OLA
OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

Health-Related Licensing Boards

Internal Controls and Compliance Audit

July 2011 through June 2014

October 24, 2014 **Report 14-20**

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

October 24, 2014

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Board of Social Work

Julia Wilson, Executive Director
Board of Veterinary Medicine

This report presents the results of our internal controls and compliance audit of the 15 health-related licensing boards for the period from July 1, 2011, through June 30, 2014. The objectives of this audit were to determine if the boards had adequate internal controls for the receipts and licensing operations we tested and complied with certain finance-related legal requirements.

We discussed the results of the audit with the boards' staff. This audit was conducted by Sonya Johnson, CPA, CFE (Audit Manager) David Poliseno, CPA, CISA, CFE (Audit Manager), Emily Wiant (Auditor-in-Charge), and auditors Cassie Harlin, Nick Ludwig, and Heather Varez, CPA, CFE.

We received the full cooperation of the boards' staff while performing this audit.

James R. Nobles
Legislative Auditor

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Deputy Legislative Auditor

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Report Summary

The State of Minnesota has established 15 health-related licensing boards with the statutory responsibility to issue licenses and registrations to qualified individuals and firms and enforce laws, rules, and board policies related to certain health-related professions. Our audit focused on whether the health-related licensing boards had adequate internal controls to ensure that they properly accounted for licensing receipts and complied with related legal requirements.[1] This work included verifying the accuracy and completeness of the receipts collected, deposited, and recorded for fiscal years 2012, 2013, and 2014. We also tested the boards' licensing processes to determine whether they issued licenses only to people who submitted documents showing they met testing, educational, and experience requirements.

Conclusion

The boards of Chiropractic Examiners, Nursing, and Podiatric Medicine had adequate internal controls[2] over their receipt and licensing processes and complied with finance-related legal requirements. We also concluded that the following boards had generally adequate internal controls[3] over their receipt and licensing processes and generally complied with applicable legal requirements; however, some boards had internal control weaknesses and instances of noncompliance.

- Behavioral Health and Therapy
- Dentistry
- Dietetics and Nutrition Practice
- Examiners for Nursing Home Administrators
- Marriage and Family Therapy[4]
- Medical Practice
- Optometry
- Pharmacy
- Psychology
- Physical Therapy[4]
- Social Work[4]
- Veterinary Medicine[4]

[1] In addition to our audit of the boards' receipt and licensing processes, we performed financial reviews of the boards' expenditures. A financial review is less in-depth than an audit, but provides some assurance that financial data are reliable, and the risk of noncompliance is relatively low. Based on these reviews, we decided that it was not necessary for our office to conduct additional audit work on expenditures.

[2] These boards designed and implemented internal controls that effectively manage risks related to its financial operations.

[3] With some exceptions, these boards designed and implemented internal controls that effectively manage risks related to its financial operations.

[4] We did not perform detailed testing of receipts for these boards and did not identify any findings related to the boards of Marriage and Family Therapy, Physical Therapy, and Social Work.

Audit Findings

- The Board of Medical Practice and the Board of Behavioral Health and Therapy did not adequately verify that licensees met continuing education requirements. (Finding 1, page 11)

- Eight health-related licensing boards did not adequately ensure that they deposited and accurately recorded fees for the licenses they issued. (Finding 2, page 13)

- The Board of Dentistry could not locate 134 dental assistant licensure applications. (Finding 3, page 15)

- The Board of Behavioral Health and Therapy allowed some employees to have access to its electronic licensing system who did not have related job duties. (Finding 4, page 16)

Health-Related Licensing Boards

Overview

The State of Minnesota has established 15 health-related licensing boards with the statutory responsibility to issue licenses and registrations to qualified individuals and firms and enforce statutes, rules, and board policies related to certain health-related professions. *Minnesota Statutes* 2013, chapter 214, establishes the general authority and responsibilities for all the boards, and *Minnesota Statutes* 2013, chapters 144 through 159, provide specific requirements for each board.

In addition, *Minnesota Statutes* 2013, 214.37, gives each board rulemaking authority. With the exception of the Board of Social Work, each board has used this authority to adopt rules to make the law it enforced or administered more specific in areas such as fees, licensing, and continuing education.

The Governor appoints members to each of the boards according to the applicable statutory requirements. Generally, the statutes require the boards to include members who represent both the regulated profession and the public.[5]

Table 1 shows information about each of the boards.

Table 1
Health-Related Licensing Boards Overview
As of June 30, 2014

Board	*Minnesota Statutes* 2013 [6]	*Minnesota Rules* 2013	Professions Regulated	Number of Active Licenses and Registrations
Behavioral Health and Therapy • 13 Members (10 professional and 3 public) • Kari Rechtzigel, Exec. Director • 5 Staff	148B.50-148B.593 and 148F	2150, 4747	Alcohol and Drug Counselors Professional Counselors Professional Clinical Counselors	4,067

(Continued on next page)

[5] *Minnesota Statutes* 2013, 214.02, defines a public board member as, "a person who is not, or never was, a member of the profession or occupation being licensed or regulated or the spouse of any such person, or a person who does not have, or has never had, a material financial interest in either the providing of the professional service being licensed or regulated or an activity directly related to the profession or occupation being licensed or regulated."

[6] In addition to the statutes listed, *Minnesota Statutes* 2013, chapter 214, applies to all of the above boards.

