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**STATE BOARD OF CHIROPRACTIC EXAMINERS  
FINANCIAL AUDIT  
FOR THE THREE YEARS ENDED JUNE 30, 1989**

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**AUGUST 1990**

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

**90-56**



# **STATE BOARD OF CHIROPRACTIC EXAMINERS**

## **FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989**

Public Release Date: August 24, 1990

No. 90-56

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### **OBJECTIVES:**

- **EVALUATE INTERNAL CONTROL STRUCTURE:** License renewal and examination receipts, corporation registration receipts, payroll and board per diem, travel expenses, contracts, and other administrative disbursements.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

### **CONCLUSIONS:**

We found one area where the internal control structure needed improvement:

- The board needs to reconcile examination and corporation registration receipts.

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

- The board has not executed contracts in accordance with required policies and procedures.

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





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Legislative Audit Commission

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Dr. Wilma Behm, President  
State Board of Chiropractic Examiners

Members of the State Board of Chiropractic Examiners

Dr. Joel Wulff, Executive Director  
State Board of Chiropractic Examiners

Audit Scope

We have conducted a financial related audit of the State Board of Chiropractic Examiners as of and for the three years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the State Board of Chiropractic Examiners, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the State Board of Chiropractic Examiners in effect at March 30, 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 State Board of Chiropractic Examiners are free of material misstatement.

As part of our study and evaluation of the internal control structure, we performed tests of the State Board of Chiropractic Examiners' 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 State Board of Chiropractic Examiners is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, and contracts. In fulfilling this 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:

- assets are safeguarded against loss from unauthorized use or disposition;

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- 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 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:

- license renewal and examination receipts,
- corporation registration receipts,
- payroll and board per diem,
- travel expenses,
- contracts, and
- other administrative 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.

#### Scope Limitation

We were unable to audit license year 1988 renewal transactions of the State Board of Chiropractic Examiners because financial records could not be located. License renewal batch documentation has been misplaced and is presumed to have been destroyed. These records are necessary to determine that license renewals were adequately supported and that the correct fees were charged.

#### Conclusions

Our study and evaluation disclosed the condition discussed in finding 2 involving the internal control structure of the State Board of Chiropractic Examiners. We consider this condition to be a reportable condition 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

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of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

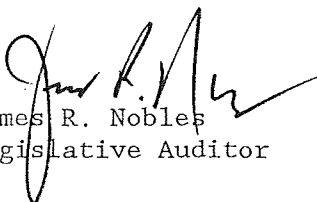
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that material errors or irregularities in amounts that would be material to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable condition noted above is not a material weakness.

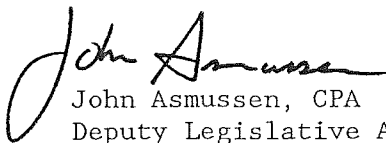
We also noted other matters involving the internal control structure and its operation that we reported to the management of the State Board of Chiropractic Examiners at the exit conference held on May 29, 1990.

The results of our tests indicate that, except for the issues discussed in finding 1, with respect to the items tested, the State Board of Chiropractic Examiners 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 State Board of Chiropractic Examiners 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 State Board of Chiropractic Examiners. This restriction is not intended to limit the distribution of this report, which was released as a public document on August 24, 1990.

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

END OF FIELDWORK: May 18, 1990

REPORT SIGNED ON: August 20, 1990





# STATE BOARD OF CHIROPRACTIC EXAMINERS

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## AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Judy Cammack, CPA	Auditor-in-charge

## EXIT CONFERENCE

The findings and recommendations in this report was discussed with the following staff of the State Board of Chiropractic Examiners on May 29, 1990:

Dr. Joel Wulff	Executive Director
Lori Campbell	Executive Secretary
Dr. Kent Erickson	Former Executive Director



# STATE BOARD OF CHIROPRACTIC EXAMINERS

## I. INTRODUCTION

The State Board of Chiropractic Examiners operates pursuant to Minn. Stat. Section 148.01. The board consists of five resident chiropractors and two public members appointed by the governor for four year terms. The board appoints an executive director to carry out its responsibilities. Dr. Joel Wulff has served as executive director since February 1990.

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. Another major duty of the board is to investigate complaints. The board appoints a peer review committee which reviews complaints concerning the appropriateness, quality, utilization, and cost of health care and health services provided to a patient. Other complaints are reviewed by a complaint panel consisting of two board members and the executive director.

The board 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. Receipts and expenditures for the year ended June 30, 1989 were as follows:

Receipts:	
License renewals and penalties	\$153,210
Examination fees	16,350
Corporation registrations	3,650
Other	<u>7,521</u>
Total Receipts	<u>\$180,731</u>
Expenditures:	
Personnel services	\$108,209
Board member per diem	4,161
Professional/technical service contracts	16,408
Travel and subsistence	7,644
Administrative expenditures	20,130
Supplies	3,937
Capital equipment	1,611
Other expenditures	<u>8,654</u>
Total Expenditures	<u>\$170,754</u>

Sources: Receipts - Estimated and Actual Receipts Report as of June 30, 1989; Disbursements - Managers Financial Report as of September 2, 1989.

