For security reasons, the ASU should determine whether it would be cost beneficial to contract with an armored car service to deliver the receipts to the bank. At a minimum, ASU should vary the time and staff when taking funds to the bank.

Recommendations

- *The ASU should improve internal controls over receipts by restricting access to the safe and protecting the combination to the safe.*
- *The ASU should complete an analysis to determine whether it would be cost beneficial to contract with an armored car service to deliver board receipts to the bank. The analysis should be discussed with the executive directors of the licensing boards. Alternatively, the ASU should vary the time and staff when taking the deposits to the bank.*

MINNESOTA BOARD OF PHARMACY

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September 20, 2001

James R. Nobles, Legislative Auditor
1st Floor South
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

I am writing, in response to the draft report summarizing the results of your financial and compliance audit of the Health-Related Licensing Boards/Administrative Services Unit, for the period July 1, 1995, through June 20, 2000.

As found on page 7 of the draft report, the auditors made two recommendations for the Administrative Services Unit. The recommendations are:

1. The ASU should improve internal controls over receipts, by restricting access to the safe and protecting the combination to the safe.

RESPONSE:

On September 18, 2001, ASU requested a new combination for the safe from the manufacturer. As soon as ASU receives a new combination, ASU will make a policy and procedure change regarding entry to the safe. The combination will be given to four ASU staff members. Each board will turn in the moneybag to one of those individuals. The individuals with the combination will put the moneybags into the safe. The combination will be kept in a locked, secure place within the ASU.

2. The ASU should complete an analysis to determine whether it would be cost beneficial to contract with an armored car service, to deliver board receipts to the bank. The analysis should be discussed with the executive directors of the licensing boards. Alternatively, the ASU should vary the time and staff when taking the deposits to the bank.

RESPONSE:

During December 1996 or January 1997, shortly after moving to this building location, a survey was completed regarding using some type of armored car service to deliver board receipts to the bank. It was determined, at that time, that it would be better for ASU to take the deposits to the bank rather than to have an armored car service. ASU is unable to find the results of the survey, due to the retirement of the individual that completed the survey. On September 17, 2001, ASU started gathering information to conduct another survey. ASU is hoping to have the survey completed by the end of October 2001.

ASU does have problems with varying the time and the staff that goes to the bank. ASU goes to the bank every day, as late as possible each day in order to have the deposit made for the same days business. ASU is unable to go any earlier, due to the timing of the afternoon mail being received by the boards and the time the Boards need to process any fees received. ASU does not have sufficient staff to alter the person who will go to the bank and make the deposits.

On behalf of the Administrative Services Unit staff, I thank you for your recommendations and for the ease and professionalism with which the audit was conducted.

Sincerely,

/s/ David E. Holmstrom

David E. Holmstrom
Executive Director

DEH:jv:pe

Cc: Mike Hassing, Legislative Auditor
Jim Riebe, Audit Manager
Juli Vangsness, Accounting Supervisor, Administrative Services Unit



Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Scott Tongen, M.D., President
Minnesota Board of Medical Practice

Members of the Minnesota Board of Medical Practice

Mr. Robert Leach, Executive Director
Minnesota Board of Medical Practice

We have audited the Minnesota Board of Medical Practice for the period July 1, 1995, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Medical Practice

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Medical Practice staff on September 6, 2001:

Robert Leach	Executive Director
Lois Kauppila	Office Manager
Deb Milla	Accounting Officer

Minnesota Board of Medical Practice

Report Summary

Overall Audit Conclusion:

- The Minnesota Board of Medical Practice's internal controls provided reasonable assurance that it accurately recorded its financial activity and adequately safeguarded its assets. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285.

Key Findings:

- The board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We recommended that the board separate duties over receipt processing to ensure an adequate system of checks and balances over the accounting for receipts. (Finding 1, page 6) We also recommended that the board reconcile the total licenses issued with the amount of receipts recorded in MAPS. (Finding 2, page 6)
- The board could not substantiate that it received prior approval from the Department of Employee Relations, as required by Minnesota Rules, for hiring five Health Professional Services Program (HPSP) employees in excess of the suggested compensation structure. (Finding 3, page 9)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work at the board covered the period from July 1, 1995, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Medical Practice

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Minnesota Board of Medical Practice

Chapter 1. Background Information

The Minnesota Board of Medical Practice regulates the licensing of medical practitioners in Minnesota to ensure compliance with the rules of the practice of medicine. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Chapters 147 and 214. The board has 16 members appointed by the Governor. Robert Leach is the current executive director of the board.

The board is responsible for receiving and accounting for all fees and maintains supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The Board of Medical Practice processed its own payments in the state's accounting and payroll systems, and utilized the ASU for depositing receipts, budgeting, and financial reporting.

The board finances its direct operating expenditures through a special revenue fund appropriation. The board also incurs indirect cost charges for the Attorney General, the ASU, and general statewide charges. In addition, the board participates in the Health Professional Services Program and the HIV/HBV program, which promote the health and wellness of practitioners.

The board is required to establish license fees with the approval of the commissioner of Finance so that total fees collected will approximate expenditures for both direct operations and indirect costs during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years' operations. The ASU deposits license fees as non-dedicated revenue in the state treasury.

Table 1-1 shows the financial activity for the board during fiscal years 1998 through 2000.

Minnesota Board of Medical Practice

**Table 1-1
Sources and Uses of Funds
by Fiscal Year**

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Appropriations ⁽¹⁾	\$3,809,436	\$3,866,309	\$3,532,874
Transfers-In	200,000	139,178	240,029
Balance Forward In (Out)	(170,274)	170,612	(711,506)
Receipts	0	0	0
Cancellations	<u>0</u>	<u>(366,668)</u>	<u>0</u>
Total Sources	<u>\$3,839,162</u>	<u>\$3,809,431</u>	<u>\$3,061,397</u>
Uses:			
Payroll	\$1,036,385	\$1,059,736	\$1,071,363
Per Diem	27,665	31,130	24,420
Rent (Space)	115,842	125,460	120,263
Professional and Technical Contracts	316,038	225,183	176,664
Computer System Development and Maintenance	53,495	63,708	59,277
Administrative Hearings	148,247	75,473	28,343
Other Expenditures	<u>297,054</u>	<u>361,094</u>	<u>286,160</u>
Direct Expenditures Paid from Board's Appropriation	\$1,994,726	\$1,941,784	\$1,766,490
Statewide Indirect Costs Paid from Board's Appropriation	57,436	65,647	55,907
Attorney General ⁽²⁾	1,416,000	1,416,000	1,239,000
Health Professional Services Program ⁽³⁾	<u>371,000</u>	<u>386,000</u>	<u>0</u>
Total Uses	<u>\$3,839,162</u>	<u>\$3,809,431</u>	<u>\$3,061,397</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note (1): The appropriation for fiscal year 2000 was reduced due to the Board of Physical Therapy becoming an independent board.

Note (2): The Board of Medical Practice transfers the appropriation it receives for legal services to the Attorney General's Office and monitors the legal services provided.

Note (3): The Board of Medical Practice received an appropriation for the HPSP program in fiscal year 1998. The board transferred the funds to a specific account to record the financial activity of the HPSP. The board also received an appropriation for the HPSP for fiscal year 1999, but transferred the funds to the Nursing Home Administrators Board, which served as the administrator for HPSP in that year. In fiscal year 2000, the Nursing Home Administrators Board received the funding and made the expenditures for the HPSP program.

Source: MAPS Accounting System, Board of Medical Practice Biennial Budget, and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusion

The Board of Medical Practice's internal controls provided reasonable assurance that it properly recorded its financial activity and adequately safeguarded its assets. We found, however, that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. For the items tested, the board complied with material finance-related legal and policy provisions, including the statutory requirement that it recover its operating costs each biennium.

Background

The board currently receives license revenue from seven medical professions: Physicians, Physician Assistants, Acupuncturists, Midwives, Respiratory Care Practitioners, Athletic Trainers, and the Certification of Professional Firms. License revenue is generated from application fees, renewal fees, and late fees. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$3,558,319 in revenue from licenses and fees.

The board records all of its financial activity in the Minnesota Accounting and Procurement System (MAPS). The Administrative Services Unit (ASU) monitors the financial activity and provides summarized financial reports to the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs each biennium through licensing fees. Table 2-1 shows that the Board of Medical Practice fee receipts covered expenditures for the biennium ended June 30, 2000.