Table 1
Health-Related Licensing Boards Overview
As of June 30, 2014

Board	*Minnesota Statutes* 2013 [6]	*Minnesota Rules* 2013	Professions Regulated	Number of Active Licenses and Registrations
(Continued from previous page)				
Chiropractic Examiners • 7 Members (5 professional and 2 public) • Larry Spicer, Exec. Director • 5 Staff	148.01-148.17	2500	Chiropractors Animal Chiropractors-registration Acupuncture-registration	3,680
Dentistry • 9 Members (7 professional and 2 public) • Marshall Shragg, Exec. Director • 10 Staff	150A	3100	Dentists Dental Hygienists Dental Assistants Dental Therapists	17,169
Dietetics and Nutrition Practice • 7 Members (4 professional, 3 public) • Ruth Grendahl, Exec. Director • 2 Staff	148.621-148.634	3250	Dietitians Nutritionists	1,651
Examiners for Nursing Home Administrators • 11 Members (8 professional and 3 public) • Randy Snyder, Exec. Director • 2 Staff	144A.19-144A.38	6400	Nursing Home Administrators	872
Marriage and Family Therapy • 7 Members (5 professional and 2 public) • Jennifer Mohlenhoff, Exec. Director • 3 Staff	148B.01-148B.48	5300	Marriage and Family Therapists Associate Marriage and Family Therapists	2,168
Medical Practice • 16 Members (11 professional and 5 public) • Ruth Martinez, Exec. Director (replaced Robert Leach in August 2014) • 21 Staff	147, 147A-147E, 148.7801-148.7815	5600, 5605-5620	Physicians Physician Assistants Acupuncturists Athletic Trainers Naturopathic Doctors Respiratory Therapists Traditional Midwives Telemedicine	28,319
Nursing • 16 Members (12 professional and 4 public) • Shirley Brekken, Exec. Director • 33 Staff	148.171-148.51	6300-6340	Registered Nurses Licensed Practical Nurses	117,475
Optometry • 7 Members (5 professional and 2 public) • Randy Snyder, Exec. Director • 2 Staff	148.52-148.62	6500	Optometrists	1,077

(Continued on next page)

Table 1
Health-Related Licensing Boards Overview
As of June 30, 2014

Board	*Minnesota Statutes* 2013 [6]	*Minnesota Rules* 2013	Professions Regulated	Number of Active Licenses and Registrations
(Continued from previous page)				
Pharmacy • 7 Members (5 professional and 2 public) • Cody Wiberg, Exec. Director • 18 Staff	151	6800	Pharmacists Pharmacy Technicians Pharmacies Wholesale Drug Distributers Drug Manufacturers Medical Gas Distributors Controlled Substance Researchers	25,544
Physical Therapy • 11 Members (8 professional and 3 public) • Stephanie Lunning Exec. Director • 3 Staff	148.65-148.78	5601	Physical Therapists Physical Therapist Assistants	6,299
Podiatric Medicine • 7 Members (5 professional and 2 public) • Ruth Grendahl, Exec. Director • 1 Staff	153	6900	Doctors of Podiatric Medicine	236
Psychology • 11 Members (8 professional and 3 public) • Angelina Barnes, Exec. Director • 8 Staff	148.79-148.99	7200	Psychologists Psychological Practitioners	3,760
Social Work • 15 Members (10 professional and 5 public) • Kate Zacher-Pate, Exec. Director • 11 Staff	148D, 148E		Social Worker Graduate Social Worker Independent Social Workers Independent Clinical Social Workers	12,350
Veterinary Medicine • 7 Members (5 professional and 2 public) • Julia Wilson, Exec. Director • 2 Staff	156	9100	Veterinarians	2,723

Source: *Minnesota Statutes*, *Minnesota Rules*, and individual board websites and staff.

Administrative Services Unit

In addition to each board's staff, the health-related licensing boards received assistance from the Administrative Services Unit. *Minnesota Statutes* 2013, 214.107, directs the Administrative Services Unit "to perform administrative, financial, and management functions common to all the boards in a manner that streamlines services, reduces expenditures, targets the use of state resources, and meets the mission of public protection."

Fees Charged

The fees charged by each board are established either in *Minnesota Statutes* or in *Minnesota Rules*. *Minnesota Statutes* 2013, 214.06, subds. 1 and 1a, states:

> …the fees shall be an amount sufficient so that the total fees collected by each board will be based on the anticipated expenditures… Fees received by the health-related licensing boards must be credited to the health occupations licensing account in the state government special revenue fund … and must be used only by the boards… for the purposes of the programs they administer.

With the exception of the Board of Psychology, the boards accepted on-line payments for some types of fees. Most boards collected at least half of their total receipts through on-line payments, with the Board of Medical Practice and the Board of Nursing collecting more than 75 percent of their total receipts through on-line payments during the audit period.

Other than on-line receipts, each board collected its own receipts and brought them to the Administrative Services Unit. Employees in the Administrative Services Unit deposited the receipts at the bank and recorded them in the state's accounting system. The Administrative Services Unit also provided the boards with reports from the state's accounting system, which the boards needed to verify the accuracy of transactions recorded in the state's system.

Electronic Licensing Surcharge

Beginning in July 2009 and continuing through June 2015, the boards also assessed a surcharge on each license fee to help pay the cost of the statewide electronic licensing system. *Minnesota Statutes* 2013, 16E.22, subd. 3, states:

> …executive branch state agencies shall collect a temporary surcharge of ten percent of the licensing fee, but no less than $5 and no more than $150 on each business, commercial, professional, or occupational license that:
>
> (1) requires a fee; and
> (2) will be transferred to the Minnesota electronic licensing system, as determined by the state chief information officer.

The statute allowed the boards to either increase their fees for the surcharge amount or transfer an amount equal to the surcharge out of existing licensing accounts.

Continuing Education

Each board used its own computer system to record, issue, and monitor licenses and to track compliance with continuing education requirements. Each licensing board set its own continuing education requirements to ensure that licensees

obtained relevant continuing education training as a condition for renewing their licenses.

