

# **Board of Social Work**

## **Financial Audit**

**For the Four Years Ended June 30, 1995**

---

**October 1995**

*This document can be made available in  
alternative formats, such as large print,  
Braille, or audio tape, by calling 296-1235.*

---

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

**95-42**





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. Jane Braun, LSW, Chair  
Board of Social Work

Members of the Board of Social Work


Mr. Thomas McSteen, Executive Director  
Board of Social Work


We have audited the Board of Social Work for the period July 1, 1991, through June 30, 1995, as further explained in Chapter 1. Our audit scope included revenue fees and payroll 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 October 13, 1995.

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

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: August 29, 1995

Report Signed On: October 9, 1995



# SUMMARY

State of Minnesota

Office of the Legislative Auditor

Centennial Office Building • St. Paul, MN 55155  
612/296-4708

## Board of Social Work

### Financial Audit

For the Four Years Ended June 30, 1995

Public Release Date: October 13, 1995

No. 95-42

### Agency Background

The Board of Social Work (board) exists to protect the public by ensuring that individuals practicing social work meet and maintain the qualifications, standards, and professionalism required to competently practice social work in Minnesota. The board of 11 directors consists of three public members and eight licensed social workers. The board meets about six times a year. Statutes mandate that the board license, certify, and regulate the practice of social work. 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, Mr. Thomas McSteen was the executive director.

The board finances its operations through appropriations from the State of Minnesota. The board receives about \$438,000 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, renewal, and application fees. In addition, our audit scope included payroll for the period July 1, 1991, through June 30, 1995.

We concluded that the board set licensure, certification, and examination fees sufficient to cover expenses as specified in statute and rule. We found, however, that the board has not established a late fee as required by statute, and it did not reconcile fees received to licenses issued.

We concluded that the board spent its state appropriations within its appropriation limits and statutory authority. We found that the board's payroll expenditures were authorized and consistent with the board's purposes. In addition, we found that the board accurately paid, recorded, and retained documentation for payroll and board per diem expenditures.

Contact the Financial Audit Division for additional information.

296-1235



## **Board of Social Work**

---

### **Table of Contents**

---

	Page
Chapter 1. Introduction	1
Chapter 2. Revenues	3
Chapter 3. Payroll	7
Agency Response	9

### **Audit Participation**

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

John Asmussen, CPA  
Warren Bartz, CPA  
Dale Ogren

Deputy Legislative Auditor  
Audit Manager  
Auditor-in-Charge

### **Exit Conference**

The findings and recommendations in this report were discussed with the following staff on September 26, 1995:

Thomas M. McSteen  
Connie Oberle

Executive Director  
Operations Manager





---

### **Chapter 1. Introduction**

---

The Board of Social Work, pursuant to Minn. Stat. Section 148B, is a health-related licensing board. The board regulates the examinations, licensure, and certification of social workers under Minn. Stat. Chapter 214. The board is responsible for providing protection to the public over the practice of social work. The governor appoints three public members and eight licensed social workers to the board. Board members serve a four-year term.

The board employs one full-time executive director, three social workers, and five support staff. Thomas McSteen served as the executive director during the period of our audit. The staff is responsible for receiving and accounting for all fees and maintaining the records of the board. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.04 and 214.10. The Department of Health, under Minn. Stat. Section 214.04, provided the board with administrative services through May 1994. In May 1994, the health-related boards formed an Administrative Services Unit to provide services such as processing payroll; allotting, encumbering, and disbursing appropriations; and recording receipts. The board determines the extent of support provided by the Administrative Services Unit. During the audit period, the board began using the unit to record receipts, process payroll, and disburse appropriations. Board payroll is discussed in Chapter 3.

