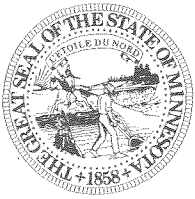


**BOARD OF OPTOMETRY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1986**

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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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Mary Laconic, Chairperson
Board of Optometry

Dr. Burton Skuza, Executive Director
Board of Optometry

Audit Scope

We have completed a financial and compliance audit of the Board of Optometry 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 Optometry 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 148, 214, and 319A, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The Board of Optometry 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 staff and entering the biweekly payroll on the statewide accounting system. The Board of Optometry is ultimately responsible for its financial operations.

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The management of the Board of Optometry 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 Optometry 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 Optometry 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 issue addressed in Section II, recommendations 1-3, the system of internal accounting control of the Board of Optometry 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.

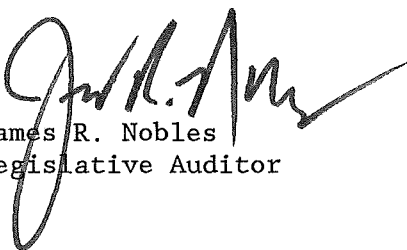
In our opinion, for the three years ended June 30, 1986, the Board of Optometry properly recorded, in all material respects, its financial transactions in the statewide accounting system.

Representative Phillip J. Riveness, Chairman
Members of the Legislative Audit Commission
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In our opinion, for the three years ended June 30, 1986, the Board of Optometry administered its programs in compliance, in all material respects, with applicable finance-related laws and regulations.

The current recommendation included in this report is presented to assist the board in improving accounting procedures and controls. We will be monitoring and reviewing the Board of Optometry's progress on implementing this recommendation. 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 Optometry's staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

August 12, 1987

BOARD OF OPTOMETRY

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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	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Board of Optometry on May 21, 1987:

Dr. Burton Skuza	Executive Director
Helen Skuza	Clerk Typist I

BOARD OF OPTOMETRY

I. INTRODUCTION

The Board of Optometry regulates the licensing process for the practice of optometry to ensure that only qualified persons are licensed to serve the public. The board consists of two public members and five optometrists who are appointed by the Governor for four year terms. On a part-time basis, an executive secretary and one staff person administer the board's activities. Dr. Burton Skuza is the current executive secretary of the board.

The Board of Optometry is responsible for:

- examining and licensing qualified optometrists;
- renewing certificates annually;
- issuing corporation licenses and renewals;
- investigating complaints against optometrists and determining the course of action against the licensee; and
- determining rules and regulations for issuing licenses.

The Board of Optometry 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 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>\$46,862</u>	<u>\$40,162</u>	<u>\$50,388</u>
Disbursements	<u>\$36,955</u>	<u>\$38,050</u>	<u>\$40,892</u>

BOARD OF OPTOMETRY

II. CURRENT FINDINGS AND RECOMMENDATIONS

The number of licenses and renewal certificates issued are not reconciled to receipts collected.

To obtain an optometry license, the applicant submits an application and a \$50 fee to take the optometry examination. If the applicants pass the test, they submit an additional \$12 to receive a license. Every year the licensee must submit \$65 for a renewal certificate.

Board staff are responsible for collecting receipts and issuing licenses and renewal certificates. When a deposit is made, the board office staff verify the number of different types of applications received to the deposit total. They also reconcile the deposit amount to the Receipt by Deposit report from the statewide accounting (SWA) system. They do not, however, reconcile the total number of licenses and renewal certificates issued to receipts, or the number of examinations given to the total application fees received.

Since the board office has only two part-time employees, it is very difficult to adequately separate duties to ensure that assets are adequately safeguarded. As a result, other controls need to be maintained. A reconciliation of the number of licenses and renewals issued to receipts deposited on SWA would help ensure that appropriate receipts were collected, deposited, and recorded properly. Each license and renewal certificate is prenumbered so the executive secretary could multiply the number of licenses and certificates issued by the appropriate fee to verify the total receipts for that fee. This reconciliation will strengthen controls.

RECOMMENDATION:

1. The number of licenses and renewal certificates issued and examinations given should be reconciled to the receipts collected.

Receipts are not deposited promptly in accordance with Minnesota statutes.