## STATE BOARD OF CHIROPRACTIC EXAMINERS

### II. CURRENT FINDINGS AND RECOMMENDATIONS

1. The State Board of Chiropractic Examiners is not in compliance with professional/technical services contract requirements.

The State Board of Chiropractic Examiners has not executed contracts in accordance with Department of Administration and Department of Finance policies and procedures. The results of our testing revealed the following areas of noncompliance:

- Three vendors received \$500 or more for professional/technical services, yet no contracts were executed. Department of Administration Policies and Procedures 188 require agencies to execute contracts when payments to a vendor exceed \$500.
- Seven vendors received less than \$500, but the services were not included on the board's annual professional/technical services plan. Examples of services performed include professional testing monitors and psychological evaluations. Department of Administration policies and procedures 188 allow agencies to pay vendors without contracts if payments will be less than \$500 and the services are approved in the agency's annual spending plan.
- The three contracts in fiscal year 1989 were not fully executed, including the encumbering of funds by the Department of Finance, until after the contractors began work. Minn. Stat. Section 16A.15, Subdivision 3, states that no obligation should be incurred before funds are encumbered.

Two professional/technical vendors also were overpaid, as follows:

- One vendor was overpaid because some invoices included amounts that the board had paid previously. Thus, the vendor was overpaid \$218 in fiscal year 1987. The staff has contacted the vendor who made a reimbursement.
- The board made a duplicate payment of \$1,040 to another vendor in fiscal year 1989. When the staff contacted the vendor he claimed to be aware of the overpayment and that he had not billed the board for later services equalling the overpayment. The vendor has recently provided the board with an invoice for these hours; however, the invoice does not detail the days worked. We believe that this is insufficient documentation.

### RECOMMENDATIONS

- The State Board of Chiropractic Examiners should prepare a more comprehensive annual professional/technical services plan.

## STATE BOARD OF CHIROPRACTIC EXAMINERS

### RECOMMENDATIONS (Continued)

- The State Board of Chiropractic Examiners should execute contracts for all vendors receiving \$500 or more of professional/technical services and encumber funds before the contractor begins work.
- The State Board of Chiropractic Examiners should seek reimbursement of the \$1,040 from the vendor who received the duplicate payment, or acquire sufficient documentation to support additional services provided by the vendor. The board should consult with its Attorney General representative, if necessary.

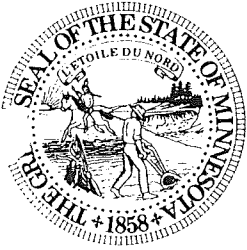
2. PRIOR AUDIT RECOMMENDATION UNRESOLVED: The State Board of Chiropractic Examiners needs to reconcile examination and corporation registration receipts.

The State Board of Chiropractic Examiners does not reconcile the number of examination applications and corporation registrations to the amount of fees collected. Currently, one employee is responsible for receiving money, updating the examination files and issuing corporate registrations. It would be difficult to completely separate these duties because of the small staff. Therefore, to ensure that the appropriate fees are collected and deposited, someone needs to reconcile the number of examination applications and corporation registrations to the total receipts. The reconciliations should not be difficult since standard fees are charged.

The lists of applicants taking the examination and lists of the corporations registered during fiscal years 1987 - 1989 could not be located. The board has experienced a dramatic turnover in staff. Although current staff plan to retain copies of these documents, they could not explain why the records had not been retained in the past. Without this documentation we were unable to determine that the fees were collected and deposited in the state treasury.

### RECOMMENDATION

- The State Board of Chiropractic Examiners should reconcile the number of examination applications and corporation registrations to the fees deposited. This documentation should be retained for three years or until audited.



# Minnesota Board of Chiropractic Examiners

2700 University Avenue West, Suite 20, St. Paul, Minnesota 55114-1089

Telephone: (612) 642-0591

August 7, 1990

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

Dear Mr. Nobles:

Let me begin by complementing the audit team on their professionalism. The MBCE staff is relatively new, and the audit team went out of their way to make sure that the staff understood the audit procedure and what is expected of this agency.

The audit teams recommendations have been implemented:

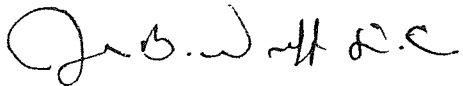
1. A comprehensive annual professional/technical services plan has been prepared following the advice provided by the Dept. of Administration Contract Management Division. The plan has been generated by the current Administrative Secretary, Lori Campbell.
2. The MBCE currently is not receiving any professional/technical services which will result in \$500 or more being paid out to an individual vendor. Contracts for such services will be executed following guidelines provided by the Dept. of Administration Contracts Management Division. All contracts will be established by the Administrative Secretary, Lori Campbell.
3. The vendor who received duplicate payment has been informed that without a billing statement more specific than that provided for the audit team, reimbursement of the funds paid to him will be required. The MBCE Attorney General representative is appraised of the situation. His services will be used as required to correct the current situation. This issue is being handled by Joel B. Wulff, D.C.



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4. The number of examination applicants and corporation registration is being documented as separate lists as discussed with the audit team. The lists are being generated by the Clerk Typist II, Debbie Lanoux. These lists will be retained for three years or until audited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joel B. Wulff D.C.", written in dark ink.

Joel B. Wulff, D.C.  
Executive Director