

STATE BOARD OF DENTISTRY

FINANCIAL AUDIT

FOR THE FOUR YEARS ENDED JUNE 30, 1993

SEPTEMBER 1994

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

94-50

STATE BOARD OF DENTISTRY
FINANCIAL AUDIT
FOR THE FOUR YEARS ENDED JUNE 30, 1993

Public Release Date: September 16, 1994

No. 94-50

OBJECTIVES:

- **ASSESS INTERNAL CONTROL STRUCTURE:** License and registration revenues, payroll and per diem expenditures, and travel expenditures.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

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

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. George Kinney, Jr., President
State Board of Dentistry

Members of the State Board of Dentistry

Mr. Richard Diercks, Executive Director
State Board of Dentistry

Audit Scope

We have completed a financial related audit of the State Board of Dentistry for the four years ended June 30, 1993 as outlined below, and as further discussed in the Introduction. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- License and registration revenues,
- Payroll and per diem expenditures, and
- Travel expenditures.

For all 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.

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Management Responsibilities

The management of the State Board of Dentistry is responsible for establishing and maintaining the 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.

Conclusions

We noted no matters involving the internal control structure and its operation that we consider to be a material weakness. 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. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.


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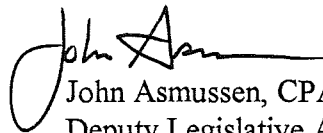
The results of our tests indicate that, with respect to the items tested, the State Board of Dentistry complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing came to our attention that caused us to believe that the State Board of Dentistry had not complied, in all material respects, with those provisions.

However, we noted some matters involving the internal control structure and its operation and compliance with laws and regulations that we reported to the management of the State Board of Dentistry at the exit conference held on August 4, 1994.

This report is intended for the information of the Legislative Audit Commission and management of the State Board of Dentistry. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 16, 1994.

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


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: July 22, 1994

Report Signed On: September 8, 1994

State Board of Dentistry

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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
Susan Rumpca, CPA	Auditor-in-Charge

Exit Conference

Matters involving the internal control structure and its operation were discussed with the following staff of the State Board of Dentistry at an exit conference on August 4, 1994:

Richard W. Diercks	Executive Director
Karen Ramsey	Office Services Supervisor

State Board of Dentistry

Background

The State Board of Dentistry was established under the authority of Minn. Stat. Section 150A.02. The State Board of Dentistry protects the public in the area of dental care, dental services, and the practice of dentistry. The board accomplishes this mission by granting licenses only to qualified people, by establishing and monitoring a continuing dental education program, by registering organizations that provide continuing dental education, and by 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 Richard Diercks.

The State Board of Dentistry 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. The board deposits the fees in 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.

Table 1 shows the revenue and expenditures for the four fiscal years under review.

Table 1
Revenues and Expenditures
For the Four Fiscal Years Ended June 30, 1993

	Year Ended June 30			
	1990	1991	1992	1993
Revenue:				
License, registration	\$495,461	\$583,208	\$754,817	\$868,418
Other revenue	2	504	2,878	401
Total Revenues	<u>\$495,463</u>	<u>\$583,712</u>	<u>\$757,695</u>	<u>\$868,819</u>
Expenditures:				
Payroll and board per diems	\$183,462	\$244,753	\$218,315	\$332,963
Travel	34,378	35,803	36,907	32,744
Other	<u>123,296</u>	<u>120,278</u>	<u>176,680</u>	<u>150,689</u>
Total Expenditures	\$341,136	\$400,834	\$431,902	\$516,396
Attorney General's Costs	<u>158,148</u>	<u>185,167</u>	<u>273,710</u>	<u>208,028</u>
Total Expenditures & Costs	<u>\$499,284</u>	<u>\$586,001</u>	<u>\$705,612</u>	<u>\$724,424</u>

Sources:

(1) Statewide Accounting System Estimated/Actual Receipts Reports run September 3, 1990; September 13, 1991; September 6, 1992; and September 6, 1993.

(2) Statewide Accounting System Manager's Financial Reports run September 11, 1990; September 3, 1991; September 6, 1992; and September 8, 1993.

(3) Attorney General's Office quarterly billings during each of the respective fiscal years.