In general, boards either required licensees to list the specific continuing education obtained or assert that they met the continuing education requirements for the reporting period. The boards of Podiatric Medicine and Optometry obtained additional evidence (such as transcripts or certificates of completion) to support 100 percent of the continuing education submitted by licensees at the time of renewal. Most other boards established processes to audit, on a sample basis, the continuing education reported by their licensees. The audit process varied by board, but generally they requested a sample of licensees to submit additional evidence to support the reported continuing education.

Table 2 summarizes the receipts the boards collected by statute for operational purposes for fiscal years 2012 through 2014. License and registration-related receipts consisted primarily of fees collected for individual license or registration renewals and applications, including miscellaneous receipts for license verifications, continuing education sponsorships, duplicate certificates, or civil penalties. The table does not include surcharge fees collected and transferred to the statewide electronic licensing system.

Table 2
Health-Related Licensing Boards
License-Related Receipts
Fiscal Years 2012 through 2014

Board	2012	2013	2014
Behavioral Health and Therapy[1]	$1,026,048	$ 848,758	$ 844,312
Chiropractic Examiners[2]	800,369	939,445	821,593
Dentistry	1,443,328	1,580,374	1,531,068
Dietetics and Nutrition Practice	91,868	99,133	112,670
Marriage and Family Therapy	298,340	325,692	325,670
Medical Practice	4,646,066	5,337,903	5,509,277
Nursing	5,062,909	5,685,854	5,866,040
Nursing Home Administrators	205,925	200,493	219,070
Optometry	125,813	128,844	126,574
Pharmacy	2,188,935	2,288,370	2,377,683
Physical Therapy	507,470	531,475	564,240
Podiatric Medicine[3]	110,185	93,913	133,727
Psychology	1,166,304	1,114,785	1,210,590
Social Work	1,021,255	1,128,834	1,163,968
Veterinary Medicine	341,165	344,860	358,713

[1] The Board of Behavioral Health and Therapy's variance between fiscal years 2012 and 2013 was due, in part, to a shift from biennial renewals in March and September of each year to rolling renewals in which the license expiration date coincides with the month in which the license was initially issued.

[2] The Chiropractic Examiners Board's fiscal year 2013 increase was primarily due to some larger civil penalties.

[3] The Board of Podiatric Medicine required licensees to renew by June 30 every two years with even-numbered licensees renewing in even-numbered years and odd-numbered licensees renewing in odd-numbered years. There are more licensees renewing in even-numbered years than odd-numbered years. In addition, the board collected a $17,525 civil penalty in fiscal year 2014.

Source: State of Minnesota's accounting system.

Objective, Scope, and Methodology

The initial objective of our audit was to answer the following question:

- Did the types and amounts of financial transactions recorded by the health-related licensing boards indicate the need for a full-scope audit?

To answer the question, we performed a limited financial review of the health-related licensing boards' financial transactions. A financial review is less in-depth than an audit, but provides some assurance that financial data are reliable, and the risk of noncompliance is relatively low. To conduct the review, we (1) analyzed financial transactions; (2) discussed each board's financial processes with board staff and reviewed the reasons for any unusual trends or transactions identified through the analysis; and (3) examined supporting documentation of some transactions to determine whether the transactions appeared to be reasonable and necessary to support the board's mission.

Based on our analysis, discussion, and limited testing of the financial activities of the health-related licensing boards, we concluded that full-scope audits of the boards' expenditures were not needed at this time. However, because of the high risk of error and misappropriation in any receipt collection process, we decided to conduct an audit that focused on the boards' receipt collection processes, including examining whether the boards had sufficient evidence to support the licenses they issued.

The objective of our audit of the boards' receipt collection processes was to answer the following questions:

- Did the health-related licensing boards have adequate internal controls to ensure that they safeguarded receipts, accurately recorded receipts and licenses in their computer systems and the state's accounting system, and complied with applicable legal requirements?

- For the transactions tested, did each health-related licensing board comply with finance-related legal requirements, including statutes, rules, executive branch policies, and their board's policies?

Our audit focused on the receipts collected and licenses issued by the health-related licensing boards for the period July 2011 through June 2014. This work included verifying the accuracy and completeness of the receipts collected, deposited, and recorded. We also reviewed the processes the boards used to ensure their licensees met requirements for licensure.

To answer these questions, we performed the following steps:

1) We reviewed the applicable statutes and rules for each board.
2) We reviewed the Department of Management and Budget's receipts policies and each board's receipts and license policies and procedures.
3) We interviewed staff at each board to gain an understanding of each board's receipt and licensing process.
4) We considered the risk of errors in the accounting records and potential noncompliance with relevant legal requirements.
5) We obtained and analyzed the boards' accounting data to identify unusual trends or significant changes in financial operations.
6) We selected and tested samples of receipt transactions and reviewed supporting documentation, including license applications.

As our work progressed, we further adjusted the scope of our work. We did not perform detailed testing of receipts and licenses for the boards of Marriage and Family Therapy, Physical Therapy, Social Work, and Veterinary Medicine. For those boards, we limited our procedures to gaining an understanding of each board's processes and controls for receipts and licenses, analyzing their receipt transactions to identify any unusual transactions or trends and, on a limited basis, examining documentation for some transactions.

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

We used various criteria to evaluate internal controls and compliance. We used, as our criteria to evaluate agency controls, the guidance contained in the *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission.[7] We used state and federal laws, regulations, contracts, and National Institute of Standards and Technology publications, as well as policies and procedures established by the departments of Management and Budget and Administration and the boards' internal policies and procedures as evaluation criteria over compliance.

[7] The Treadway Commission and its Committee of Sponsoring Organizations were established in 1985 by the major national associations of accountants. One of their primary tasks was to identify the components of internal control that organizations should have in place to prevent inappropriate financial activity. The resulting *Internal Control-Integrated Framework* is the accepted accounting and auditing standard for internal control design and assessment.