Minnesota Board of Medical Practice

Table 2-1
Cost Recovery Analysis
by Fiscal Year

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	\$3,709,621	\$3,558,319
Expenditures:		
Direct Expenditures	\$1,941,784	\$1,766,490
Indirect Expenditures ⁽¹⁾ :		
Administrative Services Unit	\$ 62,651	\$ 64,142
Attorney General	1,206,023	928,172
Health Professional Services Program	98,070	95,556
HIV/HBV	18,384	14,548
Statewide Indirect Costs	<u>65,647</u>	<u>55,907</u>
Total Operating Expenditures	\$3,392,559	\$2,924,815
Excess Receipts over Expenditures	<u>\$ 317,062</u>	<u>\$ 633,504</u>

Note (1): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and fee revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed Board of Medical Practice personnel to gain an understanding of the process for collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and appropriately reported the fees.

Minnesota Board of Medical Practice

Conclusion

We found that the Board of Medical Practice's internal controls provided reasonable assurance that it accurately reported its revenue in the accounting records and adequately safeguarded its assets. However, as discussed in Findings 1 and 2, we found that the Board of Medical Practice did not provide for a proper segregation of duties over receipt processing, and did not reconcile the total licenses issued to the amount of receipts recorded in the accounting system.

For the items tested, the board complied with applicable finance-related legal provisions, including the statutory requirement that it recover its operating costs.

1. The Board of Medical Practice did not adequately segregate the duties of recording cash in the license system, issuing licenses, and preparing the cash deposit.

The duties of one employee in the licensing section of the board were not adequately segregated. The employee was responsible for opening the mail, listing the amount of cash received, preparing the daily deposit, and recording the cash in the licensing system. She also had the ability to generate renewal licenses. The risk of errors and unauthorized transactions increase when the board does not separate the deposit function from the recording and licensing functions.

Recommendation

- *The Board of Medical Practice should separate the duties of recording cash, issuing licenses, and preparing cash deposits.*

2. The Board of Medical Practice did not ensure that it collected and deposited the appropriate amount of receipts based on the total number of licenses issued.

The board did not reconcile the number of licenses issued to receipts deposited and recorded in the statewide accounting system (MAPS). In addition, the board deleted certain license numbers from its licensing system for nonqualifying applicants. The board collected over \$3.5 million in various license and application fees during fiscal year 2000.

The board established a license number for each submitted application. However, some of the applicants did not fulfill the requirements for licensure. Those applicants were refunded their fees, and the board deleted the license number from the system.

Reconciliations of deposits to licenses issued provide the board with the means to ensure that the proper amount of license fee receipts were collected and deposited. Without this key reconciliation, the board cannot ensure it collected the correct amount of fees, or that all licenses issued had an associated cash receipt. For the reconciliation to be effective, the board must consider all licenses issued and, therefore, should not delete licenses from its database.

Minnesota Board of Medical Practice

Recommendations

- *The Board of Medical Practice should periodically reconcile the total licenses issued with the amount of receipts recorded in the accounting system.*
- *The board should account for all license numbers issued as part of the reconciliation and should not delete license numbers from the licensing system.*

Chapter 3. Administrative Expenditures

Chapter Conclusion

The Board of Medical Practice's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. For the items tested, the board complied with the provisions of bargaining unit agreements and other financial-related legal provisions. However, we found that the board hired five employees for the Health Professional Services Program outside the suggested compensation structure without evidence of prior approval by the Department of Employee Relations, as required by Minnesota Rules.

Payroll is the largest expenditure of the board, accounting for approximately 55 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 totaled \$1,071,363. The board's per diem expenditures for fiscal year 2000 were \$24,420.

During fiscal year 2000, the office employed approximately 24 staff belonging to various bargaining units, including the American Federation of State, County, and Municipal Employees (AFSCME); the Minnesota Association of Professional Employees (MAPE); the Middle Management Association (MMA); the Commissioner's Plan; and the Managerial Plan. Employees of the Health Professional Services Program administratively reported to the Board of Medical Practice in fiscal years 1996 to 1998.

Unlike most of the other health boards, the Board of Medical Practice does not utilize the full range of services provided by the Administrative Services Unit (ASU). The board inputs its own payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board does rely on the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Board of Medical Practice's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

Minnesota Board of Medical Practice

To answer these questions, we interviewed board staff to gain an understanding of the internal control structure over the payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and recorded. We also verified compliance with bargaining unit provisions, position descriptions, personnel authorizations, and other material finance-related legal provisions.

Conclusions

The Board of Medical Practice's internal controls provided assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. As discussed in Finding 3, however, we found that the board hired five Health Professional Services Program employees outside the recommended compensation structure without evidence of prior approval by the Department of Employee Relations. For the other items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

3. The Board of Medical Practice hired five employees for the Health Professional Services Program (HPSP) outside the suggested compensation structure without evidence of prior approval by the Department of Employee Relations.

In fiscal year 1997, the board hired three HPSP employees at step seven of the salary range and an additional professional was hired in fiscal year 1998 at step six. The board also hired an investigator at salary step five. Minnesota Rules Section 3900.2100 states that an appointing authority must receive prior authorization from the Department of Employee Relations to make an appointment at or beyond the fourth step of the salary range. We found no evidence of prior approval by the Department of Employee Relations to hire the above employees at a salary range at or beyond the fourth step. The Board of Medical Practice was responsible for administering the Health Professional Services Program (HPSP) during fiscal years 1996 through 1998. The administrative responsibilities for the program have since been transferred to the Minnesota Examiners for Nursing Home Administrators. The HPSP program provides physical and mental health and wellness support for practitioners.

Recommendation

- *The board should retroactively seek the approval of the Department of Employee Relations regarding the HPSP employee hiring decisions that were made outside of the recommended compensation guidelines.*

Minnesota Board of Medical Practice

Status of Prior Audit Issues As of June 29, 2001

Most Recent Audits

Legislative Audit Report 96-23, issued in June 1996, covered the three fiscal years ended June 30, 1995. The audit scope included internal controls and compliance with material finance-related legal provisions. The audit report contained no findings.

State of Minnesota Audit Follow-Up Process
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<p>The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.</p>

Minnesota Board of Medical Practice

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State of Minnesota
BOARD OF MEDICAL PRACTICE

2829 University Avenue SE, Minneapolis, MN 55414 * Tel 612-617-2130 * Fax 612-617-2166

September 26, 2001

James R. Nobles, Legislative Auditor
Centennial Office Building, Room 140
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

I am writing in response to the draft report summarizing the results of the Board's financial and compliance audit for the five-year period from July 1, 1995, through June 30, 2000.

Findings 1 and 2, stated that the Board of Medical Practice did not provide for a proper segregation of duties over receipt processing, and did not reconcile the total licenses issued to the amount of receipts recorded in the accounting system.

The Board has revised its procedures for license renewals in order to adequately segregate duties. One employee opens the renewals, endorses the check, and records the amount received on the renewal form. Another employee records the cash in the licensing system and prepares the renewal portion of the daily deposit report. A third employee completes the daily deposit, and brings the receipts to the ASU to be delivered to the bank. A fourth employee reviews the renewal forms and enters the renewal information into the licensing system, which generates a new license card.

After each Board meeting, staff reconciles 30 of the new licenses to receipts deposited and recorded in the statewide accounting system (MAPS). The Board is in the process of designing a new computer system, and we plan to have a program implemented, which will reconcile all licenses to receipts deposited.

The Board will account for all license numbers issued, and will no longer delete licenses numbers from the licensing database.

Finding 3 stated that the Board of Medical Practice hired four employees for the Health Professionals Services Program (HPSP) and one Board employee outside the compensation structure without evidence of prior approval by the Department of Employee Relations.

The Board received verbal approvals for the step seven salary appointments for the three HPSP employees hired during fiscal year 1997. The Board did not hire the additional HPSP employee in February 1998, since the Board transferred the administrative responsibilities to the Board of Examiners for Nursing Home Administrators January 1, 1998. The Board hired an investigator at step five in fiscal year 1998. A note in his file indicates that verbal approval was received from Jim Lee on December 7, 1998, but there is no written approval from Mr. Lee. The Board has requested retroactive approval for the three HPSP and one Board salary appointments. Once approval has been received, we will forward a copy of the response to you. The Board will obtain proper documentation for any future appointments made above step three.

On behalf of the Board and its staff, I want to thank you for your recommendations. I would also like to thank Mike Hassing, Susan Mady and Mike Byzewski for their professionalism and their ability to conduct such an extensive audit with a spirit of collaboration and cooperation.

