

Board of Optometry

Financial Audit

For the Four Years Ended June 30, 1994

July 1995

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Members of the Legislative Audit Commission

Dr. Donald Sealock, O.D., President
Board of Optometry

Members of the Board of Optometry


Ms. Laurie Mickelson, Executive Director
Board of Optometry


We have audited the Board of Optometry for the period July 1, 1990, through June 30, 1994, as further explained in Chapter 1. Our audit scope included revenue fees and administrative expenditures. The summary on the next page highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit.

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 21, 1995.

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


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 16, 1995

Report Signed On: July 13, 1995

SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155

612/296-4708

Board of Optometry

Financial Audit

For the Four Years Ended June 30, 1994

Public Release Date: July 21, 1995

No. 95-32

Agency Background

The Board of Optometry (board) exists to protect the public by ensuring that individuals practicing optometry meet and maintain the qualifications, standards, and professionalism required to competently practice optometry in Minnesota. The board of seven directors consists of two public members and five qualified optometrists. The board meets about six times a year. Statutes mandate that the board license, certify, and regulate the practice of optometry. The board appoints an executive director who is its chief administrative officer and has the responsibility of directing the board's operations in accordance with its policies. During the scope of our audit, Ms. Laurie Mickelson was the Executive Director.

The board finances its operations through appropriations from the State of Minnesota. The board receives about \$69,000 a year in state appropriations. The board sets the fees it charges to recover the appropriation and indirect costs, mainly attorney general services.

Audited Areas and Conclusions

Our audit scope included ten revenue classifications with a focus on licensure, certifications, and examination application fees. In addition, our audit scope included administrative expenditures with a focus on payroll, rent, and travel disbursements for the period July 1, 1990, through June 30, 1994.

We audited the board's revenue fees for the four-year audit period. We concluded that the board set licensure, certification, and examination fees sufficient to cover expenses as specified in statute and rule. We found the board did not consistently ensure proper recording of receipts or deposit receipts timely. Our findings are repeated from our last audit report.

We also audited the board's expenditures. The board spent its state appropriations within its appropriation limits and statutory authority. We concluded that the board's expenditures were authorized and consistent with the board's purposes. The expenditures were reasonable and in compliance with rules and regulations. In addition, we concluded the board accurately paid, recorded, and retained documentation for payroll, rent, and travel expenditures.

Contact the Financial Audit Division for additional information.
296-1235

Board of Optometry

Table of Contents

	Page
Chapter 1. Introduction	1
Chapter 2. Revenues	3
Chapter 3. Expenditures	6
Agency Response	8

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
Gail Thurmer, CISA	Auditor-in-Charge

Exit Conference

The findings and recommendations in this report were discussed with Ms. Laurie Mickelson, the Executive Director of the Board of Optometry on June 7, 1995.

Board of Optometry

Chapter 1. Introduction

The Board of Optometry, pursuant to Minn. Stat. Sections 148.52 and 148.62, is a health-related licensing board. The board operates and regulates application of examinations, licensure, and certification of optometrists under Minn. Stat. Section Chapter 214. The governor appoints two public members and five qualified optometrists to the board. Board members serve a four-year term.

The board has one full-time executive director with occasional temporary staff assistance. The board is responsible for receiving and accounting for all fees and maintaining the records of the board. The Department of Health, under Minn. Stat. Section 214.04, provided the board with administrative services through May of 1994. In May of 1994, the health-related boards formed an Administrative Services Unit to provide services such as processing payroll; allotting, encumbering, and disbursing funds; and recording receipts. The board determines the extent of the Administrative Services Unit's support services. During the audit period, the board began using the unit to record receipts.

The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The board is required to promptly send any communication that implies a violation of a statute or rule under the board's jurisdiction to the Attorney General's Office.

The board receives its legislative appropriation as a health-related board. The Legislature traditionally appropriates a direct amount to each health-related board and an indirect amount for all health boards from the state Special Revenue Fund. The commissioner of finance controls the allocation of the indirect appropriation. The commissioner of Finance is responsible for ensuring the board does not allot, encumber, or expend money appropriated in excess of the anticipated biennial revenue fees. Chapter 2 provides further information on the board's revenue.

