

**BOARD OF VETERINARY MEDICINE
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

OCTOBER 1992

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

92-67

BOARD OF VETERINARY MEDICINE

Financial Audit For the Three Years Ended June 30, 1991

Public Release Date: October 2, 1992

No. 92-67

OBJECTIVES:

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

CONCLUSIONS:

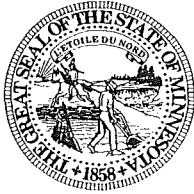
We found one area where the board's internal control structure needed improvement:

- The executive director needs to reconcile the number of license, examination, and corporate registration applicants to statewide accounting system deposits.

We found that the Board of Veterinary Medicine had complied with finance-related legal provisions.

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

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA
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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

Dr. A. J. Eckstein, President
Board of Veterinary Medicine

Members of the Board of Veterinary Medicine

Dr. Roland Olson, Executive Director
Board of Veterinary Medicine

Audit Scope

We have conducted a financial related audit of the Board of Veterinary Medicine 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 Veterinary Medicine, 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 Board of Veterinary Medicine are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Board of Veterinary Medicine'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 Veterinary Medicine 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

Representative Ann Rest, Chair
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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:

- license and examination revenue,
- payroll, and
- purchased services.

For all of 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

The results of our tests disclosed the conditions discussed in finding 1 involving the internal control structure of the Board of Veterinary Medicine. We consider these conditions to be reportable conditions 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.

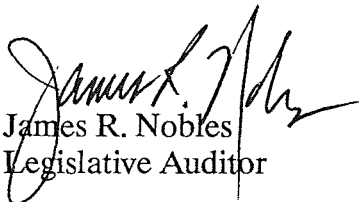
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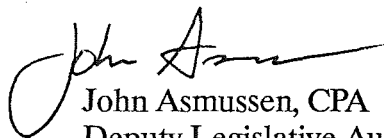
A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable condition described in finding 1 is not a material weakness.

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 Veterinary Medicine taken as a whole. However, we noted some other matters involving the internal control structure that we reported to the management of the Board of Veterinary Medicine at the exit conference held on June 5, 1992.

The results of our tests indicate that, with respect to the items tested, the Board of Veterinary Medicine 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 Veterinary Medicine 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 Veterinary Medicine. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 2, 1992.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 22, 1992

Report Signed On: September 28, 1992

Board of Veterinary Medicine

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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
Jean Mellett, CPA

Deputy Legislative Auditor
Audit Manager
Auditor-in-Charge

Exit Conference

The finding and recommendation in this report was discussed with the following staff of the Board of Veterinary Medicine on June 5, 1992:

Dr. Roland Olson
Donna Carolus

Executive Director
Office Manager

Board of Veterinary Medicine

Introduction

The State Board of Veterinary Medicine regulates the licensing of veterinarians, thereby assuring the quality of professional service to the public. The board consists of five veterinarians and two public members appointed by the Governor for four year terms. Dr. Roland Olson was the Executive Director of the board during the audit period. The board employs a part time executive director and one part time employee to carry out its responsibilities.

The Board of Veterinary Medicine ensures that veterinary practitioners meet and maintain competency standards. The board administers examinations to qualified applicants, licenses veterinarians, and certifies veterinary corporations. The board also investigates consumer complaints, conducts license disciplinary hearings and disciplines veterinarians found to be in violation of Minn. Stat. Chapter 156. In addition, the board develops rules governing the practice of veterinary medicine in Minnesota.

A Special Revenue Fund appropriation finances board activities. The Attorney General's Office also receives an appropriation from the Legislature to finance the costs of providing services to the board. The board establishes fees with the approval of the Commissioner of Finance so that total fees collected will approximately equal anticipated expenditures, including Attorney General's costs, during the biennium. Board fees include annual license renewals, veterinary corporation certifications and renewals, and examination fees. The following schedule shows board revenue and expenditures for fiscal years 1989 through 1991.

	<u>Year Ended June 30</u>		
	<u>1991</u>	<u>1990</u>	<u>1989</u>
License and examination revenue	<u>\$130,615</u>	<u>\$127,215</u>	<u>\$97,370</u>
Expenditures:			
Payroll	\$ 60,816	\$ 56,213	\$49,271
Purchased services	11,968	14,735	10,175
Attorney General's costs	29,923	11,528	7,637
Other expenditures	<u>32,161</u>	<u>28,675</u>	<u>30,420</u>
Total expenditures and costs	<u>\$134,868</u>	<u>\$111,151</u>	<u>\$97,503</u>

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

Board of Veterinary Medicine

Current Finding and Recommendation

1. The Board of Veterinary Medicine needs to strengthen receipts controls.

The board needs to improve internal controls over receipts. The board does not reconcile the number of license, examination, and corporate registration applications to receipts deposited in the statewide accounting system. As shown in the Introduction, revenue totaled \$97,370; \$127,215; and \$130,615 in fiscal years 1989, 1990, and 1991, respectively.

Reconciliation is particularly important because the board cannot separate receipt duties due to limited staff size. One person opens mail, prepares and signs deposits, deposits fees in the state depository, compares deposit slips to statewide accounting reports, and prepares and sends out licenses. Ideally, separate staff should receive cash, maintain accounting records, and reconcile deposits to statewide accounting reports. Such separation of duties is necessary to prevent and detect errors and irregularities. The board employs two part time staff and cannot effectively separate receipts duties. Therefore, the board needs to rely on detection controls, such as reconciliations, to ensure that all receipts are properly deposited. The executive director could complete the reconciliations.

Recommendation

- *The executive director should reconcile the number of license, examination, and corporate registration applications to statewide accounting system deposits.*



MINNESOTA BOARD OF VETERINARY MEDICINE

2700 University Avenue West #102 • St. Paul, MN 55114-1081
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September 18, 1992

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

Dear Mr. Nobles:

This letter is in response to the draft audit report findings and recommendations for the fiscal years 1989, 1990, and 1991.

Please note that Marion Fogarty's term as Board President ended, and the current President is Dr. Tony Eckstein.

I would also like to point out that the license and examination revenue figure for 1990 shown in the introduction paragraph should be \$127,215 rather than \$132,358. This is due to a \$5,143 deposit by another board which was deposited in error to our APID. A copy of the deposit correction is attached but was not entered by the Department of Finance as it was apparently past the deadline for the end of the fiscal year.

The recommendation that the executive director should reconcile the number of license, examination, and corporate registration applications to statewide accounting system deposits will be implemented by the executive director comparing the deposits by cost code in monthly statewide accounting reports to an actual count of licenses issued, examination applications processed, and corporation registration applications received.

Sincerely yours,

Roland C. Olson, DVM
Executive Director

RCO/dc