Sincerely,

/s/ Lois Kauppila

Lois Kauppila
Office Manager

Cc: Jim Riebe, Audit Manager
Mike Hassing, Legislative Auditor
Scott Tongen, M.D., Board President
Julia Vangness, Accounting Supervisor, ASU



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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Michael M. Gibson, Chair
Minnesota Board of Examiners for Nursing Home Administrators

Members of the Minnesota Board of Examiners for Nursing Home Administrators

Mr. Randy Snyder, Executive Director
Minnesota Board of Examiners for Nursing Home Administrators

We have audited the Minnesota Board of Examiners for Nursing Home Administrators for the period July 1, 1995, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Examiners for Nursing Home Administrators

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Examiners for Nursing Home Administrators staff on September 6, 2001:

Randy Snyder	Executive Director
Joann Benesh	Office Manager
Jan Strum	Office and Administrative Specialist

Minnesota Board of Examiners for Nursing Home Administrators

Report Summary

Overall Audit Conclusions:

- The Board of Examiners for Nursing Home Administrators' internal controls provided reasonable assurance that it accurately recorded its financial activity in the accounting records and adequately safeguarded its assets. The board's internal controls provided reasonable assurance that it collected and deposited the approved amount of license fees. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1995, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Examiners for Nursing Home Administrators

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Minnesota Board of Examiners for Nursing Home Administrators

Chapter 1. Background Information

The Minnesota Board of Examiners for Nursing Home Administrators regulates the licensing of nursing home administrators in Minnesota to ensure compliance with the rules for quality care and effective services for residents of nursing facilities. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Sections 144A.19 – 144A.33 and Chapter 214. The board has 11 members appointed by the Governor. Randy Snyder is the current executive director of the board.

The board receives and accounts for all fees and maintains supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU assists the board with budget development and provides financial reports to the board throughout the year.

The Minnesota Board of Examiners for Nursing Home Administrators is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, Administrative Services Unit, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during fiscal years 1998 through 2000.

Minnesota Board of Examiners for Nursing Home Administrators

**Table 1-1
Sources and Uses of Funds
by Fiscal Year**

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Appropriations ⁽¹⁾	\$187,292	\$189,812	\$ 560,473
Transfers-In ⁽¹⁾	0	386,000	0
Balance Forward In (Out)	(36,182)	34,182	(24,363)
Receipts	0	5,250	1,750
Cancellations	<u>0</u>	<u>(126,822)</u>	<u>0</u>
Total Sources	<u>\$151,110</u>	<u>\$488,422</u>	<u>\$ 537,860</u>
Uses:			
Payroll	\$102,201	\$112,647	\$ 123,984
Per Diem	2,860	2,475	3,300
Rent (Space)	8,049	8,451	8,760
Professional and Technical Contracts	10,854	7,232	6,888
Other Expenditures	<u>16,854</u>	<u>20,701</u>	<u>18,013</u>
Direct Expenditures Paid From Board's Appropriation	\$140,818	\$151,506	\$160,945
Health Professional Services Program (HPSP) ⁽¹⁾	0	328,104	364,442
Statewide Indirect Costs Paid From Board's Appropriation	<u>10,292</u>	<u>8,812</u>	<u>12,473</u>
Total Uses	<u>\$151,110</u>	<u>\$488,422</u>	<u>\$537,860</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note (1): The board served as the administrative agency for the HPSP for fiscal years 1999 and 2000. The Board of Medical Practice transferred the appropriated funds for HPSP to the Nursing Home Administrators Board for fiscal year 1999. The Legislature directly appropriated the HPSP funds for fiscal year 2000 to the Nursing Home Administrators Board. In each year, the board established a specific account to record the financial activity of the HPSP. The HPSP costs are shown as a separate line item in Table 1-1.

Source: MAPS Accounting System and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusion

The Minnesota Board of Examiners for Nursing Home Administrators' internal controls provided reasonable assurance that the appropriate amount of license revenue was collected, adequately safeguarded, and properly reported in the accounting records. Also, the board complied with applicable legal and policy provisions for the fees tested, including the statutory requirement that the board recover its operating costs.

Background

The board receives revenue from the licensure of nursing home administrators. The board collects other fees for administering the state exam and from continuing education sponsors. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$212,975 in revenue from licenses and fees.

The Administrative Services Unit (ASU) daily recorded all of the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees at the end of each biennium. Table 2-1 shows that the board's fee receipts covered expenditures for the biennium ended June 30, 2000.

Minnesota Board of Examiners for Nursing Home Administrators

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	<u>\$221,851</u>	<u>\$212,975</u>
Expenditures:		
Direct Expenditures	<u>\$151,506</u>	<u>\$160,945</u>
Indirect Expenditures ⁽¹⁾ :		
Administrative Services Unit	\$ (577)	\$ 1,755
Attorney General	8,439	5,248
Statewide Indirect Costs	<u>8,812</u>	<u>4,097</u>
Total Operating Expenditures	<u>\$168,180</u>	<u>\$172,045</u>
Excess Receipts Over Expenditures	<u>\$ 53,671</u>	<u>\$ 40,930</u>

Note (1): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and fee revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed board personnel to gain an understanding of the process for collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate fees.

Conclusion

The Minnesota Board of Examiners for Nursing Home Administrators' internal controls provided reasonable assurance that it properly collected, adequately safeguarded, and properly reported the appropriate license and renewal fee revenue. In addition, for the items tested, the board complied with applicable legal and policy provisions, including the requirement that it recover its operating costs.

Chapter 3. Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Examiners for Nursing Home Administrators' internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. In addition, for the items tested, the board complied with applicable rules, regulations, and bargaining agreements.

Payroll is the largest expenditure of the board, accounting for approximately 74 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 were \$123,984. The board's per diem expenditures for fiscal year 2000 were \$3,300.

During the audit period, the office employed two staff. The office manager is represented by the American Federation of State, County, and Municipal Employees (AFSCME). The executive director, who serves in the unclassified service, is covered by the Managerial Plan. Although functioning independently, the six employees of the Health Professional Service Program reported to the Board of Examiners for Nursing Home Administrators in fiscal years 1999 to 2000.

The Board of Examiners for Nursing Home Administrators utilized the full range of services provided by the Administrative Services Unit (ASU). The ASU input the board's payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board also relies on the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Minnesota Board of Examiners for Nursing Home Administrator's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To answer these questions, we interviewed office staff to gain an understanding of the internal control structure over the payroll, personnel, and administrative expenditure processes. We analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative

Minnesota Board of Examiners for Nursing Home Administrators

expenditure transactions to determine if they were properly authorized, processed, and recorded. We also verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Examiners for Nursing Home Administrators' internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

Minnesota Board of Examiners for Nursing Home Administrators

Status of Prior Audit Issues

As of June 29, 2001

Most Recent Audits

Legislative Audit Report 96-33, issued in August 1996, covered the four fiscal years ended June 30, 1995. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included three findings. The first issue cited the board for not completing a reconciliation of licenses issued to receipts collected. The second issue related to the prompt depositing of receipts. The third issue reported that the board did not have a contract for the purchase of national examinations. Based on the current audit, the board has resolved all of the issues.

State of Minnesota Audit Follow-Up Process
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<p>The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.</p>

Minnesota Board of Examiners for Nursing Home Administrators

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. John Perszyk, O.D., Chair
Minnesota Board of Optometry

Members of the Minnesota Board of Optometry

Ms. Laurie Mickelson, Executive Director
Minnesota Board of Optometry

We have audited the Minnesota Board of Optometry for the period July 1, 1995, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Optometry

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Optometry staff on September 6, 2001:

Laurie Mickelson	Executive Director
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Report Summary

Overall Audit Conclusions:

- The Board of Optometry's internal controls provided reasonable assurance that it accurately recorded its financial activity in the accounting records and adequately safeguarded its assets. The board's internal controls provided reasonable assurance that it collected and deposited the approved amount of license fees. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1995, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Optometry

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Chapter 1. Background Information

The Minnesota Board of Optometry regulates the licensing of optometrists in the State of Minnesota to ensure compliance with the rules for optical care. The board processes applications for new licensure and issues renewal licenses to practicing professionals. The board operates under Minn. Stat. Sections 148.52 to 148.62 and Chapter 214. The board has seven members appointed by the Governor. Laurie Mickelson is the current executive director of the board.

The board is responsible for receiving and accounting for all fees and maintains the supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU also assists the board with budget development and provides financial reports throughout the year.

The Minnesota Board of Optometry is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, Administrative Services Unit, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during fiscal years 1998 through 2000.