Board of Optometry

Table 1-1 shows the appropriations, revenues, and expenditures for the board for the four-year audit period.

Table 1-1
Summary of Financial Activity
Fiscal Years 1991 - 1994

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Direct Appropriations (1)	<u>\$63,000</u>	<u>\$69,000</u>	<u>\$71,000</u>	<u>\$71,000</u>
Revenues from fees (2)	<u>\$79,264</u>	<u>\$77,252</u>	<u>\$77,710</u>	<u>\$96,495</u>
Expenditures: (2)				
Payroll and board per diems	\$43,771	\$44,928	\$42,988	\$44,173
Other expenditures	21,255	21,556	17,471	20,342
Indirect Costs	3,457	1,009	9,422	5,179
Attorney General's Costs (3)	<u>4,538</u>	<u>9,039</u>	<u>6,291</u>	<u>7,844</u>
Total Expenditures and Costs	<u>\$73,021</u>	<u>\$76,532</u>	<u>\$76,172</u>	<u>\$77,538</u>

- (1) Direct appropriation amounts shown do not include legislative indirect appropriations that are allotted at the discretion of the commissioner of Finance.
- (2) Statewide Accounting System Estimated/Actual Receipts Reports and Manager's Financial Reports as of August 31, 1991; September 5, 1992; September 4, 1993; and September 3, 1994.
- (3) Attorney General's Office quarterly billings during each of the fiscal years. The board is not required to pay these costs from its appropriation, but must consider them when setting its fees.

Source: Minnesota Laws.

Chapter 2. Revenues

Chapter Conclusion

The board set examination, licensure, and certification fees sufficient to cover expenses as specified in statute and rule. The board did not consistently ensure proper recording of receipts collected. In addition, the board did not deposit receipts promptly.

The board receives a direct appropriation for operations from the Legislature. Each year the board analyzes the fees collected and expenses incurred and works with the Department of Finance to establish a budget. In addition to the appropriations, the board has the ability to apply to the Department of Finance to transfer funds from the general contingent account as long as the amount transferred does not exceed the amount of surplus revenue accumulated by the board during the previous five years.

Notwithstanding any law to the contrary, the board, with the approval of the commissioner of Finance, may adjust, as needed, any board fee pursuant to Minn. Stat. Section 214.06. An adjustment to fees results when the board's fees do not closely equal anticipated expenditures during the fiscal biennium. The board had ten revenue classifications at the end of fiscal year 1994, as shown in Table 2-1.

Table 2-1
Summary of Revenue Classifications
Fiscal Years 1991 - 1994

	Year Ended June 30			
	1991	1992	1993	1994
License renewal fees	\$68,940	\$67,860	\$70,290	\$69,390
Certification fees	0	0	0	17,550
Examination application fees	4,875	2,975	1,875	2,550
Professional corporation renewals	1,475	2,115	1,500	1,525
Late penalties and fines	1,500	2,010	1,590	1,260
Reciprocity application fees	1,658	1,380	1,875	1,423
License registration fees	516	612	480	732
Duplicate certification fees	0	0	0	1,270
Continuing education fees	0	0	0	795
Professional corporation registration	300	300	100	0
	<u>\$79,264</u>	<u>\$77,252</u>	<u>\$77,710</u>	<u>\$96,495</u>

Source: Statewide Accounting System Estimated/Actual Receipts Reports as of August 31, 1991; September 5, 1992; September 4, 1993; and September 3, 1994.

Board of Optometry

License renewal fees, certification fees, and exam application fees represent the majority of the receipts the board collects. During the four-year audit period, the board averaged 770 license renewals at a fee of \$90. In 1993 the board stopped administering a state examination and adopted a national examination administered by the National Board of Examiners in Optometry. The adoption of the national examination resulted in a decrease in applications because of the usage of the national score as individual states choose. The board's applications decreased from 61 and 41 in 1991 and 1992, respectively, to 26 and 32 applicants in 1993 and 1994, respectively.