Conclusion

The boards of Chiropractic Examiners, Nursing, and Podiatric Medicine had adequate internal controls[8] over their receipt and licensing processes and complied with finance-related legal requirements. We also concluded that the following boards had generally adequate[9] internal controls over their receipt and licensing processes and that they generally complied with applicable legal requirements; however, some boards had internal control weaknesses and instances of noncompliance.

- Behavioral Health and Therapy
- Dentistry
- Dietetics and Nutrition Practice
- Examiners for Nursing Home Administrators
- Marriage and Family Therapy[10]
- Medical Practice
- Optometry
- Pharmacy
- Psychology
- Physical Therapy[10]
- Social Work[10]
- Veterinary Medicine[10]

The following *Findings and Recommendations* section provides further explanation about the exceptions noted above.

[8] These boards designed and implemented internal controls that effectively managed risks related to its financial operations.

[9] With some exceptions, these boards designed and implemented internal controls that effectively managed risks related to its financial operations.

[10] We did not perform detailed testing of receipts for these boards and did not identify any findings related to the boards of Marriage and Family Therapy, Physical Therapy, and Social Work.

Findings and Recommendations

Finding 1

The Board of Medical Practice and the Board of Behavioral Health and Therapy did not adequately verify that licensees met continuing education requirements.

Two boards had weaknesses in their processes to ensure that licensees met continuing education requirements.

The Board of Medical Practice. Board staff continued to issue active licenses to 220 licensees who had not provided additional evidence of reported continuing education. During the period from July 2004 through December 2013, the board requested additional evidence from nearly 2,100 licensees; however, it did not follow-up with licensees that did not provide the requested information. In addition, the board had not taken any disciplinary action, such as suspending or revoking the licenses of nonresponsive licensees.[11]

Minnesota Rules 2013, 5605.0900, (related to licensees' continuing education requirements) states:

> Licensees shall . . . provide a signed statement to the board on a form provided by the board indicating compliance with this chapter. The board may, in its discretion, require such additional evidence as is necessary to verify compliance with this chapter.

The board's process included an audit of selected license renewals, requiring the selected licensees to provide additional evidence to support the continuing education they reported.

Minnesota Statutes 2013, 147.091, subd. 1, states:

> . . . The following conduct is prohibited and is grounds for disciplinary action: (a) Failure to demonstrate the qualifications or satisfy the requirements for a license contained in this chapter or rules of the board. The burden of proof shall be upon the applicant to demonstrate such qualifications or satisfaction of such requirements. . .

By not ensuring that the licensees it selected for audit submitted the additional evidence of reported continuing education, the board undermined the

[11] This includes 62 out of 607 licensees selected by the board for audit during the period July 2011 through December 2013.

effectiveness of its process to ensure that the licensees met all of the requirements for licensure.

The Board of Behavioral Health and Therapy. Board staff did not verify that licensees obtained the required continuing education in order to renew their license. As part of the license renewal process, the board required licensees to submit an affidavit stating that they completed the required continuing education since the last renewal period as required by applicable statutes[12] and rules.[13]

Minnesota Rules 2013, 2150.2650, states:

> Annually, the board may randomly audit a percentage of its licensees for compliance with continuing education requirements as described in items A and B.
>
> A. The board shall include with a selected licensee's renewal notice and application a notice that the licensee has been selected for an audit of reported continuing education hours. The notice must include the reporting periods selected for audit.
>
> B. Selected licensees shall submit with their renewal application copies of the original documentation of completed continuing education hours. Upon specific request, the licensee shall submit original documentation. Failure to submit required documentation shall result in the renewal application being considered incomplete and void, and constitute grounds for nonrenewal of the license and disciplinary action.

Except on a limited basis, the board did not take either of these steps to verify the continuing education licensees reported.[14] Without some process to verify that licensees earned the continuing education they reported, the board may not be effective in regulating the behavioral health and therapy professions.

Recommendations

- *The Board of Medical Practice should follow up with licensees that do not respond to its requests for additional evidence to support reported continuing education. As necessary, the board should take appropriate disciplinary action against those licensees who do not provide additional evidence of reported continuing education.*

[12] *Minnesota Statutes* 2013, 148F.075 (alcohol and drug counselors) and *Minnesota Statutes* 2013, 148B.54 (licensed professional counselors).
[13] *Minnesota Rules* 2013, 2150.2590.
[14] The board verified that the licensed professional counselors completed 12 additional postgraduate credit hours or its equivalent during the first four years of licensure, as required by *Minnesota Statutes* 2013, 148B.54, subd. 2.

- *The Board of Behavioral Health and Therapy should implement a process to ensure that licensees meet continuing education requirements.*

Finding 2

Eight health-related licensing boards did not adequately ensure that they deposited and accurately recorded fees for the licenses they issued.

Eight boards did not have effective processes to ensure that they deposited and accurately recorded all receipts. The boards had weaknesses in their receipt reconciliations.

The following reconciliations form the foundation of effective internal controls in receipt processes:

(1) The log of incoming receipts should reconcile to the bank deposit.
(2) The bank deposit should reconcile to the receipt transactions recorded in the accounting records.
(3) Licenses issued should reconcile to the receipt transactions in the accounting records.

The Department of Management and Budget's statewide operating policy for recording and depositing receipts states: [15]

> An employee separated from the receipts, depositing, and receipts entry should reconcile the deposits to [the accounting systems] on a minimum of a monthly basis to ensure receipts have been deposited completely and accurately . . .
>
> The same employee should not establish and obtain receipts, maintain accounts receivable records, prepare deposits for the bank, enter receipts into [the accounting system], perform the receipts reconciliation, and maintain physical custody of the receipts.

In addition, the state's internal control policy requires documentation of internal control procedures.[16] By not adequately completing and documenting the reconciliations monthly, the boards increased the risk that staff would not detect errors or fraud in a timely manner.

