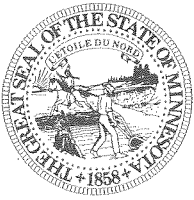


**MINNESOTA BOARD OF PODIATRY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1986**

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

Dr. Michael Stone, President
Board of Podiatry

Ms. Joyce M. Schowalter, Executive Director
Board of Podiatry

Audit Scope

We have completed a financial and compliance audit of the Board of Podiatry 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 May 20, 1987.

The objectives of the audit were to:

- study and evaluate major internal control systems including receipts, disbursements, and payroll of the Board of Podiatry 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 153, 214, and 319A, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The Board of Podiatry staff process and deposit original application and annual corporate reporting 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 office staff. The Board of Podiatry is ultimately responsible for its financial operations.

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The management of the Board of Podiatry is responsible for 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 Board of Podiatry 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 Podiatry 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 Podiatry 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.

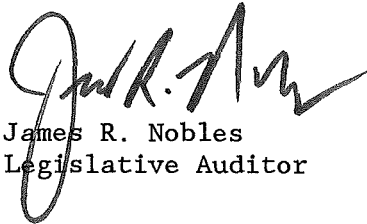
In our opinion, for the three years ended June 30, 1986, the Board of Podiatry properly recorded, in all material respects, its financial transactions in the statewide accounting system.

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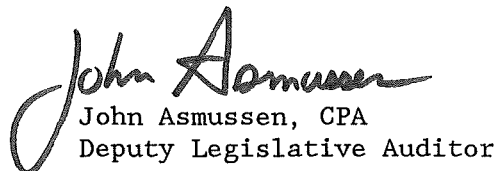
In our opinion, for the three years ended June 30, 1986, the Board of Podiatry administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

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 Podiatry'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 23, 1982 is shown in Section III entitled "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the Board of Podiatry's staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

August 10, 1987

BOARD OF PODIATRY

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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
Kari Bergum, CPA	Staff Auditor
Tammy Noren	Intern

EXIT CONFERENCE

The finding and recommendation in this report were discussed with the following staff of the Board of Podiatry on May 21, 1987:

Joyce Schowalter	Executive Director
Marilyn Wolner	Office Manager

BOARD OF PODIATRY

I. INTRODUCTION

The Board of Podiatry regulates the licensing process for the practice of podiatry to ensure that only qualified persons are licensed to serve the public. The board consists of two public members and five resident podiatrists. Prior to January 1986, employees in the Mortuary Science Section of the Department of Health were responsible for processing receipts and disbursements for the board. Currently, two employees from the Board of Nursing, the executive director and one staff person, administer the activities for the board. Ms. Joyce Schowalter is the Executive Director of the board.

Duties of the Board of Podiatry include:

- issuing original and renewal licenses;
- registering and renewing registrations for professional corporations;
- investigating complaints and determining disciplinary action against licensees; and
- approving programs that meet continuing education requirements.

The Board of Podiatry 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. During fiscal year 1986, the Attorney General's Office received an appropriation from the Legislature to finance the costs of providing services to the board. However, board fees are set 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>\$7,155</u>	<u>\$11,010</u>	<u>\$9,145</u>
Disbursements	<u>\$3,773</u>	<u>\$ 7,385</u>	<u>\$2,324</u>

BOARD OF PODIATRY

II. CURRENT FINDINGS AND RECOMMENDATIONS

Internal control over the Board of Podiatry's licensing process needs to be improved.

The Board of Podiatry collects receipts for licenses and renewal certificates issued to podiatrists. It also collects fees from corporations that are required to file reports with the board. An employee of the Nursing Board receives the checks and supporting documents for the various fees collected. During fiscal year 1985 and fiscal year 1986, \$11,010 and \$9,145 was collected, respectively, by the board.

