

**BOARD OF SOCIAL WORK
BOARD OF MARRIAGE AND FAMILY THERAPY
AND
BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS
FINANCIAL AUDIT
FOR THE FOUR YEARS ENDED JUNE 31, 1991**

MARCH 1992

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

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
612/296-4708

BOARD OF SOCIAL WORK BOARD OF MARRIAGE AND FAMILY THERAPY AND BOARD OF UNLICENSED MENTAL HEALTH SERVICE PROVIDERS

FINANCIAL AUDIT FOR THE FOUR YEARS ENDED JUNE 30, 1991

Public Release Date: March 6, 1992

No. 92-15

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE FOR FOUR ENTITIES: payroll, and license revenue.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

Laws of 1991, Section 292 eliminated the Office of Social Work and Mental Health Boards and ended the Board of Unlicensed Mental Health Service Providers. The Board of Social Work and the Board of Marriage and Family Therapy continued. Because of this restructuring of the boards, we will not express an opinion on the internal control structure.

We found three areas where the office and the boards had not complied with finance-related legal provisions:

- The Office of Social Work and Mental Health Boards did not deposit receipts timely.
- The former executive secretary of the Board of Social Work inappropriately earned compensatory time.
- The Board of Social Work did not require a late fee for licenses and renewals.

We were required to limit our scope because the executive secretary of the Office of Social Work and Mental Health Boards during part of the audit period and at June 28, 1991, refused to furnish us with written representations of significant matters connected with our audit. The refusal is important, because she supervised the processing of all license revenue and payroll during the period of her employment.

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Board of Social Work

Members of the Board of Marriage and Family Therapy

Members of the Board of Unlicensed Mental Health Service Providers

Mr. Thomas McSteen, Executive Secretary
Board of Social Work

Mr. Robert Butler, Executive Secretary
Board of Marriage and Family Therapy

Audit Scope

We have conducted a financial related audit of the Office of Social Work and Mental Health Boards, the Board of Social Work, the Board of Marriage and Family Therapy, and the Board of Unlicensed Mental Health Service Providers as of and for the four years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Office and the Boards, as discussed in the Introduction.

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 office and the boards are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the office's and board'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.

Scope Limitation

The executive secretary of the Office of Social Work and Mental Health Boards during part of the audit period and at June 28, 1991, refused to furnish us with written representations of significant matters connected with our financial related audit. This refusal is important because she supervised the processing of all license revenue and payroll during the period of her employment.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Members of the Board of Social Work
Members of the Board of Marriage and Family Therapy
Members of the Board of Unlicensed Mental Health Service Providers
Mr. Thomas McSteen, Executive Secretary
Mr. Robert Butler, Executive Secretary
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Obtaining written representations from management also is a requirement for the independent auditor under Statement on Auditing Standards AU Section 333.01. Written representations from management ordinarily confirm oral representations given to the auditor and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.

Management Responsibilities

The management of the office and the boards was responsible for establishing and maintaining an internal control structure. This responsibility included compliance with applicable laws, regulation, and contracts. In fulfilling this responsibility, estimates and judgments by management were required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective 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;
- 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 the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- payroll, and
- license revenue.

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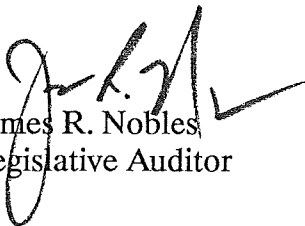
For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures in operation. To achieve this objective, we reviewed selected financial policies and practices in effect during the audit period. We will not express an opinion on the internal control structure taken as a whole due to the restructuring of the office and the boards by the Laws of 1991, Chapter 292, which eliminated the Office of Social Work and Mental Health Boards and the Board of Unlicensed Mental Health Service Providers.

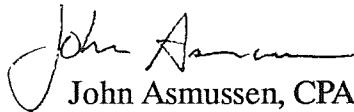
Conclusions

The results of our tests indicated that, except for the issues discussed in findings 1-3, with respect to the items tested, and except for the effects, if any, of the evidential matter not obtained as described in the Scope Limitation section of the letter, the office and the boards 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 office and the boards 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 office and the boards. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 6, 1992.

