

**BOARD OF EXAMINERS FOR NURSING
HOME ADMINISTRATORS**

**FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

SEPTEMBER 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 EXAMINERS FOR NURSING HOME ADMINISTRATORS

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991

Public Release Date: September 25, 1992

No. 92-66

OBJECTIVES:

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

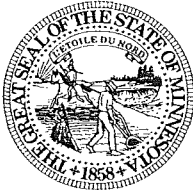
CONCLUSIONS:

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

Mr. Michael M. Gibson, Chair
Board of Examiners for Nursing Home Administrators

Members of the Board of Examiners for Nursing Home Administrators

Mr. Phillip Newberg, Executive Director
Board of Examiners for Nursing Home Administrators

Audit Scope

We have conducted a financial related audit of the Board of Examiners for Nursing Home Administrators, as of and for the three 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 Examiners for Nursing Home Administrators, 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 transaction of the Board of Examiners for Nursing Home Administrators are free of material misstatements.

We performed tests of the Board of Examiners for Nursing Home Administrators's transactions to obtain reasonable assurance that the Board had, in all material respects, administered its operations in compliance with applicable 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 Examiners for Nursing Home Administrators 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:

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Michael M. Gibson, Chair
Members of the Board of Examiners for Nursing Home Administrators
Mr. Phillip Newberg, Executive Director
Page 2

- 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 revenue.

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures. We will not express an opinion on the internal control structure taken as a whole, due to the limited staff size at the board office.

Conclusions

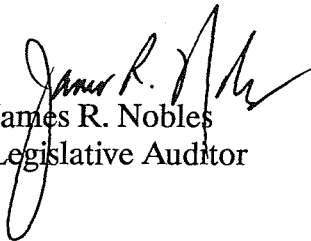
Our audit was conducted only for the limited purpose described in the Audit Scope section of this letter and would not necessarily disclose all material weaknesses in the board's system of internal control. We do not express an opinion on the system of internal control of the Board of Examiners for Nursing Home Administrators taken as a whole. However, we noted matters involving the internal control structure that we reported to the management of the board at the exit conference held on July 6, 1992.

The results of our tests indicate that, except for the issue discussed in Finding 1, with respect to the items tested, the Board of Examiners for Nursing Home Administrators 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 Examiners for Nursing Home Administrators had not complied, in all material respects, with those provisions.

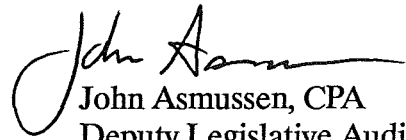
Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Mr. Michael M. Gibson, Chair
Members of the Board of Examiners for Nursing Home Administrators
Mr. Phillip Newberg, Executive Director
Page 3

This report is intended for the information of the Legislative Audit Commission and management of the Board of Examiners for Nursing Home Administrators. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 25, 1992.

We thank the Board of Examiners for Nursing Home Administrators staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: July 6, 1992

Report Signed On: September 17, 1992

Board of Examiners for Nursing Home Administrators

Table of Contents

	Page
Introduction	1
Current Finding and Recommendation	2
Agency Response	3

Audit Participation

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

John Asmussen, CPA
Warren Bartz, CPA
Janet Knox, CPA

Deputy Legislative Auditor
Audit Manager
Auditor-in-Charge

Exit Conference

The findings and recommendations in this report were discussed with the following staff on July 6, 1992:

Phillip Newberg

Executive Director

Board of Examiners for Nursing Home Administrators

Introduction

The Board of Examiners for Nursing Home Administrators regulates the licensing of nursing home administrators to ensure that competency standards as established by Minn. Stat. Section 144A.20 are met. The board consists of one nonvoting member appointed by the Commissioner of Health, one nonvoting member appointed by the Commissioner of Human Services, and several members appointed by the Governor. The Governor's appointments include:

- two members engaged in the management, operation, or ownerships of proprietary nursing homes;
- two members engaged in the management or operation of nonprofit nursing homes;
- one member engaged in the practice of medicine;
- one member engaged in the practice of professional nursing; and
- three public members.

The board has employed Phillip Newberg as Executive Director since July 1971.

The Board of Examiners for Nursing Home Administrators processes applications for licensure and issues original and renewal licenses. The board administers license examinations and offers or approves educational seminars required for relicensure. It also processes complaints filed against licensees.

The Board of Examiners for Nursing Home Administrators 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. During the audit period, the financial activities of the board were financed by appropriations from the Special Revenue Fund, and the fees for applications and license renewals were deposited into the Special Revenue Fund. During the audit period, the attorneys' costs were financed from an appropriation to the Office of the Attorney General. However, board fees were to cover the Attorney General's costs, as well. Revenue and expenditures for the three years ended June 30, 1991, were:

	Year Ended June 30		
	1989	1990	1991
License and Fee Revenue	<u>\$167,507</u>	<u>\$158,411</u>	<u>\$162,445</u>
Expenditures:			
Payroll	\$ 93,143	\$ 96,347	\$105,358
Other Expenditures	43,057	32,241	42,211
Attorney General's Costs	<u>3,612</u>	<u>16,055</u>	<u>20,286</u>
Total Expenditures and Costs	<u>\$139,812</u>	<u>\$144,643</u>	<u>\$167,855</u>

Sources: (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 quarterly billings during each of the respective fiscal years.

Board of Examiners for Nursing Home Administrators

Current Finding and Recommendation

1. PRIOR FINDING NOT RESOLVED: The Board of Examiners for Nursing Home Administrators does not deposit receipts on a timely basis.

The Board of Examiners for Nursing Home Administrators does not deposit receipts in excess of \$250 on a daily basis. Receipts included payments of application fees, licensure and relicensure fees, examination fees, continuing education course approval fees, and miscellaneous fees. The state depository is across the street from the board office.

During fiscal year 1992, five daily receipt collections, with an average amount of \$940, were held an average of four working days prior to deposit. The board had held one deposit of \$1,031 for ten working days. Minn. Stat. Section 16A.275 requires that receipts in excess of \$250 be deposited in the state treasury on a daily basis.

Recommendation

- *The Board of Examiners for Nursing Home Administrators should deposit receipts of \$250 or more on a daily basis as required by Minn. Stat. Section 16A.275.*



**MINNESOTA BOARD OF EXAMINERS
FOR NURSING HOME ADMINISTRATORS**

2700 UNIVERSITY AVE. W. # 104
ST. PAUL, MN 55114-1082
(612) 642-0595

September 11, 1992

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

Dear Mr. Nobles:

This letter is in response to the audit report concerning the Board of Examiners for Nursing Home Administrators for the three year period ending June 30, 1991. I appreciate the opportunity to respond to the current finding and recommendation as provided in the report.

Recommendation:

The Board of Examiners for Nursing Home Administrators should deposit receipts of \$250 or more on a daily basis as required by Minn. Stat. Section 16A.275.

Reviewal has been made of the procedure for deposits of receipts on a timely basis. In the reviewal we find that deposits are being made on a timely basis and the procedure in effect will so continue so that the deposit of receipts will be on a timely basis. Mr. Phillip Newberg, Executive Director, is responsible for the implementation of this recommendation.

Thank you for the reviewal and recommendation to improve the operations of this Board. Our appreciation and compliments to Janet Knox for the efficient and professional manner in which she conducted the audit.

Very truly yours,

Phillip C. Newberg
Phillip C. Newberg
Executive Director

PCN:jb