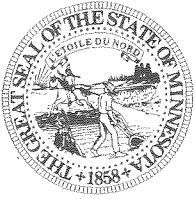


**STATE BOARD OF CHIROPRACTIC EXAMINERS
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1986**

AUGUST 1987

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Terry L. Franks, President
State Board of Chiropractic Examiners

Mr. Kent J. Erickson, Executive Director
State Board of Chiropractic Examiners

Audit Scope

We have completed a financial and compliance audit of the State Board of Chiropractic Examiners for the three years ended June 30, 1986. Section I provides 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 20, 1987.

The objectives of the audit were to:

- study and evaluate major internal control systems including receipts, disbursements, and payroll of the State Board of Chiropractic Examiners 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 146, 148, 214, and 319A, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The State Board of Chiropractic Examiners' staff process and deposit original application and annual corporate reporting fees, whereas the Department of Health deposits annual license renewal fees. The Department of Health also provides administrative support for purchasing supplies, and processing invoices for payment as well as payroll transactions after initial authorization by the board staff. The State Board of Chiropractic Examiners is ultimately responsible for its financial operations.

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Page 2

The board's responsibilities include establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements 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 State Board of Chiropractic Examiners 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 State Board of Chiropractic Examiners 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 1-2, the system of internal accounting control of the State Board of Chiropractic Examiners 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.

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Page 3

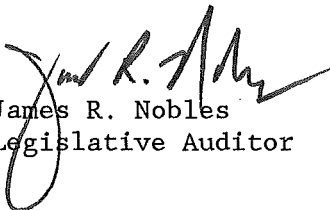
In our opinion, for the three years ended June 30, 1986, the State Board of Chiropractic Examiners properly recorded, in all material respects, its financial transactions on the statewide accounting system.

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

This audit report includes both the recommendations developed during this audit and reiteration of our prior audit recommendations which have not yet been implemented. Prior audit recommendations repeated in this report are denoted under the caption "PRIOR RECOMMENDATION NOT IMPLEMENTED."

The 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's progress on implementing these recommendations. A summary of the progress made on all audit recommendations discussed in our last audit report covering the two years ending June 30, 1981, dated July 21, 1982, is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the State Board of Chiropractic Examiners' staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

July 21, 1987

STATE BOARD OF CHIROPRACTIC EXAMINERS

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
III. STATUS OF PRIOR AUDIT RECOMMENDATIONS AND PROGRESS TOWARD IMPLEMENTATION	3
AGENCY RESPONSE	6

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
Ellen Merlin	Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the State Board of Chiropractic Examiners on April 21, 1987:

Kent J. Erickson	Executive Director
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STATE BOARD OF CHIROPRACTIC EXAMINERS

I. INTRODUCTION

The State Board of Chiropractic Examiners was created to ensure the qualified and competent practice by doctors of chiropractic in the state. The board consists of five resident chiropractors and two public members appointed by the Governor for four year terms. The board employs a part-time executive director and a full-time staff person to carry out its responsibilities. Kent Erickson is the current Executive Director of the board.

The board establishes rules and regulations necessary to comply with laws concerning chiropractic care. Among the duties performed by the board are: examining candidates for licensure, annually renewing licenses for practicing individuals and corporations, and approving programs for continuing education. The board also investigates consumer complaints with the assistance of the Attorney General.

The State Board of Chiropractic Examiners 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 operations in the Special Revenue Fund. Also during fiscal year 1986, the Attorney General's Office received appropriations 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. Therefore, the fiscal year 1986 disbursements listed below do not include expenses incurred by the Attorney General's Office. Receipts and disbursements for the State Board of Chiropractic Examiners during fiscal years 1984-1986 were:

	<u>Year Ended June 30</u>		
	<u>1984</u>	<u>1985</u>	<u>1986</u>
Receipts	<u>\$ 95,445</u>	<u>\$127,840</u>	<u>\$146,888</u>
Disbursements	<u>\$ 76,216</u>	<u>\$ 96,015</u>	<u>\$ 83,086</u>

STATE BOARD OF CHIROPRACTIC EXAMINERS

II. CURRENT FINDINGS AND RECOMMENDATIONS

PRIOR RECOMMENDATION NOT IMPLEMENTED: Controls over board receipts need strengthening.

The State Board of Chiropractic Examiners collects fees for examinations of licensure applicants. Examinations are held twice each year, and receipts are deposited by the board into the state depository. During fiscal year 1986, \$21,600 in application fees were collected.

As prescribed by Minn. Stat. Section 16A.275, receipts exceeding \$250 are required to be deposited daily. In fiscal year 1986, 11 of 21 deposit transactions were delinquent. Two deposits of \$833 and \$1,655 were held over 45 days. To assure the security of receipts, and to maximize interest earned on money collected, deposits need to be made promptly when receipts total \$250 or more, unless a waiver is received from the Department of Finance.

In addition to prompt depositing, receipts can also be safeguarded by reconciling the fees deposited to the number of applications received. This type of reconciliation helps to assure that all fees are recorded and deposited correctly. It may also prevent or detect errors or irregularities in the processing of examinations. We believe this reconciliation would not be difficult, because standard fees are charged.