Minnesota Board of Optometry

**Table 1-1
Sources and Uses of Funds
by Fiscal Year**

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Appropriations	\$ 93,418	\$95,665	\$96,144
Transfers-In	0	0	0
Balance Forward In (Out)	(12,482)	12,482	(10,919)
Receipts	0	0	0
Cancellations	<u>0</u>	<u>(17,650)</u>	<u>0</u>
Total Sources	<u>\$80,936</u>	<u>\$90,497</u>	<u>\$85,225</u>
Uses:			
Payroll	\$42,589	\$45,104	\$47,960
Per Diem	1,375	1,983	2,365
Rent (Space)	4,620	4,843	5,019
Computer System Development and Maintenance	6,106	10,869	2,542
Other Expenditures	<u>14,828</u>	<u>17,033</u>	<u>18,195</u>
Direct Expenditures Paid From Board's Appropriation	\$69,518	\$79,832	\$76,081
Statewide Indirect Costs Paid from Board's Appropriation	<u>11,418</u>	<u>10,665</u>	<u>9,144</u>
Total Uses	<u>\$80,936</u>	<u>\$90,497</u>	<u>\$85,225</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Source: MAPS Accounting System and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusion

The Minnesota Board of Optometry's internal controls provided reasonable assurance that the appropriate amount of license revenue was collected, adequately safeguarded, and properly reported in the accounting records. Also, the board complied with applicable legal and policy provisions for the fees tested, including the statutory requirement that it set its fees to recover its operating costs.

Background

The board receives revenue from the licensing of Optometrists. License revenue is generated from application fees, renewal fees, drug certifications, and late fees. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$100,909 in revenue from licenses and fees.

The Administrative Services Unit (ASU) daily recorded all of the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). The ASU entered the information into MAPS based on reports generated by the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees. Table 2-1 shows that the board's fee receipts covered expenditures for the biennium ended June 30, 2000.

Minnesota Board of Optometry

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	<u>\$103,235</u>	<u>\$100,909</u>
Expenditures:		
Direct Expenditures	<u>\$ 79,832</u>	<u>\$ 76,081</u>
Indirect Expenditures ⁽¹⁾ :		
Administrative Services Unit	\$ 2,234	\$ 2,911
Attorney General	14,259	6,505
Statewide Indirect Costs	<u>10,665</u>	<u>9,144</u>
Total Operating Expenditures	<u>\$106,990</u>	<u>\$ 94,641</u>
Excess Receipts Over Expenditures	<u>(\$ 3,755)</u>	<u>\$ 6,268</u>

Note (1): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and fee revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed Board of Optometry personnel to gain an understanding of the process for collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate fees.

Conclusion

The Minnesota Board of Optometry's internal controls provided reasonable assurance that it properly collected, adequately safeguarded, and properly reported the appropriate license and fee revenue. In addition, for the items tested, the board complied with material finance-related legal and policy provisions.

Chapter 3. Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Optometry's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. In addition, for the items tested, the board complied with applicable rules, regulations, and bargaining agreements.

Payroll is the largest expenditure of the board, accounting for approximately 60 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 were \$47,960. The board's per diem expenditures for fiscal year 2000 were \$2,365.

During the audit period, the office employed two staff on a part-time basis. Both staff members also work as part-time employees for the Board of Dietetics and Nutrition Practice. The executive director, who serves in the unclassified service, is covered by the Managerial Plan. The administrative staff person is represented by the American Federation of State, County, and Municipal Employees (AFSCME).

The Board of Optometry utilizes the full range of services provided by the Administrative Services Unit (ASU). The ASU inputs the board's payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board also relies on the services of the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Minnesota Board of Optometry's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To answer these questions, we interviewed board staff to gain an understanding of the internal control structure over the payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and accurately recorded in the accounting system. We also verified compliance with bargaining unit provisions,

Minnesota Board of Optometry

position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Optometry's internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

Minnesota Board of Optometry

Status of Prior Audit Issues As of June 29, 2001

Most Recent Audits

Legislative Audit Report 95-32, issued in July 1995, covered the four fiscal years ended June 30, 1994. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included two findings. The first issue cited the board for not performing a reconciliation of licenses issued with receipts collected. The second issue related to the prompt depositing of receipts. Based on the current audit, the board has resolved both of the issues.

State of Minnesota Audit Follow-Up Process

<p>The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.</p>

Minnesota Board of Optometry

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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Carl O. Benson, President
Minnesota Board of Pharmacy

Members of the Minnesota Board of Pharmacy

Mr. David E. Holmstrom, Executive Director
Minnesota Board of Pharmacy

We have audited the Minnesota Board of Pharmacy for the period July 1, 1995, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Pharmacy

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Pharmacy staff on September 6, 2001:

David Holmstrom	Executive Director
Pat Eggers	Office Manager

Report Summary

Overall Audit Conclusions:

- The Board of Pharmacy's internal controls provided reasonable assurance that it accurately recorded its financial activity and adequately safeguarded its assets. The board's internal controls provided reasonable assurance that it collected and deposited the approved amount of license fees. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285.

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1995, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Pharmacy

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Minnesota Board of Pharmacy

Chapter 1. Background Information

The Minnesota Board of Pharmacy regulates the licensing of pharmacists and pharmacies in Minnesota to ensure compliance with the rules of pharmaceutical care. The board processes applications for licensure, and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Chapters 151 and 214. The board has seven members appointed by the Governor. David Holmstrom is the current executive director of the board.

The board is responsible for receiving and accounting for all fees and maintains the supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU also assists the board with budget development and provides financial reports to the board throughout the year.

The Minnesota Board of Pharmacy is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, ASU, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during fiscal years 1998 through 2000.

Minnesota Board of Pharmacy

Table 1-1
Sources and Uses of Funds⁽¹⁾
by Fiscal Year

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Appropriations	\$1,051,569	\$1,072,357	\$1,156,113
Transfers-In	0	0	53,613
Balance Forward In (Out)	(17,648)	17,648	(53,186)
Receipts	0	0	0
Cancellations	<u>0</u>	<u>(32,381)</u>	<u>0</u>
Total Sources	<u>\$1,033,921</u>	<u>\$1,057,624</u>	<u>\$1,156,540</u>
Uses:			
Payroll	\$ 572,262	\$ 610,389	\$ 629,124
Per Diem	7,040	6,930	6,545
Rent (Space)	53,078	56,484	60,363
Computer System Development and Maintenance	10,166	15,358	27,371
Other Expenditures	<u>143,806</u>	<u>114,106</u>	<u>143,024</u>
Direct Expenditures Paid From Board's Appropriation	\$ 786,352	\$ 803,267	\$ 866,427
Administrative Services Unit	216,000	222,000	266,163
Statewide Indirect Costs Paid from Board's Appropriation	<u>31,569</u>	<u>32,357</u>	<u>23,950</u>
Total Uses	<u>\$1,033,921</u>	<u>\$1,057,624</u>	<u>\$1,156,540</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note (1): The board's appropriation includes funding for the Administrative Services Unit (ASU). The board transfers these funds to a specific account used to record all of the financial activity of the ASU. See the Overview Chapter for further discussion of the ASU.

Source: MAPS Accounting System and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusions

The Minnesota Board of Pharmacy's internal controls provided reasonable assurance that the appropriate amount of license revenue was collected, adequately safeguarded, and properly reported in the accounting records. For the items tested, the board complied with applicable legal and policy provisions, including the statutory requirement that the board set its fees to recover its operating costs.

Background

The board receives license revenue from seven different types of licenses: pharmacist, pharmacy, wholesaler, drug manufacturer, drug researcher, medical gas distributor, and pharmacy technician. License revenue is generated from application fees, renewal fees, and late fees. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$1,082,555 in revenue from licenses and fees.

The Administrative Services Unit (ASU) daily recorded all of the board's financial activity into the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees. Table 2-1 shows that the board's fee receipts covered expenditures for the biennium ended June 30, 2000.

Minnesota Board of Pharmacy

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	<u>\$981,495</u>	<u>\$1,082,555</u>
Expenditures:		
Direct Expenditures	<u>\$803,267</u>	<u>\$ 866,427</u>
Indirect Expenditures ⁽¹⁾ :		
Administrative Services Unit	\$ 25,279	\$ 26,855
Attorney General	29,114	29,379
Health Professional Services Program	15,466	22,286
Statewide Indirect Costs	<u>32,357</u>	<u>23,950</u>
Total Operating Expenditures	<u>\$905,483</u>	<u>\$ 968,897</u>
Excess Receipts Over Expenditures	<u>\$ 76,012</u>	<u>\$ 113,658</u>

Note (1): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed Board of Pharmacy personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate license and renewal fees.