[15] Department of Management and Budget Statewide Operating Policy 0602-01, *Recording and Depositing Receipts.*
[16] Department of Management and Budget Statewide Operating Policy 0102-01, *Internal Control*.

We found the following types of weaknesses:

Boards either did not perform reconciliations or did not perform them on a monthly basis.

From July 2011 through December 2013, the Board of Pharmacy did not perform any monthly reconciliations between receipt transactions recorded in its licensing system and in the state's accounting system during the period. The board's executive director and office manager stated that they did not have enough staff to complete the reconciliations during this period. While board staff did verify that individual deposits recorded in the state's accounting system traced to its licensing system, this verification would not identify all discrepancies between the two systems. For example, board staff could record a fee in the licensing system, which would allow them to issue a license without a corresponding deposit in the state's accounting system.

The boards of Behavioral Health and Therapy and Dentistry did not perform effective monthly reconciliations. The boards compared daily deposit documentation to a monthly report from the state's accounting system. However, they did not reconcile total monthly deposit records recorded in the licensing systems to the state's accounting system. While their process would identify most errors between the two systems, a risk remained because the reconciliations would not detect that an employee could record receipt transactions in the board's licensing system and not in the state's accounting system.

The Board of Psychology did not perform monthly reconciliations between its licensing system and the state's accounting system in a timely manner. For the period July 2011 through December 2013, the board completed the monthly reconciliations between 4 months and 23 months after the respective month end.

Boards did not adequately document reconciliations.

The Board of Examiners for Nursing Home Administrators did not have documentation to show that it completed reconciliations on a monthly basis for 16 of the 30 months during the period July 2011 through December 2013. For example, licensing system reports for five reconciliations for July 2013 through December 2013 were printed in February 2014. For 11 other months, documentation consisted only of reports from the board's licensing system, but did not show how those reports reconciled to the state's accounting system. Without adequate documentation, the board is unable to show that it had used the reconciliations as an effective control to ensure accurate and deposit transactions.

The Board of Optometry and the Board of Dietetics and Nutrition Practice did not always have evidence that they performed reconciliations between the licensing systems and the state's accounting system in a timely manner. Board staff indicated they compared deposit records to monthly reports from both the state's

accounting system and the board's systems; however, they did not always print the reports from the licensing systems. For both boards, the receipt reports were printed from the licensing systems in March and April 2014.

Boards did not have someone independent from the accounting transactions perform the reconciliations.

Five boards (Dentistry, Dietetics and Nutrition Practice, Examiners for Nursing Home Administrators, Optometry, and Veterinary Medicine) each allowed an employee who recorded receipt transactions in the licensing system to reconcile the licensing system to the state's accounting system. Reconciliations are less effective when employees verify their own work; they may overlook errors or not disclose inappropriate transactions.

Although three boards believed they had effective internal controls to mitigate the risk created by not having the reconciliations done by an independent employee, we did not agree that the controls were effective because they were not performed timely enough or were not documented. The executive director for the boards of Optometry and Examiners for Nursing Home Administrators reviewed the reconciliations at the fiscal year end; however, we did not think an annual review was sufficient to promptly detect errors or misappropriation. Although the executive director for the Board of Dietetics and Nutrition Practice stated that she reviewed the reconciliations, we found no evidence of such reviews.

Recommendations

- *The boards of Pharmacy, Behavioral Health and Therapy, Dentistry, Psychology, Examiners for Nursing Home Administrators, Optometry, and Dietetics and Nutrition Practice should improve their controls to ensure they perform and adequately document reconciliations between their licensing systems and the state's accounting system.*

- *The boards of Dentistry, Dietetics and Nutrition Practice, Examiners for Nursing Home Administrators, Optometry, and Veterinary Medicine should separate incompatible duties in the receipt process or develop effective mitigating controls.*

Finding 3

The Board of Dentistry could not locate 134 dental assistant licensure applications.

The board could not locate one of the dental assistant applications we requested for testing in May 2014. In searching for that application, the board discovered that it was missing three months of dental assistant licensure applications (October 2013 through December 2013) and all 2013 dental assistant reinstatement applications. These documents, which contained private

information, such as social security numbers, also provided support for the licenses issued.

Minnesota Statutes 2013, 15.17, subd. 2, states:

> The chief administrative officer of each public agency shall be responsible for the preservation and care of the agency's government records… It shall be the duty of each agency, and of its chief administrative officer, to carefully protect and preserve government records from deterioration, mutilation, loss, or destruction.

By not safeguarding the applications, the board exposed individuals' private data to potential theft or misuse. In June 2014, the board notified the 134 applicants about their missing records and the potential disclosure of their private data.

Recommendation

- *The Board of Dentistry should safeguard its documents.*

Finding 4

The Board of Behavioral Health and Therapy allowed some employees to have access to its electronic licensing system who did not have related job duties.

The Board of Behavioral Health and Therapy gave all five of its employees the highest level of access (administrator rights) to its licensing system, without considering whether they needed such access to perform their job duties. By not limiting employees' access to the system, the board increased the risk that an employee could record an unauthorized transaction in the licensing system without detection. The National Institute of Standards and Technology's access control standards recommends that organizations only authorize access that is necessary for employees to accomplish assigned tasks in accordance with organizational missions and business functions.[17]

Recommendation

- *The Board of Behavioral Health and Therapy should restrict employee access to its licensing system based on their job duties.*

[17] National Institute of Standards and Technology *Special Publication 800-53,* AC-6 Least Privilege.

Minnesota Board of Behavioral Health and Therapy

October 15, 2014

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

Re: Response to Findings of Internal Controls and Compliance Audit of the Board of Behavioral Health and Therapy, July 1, 2011 through June 30, 2014

Dear Mr. Nobles:

This letter represents the Board's response to the findings and recommendations contained in the report from the Office of the Legislative Auditor. Thank you for the opportunity to respond.