We thank the office and the board's staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: October 22, 1991

Report Signed On: February 28, 1992

Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers

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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
Beth Hammer, CPA	Auditor-in-Charge

Exit Conference

The findings and recommendation in this report were discussed with the following staff at our exit conference on:

June 27, 1991 -

Lori McPherson	Executive Secretary, Office of Social Work and Mental Health Boards
Patricia Puetz	Executive Secretary, Board of Social Work
Robert Butler	Executive Secretary, Board of Marriage and Family Therapy
Virginia Adler	Senior Support Representative, Office of Social Work and Mental Health Boards
Catherine Sterling	Support Representative, Board of Marriage and Family Therapy

November 6, 1991 -

Thomas McSteen	Executive Secretary, Board of Social Work
Virginia Adler	Office Manager, Board of Social Work
Catherine Sterling	Assistant Director, Board of Marriage and Family Therapy

Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers

Introduction

The Office of Social Work and Mental Health Boards, the Board of Social Work, the Board of Marriage and Family Therapy, and the Board of Unlicensed Mental Health Service Providers were created by Laws of 1987, Chapter 347.

The Board of Social Work is responsible for licensing social workers and providing protection to the public over the practice of social work. The board has licensed over 9,000 social workers in the state since inception. The board consists of ten members appointed by the governor. The board appoints an executive secretary to carry out the functions of the board. At June 30, 1991 the executive secretary was Patricia Puetz.

The Board of Marriage and Family Therapy is responsible for licensing and protecting the public over the practice of marriage and family therapy. Since the board's inception the board has licensed over 780 marriage and family therapy professionals. The governor appoints a seven member board. An executive secretary carries out the duties of the board on a part-time basis. At June 30, 1991 the executive secretary was Robert Butler.

The Board of Unlicensed Mental Health Service Providers was established to regulate unlicensed or unregulated mental health professionals. All mental health service providers were to file with the board and pay a specified fee. The board consisted of seventeen members appointed by the governor. An executive secretary conducted the duties of the board. At June 30, 1991, the executive secretary was Robert Sullivan. The law creating the board included a sunset provision effective July 1, 1991.

The Office of Social Work and Mental Health Boards was responsible for administering the three boards. The office was under the direction of an executive secretary and seven support staff. At June 30, 1991, the executive secretary was Lori McPherson.

Laws of 1991, Section 292 changed the structure of the office and boards. The legislation: eliminated the Office of Social Work and Mental Health Boards, ended the Board of Unlicensed Mental Health Service Providers, and continued the Board of Social Work and the Board of Marriage and Family Therapy. The legislation was effective June 30, 1991. At the present time the Executive Secretaries of the Board of Social Work and the Board of Marriage and Family Therapy are Thomas McSteen and Robert Butler, respectively.

The boards established fees with the approval of the Commissioner of Finance. Total fees collected were to approximate anticipated expenditures during the biennium. According to

Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers

statewide accounting reports, the office and board revenues and expenditures from inception through June 30, 1991 were:

	Year Ended June 30			
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
License Revenue	<u>\$ 0</u>	<u>\$493,468</u>	<u>\$972,633</u>	<u>\$420,049</u>
Expenditures				
Payroll	\$48,692	\$263,133	\$361,551	\$392,761
Other	<u>49,069</u>	<u>155,512</u>	<u>204,453</u>	<u>219,782</u>
Total Expenditures	<u>\$97,761</u>	<u>\$418,645</u>	<u>\$566,004</u>	<u>\$612,543</u>

In addition, the Board of Social Work received a deficiency appropriation from the Legislative Advisory Commission on September 23, 1991, for \$19,300 to cover the unemployment costs expected for four employees laid off by the restructuring of the boards.

Source: Statewide Accounting System, Managers Financial Report as of September 2, 1989, September 1, 1990, and August 31, 1991, and Estimated and Actual Receipts Report as of September 2, 1989, August 31, 1990, and August 31, 1991.

Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers

Current Findings and Recommendations

1. The Office of Social Work and Mental Health Boards did not deposit receipts timely.

The Office of Social Work and Mental Health Boards did not promptly deposit license and examination fee receipts. The office was responsible for depositing all receipts received by the Board of Social Work, the Board of Marriage and Family Therapy, and the Board of Unlicensed Mental Health Service Providers. Of the receipts tested, 36 of the 82 sample items tested were not deposited promptly, varying from two to twelve days late. One sample deposit totaling \$6,630 was not made until 15 days after receipt. The state depository is across the street from the boards' offices.

Minn. Stat. Section 16A.275 requires state agencies to deposit receipts daily when they total \$250. By not depositing receipts promptly, the agency increased the risk of theft or misplacement. In addition, the state lost investment and interest opportunities on the undeposited funds. Because of the change in control structure after June 30, 1991, the responsibility for processing receipts and deposits is different. Currently, the Board of Social Work and the Board of Marriage and Family Therapy are processing receipts and issuing licenses individually.