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 Social Work

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 1992 - 1995**

	Year Ended June 30			
	1992	1993	1994	1995
Direct Appropriations (1)	<u>\$426,000</u>	<u>\$438,000</u>	<u>\$438,000</u>	<u>\$438,000</u>
Revenues from fees (2)	<u>\$579,009</u>	<u>\$392,402</u>	<u>\$557,371</u>	<u>\$670,692</u>
Expenditures:				
Payroll and board per diems	\$309,659	\$316,129	\$315,352	\$314,682
Other expenditures	131,316	111,357	114,341	130,835
Indirect Costs (1)	8,655	5,439	14,754	18,389
Attorney General's Costs (3)	<u>43,065</u>	<u>59,594</u>	<u>133,409</u>	<u>122,795</u>
Total Expenditures and Costs	<u>\$492,695</u>	<u>\$492,519</u>	<u>\$577,856</u>	<u>\$586,701</u>

Note:

- (1) Direct appropriation amounts shown do not include legislative indirect appropriations that are allotted at the discretion of the commissioner of Finance.
- (2) A change in the timing of fee payment, as discussed in Chapter 2, caused revenues from fees to decline in the year ended June 30, 1993.
- (3) The board is not required to pay Attorney General's costs from its appropriation, but must consider these costs when setting its fees. An increase in complaints investigated and processed by the board office caused the increase in Attorney General's costs in fiscal years 1994 and 1995.

Sources: Minnesota Laws.

Statewide Accounting System Estimated/Actual Receipts Reports as of September 5, 1992; September 4, 1993; September 2, 1994; and August 1, 1995.

Statewide Accounting System Manager's Financial Reports as of September 5, 1992; September 4, 1993; September 3, 1994; and August 1, 1995.

Attorney General's Office quarterly and monthly billings during each of the fiscal years.

---

## Chapter 2. Revenues

---

### *Chapter Conclusion*

*For most years, the board set licensure fees, renewal fees, and other fees sufficient to cover expenditures, including Attorney General's Office costs, as specified in statute and rule. However, the board does not require a late fee for license renewals. It also did not reconcile fees received to licenses issued.*

---

The board receives a direct appropriation for operations from the Legislature. Each year, the board works with the Department of Finance to set its fee structure. Revenues from fees were not sufficient to cover expenditures and costs during the year ended June 30, 1993, so the board increased license fees on January 1, 1994.

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 match anticipated expenditures during the fiscal biennium. The board had ten revenue classifications during the years ended June 30, 1995, as shown in Table 2-1.

---

Table 2-1  
Summary of Revenue Classifications  
Fiscal Years 1992 - 1995

	Year Ended June 30			
	1992	1993	1994	1995
License renewal fees	\$472,996	\$292,552	\$440,849	\$519,025
Miscellaneous fees	4,602	6,909	3,158	14,117
Application fees	23,500	22,780	20,664	27,420
Social worker license	23,050	23,511	28,781	27,548
Graduate social worker license	11,558	12,383	17,183	19,212
Independent social worker license	4,050	4,019	6,406	4,962
Independent clinical social worker license	13,638	8,945	12,160	22,150
Inactive license fees	12,435	8,215	8,250	9,255
Continuing education sponsor fees	12,700	12,698	19,410	26,585
Emeritus license fees	480	390	510	420
	<u>\$579,009</u>	<u>\$392,402</u>	<u>\$557,371</u>	<u>\$670,692</u>

Source: Statewide Accounting System Estimated/Actual Receipts Reports as of September 5, 1992; September 4, 1993; September 3, 1994; and August 1, 1995.

---

## Board of Social Work

License renewal fees represent the majority of the receipts the board collects. Since January 1992, licensees are required to renew their license every two years on their birth month. Previously, all licenses were renewed every other year on June 30. This change in Minn. Rule 8740.0210 caused the revenue for the year ended June 30, 1993 to decline. June 1992, was the last month licenses renewed on the June cycle.