Finding 1: The board did not verify that licensees obtained the required continuing education in order to renew their license.

The Board mostly agrees with this finding. As part of the renewal process, the Board does require all licensees reporting continuing education to sign an affidavit stating they have completed the required continuing education hours. Also, Minnesota Statutes section 148F.075 and Minnesota Rules part 2150.2650 state that the Board **may** [not shall] randomly audit a percentage of its licensees for compliance with continuing education requirements.

Licensed Professional Counselors (LPCs) and Licensed Professional Clinical Counselors (LPCCs) have a unique graduate credit continuing education requirement. LPCs and LPCCs are required to complete 12 graduate semester credits within their first four years of licensure. The Board does audit all LPC and LPCC renewals when licensees are required to report the completion of graduate credits.

The Board agrees it is important to verify that licensees complete the continuing education hours they report. The Board is working with a database contractor to make changes to its licensing system so the Board can randomly audit a percentage of its licensees at the time of renewal. The licensing system will randomly select a licensee for audit when their renewal is processed in the Board's licensing system. If they are selected, a letter will be generated that notifies the licensee they have been selected for a continuing education audit and that they have 30 days to mail the Board documentation proving they met their continuing education requirement. If not compliant, the matter will be referred to the Board's Complaint Resolution Committee. The Board plans to have this process implemented by November 1, 2014.

Finding 2: The board did not perform effective monthly reconciliations.

The Board agrees with this finding. The Board compared daily deposit documentation to a monthly report from the state's accounting system, but it did not reconcile the total monthly amounts recorded in its licensing system to the total monthly amounts recorded in the state's accounting system. The Board now has a monthly report that is generated by its licensing system. The monthly totals recorded on this report will now be reconciled with the monthly totals recorded on the report that is generated from the state's accounting system. Per the recommendations of the audit, Board staff members will henceforth perform monthly reconciliations using these reports.

Finding 4: The board allowed some employees to have access to its electronic licensing system who did not have related job duties.

The Board agrees with this finding. All employees have administrator rights, and the Board understands why this is an issue of concern. The staff is currently working with a database contractor to make the appropriate changes to the licensing system. Only two Board staff members (the Executive Director and Office Manager) will retain administrator rights. Other Board staff members will have limited access depending on what job tasks they perform. For example, the two staff members who do not perform any financial transaction duties will not be able to make additions or changes to the licensing system's cash management feature. The limited access changes will be implemented by November 1, 2014.

The Board wishes to thank the Office of the Legislative Auditor for the courteous and professional manner in which the audit was conducted and for the opportunity to learn ways in which to improve Board operations.

Sincerely,

/s/ Kari Rechtzigel

Kari Rechtzigel
Executive Director

MINNESOTA BOARD OF DENTISTRY

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TO: James R Nobles, Legislative Auditor

FROM: Marshall Shragg, Executive Director

DATE: October 15, 2014

SUBJECT: 2014 Legislative Audit Response

Thank you for the opportunity to respond to the audit findings. We appreciate the amount of work that went into reviewing our financial practices and those of the other Health Regulatory Boards. We believe that the process, including the conferences with the auditors, have helped position our Board to implement improved safeguards.

We offer the following comments to help explain/clarify the specific findings…

1. **In Response to Finding 2** (*8 HLBs did not adequately ensure that they deposited and accurately recorded fees for the licenses they issues*):
   The Board agrees with the finding that Board of Dentistry's licensing system and the state's accounting system needs to improve. However, it wishes to point significant blame on the state's accounting system (SWIFT) and the conversion to that system, and hopes that this newly implemented system will improve and make reports much more compatible and more easily reconcilable. We acknowledge that regardless of the electronic system in place, the Board can and will enhance our review process, especially with regard to reconciling the Board's database with SWIFT. The Board also agrees that another staff person needs double-check the reconciliations completed. With a small staff, it has been difficult to dedicate additional staff to these administrative duties, but the Board will establish a process to improve this.

2. **In Response to Findings 3** (*The Board of Dentistry could not locate 134 dental assistant licensure applications*):
   Since the very unfortunate loss of the applications, the Board has changed our process related to handling of documents containing sensitive data. We now box and label these types of documents, and have established a secure area of the office for their storage. The loss occurred during a time when the Board's offices were disrupted due to remodeling. Staff were engaged in a scanning project involving these documents, and were unable to work in their own areas so were displaced daily throughout the building. Once we learned of the breach, we immediately notified affected parties. We are grateful that there have been no reports of the date being used inappropriately, and believe that we have instituted the safeguards necessary to ensure that this does not happen again.

State of Minnesota
Board of Dietetics and Nutrition Practice
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October 14, 2014

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

Mr. Nobles:

I am taking this opportunity to respond to the findings and recommendations made by your office, following the recent audit of the Minnesota Board of Dietetics and Nutrition Practice. The audit covered the period July 1, 2011 through June 30, 2014.

I have reviewed the draft of the audit report and offer the following comments on the two recommendations included in that report.

- ✓ *Should improve their controls to ensure they perform and adequately document reconciliations between their licensure systems and the state's accounting system.*

- ✓ *Should separate incompatible duties in the receipt process or develop mitigating controls.*

The Board will address the recommendations by reconciling our licensure systems and the state's accounting system monthly and document completion of the process. The Executive Director will review, sign, and date all monthly deposit reports within 30 days of their receipt. As mentioned during the audit, our internal licensure reports automatically date reports when printed. The state's accounting system reports should do the same, eliminating the possible dispute of reconciliation timeliness.

As Executive Director, I will continue to explore and implement changes that could decrease financial operation weaknesses and increase security of functions.

