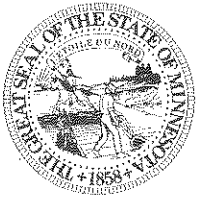


**STATE BOARD OF DENTISTRY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1986**

AUGUST 1987

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Boyd A. Wright, President
State Board of Dentistry

Mr. Douglas Sell, Executive Director
State Board of Dentistry

Audit Scope

We have completed a financial and compliance audit of the State Board of Dentistry for the three years ended June 30, 1986. Section I provides a brief description of the State Board of Dentistry 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 14, 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 Dentistry in addition to any administrative support provided by the Department of Health;
- evaluate the recording and reporting of financial transactions on 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 150A, 214, and 319A, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The State Board of Dentistry staff process and deposit original application and annual corporate reporting fees and annual license renewal fees. The Department of Health also 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 State Board of Dentistry is ultimately responsible for its financial operations.

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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 State Board of Dentistry 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 Dentistry 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 Dentistry 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 State Board of Dentistry properly recorded, in all material respects, its financial transactions on the statewide accounting system.

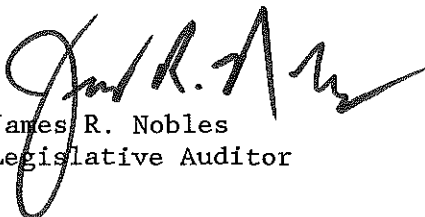
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In our opinion, for the three years ended June 30, 1986, the State Board of Dentistry administered its programs in compliance , in all material respects, with applicable finance-related laws and regulations.

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 State Board of Dentistry'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 Dentistry's staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 5, 1987

STATE BOARD OF DENTISTRY

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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 findings and recommendations in this report were discussed with the following staff of the State Board of Dentistry on April 16, 1987:

Douglas Sell	Executive Director
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STATE BOARD OF DENTISTRY

I. INTRODUCTION

The State Board of Dentistry consists of two public members, five resident dentists, one resident registered dental assistant, and one resident dental hygienist. The members of the board are appointed by the Governor. The staff consists of four full-time and one part-time employees. Douglas Sell is the current executive director of the board.

Duties of the board include examination and licensure or registration of dentists, dental hygienists, and dental assistants. The board also administers annual license and registration renewals and professional corporation registrations, and promulgates rules to carry out the provisions of law concerning the practice of dentistry, and resolves consumer grievances.

The State Board of Dentistry 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, the 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>\$262,122</u>	<u>\$293,146</u>	<u>\$341,136</u>
Disbursements	<u>\$264,330</u>	<u>\$325,164</u>	<u>\$253,571</u>

STATE BOARD OF DENTISTRY

II. CURRENT FINDINGS AND RECOMMENDATIONS

The number of licenses and renewals issued during the year is not reconciled to receipts collected.

The State Board of Dentistry collects receipts for licenses issued to dentists and dental hygienists and for registrations issued to dental assistants. The board currently reconciles the receipt by deposit report to the deposit slips monthly. However, deposits on the statewide accounting (SWA) system and the number of licenses and registrations issued are not reconciled. Reconciliations need to be performed periodically to ensure accurate recording on the SWA system and to ensure that all money received is actually deposited. We do not believe they would be too difficult, because of the standard fee structure used by the board.

RECOMMENDATION:

1. Total fees shown on SWA and the number of licenses and registrations issued should be reconciled periodically.

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

Receipts collected for licenses, registrations, renewals, penalties, and fines are not being deposited as often as required by statute. Minn. Stat. Section 16A.275 requires that receipts be deposited daily or when they aggregate \$250, unless they have received a waiver from the Department of Finance. For example, receipts totaling \$18,540 were received by the board on or before November 20, 1986, but were not deposited until December 9, 1986. Board staff told us this deposit was delayed because the Department of Revenue had instructed them not to issue licenses or renewals to those individuals who owed state taxes. Staff wanted to ensure that the board would not be required to issue licenses because checks had been cashed. However, check cashing would not obligate the board to issue a license.

Of ten other deposits tested, four were not deposited promptly. Receipts for one deposit which totaled \$5,330 were held for two to three weeks before being deposited. Failure to promptly deposit receipts increases the possibility of loss or theft, and reduces interest earnings for the state.

RECOMMENDATION:

2. The State Board of Dentistry should deposit receipts when they total \$250, as required by Minn. Stat. Section 16A.275.

STATE BOARD OF DENTISTRY

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

Procedures for depositing and recording receipts needs strengthening.

1. When board receipt records are reconciled monthly to SWA reports, the other information listed on deposit reports (fiscal years, account number, and receipt source code) should also be verified.

RECOMMENDATION IMPLEMENTED. The executive director began verifying deposits recorded on the statewide accounting system in June 1986.

2. 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 #2.

3. The board should maintain a prenumbered cash receipt book and all numbers should be accounted for. The receipt forms should be issued when cash payments are received by someone other than the person preparing deposit reports. All receipt forms should be retained to provide an adequate audit trail.

RECOMMENDATION IMPLEMENTED. A prenumbered cash receipt book has been maintained since July 1982.

4. Employees should not be allowed to cash personal checks from board receipts, which should be deposited intact in the same manner as they are received.

RECOMMENDATION IMPLEMENTED. A policy against cashing personal checks from receipts was established in July 1982.

Control over employee leave accruals requires improvement.

5. Employees should submit leave request forms, properly approved by the employee's supervisor, for all leave taken. The leave requests should be retained and the amount of leave taken should be verified by employees' supervisors to the biweekly time reports.

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED. The board employees have been using leave slips since July 1986. Although the majority of leave slips were on file, the board office still needs to improve full compliance with this procedure.

STATE BOARD OF DENTISTRY

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

RECOMMENDATION WITHDRAWN. The biweekly leave report, received by the board since fiscal year 1985 from central payroll division, automatically maintains leave balances.

7. Employees working less than 80 hours per pay period should have their vacation and sick leave prorated on the basis of a table distributed by the Department of Employee Relations.

RECOMMENDATION IMPLEMENTED. Since fiscal year 1985, the biweekly leave report issued by the Central Payroll Division has shown prorated vacation and sick leave.



Board of Dentistry

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August 5, 1987

TO: Mr. Jim Riebe
Audit Manager

FROM: Douglas R. Sell
Executive Director

A handwritten signature in dark ink, appearing to be "D. Sell", written over the printed name "Douglas R. Sell".

RE: AUDIT REPORT DATED JULY 16, 1987

We have reviewed your report and offer the following comments:

Current Findings and Recommendations

We concur with the finding. Prior to 1987, no record system was in place to reconcile receipts to licenses/registrations other than at year end. The process of reconciliation became an impossible task and was left undone. Beginning with fiscal '88 records, licenses/registrations will be reconciled on a monthly basis.

We concur with the finding. Deposits have not been accomplished in a timely manner. Internal controls will be established to ensure amounts received are deposited in a timely manner as prescribed.

We appreciate your helpful assistance in identifying areas that may require some additional work. Be assured that we will make every effort to preclude these findings from reappearing on subsequent reports.

DRS/ajm