Conclusion

We found that the Minnesota Board of Pharmacy's internal controls provided reasonable assurance that it properly collected, adequately safeguarded, and properly reported the appropriate license and renewal fee revenue. In addition, for the items tested, the board complied with applicable legal and policy provisions.

Chapter 3. Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Pharmacy's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. In addition, for the items tested, the board complied with applicable rules, regulations, and bargaining agreements.

Payroll is the largest expenditure of the board, accounting for approximately 55 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 were \$629,124. The board's per diem expenditures for fiscal year 2000 were \$6,545.

During fiscal year 2000, the office employed an average of ten staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME); the Commissioner's Plan; and the Managerial Plan. Although functioning independently, the five employees of the Administrative Services Unit (ASU) report to the Board of Pharmacy.

The Board of Pharmacy utilized the full range of services provided by the ASU. The ASU inputs the board's payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board also relies on the services of the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Minnesota Board of Pharmacy's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To answer these questions, we interviewed board staff to gain an understanding of the internal control structure over payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and accurately recorded in the accounting system. We also verified compliance with bargaining unit provisions,

Minnesota Board of Pharmacy

position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Pharmacy's internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

Minnesota Board of Pharmacy

Status of Prior Audit Issues As of June 29, 2001

Most Recent Audits

Legislative Audit Report 95-50, issued in November 1995, covered the five fiscal years ended June 30, 1995. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included one issue related to the internal control over travel reimbursements. Based on the current audit, the board resolved the issue.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Kathy Fleischaker, President
Minnesota Board of Physical Therapy

Members of the Minnesota Board of Physical Therapy

Ms. Stephanie Lunning, Executive Director
Minnesota Board of Physical Therapy

We have audited the Minnesota Board of Physical Therapy for the period July 1, 1999, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Physical Therapy

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Physical Therapy staff on September 11, 2001:

Stephanie Lunning	Executive Director
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Report Summary

Overall Audit Conclusions:

- The Board of Physical Therapy's internal controls provided reasonable assurance that it accurately recorded its financial activity and adequately safeguarded its assets. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were sufficient to recover its total expenditures for the year ended June 30, 2000, as required by Minn. Stat. Sections 214.055 and 16A.1285.

Key Findings:

- The board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We recommended that the board reconcile the total licenses issued with the amount of receipts recorded in MAPS. (Finding 1, page 6)
- The board did not adequately safeguard checks received for the national licensing examination. We recommended that the board deposit all receipts in accordance with Minn. Stat. Sections 16A.275 and 214.03, or work with the Federation of State Boards of Physical Therapy to have funds for national examinations sent directly to the testing center. (Finding 2, page 6)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1999, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Physical Therapy

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Minnesota Board of Physical Therapy

Chapter 1. Background Information

The Minnesota Board of Physical Therapy was created in May 1999 and began issuing licenses in fiscal year 2000. Prior to becoming an independent board, the activities of the board were handled by an advisory council within the Board of Medical Practice. The board regulates the licensing of physical therapists in Minnesota to ensure compliance with the rules of physical therapy. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees.

The board operates under Minn. Stat. Sections 148.65 – 148.78 and Chapter 214. The board has nine members appointed by the Governor. Stephanie Lunning was appointed the first executive director of the board in September 2000.

The board is responsible for receiving and accounting for all fees and maintains the supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is also supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The Board of Medical Practice processed the financial activity of the board in the state's accounting and payroll systems for fiscal year 2000. The ASU also assisted the board with budget development and provided financial reports throughout the year.

The Minnesota Board of Physical Therapy is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, the ASU, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during fiscal year 2000.

Minnesota Board of Physical Therapy

Table 1-1
Sources and Uses of Funds
by Fiscal Year

	<u>2000</u>
Sources:	
Appropriations ⁽¹⁾	\$227,000
Transfers-In	0
Balance Forward In (Out)	(102,516)
Receipts	0
Cancellations	<u>0</u>
Total Sources	<u>\$124,484</u>
Uses:	
Payroll	\$ 87,954
Per Diem	4,950
Rent (Space)	10,801
Professional and Technical Contracts	5,658
Other Expenditures	<u>15,121</u>
Direct Expenditures Paid From Board's Appropriation	<u>\$124,484</u>
Total Uses	<u>\$124,484</u>
Excess Sources Over Uses	<u>\$ 0</u>

Note (1): The Board of Physical Therapy became an independent board in fiscal year 2000. The board was previously part of the Board of Medical Practice.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusions

The Minnesota Board of Physical Therapy's internal controls provided reasonable assurance that it properly recorded its financial activity and adequately safeguarded its assets. However, we found that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We also found that the board did not adequately safeguard checks received for the national licensing examination. In addition, the board did not deposit or record these checks in accordance with Minn. Stat. Sections 16A.275 and 214.03. For the items tested, the board complied with other material finance-related legal and policy provisions.

Background

The board receives license revenue from individuals classified as Physical Therapists. License revenue is generated from application fees, renewal fees, and late fees. Board fees are established in state statute and rules. The board collected \$261,337 during fiscal year 2000 from license and fee receipts.

The Board of Medical Practice daily recorded the board's financial activity into the Minnesota Accounting and Procurement System (MAPS). The Board of Medical Practice entered information into MAPS based on reports generated by the Board of Physical Therapy. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees. Table 2-1 shows that the board's fee receipts covered expenditures for fiscal year 2000.

Minnesota Board of Physical Therapy

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>2000</u>
Receipts:	
License and Fee Receipts	<u>\$261,337</u>
Expenditures:	
Direct Expenditures	<u>\$124,484</u>
Indirect Expenditures:	
Administrative Services Unit	\$ 6,243
Attorney General	30,835
Health Professional Services Program	<u>3,108</u>
Total Operating Expenditures	<u>\$164,670</u>
Excess Receipts Over Expenditures	<u>\$ 96,667</u>

Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board’s internal controls provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed the Board of Physical Therapy and the Board of Medical Practice’s personnel to gain an understanding of the process for collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate license and renewal fees.

Conclusions

We found that the Minnesota Board of Physical Therapy’s internal controls provided reasonable assurance that it accurately reported its receipt collections in the accounting records. However, as discussed in Finding 1, the board did not have adequate controls to provide reasonable assurance that it collected the appropriate amount of license fees. As discussed in Finding 2, we found that the board did not adequately safeguard the checks for the National Physical Therapy examination. In addition, the board did not deposit these checks in accordance with Minn. Stat. Sections 16A.275 and 214.03.

Minnesota Board of Physical Therapy

For the items tested, the board complied with other applicable finance-related legal provisions, including the requirement to recover its operating costs.

1. The Board of Physical Therapy did not ensure that it collected the appropriate amount of receipts based on the number of licenses issued.

The board did not reconcile the number of licenses issued to receipts deposited in the statewide accounting system (MAPS). The board collected approximately \$261,000 in license and application fees during fiscal year 2000. Reconciliations provide the board with the means to ensure that the proper amount of license fee receipts were deposited and recorded in the appropriate MAPS accounts based on the number of licenses issued. Absent this key control, receipts could be lost or stolen without detection.

Recommendation

- *The Board of Physical Therapy should establish a reconciliation process to ensure that its license receipts recorded on the accounting system agree with the number of licenses issued.*

2. The Board of Physical Therapy did not adequately safeguard cash receipts for the National Physical Therapy examination.

The Board of Physical Therapy did not adequately safeguard checks received for the Physical Therapy National examination. The checks received for this exam are made payable to the national testing center, but are sent to the board along with the application for the examination. The Board of Medical Practice held these checks until the applicant submitted all of the required paperwork. Once the paperwork was completed, the board forwarded the checks and paperwork to the examination center. The board retained the checks in an unlocked desk, which increases the risk of loss or theft.

In addition, the board did not deposit these funds in the state treasury as required by Minn. Stat. Section 16A.275. The statute requires that all funds over \$250 be daily deposited in the state treasury. Minn. Stat. Section 214.03, Subd. 2, allows the board to deposit receipts for national examinations into a special revenue account. The boards subsequently make payments for the examination services out of this account. To date, the Board of Physical Therapy has not used the account.

Recommendation

- *The Board of Physical Therapy should deposit all receipts in accordance with state statute or work with the Federation of State Boards of Physical Therapy to have funds for national examinations sent directly to the testing center.*

Minnesota Board of Physical Therapy

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Chapter 3. Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Physical Therapy's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. For the items tested, the board complied with applicable rules, regulations, and bargaining agreements.