Sincerely,
Ruth Grendahl
Ruth Grendahl
Executive Director

cc: Debra Sheats, Board Chair
Juli Vangsness, ASU Accounting Supervisor

MINNESOTA
BOARD of EXAMINERS for
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October 13, 2014

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

Dear Mr. Nobles:

The Minnesota Board of Examiners for Nursing Home Administrators values the partnership of the Office of Legislative Auditor in completing the recent field audit. This audit covered the period July 1, 2011 through June 30, 2014. The board has modified procedures to perform monthly reconciliations per current Minnesota Management Budget (MMB) policies and the findings identified in this audit. As of July 1, 2014 the audit recommendations have been reviewed and new procedures implemented by the two person staff.

In the review of the draft audit report I also offer the following comments on the recommendations included in that report.

> As background and part of the public record, the board completed revenue/receipt audits on the renewal of license which accounts for 83% of the total annual board receipts. It also completed internal annual audits. All fees received, compared to services provided, were 100% in balance and compliant.
>
> We did not perform *monthly* reconciliations due primarily to low receipt volume and the vacancy of a part time staff member. The new state accounting system (SWIFT) was also introduced during this time. As stated to the auditors, a recommendation for a better reconciliation tool or report to better perform routine audits should be developed within the SWIFT system and is missing from these audit findings. In the spirit of quality improvement, efficiency and transparency; a collaborative tool should be developed.

As Executive Director, I will continue to explore and implement changes that could decrease financial operation weaknesses and increase security of functions.

Sincerely,

BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

Randy D. Snyder

Randy D. Snyder, LNHA, MHA
Executive Director

Pc: James Birchem, BENHA Chair, David Poliseno, Audit Manager, Mary Moser, OLA

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October 21, 2014

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

Dear Mr. Nobles:

The Minnesota Board of Medical Practice (BMP) appreciates the opportunity to review and respond to the findings of the internal controls and compliance audit of the health-related licensing boards conducted by the Office of the Legislative Auditor for the period from July 1, 2011, through June 30, 2014. The Legislative Auditor correctly identified deficiencies in the BMP's processes for tracking compliance with continuing education requirements and taking appropriate action when satisfactory evidence of compliance is not provided by a licensee.

To address the findings of the Legislative Auditor, the BMP's Licensure Unit Supervisor and Complaint Review Unit Supervisor will immediately be responsible for implementing and overseeing the following process improvements:

1. The BMP will utilize its Automated License Information Management System (ALIMS) to implement an annual audit process that requests a sample of licensees to submit additional evidence verifying completion of required continuing education.
2. Licensure Unit staff will follow up with all licensees subject to a continuing education audit to assure that verification documents are received. Licensees who fail to provide satisfactory verification documents will be reported to the BMP Complaint Review Unit.
3. The Complaint Review Unit Supervisor will initiate complaint investigations against all licensees reported by the Licensure Unit for failing to provide satisfactory evidence of compliance with continuing education requirements. All complaints and investigative findings will be reviewed by a BMP Complaint Review Committee to determine whether the Board should proceed to take disciplinary or corrective action against the respondent licensee. Disciplinary and corrective actions will be made public pursuant to current publication requirements.

Thank you for the opportunity to identify deficiencies and improve upon the internal control and compliance monitoring processes of the Minnesota Board of Medical Practice.

Sincerely,

Ruth M. Martinez, M.A.
Executive Director

cc: Keith Berge, M.D., BMP President, David Poliseno, OLA, Mary Moser, OLA

MINNESOTA BOARD OF OPTOMETRY

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October 13, 2014

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

Dear Mr. Nobles:

The Minnesota Board of Optometry values the respected observations and quality work of the Office of Legislative Auditor in completing their recent field audit. This audit covered the period of July 1, 2011 through June 30, 2014. The board has modified procedures to perform monthly reconciliations per current Minnesota Management Budget (MMB) policies and the findings identified in this audit. As of July 1, 2014 the audit recommendations have been reviewed and new procedures implemented by the two person staff.

In the review of the draft audit report I also offer the following comments on the recommendations included in the report.

> As background and part of the public record, the board completed revenue/receipt audits on the renewal of license which accounts for 85% of the total annual board receipts. It also completed internal annual audits. All fees received, compared to services provided, were 100% in balance and compliant.
>
> We did not perform *monthly* reconciliations due primarily to low receipt volume. The new state accounting system (SWIFT) was also introduced during this time. As stated to the auditors, a recommendation for a better reconciliation tool or report to better perform routine audits should be developed within the SWIFT system and is missing from these audit findings. In the spirit of quality improvement, efficiency and transparency; a collaborative tool should be developed.

As Executive Director, I will continue to explore and implement changes that could decrease financial operation weaknesses and increase security of functions. We appreciate and value the OLA partnership in assuring financial integrity for the citizens of the great state of Minnesota.

Sincerely,

Minnesota Board of Optometry
Randy D. Snyder

Randy D. Snyder, LNHA, MHA
Executive Director

MINNESOTA BOARD OF PHARMACY

October 8, 2014

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

Dear Mr. Nobles,

Your staff has requested that I provide this written response to a finding that was made during a recent internal controls and compliance audit of the health licensing boards. The finding was:

> "Boards either did not perform reconciliations or did not perform them on a monthly basis.
>
> From July 2011 through December 2013, the Board of Pharmacy did not perform any reconciliations between receipt transactions recorded in its licensing system and the state's accounting system during this period. The board's executive director and office manager stated that they did not have enough staff to complete the reconciliations during this period. While board staff did verify that individual deposits recorded in the state's accounting system traced to its licensing system, this verification would not identify all discrepancies between the two systems. For example, board staff could record a fee in the licensing system, which would allow them to issue a license without a corresponding deposit in the state's accounting system."