The present receipt system does not provide adequate control over receipts. Although daily receipt logs are prepared, they only show total fees by license type. Detailed cashier listings of receipts by applicant and licensee are not prepared. As a result, an audit trail does not exist to verify individual receipts comprising deposits to applications or to determine whether receipts are deposited promptly. This listing could be used by the board staff to reconcile receipt records to deposit totals. Someone independent of the licensing process could then reconcile the cashier listing to deposits recorded on the statewide accounting system to ensure that all receipts are deposited.

Currently, original licenses are prenumbered but renewal certificates are not. The individual responsible for issuing licenses assigns a sequential certificate number. Prenumbered licenses and renewal certificates can be used to reconcile the number of licenses and renewals issued to receipts collected. However, such a reconciliation is not completed. This presents a weakness in internal control since the same person receives the checks and issues the licenses and renewal certificates.

RECOMMENDATIONS:

1. A cashier listing should be maintained by someone independent of the licensing process, and reconciled to deposit records.
2. Renewal certificates should be prenumbered by the printer and issued in sequential order.
3. To ensure that appropriate fees have been submitted for all licenses issued, the number of licenses and renewal certificates issued should be reconciled to receipts by someone independent of the licensing process.

BOARD OF PODIATRY

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS AND PROGRESS TOWARD IMPLEMENTATION

Salaries for the part-time executive secretary and clerical assistants have been paid from the appropriation to the Minnesota Department of Health (MDH) and have not been included in the total costs of board activities.

1. The Minnesota Board of Podiatry and MDH should consider all actual costs, including the salary for the executive secretary and clerical employees, when establishing the fee structure.

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED: The fee structure has been modified for fiscal year 1987 so that approximate costs are included in board fees.

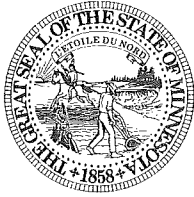
2. When the current executive secretary is replaced, the amount of time spent on board activities by all MDH and board employees should be documented and included in any operating cost calculations.

RECOMMENDATION SUBSTANTIALLY IMPLEMENTED: In fiscal year 1985, the Mortuary Sciences Section of the MDH provided services to the Board of Podiatry. In fiscal year 1986, the Board of Nursing did not allocate any of the administrative costs to the Board of Podiatry. For the 1987-89 biennial budget, the Board of Podiatry requested \$3,000 to reimburse the Board of Nursing for administrative services estimated to be provided.

Original license forms are not prenumbered, but are numbered only as they are issued.

3. The board should issue prenumbered licenses for all 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 license, and unissued licenses should be retained for audit purposes.

RECOMMENDATION IMPLEMENTED: Original licenses have been prenumbered since the last audit.



Minnesota Board of Podiatry

2700 University Avenue West #108
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Telephone: (612) 642-0568

August 10, 1987

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

Dear Mr. Nobles:

This is in response to the draft audit report covering the period July 1, 1983 through June 30, 1986. As you may know, the Board of Podiatric Medicine renews the licenses of only about 150 each year. The Board cannot independently support the full cost of operating an agency without charging exorbitant fees. As a result we attempt to keep expenses down while providing close control over the processing of receipts. Even a minor discrepancy would be evident very quickly.

Recommendation 1.

A Board of Nursing employee will create a cashier listing by source code each day. The Board of Nursing Office Manager will continue to reconcile each deposit record to the SWA print out. This will begin September 1, 1987.

Recommendation 2.

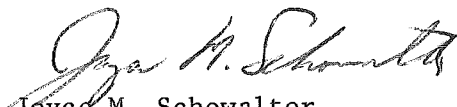
We are designing new renewal certificates that will be prenumbered by the printer on continuous feed paper. They will be used for renewals in 1988.

Recommendation 3.

In order to reconcile the number of licenses and renewal certificates issued with the receipts, a Board of Nursing employee will prepare monthly a list of persons to whom licenses or certificates were issued. The Office Manager will compare the list to the deposit records. This procedure will begin September 1, 1987.

I hope this responds adequately to the recommendations. Thank you for the opportunity to comment.

Sincerely,


Joyce M. Schowalter
Executive Director

JMS:jkd

cc: Dr. Michael Stone
President