Payroll is the largest expenditure of the board, accounting for approximately 70 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 totaled \$87,954. The board's per diem expenditures for fiscal year 2000 were \$4,950.

Currently, the board office consists of the executive director and one clerical staff person who carry out the responsibilities of the board. Staff of the Board of Medical Practice continues to provide investigative, accounting, personnel, and clerical support to the Physical Therapy Board. Payroll costs are allocated proportionally between the two boards based on the time spent and the work performed.

The Board of Physical Therapy did not utilize the full range of services provided by the Administrative Services Unit (ASU) since it relied on the Board of Medical Practice's staff to input its payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board did rely on the ASU, however, for budget preparation and summarized financial reports.

Audit Objectives and Methodology

Our review of the Minnesota Board of Physical Therapy's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To answer these questions, we interviewed office staff to gain an understanding of the internal control structure over payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and recorded.

Minnesota Board of Physical Therapy

We also verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Physical Therapy's internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

Minnesota Board of Physical Therapy

Status of Prior Audit Issues As of June 29, 2001

Most Recent Audits

The Minnesota Board of Physical Therapy was created in May 1999 and began issuing licenses in fiscal year 2000. Prior to becoming an independent board, its activities were handled within the Board of Medical Practice. The board has not been previously audited.

<p style="text-align: center;">State of Minnesota Audit Follow-Up Process</p> <p>The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.</p>
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Minnesota Board of Physical Therapy

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MINNESOTA BOARD OF PHYSICAL THERAPY

University Park Plaza • 2829 University Avenue SE • Suite 315 • Minneapolis, MN 55414-3222
Telephone (612) 627-5406 • Fax (612) 627-5403 • www.physicaltherapy.state.mn.us
MN Relay Service for Hearing Impaired (800) 627-3529

September 11, 2001

Mr. James R. Noble, Legislative Auditor
Office of Legislative Auditor, State Of Minnesota
Room 140, Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Noble,

The Board of Physical Therapy appreciates this opportunity to respond to the following two draft audit recommendations.

Audit Recommendation: The Board of Physical Therapy should establish a reconciliation process to ensure that its license receipts recorded in the accounting system agree with the number of licenses issued.

Board Response: This issue will be resolved by September 30, 2001, when the Board of Physical Therapy completes the transfer of financial and data base record keeping from the Board of Medical Practice computer system. The Board of Physical Therapy is implementing a PC-based software system with the ability to reconcile receipts with licenses issued and certificates printed. Stephanie Lunning, Executive Director, is responsible for resolving this finding.

Audit Recommendation: The Board of Physical Therapy should deposit all receipts in accordance with state statute or work with the Federation of State Boards of Physical Therapy to have funds for national examinations sent directly to the testing center.

Board Response: This issue was resolved in June 2001. The Board of Physical Therapy no longer accepts nor holds these fees. The applicants now send their exam fees directly to the Federation of State Board of Physical Therapy (FSBPT). Instructions on the Minnesota Physical Therapist application form were rewritten to reflect this change and all of the checks that were being held in June 2001 were forwarded to FSBPT. Stephanie Lunning, Executive Director, was responsible for resolving this finding.

Sincerely,

/s/ Stephanie Lunning

Stephanie Lunning
Executive Director

Minnesota Board of Physical Therapy

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Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Samuel Albert, Ph.D., LP, Chair
Minnesota Board of Psychology

Members of the Minnesota Board of Psychology

Ms. Pauline Walker-Singleton, Executive Director
Minnesota Board of Psychology

We have audited the Minnesota Board of Psychology for the period July 1, 1996, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Psychology

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Psychology staff on September 11, 2001:

Pauline Walker-Singleton	Executive Director
Debby Sellin-Beckerleg	Office Manager

Report Summary

Overall Audit Conclusions:

- The board's internal controls provided reasonable assurance that it accurately recorded its financial activity and adequately safeguarded its assets. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were not sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285. However, the board approved a fee increase effective June 2001 to offset the deficits and recover future costs.

Key Findings:

- The board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We recommended that the board reconcile the total licenses issued with the amount of receipts recorded in MAPS. (Finding 1, page 6)
- The board refunded approximately \$3,600 in non-refundable fees. We recommended that the board adhere to its rules and policies concerning refunds, or review its rules and policies to determine if modifications are necessary. (Finding 2, page 6)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1996, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Psychology

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Chapter 1: Background Information

The Minnesota Board of Psychology regulates the licensing of psychologists and psychological practitioners in Minnesota to ensure compliance with the rules of the practice of psychology. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Sections 148.88 – 148.98 and Chapter 214. The board has eleven members appointed by the Governor. Pauline Walker-Singleton is the current executive director of the board.

The board is responsible for receiving and accounting for all fees and maintains the supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU also assists the board with budget development and provides financial reports to the board throughout the year.

The Minnesota Board of Psychology is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, ASU, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during the audit period.

Minnesota Board of Psychology

**Table 1-1
Sources and Uses of Funds
by Fiscal Year**

	1998	1999	2000
Sources:			
Appropriations	\$434,990	\$493,600	\$703,309
Transfers-In	18,000	0	0
Balance Forward In (Out)	(41,478)	30,978	(158,503)
Receipts	5,500	44,050	39,200
Cancellations	<u>0</u>	<u>(479)</u>	<u>0</u>
Total Sources	<u>\$417,012</u>	<u>\$568,149</u>	<u>\$584,006</u>
Uses:			
Payroll	\$309,627	\$322,651	\$349,533
Per Diem	8,474	8,030	9,515
Rent (Space)	44,316	46,971	49,073
Professional and Technical Contracts	2,579	66,005	42,546
Computer System Development and Maintenance	0	16,565	3,158
Administrative Hearings	1,675	22,463	45,892
Other Expenditures	<u>39,351</u>	<u>61,864</u>	<u>52,980</u>
Direct Expenditures Paid From Board's Appropriation	\$406,022	\$544,549	\$552,697
Statewide Indirect Costs Paid From Board's Appropriation	<u>10,990</u>	<u>23,600</u>	<u>31,309</u>
Total Uses	<u>\$417,012</u>	<u>\$568,149</u>	<u>\$584,006</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Source: MAPS Accounting System, Board of Psychology Biennial Budget report, and ASU fiscal analysis reports.

Chapter 2: Revenues

Chapter Conclusions

The Minnesota Board of Psychology's internal controls provided reasonable assurance that it properly recorded its financial activity and adequately safeguarded its assets. However, we found that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We also found that the board refunded nonrefundable fees to some applicants. In addition, the board did not recover its costs for the biennium ended June 30, 2000, but increased its fees effective in June of 2001 to address the deficit and recover future operating costs. For the other items tested, the board complied with material finance-related legal and policy provisions.

Background

The board receives license revenue from two different types of licenses: licensed psychologist and licensed psychological practitioners. License revenue is generated from application fees, renewal fees, and late fees. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$927,764 in revenue from licenses and fees.

The Administrative Services Unit (ASU) daily recorded all of the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees. Table 2-1 shows that the Psychology's fee receipts did not recover its expenditures for the biennium ended June 30, 2000. However, the board approved a fee increase effective June 2001 that should address the deficit.

Minnesota Board of Psychology

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	<u>\$ 798,339</u>	<u>\$927,764</u>
Expenditures:		
Direct Expenditures	<u>\$ 544,549</u>	<u>\$552,697</u>
Indirect Expenditures ⁽¹⁾ :		
Administrative Services Unit	\$ 14,911	\$ 18,280
Attorney General	407,117	387,010
Statewide Indirect Costs	<u>23,600</u>	<u>31,309</u>
Total Operating Expenditures	<u>\$ 990,177</u>	<u>\$989,296</u>
Excess Receipts Over Expenditures	<u>(\$191,838)</u>	<u>(\$61,532)</u>

Note (1): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.
Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and fee revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did the board comply with applicable legal and policy provisions related to licensure?

To address these objectives, we interviewed Board of Psychology personnel to gain an understanding of the process for collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate fees.

Conclusions

We found that the Board of Psychology's internal controls provided reasonable assurance that it accurately reported its revenue in the accounting records and adequately safeguarded its assets. However, as discussed in Finding 1, we found that the board did not reconcile the total licenses issued to the amount of receipts recorded in MAPS. In addition, as discussed in Finding 2, the board refunded nonrefundable fees. Although the board did not recover its costs for the biennium ended June 30, 2000, as required by statute, it approved a fee increase effective in June of 2001 that should address the deficit. For the other items tested, the board complied with applicable legal and policy provisions.

