

**BOARD OF ARCHITECTURE, ENGINEERING,
LAND SURVEYING AND LANDSCAPE ARCHITECTURE
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

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

90-45

BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING AND LANDSCAPE ARCHITECTURE

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 27, 1990

No. 90-45

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Receipts, payroll, travel, supplies, and rent.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

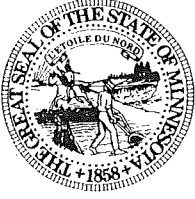
We found two areas where the internal control structure needed improvement:

- Payroll deductions for parking costs have not been processed.
- Controls over licensing need improvement.

We found one area where the board had not complied with finance-related legal provisions:

- The board employees do not pay for parking.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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Board of Architecture, Engineering, Land Surveying and Landscape
Architecture

Members of the Board of Architecture, Engineering, Land Surveying and
Landscape Architecture

Lowell Torseth, Executive Secretary
Board of Architecture, Engineering, Land Surveying and Landscape
Architecture

Audit Scope

We have conducted a financial related audit of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture as of and for the three years ending June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture in effect as of March, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, and contracts. In fulfilling this

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responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- receipts,
- payroll,
- travel disbursements,
- supplies disbursements, and
- rent disbursements.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1 and 2 involving the internal control structure of the Board of Architecture, Engineering, Land Surveying and Landscape Architecture. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

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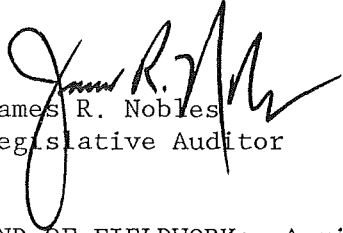
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the reportable conditions described above is a material weakness.


We also noted other matters involving the internal control structure and its operations that we reported to the management of the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture at the exit conference held on July 9, 1990.

The results of our tests indicate that, except for the issues discussed in finding 1, with respect to the items tested, the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 27, 1990.

We would like to thank the the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 16, 1990

REPORT SIGNED ON: July 19, 1990

BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING
AND LANDSCAPE ARCHITECTURE

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AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Margaret Jenniges, CPA	Audit Manager
Alan Finlayson, CPA	Auditor-in-Charge
Rhonda Regnier, CPA	Auditor-in-Charge
Kathy Hengel	Intern

EXIT CONFERENCE

The findings and recommendations included in this report were discussed with the following staff of the Board of Architecture, Engineering, Land Surveying, and Landscape Architecture at the Exit Conference held on July 9, 1990:

Lowell Torseth	Executive Secretary
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BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING
AND LANDSCAPE ARCHITECTURE

I. INTRODUCTION

The Board of Architecture, Engineering, Land Surveying, and Landscape Architecture examines, licenses, and regulates the practice of the professions of architects, engineers, land surveyors, and landscape architects. A person must be licensed before being permitted to offer these professional services to the public. The Board renews licenses every two years and receives and investigates consumer complaints. The Board has the power to revoke or suspend licenses.

The Board consists of 17 members appointed by the Governor. An executive secretary is appointed and serves as supervisor for the five staff members.

The Board of Architecture, Engineering, Land Surveying, and Landscape Architecture receives a general fund appropriation for operations. They also collect receipts for exams, licenses, and renewals which are deposited into the general fund as nondedicated revenue. Receipts increase significantly when licenses are renewed on the even-numbered fiscal years. Payroll was the largest disbursement category, comprising 51 percent of the total. Other significant categories include supplies, rent, and travel.

The Department of Commerce performs certain administrative functions for the board. The department deposits receipts, processes payroll, negotiates leases, and enters disbursements into the statewide accounting system.

BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING
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II. CURRENT FINDINGS AND RECOMMENDATIONS

1. The Board of Architecture employees do not pay for parking.

The Board of Architecture has inappropriately paid for its employees parking costs since January 1990. Minn. Stat. Section 16B.58, Subd. 8 states that the Commissioner of Administration:

shall charge state employees for parking facilities which are used by them and furnished for their use pursuant to any lease entered into between the state of Minnesota and the lessor of any privately owned property situated in the seven county metropolitan area.

The Department of Administration charges all state employees in the metropolitan area uniform rates for parking. These rates are \$5.08 per pay period for surface lots and \$8.88 per pay period for underground parking. State agencies notify the Department of Administration which employees are using parking facilities. The appropriate amount is deducted from the employees payroll warrant. The board pays the actual parking costs directly to the lessor.

The Department of Commerce notified the Department of Administration to stop the payroll deductions for board employees. This occurred in January 1990 when that department negotiated a new lease for the board. This action conflicts with Minn. Stat. Section 16B.58 because the new lease includes employee parking facilities. The board now pays the cost of employee parking. To comply with the statute, the Board of Architecture needs to re-establish payroll deductions for employee parking. It must also collect the unpaid parking charges since January 1990.

RECOMMENDATION

- The Board of Architecture should reinstate payroll deductions for parking costs, and backcharge employees to January 1990.

2. Controls over licensing need improvement.

The duties over the issuance of new licenses are not adequately separated. The Board of Architecture licenses architects, engineers, land surveyors, and landscape architects. Currently, no one reconciles new licenses issued to fees collected. Good internal control requires an independent reconciliation to ensure that only paid individuals receive licenses.

The board staff review the application and verify payment of the correct fee. The same person also enters data into the computer system used to print licenses. These duties are incompatible because it allows the person to issue a license to someone who has not paid the appropriate

BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING
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fee. The board could improve this process by having someone independent of the data entry function reconcile license issuances to receipts deposited.

RECOMMENDATION

- The Board of Architecture should initiate an independent reconciliation of new license issuances to receipts.



State of Minnesota
Board of Architecture,
Engineering, Land Surveying
and Landscape Architecture

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July 9, 1990

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Lowell E. Torseth
Executive Secretary

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

Dear Mr. Nobles:

This is written in response to the draft report of the audit team that reviewed our operation for the three years ending June 30, 1989. The team reviewed records of those transactions outside the Board offices. The team reported two findings requiring action by Board staff. The first, requires reinstatement of a payroll deduction for parking charges. That payroll deduction has been reinstated but the back charges have not been paid. A request has been made to the Department of Commerce to initiate action in this regard.

The second finding was that controls over licensing need improvement. The team stated that we "could improve this process by having someone independent of the data entry function reconcile license issuances to receipts deposited." This, taken together with the recommendation of the report for the three years ending June 30, 1986, requires at least four different persons to process receipts through the issuance of licenses. The receptionist opens the mail and makes up the receipts listing; a second person checks the receipts against the listing; a third person makes the data entry into SWLII; and a fourth person reconciles the printed licenses to the fees received. Further, I personally review all applications for examination and for comity licensure. I would hope that we now have a sufficient check and balance on our licensing controls.

Your audit team conducted itself in an exemplary manner.

Sincerely,

Lowell E. Torseth
Executive Secretary

LET:kao

cc: David A. Kirscht, ASLA