

**MINNESOTA BOARD OF NURSING
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

JUNE 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

MINNESOTA BOARD OF NURSING

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991

Public Release Date: June 19, 1992

No. 92-37

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: license receipts, voluntary surcharge receipts, payroll, and administrative disbursements.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

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

- The board did not deposit receipts within the statutory requirements.

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

Ms. Mary Ellen Quincer, President
Board of Nursing

Members of the Board of Nursing

Ms. Joyce Schowalter, Executive Director
Board of Nursing

Audit Scope

We have conducted a financial related audit of the Board of Nursing as of and for the three fiscal 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 Nursing, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of the Board of Nursing in effect at February 1992.

We conducted our audit in accordance with generally accepted government auditing standard. 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 Nursing are free of material misstatements.

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

Management Responsibilities

The management of the Board of Nursing 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.

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Ms. Mary Ellen Quincer, President
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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:

- license receipts;
- voluntary surcharge receipts;
- payroll; and
- 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.

Conclusions

In our opinion, the internal control structure of the Board of Nursing in effect at February 1992, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention and detection of errors or irregularities in amount that would be material in relation to the financial activities attributable to transactions of the Board of Nursing.

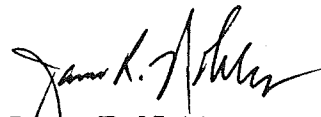
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We also noted other matters involving the internal control structure and its operation that we reported to the management of the Board of Nursing at the exit conference held on May 11, 1992.

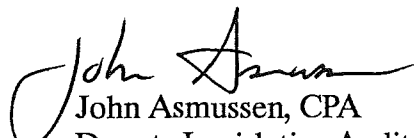
The results of our tests indicate that, except for the issues discussed in finding 1, with respect to the items tested, the Board of Nursing complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Board of Nursing 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 Nursing. This restriction is not intended to limit the distribution of this report, which was released as a public document on June 19, 1992.

We would like to thank the Board of Nursing's staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 24, 1992

Report Signed On: June 15, 1992

Board of Nursing

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA
Warren Bartz, CPA
Ron Mavetz, CPA

Deputy Legislative Auditor
Audit Manager
Audit Supervisor

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Board of Nursing on May 11, 1992:

Joyce Schowalter
Carol Manteuffel
Marilyn Wolner

Executive Director
Associate Executive Director
Office Manager

Board of Nursing

Introduction

The Board of Nursing was created by the Legislature in 1907 for the purpose of setting standards for the practice of nursing in Minnesota. The board consists of eleven members appointed by the governor to serve four year terms. Each board member must be a resident of the state. Of the eleven members, five must be registered nurses, three must be licensed practical nurses, and three are public members. The board employs 23 staff to administer its activities. Ms. Joyce Schowalter is the Executive Director of the board.

The board is responsible for issuing nurses' licenses, conducting examinations for licensure, and approving nursing education programs. The board regulates disciplinary action on licensed nurses and has the power to deny, revoke, suspend, limit, or condition licenses. The board is also responsible for collecting voluntary surcharge contributions from licensed nurses who desire to support a grant program administered by the Higher Education Coordinating Board. The grants are provided through education institutions to licensed nurses desiring to continue their nursing education.

The board set standards and approved curricula and training programs for nursing assistants and conducted a registry of nursing assistants through December 1991. The nursing assistant program moved to the Department of Health in January 1992.

The Board of Nursing is authorized, by rule, and with the approval of the Commissioner of Finance to establish licensure fees. The fees are deposited in a special revenue fund and must finance the operating costs of the board. The fees set by the board are also 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. During the three fiscal years ended June 30, 1991, Board of Nursing revenue and expenditures were:

	Year Ended June 30		
	1989	1990	1991
Revenue			
Licenses	\$1,317,567	\$1,153,025	\$1,385,534
Voluntary Surcharge			21,677
Other Revenue	201,542	160,591	216,403
Total Revenue	<u>\$1,519,109</u>	<u>\$1,313,616</u>	<u>\$1,623,614</u>
Expenditures			
Payroll	\$ 641,153	\$ 718,107	\$ 799,532
Administrative Expenditures	384,029	346,979	400,203
Attorney General's Costs	127,726	153,231	123,143
Total Expenditures and Costs	<u>\$1,152,908</u>	<u>\$1,218,317</u>	<u>\$1,322,879</u>

Source: (1) Statewide Accounting System Managers Financial Reports and Estimated/Actual Receipt Reports as of September 2, 1989; September 1, 1990; and August 31, 1991.
(2) Attorney General's Office quarterly billings during each of the respective fiscal years.

Board of Nursing

Current Finding and Recommendation

1. The board deposited receipts untimely.

The board did not deposit receipts promptly during the three fiscal years ended June 30, 1991. The board receives approximately \$1.3 million of licensing fees annually. Most applicants send their fees and application forms to the board through the mail. A mail clerk opens the mail and batches the fees by type. The clerk then distributes the checks to the accounting department and application forms to the data processing department. The data processing section enters the application information into the computer and prints summary reports by batch. The account clerk types a total of the receipts by batch. The clerk reconciles the tape to the computer summary report and then deposits the receipts. The board requires three to five days to complete this process. It holds the receipts in a locked safe until deposited.

Minn. Stat. Section 16A.275 requires a daily deposit of receipts if a state agency collects more than \$250. The state loses interest if agencies do not deposit receipts timely. Also, the risk of loss or theft increases when agencies fail to deposit receipts daily. The board believes it cannot deposit receipts until the actual receipts agree with the computer summary report. It uses the checks as an audit trail to identify and resolve any differences between the report and actual cash. However, the board needs to develop a system which would enable it to deposit receipts within the time frame required by Minn. Stat. Section 16A.275.

Recommendation

- *The board should deposit receipts within the statutory requirements.*



MINNESOTA BOARD OF NURSING

2700 University Avenue West #108 St. Paul, MN 55114 Telephone: (612) 642-0567

June 9, 1992

James R Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Bldg
St Paul MN 55155

Dear Mr. Nobles:

Thank you for the opportunity of responding to the draft report of the recent financial audit of the Board of Nursing. It was a pleasure working with Warren Bartz and Ron Mavetz.

The Board was pleased that the auditor found the Board's control processes to be substantial and effective in managing the handling of receipts, payroll and disbursements.

For clarification, three clerks are involved in handling receipts. The mail clerk opens the mail, does a gross review of the check for accuracy and separates the types of documents we receive (license applications, renewal applications, verification requests, etc.). The separated documents with fees attached are given to the batch clerk who performs a detailed review of the checks and documents for accuracy. The batch clerk then distributes the checks to the account clerk and other documents to the data processing department. The data processing section enters the necessary information into the computer and prints summary reports by batch. The account clerk reviews the checks and takes a tape of the receipts by batch. The account clerk reconciles the tape to the computer summary report and then deposits the receipts.

According to our records, this process requires two to four working days. The Board makes a deposit daily, but does not deposit all receipts the same day they are received. The volume of applications, the controls needed for security and the effective utilization of staff by a small agency were all considered when establishing our process.

The Board is making every effort to apply our resources to the issue of timely deposit. By modifying one process we have already been able to shorten the deposit time. We will continue to seek sound ways of maintaining our controls yet reducing the time receipts are held. Also, we will conduct periodic reviews of actual practice and correct any slippages that might have developed.

James R. Nobles
St. Paul, Minnesota 55155

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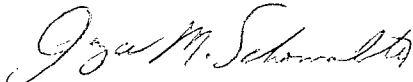
June 9, 1992

Please note the correct spelling of the following names:

Mary Ellen Quincer, Board President
Carol Manteuffel, Associate Executive Director

If you have any questions, please contact me at 642-0567.

Sincerely,



Joyce M. Schowalter
Executive Director

JMS:tjz

cc: Mary Ellen Quincer, RN
Board President