Recommendation

- *The Board of Social Work and the Board of Marriage and Family Therapy should deposit receipts promptly in accordance with Minn. Stat. Section 16A.275.*

2. The former executive secretary of the Board of Social Work inappropriately earned compensatory time.

The Board of Social Work's former executive secretary earned and used compensatory time that she was not eligible for. The former executive secretary earned over 220 hours of compensatory time during fiscal year 1991 and used 56 hours of what she earned. The former executive secretary said she accumulated the compensatory hours at the direction of the Board of Social Work, because she was spending excess hours on the board's activities.

The executive secretary was covered under the Managerial Plan which only allows for the earning of compensatory time under emergency circumstances declared by the Commissioner of Employee Relations. The commissioner did not declare an emergency during fiscal year 1991.

Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers

The Board of Social Work eliminated the executive secretary's compensatory time balance. In the future the board needs to follow provisions set in bargaining agreements.

Recommendation

- *The Board of Social Work should follow the provisions regarding the earning of overtime and compensatory time, as outlined in state bargaining agreements.*

3. The Board of Social Work did not require a late fee.

The Board of Social Work did not establish a late fee. Minn. Stat. Section 148B.17 requires "each board shall by rule establish fees, including late fees, for licenses or filings, and renewals." According to the former executive secretary of the board, the board overlooked establishing a late fee when the rules were initially written. We acknowledge that in the first year, late fees would not be a problem. However, with the board's licensing over 9,000 social workers, a potential problem with late renewals could exist.

The Board of Marriage and Family Therapy and the former Board of Unlicensed Mental Health Service Providers established late fees.

Recommendation

- *The Board of Social Work should establish a late fee as required by statute.*



STATE OF MINNESOTA
Board of Social Work

2700 University Avenue West • Suite 225 • St. Paul, Minnesota 55114 • (612)643-2580

February 25, 1992

James Nobles
Legislative Auditor
Centennial Building
St. Paul, Minnesota 55155

Re: Legislative Audit of the Board of Social Work

Dear Mr. Nobles:

I am writing to respond to the findings and recommendations contained in the draft report on the Office of Social Work and Mental Health Boards, the Board of Social Work, the Board of Marriage and Family Therapy, and the Board of Unlicensed Mental Health Service Providers.

The Board of Social Work accepts the three findings and recommendations contained in the report. Further, the Board intends to comply with all of the recommendations.

First, the Board will deposit receipts promptly in accordance with Minnesota Statutes, section 16A.275. We believe that we have been in compliance with this law since the change in office structure, which became effective on July 1, 1991. Ms. Virginia Adler, the Board's Office Manager, is responsible for depositing receipts on a daily basis.

Second, the Board will follow the provisions regarding the earning of overtime and compensatory time, which are outlined in state bargaining agreements.

Third, the Board will establish a late fee, as required by statute. The Board is in the early stages of making revisions to all of its rules. I will insure that a provision for a late fee is included. The Board intends to have the rules in effect by the end of 1992.

I request that the language the "Office of Social Work," which is located at the bottom of page 1 and the top of page 3 be revised to read the "Office of Social Work and Mental Health Boards."

Finally, I want to thank you and your staff for the time and consideration which they gave to us when they completed their audit. We appreciated their willingness to answer our questions and offer suggestions.

Sincerely,


Thomas M. McSteen
Executive Director



Minnesota Board of Marriage and Family Therapy

EXECUTIVE OFFICE
2700 UNIVERSITY AVENUE WEST
SUITE 67
ST. PAUL, MINNESOTA 55114
(612) 643-3667

February 19, 1992

James Nobles
Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Mr. Nobles:

I am writing in response to the draft audit report of February 12, 1992 sent over with the signature of Warren Bartz. That letter requested comment regarding Finding No. 1.

The finding indicates that deposits of the Board of Marriage and Family Therapy which were processed by the Office of Social Work and Mental Health were sometimes not timely. As you are aware the Office was eliminated by the 1991 Legislature and the Board of Marriage and Family Therapy is now an autonomous Board which directly handles its own deposits. Under this new arrangement deposits should be timely and in accordance with MS 16A.275.

Sincerely,

A handwritten signature in cursive script that reads "Robert C. Butler".

Robert C. Butler
Executive Director

RCB:cms

auditleg.rsp