

**BOARD OF EXAMINERS FOR NURSING  
HOME ADMINISTRATORS  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE THREE YEARS ENDING JUNE 30, 1986**

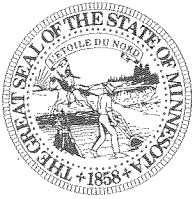
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**AUGUST 1987**

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**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

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

Mr. Phillip Newberg, Executive Director  
Board of Examiners for Nursing Home Administrators

Audit Scope

We have completed a financial and compliance audit of the Board of Examiners for Nursing Home Administrators for the three years ended June 30, 1986. Section I includes a brief description of the board's activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on April 24, 1987.

The objectives of the audit were to:

- study and evaluate major internal control systems including receipts, disbursements, and payroll of the Board of Examiners for Nursing Home Administrators in addition to any administrative support provided by the Department of Health;
- verify that financial transactions were properly recorded in the statewide accounting (SWA) system;
- verify that financial transactions were made in accordance with the requirements of applicable laws, regulations, and policies including Minn. Stat. Chapters 144A, 214, and 319A, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The Board of Examiners for Nursing Home Administrators staff process and deposit original application fees and annual license renewal fees. The Department of Health provides administrative support for purchasing supplies and processing invoices for payment after initial authorization by the board staff and entering the biweekly payroll on the statewide accounting system. The Board of Examiners for Nursing Home Administrators is ultimately responsible for its financial operations.

Representative Phillip J. Riveness, Chairman  
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Mr. Phillip Newberg, Executive Director  
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The board's responsibilities include establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the Board of Examiners for Nursing Home Administrators is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by the board. The purpose of our testing of transactions was to obtain reasonable assurance that the Board of Examiners for Nursing Home Administrators had, in all material respects, administered their programs in compliance with applicable laws and regulations.

#### Audit Techniques

During our audit, we employed a variety of audit techniques. These included, but were not limited to, auditor observation, interviews with agency staff, analytical reviews to identify unusual transactions or trends, and the examination of documentation supporting a representative number of transactions. Random sampling techniques were used to assure that representative samples of transactions were chosen. However, the use of random sampling did not prohibit us from reviewing additional transactions which may have come to our attention during the audit.

#### Conclusions

In our opinion, except for the issues addressed in Section II, recommendations 1-3, the system of internal accounting control of the Board of Examiners for Nursing Home Administrators including the administrative support provided by the Department of Health, in effect as of March 1, 1987, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorizations.

In our opinion, for the three years ended June 30, 1986, the Board of Examiners for Nursing Home Administrators properly recorded, in all material respects, its financial transactions in the statewide accounting system.

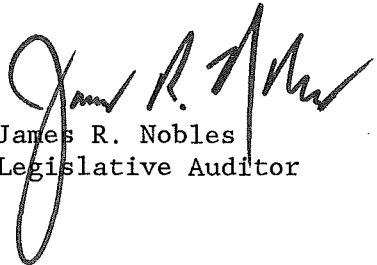
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In our opinion, for the three years ended June 30, 1986, the Board of Examiners for Nursing Home Administrators administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

This audit report includes recommendations developed during this audit which reiterate prior audit recommendations which have not yet been implemented. Prior audit recommendations repeated in this report are denoted under the caption "PRIOR RECOMMENDATIONS NOT IMPLEMENTED."

The current recommendations included in this report are presented to assist the board in improving accounting procedures and controls. We will be monitoring and reviewing the Board of Examiners for Nursing Home Administrators's progress on implementing these recommendations. A summary of the progress made on all audit recommendations discussed in our last audit report covering the years ended June 30, 1980 and 1981, dated July 22, 1982 is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the Board of Examiners for Nursing Home Administrators's staff for their cooperation during this audit.



James R. Nobles  
Legislative Auditor



John Asmussen, CPA  
Deputy Legislative Auditor

July 23, 1987



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:

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Jim Riebe	Auditor-in-Charge
Joan Haskin	Staff Auditor

EXIT CONFERENCE

The finding and recommendation in this report were discussed with the following staff of the Board of Examiners for Nursing Home Administrators on May 14, 1987:

Phillip Newberg	Executive Director
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# BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

## I. INTRODUCTION

The Board of Examiners for Nursing Home Administrators regulates the licensing of nursing home administrators to ensure that competency standards as established by Minn. Stat. Section 144.19 are met. The board consists of one nonvoting member appointed by the Commissioner of Health, one nonvoting member appointed by the Commissioner of Human Services, and several members appointed by the Governor. The Governor's appointments include:

- two members engaged in the management, operation, or ownerships of proprietary nursing homes;
- two members engaged in the management or operation of nonprofit nursing homes;
- one member engaged in the practice of medicine;
- one member engaged in the practice of professional nursing; and
- three public members.

The board employs Phillip Newberg as Executive Director and one other staff member.

The Board of Examiners for Nursing Home Administrators processes applications for licensure and issues original and renewal licenses. The board administers license examinations and offers or approves educational seminars required for relicensure. It also processes complaints filed against licensees.

The 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 approximately equal anticipated expenditures during the biennium. Prior to fiscal year 1986, the financial activities of the board were financed by appropriations from the General Fund, and the fees for applications and license renewals were deposited into the General Fund as nondedicated receipts. In fiscal year 1986, the board began accounting for its financial operation in the Special Revenue Fund. During fiscal year 1986, the Attorney General's Office also received an appropriation from the Legislature to finance the costs of providing services to the board. However, board fees were to cover the Attorney General's costs, as well. The fiscal year 1986 disbursements listed below do not include expenses incurred by the Attorney General's Office. Receipts and disbursements for the three years ending June 30, 1986, were:

	<u>Year Ended June 30</u>		
	<u>1984</u>	<u>1985</u>	<u>1986</u>
Receipts	<u>\$120,446</u>	<u>\$125,877</u>	<u>\$135,265</u>
Disbursements	<u>\$ 98,089</u>	<u>\$107,002</u>	<u>\$111,436</u>

# BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

## II. CURRENT FINDINGS AND RECOMMENDATIONS

PRIOR RECOMMENDATION NOT IMPLEMENTED: Reconciliations between the state-wide accounting (SWA) system receipt reports and board receipt records have not been completed.