RECOMMENDATIONS:

1. Receipts in excess of \$250 should be deposited in accordance with Minn. Stat. Section 16A.275.
2. Reconciliation of the fees deposited to the number of examination applications should be completed periodically.

STATE BOARD OF CHIROPRACTIC EXAMINERS

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

To contribute to a more efficient operation, general office policies and procedures need revision.

1. The executive secretary should accept the responsibility of assuring that all necessary records are properly maintained. Consideration should be given to hiring a part-time employee on a daily basis or obtaining an individual from the Department of Health to daily assist with office operations. The executive secretary should delegate specific duties and responsibilities to this employee and properly supervise all work.

RECOMMENDATION IMPLEMENTED. In January 1984, the State Board of Chiropractic Examiners developed procedures for the maintenance of necessary records.

2. An overall review of the filing system should be undertaken to better organize information pertaining to receipts, disbursements, and payroll/personnel.

RECOMMENDATION IMPLEMENTED. A review was made and better office procedures were developed for the organization of necessary information in January 1984.

3. The executive secretary should contact the Records Management Division of the Department of Administration to determine which information can be destroyed or stored in the Historical Society Archives Division to allow for more office filing space.

RECOMMENDATION IMPLEMENTED. The executive secretary contacted the Records Management Division and developed record retention procedures as of September 1984.

Controls over board receipts need improvement.

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

RECOMMENDATION NOT IMPLEMENTED. See current recommendation #1.

5. Receipts deposited on form Fi-00002 (formerly FIN 8) should be reconciled with the statewide accounting (SWA) system reports on a monthly basis.

RECOMMENDATION IMPLEMENTED. The State Board of Chiropractic Examiners has been reconciling deposited receipts to the statewide accounting system records on a monthly basis since September 1984.

STATE BOARD OF CHIROPRACTIC EXAMINERS

6. Daily receipts should be recorded in a cash receipts journal.

RECOMMENDATION IMPLEMENTED. Starting in March 1983, daily receipts have been recorded in a cash receipts journal.

Internal controls over payroll need strengthening to assure adequate processing.

7. Positive time reporting should be implemented for all employees.

RECOMMENDATION IMPLEMENTED. Positive time reporting has been required of board employees since July 1982.

8. Properly approved leave request forms should be kept on file for all leaves taken, and cumulative leave records should be maintained for all employees.

RECOMMENDATION IMPLEMENTED. As of July 1983, approved leave request forms and cumulative leave records are maintained for all board employees.

9. All payroll time rosters and personnel forms should be kept on file at the board office.

RECOMMENDATION IMPLEMENTED. Since August 1984, all required payroll and personnel documentation is kept on file at the board office.

10. The payroll posting audit trail should be reviewed to verify that the central payroll summaries are accurate.

RECOMMENDATION IMPLEMENTED. In August 1984, the executive director began reviewing the payroll posting audit trail to verify the accuracy of central payroll summaries.

11. The executive secretary's annual salary or hourly rate should be approved by the board and recorded in the board minutes.

RECOMMENDATION IMPLEMENTED. Beginning September 1983, the executive secretary's hourly wage has been approved and recorded in the board minutes.

The payments listed on the expenditure by AID reports are not verified to the actual payment documents.

12. The board staff should verify disbursements to the monthly expenditure by AID report and show some evidence on the report that the verification was made.

RECOMMENDATION IMPLEMENTED. As of September 1984, verification of disbursements to the monthly expenditure by AID report has been evidenced on the report.

STATE BOARD OF CHIROPRACTIC EXAMINERS

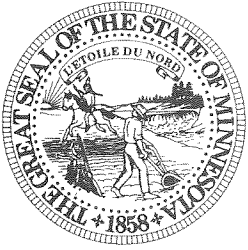
Control over fixed assets needs to be improved.

13. The stolen, lost, or damaged property report (administration form 782) should be filed promptly with the materials management division of the Department of Administration and with the Office of the Legislative Auditor upon discovery of lost, stolen, or damaged property.

RECOMMENDATION IMPLEMENTED. Since our last audit, the board is aware of its responsibility to notify the Department of Administration and the Office of the Legislative Auditor upon discovery of lost, stolen, or damaged property.

14. The state property inventory listing should be updated for all additions and deletions in a timely manner.

RECOMMENDATION IMPLEMENTED. As of April 1987, the state property inventory listing has been updated for all additions and deletions.



Minnesota Board of Chiropractic Examiners

2700 University Avenue West, Suite 102, St. Paul, Minnesota 55114-1089 Telephone: (612) 642-0591

July 21, 1987

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

Dear Mr. Nobles:

The Minnesota Board of Chiropractic Examiners appreciated the professional and courteous manner that the audit team completed its auditing of the the Board office.

The Audit Team's recommendations have been implemented.

1. The policy to deposit all receipts daily over \$250.00 is implemented. Ms. Jeanette Hyzy is responsible for this function.
2. The policy to reconcile fees to number of applications is implemented. Ms. Jeanette Hyzy is responsible for this function.

Sincerely,

Kent J. Erickson, D.C.
Executive Director

KJE:srp
cc: Board Members