In 1994, the board's revenues increased significantly primarily due to a new topical legend drug certification with a one-time fee. The board issued 359 new certificates at a fee of \$50 in 1994 and expects to issue approximately 200 to 300 more certificates within the next two years. Included in Table 2-1 are fines and penalty fees assessed and collected by the board as a part of its regulatory function. The board used the Department of Health support services unit for recording all receipts during most of the audit period.

We focused our review of receipts on the following objectives:

- Did the board collect, deposit, and properly record renewal fees, certification fees, and examination application fees received?
- Did the board promptly deposit receipts in accordance with Minn. Stat. Section 16A.275?
- Were the board's fees sufficient to cover anticipated operating expenses as specified in the statutes?

The methodology used to audit revenues included interviewing the executive director to determine how the board processed receipts. We performed analytical procedures to determine and evaluate changes in revenues during the four-year audit period. We also reconciled all deposits to the SWA system.

We found the board did not consistently reconcile receipts to applications, licenses, certificates, or the SWA system to ensure proper recording of receipts, as disclosed in finding 1. Also, the board did not deposit receipts timely in accordance with Minn. Stat. Section 16A.275, as disclosed in finding 2. We concluded that the board set fees sufficient to cover operating expenses as specified in statute.

1. PRIOR FINDING NOT RESOLVED: The board did not consistently reconcile receipts to licenses issued to ensure proper recording on the SWA system.

The board did not reconcile applications and fees received to licenses and certificates issued, or to the SWA system amounts to ensure proper recording of receipts collected during fiscal years 1992, 1993, or 1994. We reported this finding in our prior audit report.

For the three years the board did not perform year-end reconciliations. We found the records did not reconcile with the SWA system. We investigated differences and identified adjustments.

Board of Optometry

Performing year-end reconciliations ensures that all examination applications, issued licenses, and certificates included a fee payment. Year-end reconciliations also ensure proper recording of deposits in the SWA system. Proper accounting of receipts provides the board with accurate information in setting fees sufficient to cover operating expenses. In addition, the proper recording of fees provides the board with an accurate total for making decisions that may require a transfer from the general contingent account.

The board's executive director did complete a year-end reconciliation in 1991, after our prior audit report cited the board's failure in performing year-end reconciliations. The executive director cited limited staffing and time constraints as the reasons for not performing year-end reconciliations in fiscal years 1992, 1993, and 1994. We acknowledge that the board has only one employee; however, a year-end reconciliation would require a minimal amount of time.

Failing to reconcile records and make adjustments may result in inaccurate revenue totals. Revenue not recorded properly increase the risk that fees will not be set sufficient to cover expenses.

Recommendation

- *The board should perform year end reconciliations to ensure proper collection and recording of all fees.*

2. PRIOR FINDING NOT RESOLVED: The board did not deposit receipts timely.

The board did not make timely deposits when amounts received equaled \$250 for fiscal years 1991, 1992, 1993, or 1994. We reported this finding in our prior audit report. The board received fees in the form of checks from candidates and license holders. In addition, the candidates and license holders submitted other documentation, such as examination applications, continuing education requirements, and license and certification forms with their checks. The executive director is responsible for preparing receipts for deposit, making deposits, and submitting documentation for the recording of the receipts. The board sends license renewal forms in October, and the majority of receipts were received in late October, November, December, and January. Our review of the deposits determined that during these four months nearly all deposits ranged from \$510 to \$10,600. We further determined that the board's deposits were every two to five days. Minn. Stat. Section 16A.275 states that, "Except as otherwise provided by law, an agency shall deposit receipts totaling \$250 or more in the state treasury daily." The board's location for making state treasury deposits is at a bank located directly across the street from the board's office.

The risk of lost or stolen checks is increased with delayed deposit. In addition, delays in depositing receipts prevents the state from investing those funds and earning interest income.

Recommendation

- *The board should make daily deposits when receipts equal \$250 in accordance with Minn. Stat. Section 16A.275.*

Chapter 3. Expenditures

Chapter Conclusions

The board spent its state appropriations within its appropriation limits and statutory authority. Expenditures were authorized and consistent with the board's purposes. Expenditures were reasonable and in compliance with rules and regulations. The board accurately paid, recorded, and retained documentation for payroll, rent, and travel.