Examination, license, and renewal fees of the Board of Optometry are not always deposited timely. In one case, application fees totaling \$2,375 were received between May 8, 1987 and May 18, 1987 and were not deposited until May 19, 1987. In other cases, receipts were only deposited about once a week near December 31, when renewal fees are due and a larger volume of receipts are received. Before the money is deposited, it is kept in an unlocked credenza at the board office.

According to Minn. Stat. Section 16A.275, receipts totaling more than \$250 should be deposited on a daily basis, unless they have received a waiver from the Department of Finance. Also, keeping an excessive number of checks in an unlocked storage cabinet at the board office increases the likelihood of theft. If the money is deposited promptly, the amount of interest earned on the money received would be increased.

BOARD OF OPTOMETRY

RECOMMENDATION:

2. Receipts totaling in excess of \$250 should be deposited in accordance with Minn. Stat. Section 16A.275.

PRIOR RECOMMENDATION PARTIALLY IMPLEMENTED: Renewal applications and voided or unissued renewal certificates are not retained.

Optometry licenses are renewed each year by December 31. The Board of Optometry sends to the licensees, renewal applications which are to be returned with the appropriate fee. Upon receipt of the application, the board office assigns a certificate number to the licensee.

Renewal applications are only kept for one year. In addition, voided and unissued certificates are not retained. As a result, we could not determine the timeliness of deposit or the certificate number issued to the licensee. Furthermore, the number of renewal certificates issued could not be verified.

To maintain an adequate audit trail, renewal applications and voided and unissued renewal certificates need to be retained for three years or until the information is audited.

RECOMMENDATION:

3. Renewal applications and voided and unissued renewal certificates should be included on the board's record retention schedule and retained for a minimum of three years or until audited .

BOARD OF OPTOMETRY

III. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

Control over the deposit of receipts for the Board of Optometry needs improvement.

1. The board should deposit all receipts daily or when they aggregate \$250 in compliance with Minn. Stat. Section 16A.275.

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

2. The board should reconcile its deposit slips with the SWA receipts by deposit report as directed in the Department of Finance accounting operations manual, procedure number 06:06:03.

RECOMMENDATION IMPLEMENTED: After the last audit, the Board of Optometry began reconciling the deposit slips to the SWA Receipt by Deposit report.

The Board does not issue prenumbered renewal licenses for the practice of optometry.

3. The board should order and commence using prenumbered renewal license forms. All voids and unissued licenses should be retained for audit purposes. The original license number could also be printed on the original forms if necessary.

RECOMMENDATION PARTIALLY IMPLEMENTED: After the last audit, the board began ordering prenumbered renewal certificates which show the original license number issued. However, the voids and unissued certificates are still discarded and should be retained. See current finding and recommendation #3.

Procedures for processing employee payroll need improvement.

4. Time records should be maintained for all employees and should be signed by the executive secretary. The payroll records should be retained for audit purposes.

RECOMMENDATION IMPLEMENTED. Since the last audit, the board began using time sheets and a positive time reporting system. The executive secretary also signs the biweekly time reports and certification reports and retains all records for audit purposes.

5. The executive secretary's normal schedule of work hours should be approved by the board and documented in the board minutes.

RECOMMENDATION IMPLEMENTED: Since positive time reporting is now used, the time sheets serve as documentation for the hours the executive secretary works.

DEPARTMENT BOARD OF OPTOMETRY

Office Memorandum

TO: Jim Riebe, Auditor in Charge
Office of the Legislative Auditor

DATE: August 12, 1987

FROM: Burton H. Skuza, O.D. *BHS*
Executive Director

PHONE: 642-0594

SUBJECT: Response to draft of audit

The Board of Optometry has reviewed the draft of the audit and hereby submits the following response.

Recommendations:

1. License and renewal certificates have not been reconciled as a total composite. However, they are reconciled separately on despoit forms and on the running account of records which identifies all income by code number.

The system will be amended to include a total composite report of all line items.

2. Receipts totaling in excess of \$250. should be deposited in accordance to Minn. Stat. Section 16A.275.

Due to the fact that this office is staffed on a part time basis, and at certain times the work load is quite heavy, receipts were not deposited as quickly as they should have been. Every effort will be made to deposit receipts in a more timely manner, according to recommendation 2.

3. Renewal applications and voided certificates are not retained.

The Board's retention schedule will include renewal applications or voided or unissued renewal certificates. The Board will retain said certificates for a minimum of three years, or until audited.