Four classes of social work are recognized and licensed by the board. For each class of licensure, the fees for the initial license and the biennial renewal are the same for the two-year period. Since renewals are based on the licensee's birth month, the initial fee will vary depending on when the licensee applies for the license in relation to the birth month. The four classes of licensure and the respective two year license and renewal fees are shown in Table 2-2:

**Table 2-2**  
**License Fees**  
**From Date of Inception to Present**

	Calendar Years	
	1994-Present	1987-1993
Licensed Social Worker (LSW)	\$ 80	\$ 60
Licensed Graduate Social Worker (LGSW)	140	100
Licensed Independent Social Worker (LISW)	210	150
Licensed Independent Clinical Social Worker (LICSW)	230	150

Source: Minn. Rule 8740.0290.

The board is a member of the American Association of State Social Work Boards (AASSWB.) The AASSWB contracts with Assessment Systems Inc. (ASI), a testing vendor, to administer a national examination for the licensure of social workers. When potential licensees take the examination, they pay their test fees directly to ASI.

As of July 1994, the board granted 10,815 licenses with 8,693 still active. The board issued 818 new licenses in 1991, 784 in 1992, 686 in 1993, and 261 as of June 30, 1994. The Department of Health provided support for recording receipts up to May 1994. Since that time, the board and the Administrative Services Unit have shared the responsibility for recording receipts.

We focused our review of receipts on the following objectives:

- Did the board collect, deposit, and properly record initial license fees, renewal fees, application fees, and other 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 expenditures and Attorney General costs?

The methodology used to audit revenues included interviewing the executive director and operations manager to determine how the board processed receipts. We performed analytical

## Board of Social Work

procedures to determine and evaluate changes in revenues during the four-year audit period. We also reconciled deposits to the SWA system.

We found the board did not establish a late fee in accordance with Minn. Stat. Section 148B.17, as discussed in finding 1. Also, the board did not reconcile receipts to applications, licenses, or certificates to ensure complete recording of receipts, as discussed in finding 2. We concluded that, over the four year period, the board set fees sufficient to cover operating expenses as specified in statute. Fiscal year 1993 renewal fees were significantly lower, as noted in Table 1-1, due to the change in timing of license renewals as discussed in Table 2-1. Fiscal year 1994 expenditures were higher than expected due to greater need for Attorney General services. As a result, revenue did not cover expenditures for those years.

**1. PRIOR FINDING NOT RESOLVED: The Board of Social Work does not require a late fee for license renewals.**

The Board of Social Work has not established a late fee. Minn. Stat. Section 148B.17 requires:

each board shall by rule establish fees, including late fees, for licenses or filings, and renewals...

The board overlooked establishing a late fee when the rules were initially written. The board has since taken the position that a late fee is not required. The board maintains that licensees will lose their license if they do not renew on time. Other health boards have late fees. We acknowledge that establishing a late fee does not justify a rule-making effort solely for this issue. When the board does initiate a rule change, it could include a late fee.

*Recommendation*

- *When the board next initiates a rule-making effort, it should establish a late fee as required by statute.*

**2. The Board of Social Work does not reconcile fees received to licenses issued to ensure complete collection of revenue.**

The board does not reconcile applications and fees received to licenses and certificates issued to ensure full receipts collection. To ensure proper recording of those receipts, the board did reconcile collected fees to statewide accounting (SWA) system reports. Table 2-1 shows total revenue for the four years ended June 30, 1995.

Social workers pay a prorated fee for their initial license depending on their birth month and when they apply for their license. For this reason, a reconciliation of initial license receipts is complicated by the proration for birth months. However, a reconciliation of application and renewal receipts is possible, since a set amount is charged for these fees. Performing year-end reconciliations ensures that all applications and renewals include a fee payment. Complete accounting of these receipts provides the board with accurate information in setting fees sufficient

## Board of Social Work

to cover operating expenses. Failing to reconcile these records may result in undetected errors and inaccurate revenue totals.