Minnesota Board of Psychology

1. PRIOR FINDING PARTIALLY RESOLVED: The board did not ensure that it collected the correct amount of receipts based on the number of licenses issued.

The Board of Psychology did not reconcile the total number of licenses issued per its licensing system to receipts deposited and recorded in the statewide accounting system (MAPS). The board collected approximately \$928,000 in various license and application fees during fiscal year 2000. The board verified that the daily cash deposit report agreed with the individual fees collected. The board also confirmed on a regular basis that the amount of fees deposited was properly recorded in MAPS. However, the board did not verify that the total number of license certificates issued through its licensing system agreed with the total receipts recorded in MAPS.

Reconciliations provide the board with the means to ensure that the proper amount of license fee receipts were deposited and recorded in appropriate MAPS accounts based on the actual number of licenses issued. Without this key license reconciliation, the board cannot ensure that all licenses issued had an associated cash receipt.

Recommendation

- *The Board of Psychology should periodically reconcile the total licenses issued with the amount of receipts recorded in the accounting system.*

2. The board refunded nonrefundable fees to some applicants.

The board authorized and paid refunds totaling approximately \$3,600 during the audit period. The board's statutes and rules explicitly state that certain fees paid to the board are nonrefundable. According to Minn. Stat. Sections 148.907 and 148.908, an applicant shall pay *nonrefundable* fees to the board for applications, renewals, testing, and materials. In addition, Minnesota Rules Section 7200.6100, referred to as the Psychology Practice Act, specifies that application fees for the examinations and licensure are nonrefundable. However, the board office authorized the refunds if the applicants submitted a written request to the office.

Recommendation

- *The board should adhere to its operating statutes and rules regarding refunds or seek modifications if necessary.*
- *The board should work with ASU and the Attorney General regarding recovery of the nonrefundable fees.*

Minnesota Board of Psychology

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Chapter 3: Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Psychology's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. In addition, for the items tested, the board complied with applicable rules, regulations, and bargaining unit agreements.

Payroll is the largest expenditure of the board, accounting for approximately 65 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 totaled \$349,533. The board's per diem expenditures for fiscal year 2000 were \$9,515.

During fiscal year 2000, the office employed approximately eight staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME); the Minnesota Association of Professional Employees (MAPE); the Middle Management Association (MMA); and the Managerial Plan.

The Board of Psychology utilized the full range of services provided by the Administrative Services Unit (ASU). The ASU inputs the board's payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board also relies on the services of the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Minnesota Board of Psychology's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To address these questions, we interviewed board staff to gain an understanding of the internal control structure over the payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and recorded.

Minnesota Board of Psychology

We also verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Psychology's internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

**Status of Prior Audit Issues
As of June 29, 2001**

Most Recent Audits

Legislative Audit Report 97-34, issued in June 1997, covered the period from July 1, 1994, through December 31, 1996. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included three findings. One issue identified that the board's expenditures exceeded its revenues. Refer to Chapter 2 for a discussion of this issue. Another issue related to the lack of a reconciliation of licenses issued to receipts collected. This issue is repeated as Finding 1 in the current report. The third issue discussed the board's process of holding fees designated for national examinations. The board resolved this issue.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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MINNESOTA BOARD OF PSYCHOLOGY

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Minnesota Relay Service:
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25 September 2001

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles:

We appreciate the opportunity to reply to your report of the financial and compliance audit of the Board for the four years ending June 30, 2000. The Board would also like to thank you and your staff for the professional courtesies throughout the audit.

We have the following comments (*In Italics*) about the findings in the report:

1. PRIOR FINDING PARTIALLY RESOLVED: The board did not ensure that it collected the correct amount of receipts based on the number of licenses issued.

In an effort to reasonably assure that the approved amount of licensure and other fees were collected and deposited, staff has separated the duties involved in the processing of all services and applications involving payment to the Board. Some of these procedures were established to address this issue in the last audit. The separation of duties applies to the following procedures: initial intake of receipts, the recording of what service was being applied for, the amount submitted with each specific request, and the specific form of the payment, the completion of each daily itemized deposit, verification of and reconciliation of each deposit, entering the information from each application or request into the Board's computer system, entering the receipts into the state's computer systems, and keeping and verifying manual and computer-generated lists of the Board's receipts, renewals and licenses issued. Staff members different from the one who generated the data verify all of these current procedures. These safeguards were put in place to assure that no service is provided or no application is processed unless the appropriate amount of revenue was deposited for the requested action. The agency will again review the capabilities of its computer system and staff procedures in order to develop additional reports that can be generated regarding the Board's receipts, which will further verify that the appropriate revenue is collected to cover services provided and the applications being processed.

2. The board refunded nonrefundable fees to some applicants.

The majority of the refunds attributed as non-refundable, appear to represent over payments made by requestors of service and double payments made for licensees' license renewal or special assessment payments. Staff will continue to monitor and document the need for any refunds allowable under the Psychology Practice Act.

If you have questions about the above information, please do not hesitate to contact me.

Sincerely,

/s/ Pauline Walker Singleton

PAULINE WALKER-SINGLETON
Executive Director



OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Steven Sawyer, Chair
Minnesota Board of Social Work

Members of the Minnesota Board of Social Work

Ms. Penny Troolin, Executive Director
Minnesota Board of Social Work

We have audited the Minnesota Board of Social Work for the period July 1, 1995, through June 30, 2000, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The Report Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of internal controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 4, 2001.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia Gudvangen

Claudia Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 29, 2001

Report Signed On: September 27, 2001

Minnesota Board of Social Work

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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
Michael Hassing, CPA	Audit Director
Mike Byzewski	Auditor
Susan Mady	Auditor
Ching-Huei Chen	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following Minnesota Board of Social Work staff on September 11, 2001:

Penny Troolin	Executive Director
Connie Oberle	Office Manager

Report Summary

Overall Audit Conclusions:

- The Board of Social Work's internal controls provided reasonable assurance that it accurately recorded its financial activity and adequately safeguarded its assets. The board accurately paid and recorded payroll expenditures. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. The board's fees were not sufficient to recover its total expenditures for the biennium ended June 30, 2000, as required by Minn. Stat. Sections 214.06 and 16A.1285. However, the board approved a fee increase effective July 1, 2000, to offset the deficits and recover future costs.

Key Findings:

- The board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We recommended that the board reconcile the total licenses issued with the amount of receipts recorded in the accounting system. (Finding 1, page 6)

Financial-Related Audit Reports address internal control weaknesses and noncompliance issues noted during our audits of state departments and agencies. The scope of our audit work covered the period from July 1, 1995, through June 30, 2000. We audited license revenue, personnel services, rent, and other administrative expenditures.

Minnesota Board of Social Work

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Minnesota Board of Social Work

Chapter 1. Background Information

The Minnesota Board of Social Work regulates the licensing of social workers in Minnesota to ensure compliance with the standards for quality social work. The board processes applications for licensure and issues original licenses and renewal certificates. The board also approves educational seminars required for relicensure and processes complaints filed against licensees.

The board operates under Minn. Stat. Sections 148B.18 – 148B.289 and Chapter 214. The board has 15 members appointed by the Governor. Penny Troolin is the current executive director of the board.

The board receives and accounts for all fees and maintains the supporting documentation for all financial transactions. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is supported by the Administrative Services Unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU also assists the board with budget development and provides financial reports to the board throughout the year.

The Minnesota Board of Social Work is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (Attorney General, ASU, and statewide charges) during the biennium. In preparing the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during fiscal years 1998 through 2000.

Minnesota Board of Social Work

**Table 1-1
Sources and Uses of Funds
by Fiscal Year**

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Sources:			
Appropriations	\$734,723	\$611,413	\$665,702
Transfers-In	0	10,000	64,675
Balance Forward In (Out)	(71,581)	70,250	(10,190)
Receipts	47,400	36,739	6,422
Cancellations	<u>0</u>	<u>(953)</u>	<u>0</u>
Total Sources	<u>\$710,542</u>	<u>\$727,449</u>	<u>\$726,609</u>
Uses:			
Payroll	\$408,800	\$430,183	\$435,353
Per Diem	10,395	12,210	9,470
Rent (Space)	44,123	46,277	47,912
Professional and Technical Contracts	3,621	9,649	0
Computer System Development and Maintenance	47,375	38,853	82,509
Other Expenditures ⁽¹⁾	<u>176,505</u>	<u>166,864</u>	<u>126,663</u>
Direct Expenditures Paid From Board's Appropriation	\$690,819	\$704,036	\$701,907
Statewide Indirect Costs Paid From Board's Appropriation	<u>19,723</u>	<u>23,413</u>	<u>24,702</u>
Total Uses	<u>\$710,542</u>	<u>\$727,449</u>	<u>\$726,609</u>
Excess Sources Over Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note (1): The board's fiscal year 2000 Other Expenditures includes \$21,493 of open encumbrances as of August 16, 2001.
Source: MAPS Accounting System, Board of Social Work Biennial Budget, and ASU fiscal analysis reports.