The board receives a direct appropriation from the Legislature to finance the board's operating activities. The board receives an allocation from an indirect appropriation to the health-related boards. The commissioner of Finance allocates the indirect appropriation to the board based on the board's general government services.

Table 3-1 summarizes the board's direct and indirect expenditures for the four year audit period.

Table 3-1
Summary of Expenditures
Fiscal Years 1991 - 1994

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Payroll/Personnel	\$43,771	\$44,928	\$42,988	\$44,173
Rent	4,880	5,020	5,205	5,345
Statewide Indirect Costs	3,457	1,009	9,422	5,179
Travel	5,073	7,551	2,979	3,273
Communication	1,125	2,516	2,576	4,200
Professional/Technical Services	3,244	2,573	2,615	240
Purchased Services	1,132	1,225	925	2,644
Printing	468	551	805	1,591
Fees/Fixed Charges	705	675	770	675
Other	<u>4,628</u>	<u>1,445</u>	<u>1,596</u>	<u>2,374</u>
	<u>\$68,483</u>	<u>\$67,493</u>	<u>\$69,881</u>	<u>\$69,694</u>

Source: Statewide Accounting System Manager's Financial Reports as of August 31, 1991; September 5, 1992; September 4, 1993; and September 3, 1994.

The board's largest direct administrative expenditures were payroll, rent, and travel. The executive director approves the disbursements, including payroll, and the board's support service processes them through the SWA system. The Department of Health provided the board administrative support services through May, 1994. In May of 1994, the Administrative Support Unit for health related boards provided payroll, encumbering, and disbursement support services.

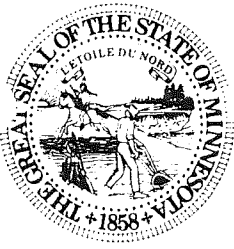
Board of Optometry

We focused our review of payroll, rent, and travel disbursements on the following objectives:

- Did the board spend its state appropriations within its appropriation limits and statutory authority?
- Were expenditures authorized and consistent with the board's purposes?
- Were expenditures reasonable and in compliance with applicable rules and regulations?
- Did the board properly record expenditures and retain expenditure documentation?

The methodology we used to audit the administrative expenditures included interviewing the executive director to gain an understanding of the disbursement process. We performed analytical reviews to evaluate trends in specific account classes throughout our audit period. We also performed analytical procedures to determine and evaluate changes in expenditures and compliance with appropriation limits during the four-year audit period. We selected a sample of payroll and travel disbursement transactions and performed tests of detail and tests of compliance.

In our review of expenditures, we found the board's disbursements were within its appropriation limits and statutory authority. We found the board properly retained documentation for expenditures. In addition, we found expenditures were properly authorized and consistent with the board's purposes. We concluded that the payroll, rent, and travel disbursements were reasonable, accurate, properly recorded, and in compliance with rules and regulations.



MINNESOTA BOARD OF OPTOMETRY

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July 7, 1995

James R. Nobles, Legislative Auditor
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St. Paul, MN 55155

Dear Mr. Nobles:

I am taking this opportunity to respond to the current findings and recommendations made by your office, following the recent audit of the Minnesota Board of Optometry. This audit covered the period July 1, 1990 through June 30, 1994.

I have reviewed the draft of the audit report and offer the following comments on the recommendations included in that report:

The board should perform year end reconciliations to ensure proper collection and recording of all fees.

As noted in the finding, I stated time constraints in doing a year-end reconciliation of receipts. Also stated in the finding is that although on initial review the receipts did not reconcile, adjustments were noted and receipts did reconcile. A detailed reconciliation process was established following the board's previous audit. This reconciliation was not followed for the entire current audit period, however, it will be re-instituted for fiscal year 1995 and beyond.

The board should make daily deposits when receipts equal \$250 in accordance with Minn. Stat. Section 16A.275.

Understanding the potential for lost or stolen checks due to delayed depositing, attention will be given to timely deposit of fees received in the board office.

Recommendations from your office induce implementation of new procedures, thereby improving operation of the Optometry Board.

Sincerely,

Laurie Mickelson
Executive Director