

**BOARD OF PSYCHOLOGY
FINANCIAL AUDIT
FOR THE FIVE YEARS ENDED JUNE 30, 1991**

JUNE 1992

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

92-35

**BOARD OF PSYCHOLOGY
FINANCIAL AUDIT
FOR THE FIVE YEARS ENDED JUNE 30, 1991**

JUNE 1992

BOARD OF PSYCHOLOGY
FINANCIAL AUDIT
FOR THE FIVE YEARS ENDED JUNE 30, 1991

Public Release Date: June 19, 1992

No. 92-35

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: payroll and license and fee receipts.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

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

- The Board of Psychology did not reconcile licenses issued to receipts recorded on the statewide accounting system.

We found no departures from finance-related legal provisions.

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

Mr. Peter Flint, Ph.D., Chair
Board of Psychology

Members of the Board of Psychology

Ms. Lois Mizuno, Executive Director
Board of Psychology

Audit Scope

We have conducted a financial related audit of the Board of Psychology for the five 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 Board of Psychology, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Board of Psychology in effect at December 1991.

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 Psychology are free of material misstatements.

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

Management Responsibilities

The management of the Board of Psychology is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts and grants. 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;
- 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:

- payroll, and
- license and fee receipts.

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 condition discussed in finding 1 involving the internal control structure of the Board of Psychology. 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 of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

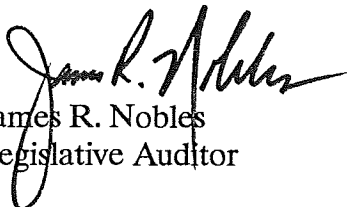
Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Peter Flint, Chair
Members of the Board of Psychology
Ms. Lois Mizuno, Executive Director
Page 3

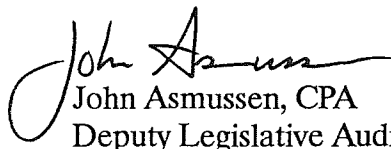
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may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

The results of our tests indicate that, with respect to the items tested, the Board of Psychology 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 Psychology 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 Psychology. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 19, 1992.

We thank the Board of Psychology staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 18, 1992

Report Signed On: June 12, 1992

Board of Psychology

Table of Contents

	Page
Introduction	1
Current Finding and Recommendation	2
Agency Response	3

Audit Participation

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

John Asmussen, CPA
Warren Bartz, CPA
Sonya Hill, CPA

Deputy Legislative Auditor
Audit Manager
Auditor-in-Charge

Exit Conference

The findings and recommendation presented in this report were discussed with the following staff of the Board of Psychology on February 28, 1992:

Lois Mizuno

Executive Director

Board of Psychology

Introduction

The Minnesota Board of Psychology regulates the private practice of psychology. The board's mission is to protect Minnesota residents from unethical, incompetent, and unprofessional psychological practice. The board accomplishes this mission by ensuring that only qualified persons are granted licenses, establishing rules of conduct for applicants and licensees, and disciplining those individuals who have violated the rules of conduct and/or laws established by the board. The current executive director of the board is Lois Mizuno.

The Minnesota Board of Psychology is authorized by statute to assess a sufficient amount of fees so that total fees collected will as closely as possible equal anticipated expenditures during the biennium. These fees are to be deposited into the Special Revenue Fund. The fees set by the board also are required to cover the costs of services provided by the Attorney General's Office, as the board does not receive an appropriation to pay for these services.

The revenue and expenditures for the five fiscal years under review are listed below:

	Year Ended June 30				
	1987	1988	1989	1990	1991
Revenue	<u>\$195,788</u>	<u>\$223,369</u>	<u>\$265,647</u>	<u>\$310,205</u>	<u>\$386,345</u>
Payroll	\$ 71,827	\$ 94,725	\$103,574	\$115,858	\$143,236
Other Expenditures	<u>55,845</u>	<u>73,057</u>	<u>76,465</u>	<u>115,337</u>	<u>89,217</u>
Total Expenditures	<u>\$127,672</u>	<u>\$167,782</u>	<u>\$180,039</u>	<u>\$231,195</u>	<u>\$232,453</u>
Attorney General's Costs	<u>\$ 55,877</u>	<u>\$ 59,626</u>	<u>\$ 91,795</u>	<u>\$ 95,974</u>	<u>\$136,802</u>
Total Costs and Expenditures	<u>\$183,549</u>	<u>\$227,408</u>	<u>\$271,834</u>	<u>\$327,169</u>	<u>\$369,255</u>

- Sources: (1) Statewide Accounting System Estimated/Actual Receipts Reports as of September 5, 1987, September 3, 1988, September 2, 1989, September 3, 1990, and September 3, 1991.
- (2) Statewide Accounting System Manager's Financial Reports as of September 5, 1987, September 5, 1988, September 2, 1989, September 1, 1990, and August 31, 1991.
- (3) Attorney General's Office quarterly billings during each of the respective fiscal years.

Board of Psychology

Current Finding and Recommendation

1. Minnesota Board of Psychology does not reconcile licenses issued to receipts recorded on the statewide accounting (SWA) system.

The board does not reconcile receipts as recorded on the SWA system to the licenses issued according to its records. The board's main receipts consist of examination application fees, licensure application fees, and licensure renewal fees. Currently, there are approximately 2,600 psychologists who are licensed to practice. In fiscal year 1991, the board had approximately 600 examination applicants, approximately 200 licensure applicants, and approximately 1,000 licensure renewal applicants. The board collected \$385,910 in license and fee receipts during fiscal year 1991.

A comprehensive reconciliation of receipts to license and examination numbers would assure that fees are paid and receipts are accounted for properly.

Recommendation

- *The Board of Psychology should periodically conduct a comprehensive reconciliation of license and examination numbers to receipts.*



BOARD OF PSYCHOLOGY

2700 UNIVERSITY AVE. WEST, #101
ST. PAUL, MN 55114-1095
612/642-0587

June 8, 1992

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

Dear Mr. Nobles:

This letter responds to the draft audit report on the Board of Psychology concerning the five year period ending June 30, 1991.

The Board of Psychology concurs in all respects with the findings and recommendations, including the recommendation that staff conduct periodic reconciliations of receipts deposited with applications for examination, licensure and renewal, to ensure that deposits reflect actual application amounts and that licenses and renewal certificates are not issued in error to persons who have not paid the respective fees.

The staff has been aware since the previous audit of the need to perform periodic reconciliations and, in fact, did reconcile by hand receipts deposited with applications for several months following the previous audit. However, the practice was discontinued because the Director's work load with respect to other Board functions consumed too much time. At the time, none of the application, licensure, and renewal data was computerized.

Beginning in fiscal year 1993, the Board will have an enlarged staff and a local area network computer system in operation, with a License Management System program which should be capable of handling reconciliations internally. The Board's staff will implement regular reconciliations as soon as possible after installation of the system.

Both the Board and staff regret the past inability to conduct regular reconciliations and trust that our new system will provide the necessary internal controls.

Thank you for the opportunity to respond to the report.

Sincerely,

Lois E. Mizuno
Executive Director

LEM/sjn

An Equal Opportunity Employer