Chapter 2. Revenues

Chapter Conclusions

The Minnesota Board of Social Work's internal controls provided reasonable assurance that it properly recorded its financial activity and adequately safeguarded its assets. However, we found that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. For the items tested, the board complied with material finance-related legal and policy provisions. Although the board did not recover its costs for the biennium ended June 30, 2000, as required by statute, it increased fees in 2001 to address the deficit.

Background

The board receives license revenue from four levels of licensure: Licensed Social Workers, Licensed Graduate Social Workers, Licensed Independent Social Workers, and Licensed Independent Clinical Social Workers. License revenue is generated from application fees, renewal fees, changes in licensure, and late fees. Board fees are established in state statute and rules. For fiscal year 2000, the board collected \$787,560 in revenue from licenses, fees, and penalties.

The Administrative Services Unit (ASU) daily recorded the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board. Minn. Stat. Section 16A.1285, Subd. 2, requires the board to recover its operating costs through licensing fees. Table 2-1 shows that the board's fee receipts did not recover expenditures for fiscal years 1999 and 2000. However, the board increased fees effective at the beginning of fiscal year 2001. These fee increases should be sufficient to recover the deficit and future year's expenditures.

Minnesota Board of Social Work

**Table 2-1
Cost Recovery Analysis
by Fiscal Year**

	<u>1999</u>	<u>2000</u>
Receipts:		
License and Fee Receipts	<u>\$ 756,114</u>	<u>\$787,560</u>
Expenditures:		
Direct Expenditures ⁽¹⁾	<u>\$ 704,036</u>	<u>\$701,907</u>
Indirect Expenditures ⁽²⁾ :		
Administrative Services Unit	\$ 20,726	\$ 23,406
Attorney General	206,582	101,953
Health Professional Services Program	9,088	9,658
Statewide Indirect Costs	<u>23,413</u>	<u>24,702</u>
Total Operating Expenditures	<u>\$ 963,845</u>	<u>\$861,626</u>
Excess Receipts Over Expenditures ⁽¹⁾	<u>(\$207,731)</u>	<u>(\$74,066)</u>

Note (1): The direct expenditures for fiscal year 2000 include \$21,493 of open encumbrances as of August 16, 2001. This results in a greater deficit than indicated by the ASU.

Note (2): Statewide indirect costs are the only indirect expenditures paid directly from the board's appropriation.

Source: MAPS Accounting System and ASU fiscal analysis reports.

Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board's internal controls provide reasonable assurance that the appropriate amount of license and fee revenue was collected, adequately safeguarded, and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed Minnesota Board of Social Work personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of receipt transactions and verified whether the staff properly collected, adequately safeguarded, and properly reported the appropriate license and renewal fees.

Conclusions

We found that the Board of Social Work's internal controls provided reasonable assurance that it accurately reported its revenue in the accounting records and adequately safeguarded its assets. However, as discussed in Finding 1, we found that the board did not have adequate controls to provide reasonable assurance that it collected and reported the appropriate amount of license fees. For the items tested, the board complied with applicable finance-related legal provisions.

Minnesota Board of Social Work

Although the board did not recover its costs for the biennium ended June 30, 2000, it increased its fees effective fiscal year 2001 to offset the deficit and recover future operating costs.

1. PRIOR FINDING NOT RESOLVED: The Board of Social Work did not ensure that it collected and deposited all receipts based on the number of licenses issued.

The board did not reconcile the number of licenses issued to receipts deposited in the statewide accounting system (MAPS). The board collected approximately \$787,500 during fiscal year 2000 in license and application fees. Reconciliations of licenses issued to receipts deposited provides the board with the means to ensure that the proper amount of receipts were deposited and recorded in the appropriate MAPS accounts based on the number of licenses issued. Absent these controls, loss or theft of receipts could occur without being detected by the board in a timely manner.

Recommendation

- *The Board of Social Work should establish a reconciliation process to ensure that its license receipts recorded in the accounting system agree with the number of licenses issued.*

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Chapter 3. Administrative Expenditures

Chapter Conclusion

The Minnesota Board of Social Work's internal controls provided reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. For the items tested, the board complied with applicable rules, regulations, and bargaining agreements.

Background

Payroll is the largest expenditure of the board, accounting for approximately 60 percent of the board's direct operating expenditures. The board's payroll expenditures for fiscal year 2000 totaled \$435,353. The board also paid per diem costs of \$9,470 in fiscal year 2000.

During fiscal year 2000, the office employed approximately 11 staff belonging to various bargaining units, including the American Federation of State, County, and Municipal Employees (AFSCME), and the Minnesota Association of Professional Employees (MAPE). Terms and conditions of the executive director, who serves in the unclassified service, are covered by the Managerial Plan.

The Board of Social Work utilized the full range of services provided by the Administrative Services Unit (ASU). ASU inputs the board's payroll, personnel, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board relies on the services of the ASU for budget preparation, monitoring, and reporting financial activity.

Audit Objectives and Methodology

Our review of the Minnesota Board of Social Work's payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did the board comply, in all material respects, with significant finance-related legal provisions covering payroll and other administrative expenditures?

To answer these questions, we interviewed board staff to gain an understanding of the internal control structure over the payroll, personnel, and administrative expenditure processes. We also analyzed payroll and other administrative expenditures to determine unusual trends or

Minnesota Board of Social Work

unreasonable transactions. We tested samples of payroll, per diem, and administrative expenditure transactions to determine if they were properly authorized, processed, and recorded in the accounting system. We also verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other material finance-related legal provisions.

Conclusion

The Minnesota Board of Social Work's internal controls provided reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

Minnesota Board of Social Work

Status of Prior Audit Issues As of June 29, 2001

Most Recent Audits

Legislative Audit Report 95-42, issued in October 1995, covered the four fiscal years ended June 30, 1995. The audit scope included internal controls and compliance with material finance-related legal provisions. The audit report included two findings. The first issue reported that the board did not charge any late fees. The second issue cited the board for not reconciling licenses issued to receipts collected. The board resolved the first issue, but has not performed a licensure reconciliation. See current Finding 1.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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 the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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BOARD OF SOCIAL WORK

September 18, 2001

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
Saint Paul MN 55155-1603

Dear Mr. Nobles:

This is the Minnesota Board of Social Work's formal response to your office's draft report summarizing the results of the financial and compliance audit for the five years ending June 30, 2000.

Finding #1 on page 6 of the draft report states "[t]he Board of Social Work did not ensure that it collected and deposited all receipts based on the number of licenses issued." Your office recommends that the Board "establish a reconciliation process to ensure that its license receipts recorded in the accounting system agree with the number of licenses issued."

While our staff does a *daily* reconciliation of license and renewal fees received, we have not been able to perform a *monthly* reconciliation of license and renewal fees recorded into MAPS accounts to the number of licenses issued. As of this date we have not had adequate computer capabilities to perform a monthly reconciliation, and it has proven to be cost- and time-prohibitive for staff to perform this function manually. Since our original license fees are prorated, we cannot simply divide the total fees deposited by the number of licenses issued. And, while there is a "due date" by which each licensee must renew their license, the Social Work Practice Act allows licensees up to a five-month period for renewal. This means that in any single month we receive renewal fees attributable to as many as five different months. As you can imagine, these factors have made it extremely difficult and impractical for our staff to reconcile on a *monthly* basis license and renewal fees paid with the number of licenses issued.

In December 1999 our office began the process of converting to a new database system that allows cash receipts to be entered directly into an accounting component of the database. We have not yet completed the testing of this new accounting system, but are hopeful that when it is fully operational in six to twelve months, the Board's operations manager, Connie Oberle, will be able to develop detailed reports enabling us to perform a monthly reconciliation of fees deposited and licenses issued.

The Board of Social Work and its staff appreciate the professional manner in which your office conducted this audit, and welcome your suggestions for improving our internal controls.

Sincerely,

/s/ Penny Troolin

Penny Troolin
Executive Director

cc: Members, Board of Social Work (*current address list enclosed*)
Connie Oberle, Operations Manager, Board of Social Work
Juli Vangness, Accounting Supervisor, Administrative Services Unit