The Board of Examiners for Nursing Home Administrators is responsible for processing and issuing original and renewal licenses. In fiscal year 1986, approximately 100 original and 780 renewal licenses were issued. Receipts for these licenses totalled \$124,123.

The number of licenses and renewals issued by the board is not reconciled to receipts recorded on the statewide accounting system (SWA) system. Because of the standard fee structure used by the board, we believe this reconciliation would not be difficult. Deposit slips also are not reconciled with SWA receipt reports, as required by Department of Finance Operating Policy and Procedure 06:06:03. Reconciling receipts recorded on the SWA system to the number of licenses issued and to the board's deposit slips assures that the correct fees have been collected, deposited, coded properly, and credited to the proper account.

### RECOMMENDATIONS:

1. The board should periodically reconcile the number of original and renewal licenses issued to receipts collected.
2. Deposit slips should be reconciled to the SWA receipt by deposit or receipt by appropriation report.

PRIOR RECOMMENDATION NOT IMPLEMENTED: Receipts are not being deposited on a timely basis.

Receipts of the Board of Examiners for Nursing Home Administrators were not deposited with the state depository in a timely manner. Five of 12 deposits during fiscal years 1984-1986, totaling \$5,161 were not made until seven days after fees were collected.

Minn. Stat. Section 16A.275 requires that receipts be deposited daily or when they total \$250, unless they have received a waiver from the Department of Finance. Prompt depositing reduces the possibility of loss or theft and increases interest earnings for the state.

### RECOMMENDATION:

3. Receipts should be deposited when they total \$250, as required by Minn. Stat. Section 16A.275.

BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS  
AND  
PROGRESS TOWARD IMPLEMENTATION

Control over board receipts needs improvement.

1. All receipts should be deposited daily or when they aggregate \$250, in compliance with Minn. Stat. Section 16A.275.

RECOMMENDATION NOT IMPLEMENTED. See current finding and recommendation #3.

2. Board deposit slips should be reconciled on a monthly basis with either the SWA receipt by deposit or receipt by appropriation reports.

RECOMMENDATION NOT IMPLEMENTED. See current finding and recommendation #2.

The board issues prenumbered renewal licenses on an annual basis, but does not reconcile the licenses issued to the receipts received.

3. The board should reconcile the number of renewal licenses issued to the renewal fees paid. All prenumbered licenses should be accounted for on a summary showing the numbers issued, the numbers voided, and the numbers of any licenses issued for no fee with the reason. The license reconciliation summary, voided licenses, and unissued licenses should be retained for audit purposes.

RECOMMENDATION NOT IMPLEMENTED. See current finding and recommendation #1.

Employee time and leave records were not properly maintained during the audit period.

4. Leave records for the audit period should be audited by the executive director using guidelines in effect as included in 2MCAR 2.135-138. Necessary correction should be made to the leave balances, and the changes should be documented for audit verification.

RECOMMENDATION IMPLEMENTED. The executive director reviewed leave records for the prior audit period and notified the Department of Employee Relations which made the necessary corrections to the leave balances.

BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

5. Leave records should be audited on a regular basis by an employee who did not post the transactions to the records.

RECOMMENDATION IMPLEMENTED. Since January 1984, the biweekly leave reports received from the central payroll division maintain employee leave balances.

6. Employees of the board should commence using leave and overtime request forms as required in the guidelines for positive time reporting. The leave requests should be completed in advance whenever possible, signed by the employee, approved by the supervisor, verified to the biweekly time reports, and retained for audit verification.

RECOMMENDATION WITHDRAWN. Upon reexamination of the use of leave requests we concluded that, since the executive director authorizes time sheets and payroll certification reports, and since the board only employs two staff, the use of leave is adequately controlled.



## MINNESOTA BOARD OF EXAMINERS FOR NURSING HOME ADMINISTRATORS

2700 UNIVERSITY AVE. W. # 104  
ST. PAUL, MN 55114-1082  
(612) 642-0595

July 23, 1987

Mr. James R. Nobles  
Legislative Auditor  
Veterans Service Building  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

This communication is in response to the Draft Report of current findings and recommendations of the audit of the Board of Examiners for Nursing Home Administrators for the three years ending June 30, 1986. I appreciate the opportunity to respond to the recommendations stated in the report.

### Recommendations #1 and #2.:

1. The Board should periodically reconcile the number of original and renewal licenses issued to receipts collected.
2. Deposit slips should be reconciled to the SWA receipt by deposit or receipt by appropriation report.

Procedures are being established for the implementation of both recommendations and will be in effect by August 1, 1987 with retroactive reconciliation back to July 1, 1987. The party responsible for implementation is the Executive Director.

### Recommendation #3:

3. Receipts should be deposited when they total \$250, as required by MN Stat. Section 16A.275.

This recommendation has already been implemented. The party responsible for implementation is the office secretary.

Thank you for your comments and recommendations to improve the operations of this Board. Our appreciation and compliments to Joan Haskin for the efficient and professional manner in which she conducted the audit.

Very truly yours,

A handwritten signature in cursive script that reads "Phillip C. Newberg".

Phillip C. Newberg  
Executive Director