The recommendation related to this finding is:

> "*The boards of Pharmacy, Behavioral Health and Therapy, Dentistry, Psychology, Examiners for Nursing Home Administrators, Optometry, and Dietetics and Nutrition Practice should improve their controls to ensure they perform and adequately document reconciliations between their licensing systems and the state's accounting system".*

As part of this response, I am supposed to identify the person responsible for resolving the finding and the date by which I expect the issue to be resolved. First I want to acknowledge that the finding is correct. We did not perform any reconciliation between receipt transactions recorded in our licensing system and the state's accounting system during the period in question. The primary reason was that we did not have enough staff to do such reconciliations.

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Although it took longer than I anticipated, I was able to get approval from Minnesota Management and Budget to create a new position, which was filled on March 12, 2014. After the individual in that position was trained in, a process was put in place to perform and document reconciliations between our licensing system and the state's accounting system. The new staff member is doing daily and monthly audits and will be doing a yearly audit at the end of the fiscal year. In fact, we retroactively did reconciliations for the entire period covered by the audit. My staff has informed me that only a few discrepancies were found that involved deposits being placed in an incorrect revenue account.

In summary, I acknowledge that the finding was accurate and confirm that the issue has already been resolved.

Sincerely,

Cody Wiberg, Pharm.D., M.S., R.Ph.
Executive Director

The Minnesota Board of Psychology protects the public through licensure, regulation and education to promote access to safe, competent, and ethical psychological services.

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October 15, 2014

Mr. James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
FINANCIAL AUDIT DIVISION
658 Cedar Street
Saint Paul, Minnesota 55155

RE: Minnesota Board of Psychology Response
Internal Controls and Compliance Audit (July 2011 through June 2014)

Dear Mr. Nobles,

Thank you for the opportunity to respond to the *Health-Related Licensing Boards Internal Controls and Compliance Audit dated, July 2011 through June 2014 (OLA Report 2014).* The mission of the Board is to protect the public through licensure, regulation, and education to promote access to safe, ethical, and competent psychological services.

Board staff welcomed the opportunity to review internal controls and receipt processing with the Office of the Legislative Auditor (OLA). The Board is committed to reviewing its processes and procedures to promote continuous improvement.

The OLA Report 2014, found the following:

> *The Board of Psychology did not perform monthly reconciliations between its licensing system and the state's accounting system in a timely manner. For the period July 2011 through December 2013, the board completed the monthly reconciliation between four months and 23 months after the respective month end.*

Through its 2012 Strategic Plan the Board determined that the agency required organizational analysis which included the directive to review the Board's organizational structure, Board staffing, position descriptions, and internal operating policies and procedures. The Board has been engaged in an ongoing assessment of its operating procedures since 2009. The delay in reconciliations was identified as a part of this organizational analysis and addressed internally.

The Minnesota Board of Psychology protects the public through licensure, regulation and education to promote access to safe, competent, and ethical psychological services.

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The Board is currently compliant with the Department of Management and Budget's statewide operating policy for recording and depositing receipts which establishes that reconciliation should be conducted on a "minimum of a monthly basis to ensure receipts have been deposited completely and accurately…"

The Board takes its responsibility to ensure adequate internal controls over the receipt and licensing processes, as well as compliance with finance-related legal requirements very seriously. The Board currently performs a daily and a monthly reconciliation of incoming receipts to the bank deposit, of bank deposits to the transactions recorded in the accounting records, and of licenses issued to the receipt transactions in the accounting records.

The Board shares the belief that effective internal controls reduce the risk of asset loss, ensure financial accountability, and ensure compliance with laws, regulations, and state policies. The Board ultimately agrees with the recommendation of the OLA Report 2014 and will continue work to improve its controls to ensure that we perform and adequately document reconciliations between our licensing system and the state's accounting system.

Thank you again for the input which will undoubtedly serve to improve our agency.

Regards,

Angelina M. Barnes

Angelina M. Barnes
Executive Director
Minnesota Board of Psychology

Cc: Dr. Jeffrey L. Leichter, Ph.D., LP, Board Chair
Dr. Scott A. Fischer, Ph.D., LP, Board Vice Chair
Dr. Raja David, Psy.D., LP, Board Secretary

Minnesota Board of Veterinary Medicine

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October 23, 2014

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

Dear Mr. Nobles:

The Board of Veterinary Medicine is grateful to the Office of the Legislative Auditor for their guidance on methods to improve our internal controls for the deposit process.

As Executive Director, I take responsibility for addressing the weakness identified in our office procedures. Specifically, the auditors found that this office did not have someone independent from the accounting transactions perform reconciliations of the deposits. There is only two staff in this office, including myself. The State Program Administrator, Mollie Brucher, is the person primarily responsible for deposits for this board. As a result of the audit, the following procedures have been implemented:

1) I now review all cash and check deposits as well as the deposit slip before these are brought to our Administrative Services Unit (ASU) for bank deposit. I document my review by initialing and dating the deposit summary. These summaries and check amount are reviewed a second time by ASU staff before they are actually deposited. This procedure was implemented as soon as I was made aware of that shortcoming in our office standard operating procedures, in June, 2014.

2) I now review all the SWIFT and internal Board database deposit reports on a monthly basis, scheduled for the first week of each month. I have gone back and reviewed the individual and summary deposit reports for the months of July, August and September, 2014. This monthly review schedule is in accordance with the recommendations from your office. My review completion is indicated by my initials and date on the summary documents. This was implemented on October 6, 2014.

Should you or your staff have any questions or further suggestions on how we may further strengthen our performance, please contact me.

Sincerely,

/s/ Julia H. Wilson

Julia H. Wilson, DVM
Diplomate, American College of Veterinary Internal Medicine
Executive Director

CC: David Poliseno, Audit Manager OLA; Mary Moser, OLA