### *Recommendation*

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

---

## Chapter 3. Payroll

---

### *Chapter Conclusions*

*The board accurately paid, recorded, and retained documentation for payroll expenditures for the four years ended June 30, 1995.*

---

The Department of Health provided the board with payroll support services through May 1994. Since then, the Administrative Services Unit for health-related boards have provided payroll support services.

Table 3-1 summarizes the board's payroll for the four years ended June 30, 1995.

---

**Table 3-1**  
**Summary of Payroll**  
**Fiscal Years 1992 - 1995**

	Year Ended June 30			
	1992	1993	1994	1995
Regular classified employees	\$193,008	\$236,453	\$242,017	\$238,131
Regular unclassified employees	60,204	61,997	62,759	65,272
Part time pay	26,368	3,090		
Severance/relocation costs	2,382			
Overtime pay	5,471	3,639	663	1,886
Miscellaneous pay	10,036	10,560	9,405	8,085
Miscellaneous benefits	12,190	390	508	1,308
	<u>\$309,659</u>	<u>\$316,129</u>	<u>\$315,352</u>	<u>\$314,682</u>

Source: Statewide Accounting System Manager's Financial Reports as of September 5, 1992; September 4, 1993; September 3, 1994; and August 1, 1995.

---

The board's largest direct administrative expenditure is payroll. The operations manager reviews and authorizes timesheets to ensure accurate recording of hours and accrued leave. The executive director approves all leave and overtime. The Administrative Services Unit processes the payroll through the Statewide Accounting system.

We focused our review of payroll on the following objectives:

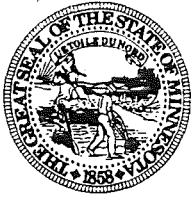
- Were payroll expenditures authorized, reasonable and in compliance with applicable rules and regulations?
- Are board staff paid the proper amounts according to applicable bargaining unit agreements?
- Did the board properly record payroll expenditures and retain documentation?

## **Board of Social Work**

The methodology we used to audit payroll included interviewing the executive director and operations manager of the board and the accounting officer of the administrative unit to gain an understanding of the payroll disbursement process. We performed analytical reviews to evaluate trends in specific account classes throughout our audit period. We selected a sample of payroll disbursement transactions and performed tests of detail and tests of compliance.

In our review, we concluded that payroll expenditures were reasonable, accurate, properly recorded, and in compliance with rules and regulations.





STATE OF MINNESOTA

## BOARD OF SOCIAL WORK

2700 University Avenue West • Suite 225 • St. Paul, Minnesota 55114 • (612) 643-2580

TDD (612) 297-5353 Twin Cities • TDD 1-800-627-3529 Greater Minnesota

October 2, 1995

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
658 Cedar Street  
St. Paul MN 55155

Dear Mr. Nobles:

I am writing to respond to the two findings contained in the recent Financial Audit of the Board of Social Work.


The first finding is that the Board of Social Work does not require a late fee for license renewals, as required by Minnesota Statutes, section 148B.17. In response to this finding in the 1991 audit, I consulted with representatives of the Department of Finance. I explained that a late fee for license renewals for the Board of Social Work would not serve the same purpose as for other boards, as licensed social workers who fail to renew their licenses lose their licenses to practice social work in Minnesota. I understood that the Department of Finance, given this explanation, was satisfied that the finding had been addressed sufficiently, and that it was not necessary to adopt a rule fee with any urgency. As you know, this understanding was well-documented.

As it appears now that the Department of Finance did not have the authority to resolve this matter, I again accept responsibility for insuring that the Board adopt a late fee. I appreciate your recognition that the necessity to have a late fee does not, by itself, justify rule-making. The Board will include a late fee when it initiates other rule-making.

The second finding is that the Board of Social Work does not reconcile fees received to licenses issued. As your staff has affirmed, the Board certainly does reconcile fees received, but I acknowledge that we have not reconciled licenses issued to fees received. We were not aware that this type of reconciliation was necessary, and I am glad that the audit process has worked to our benefit by bringing this required process to our attention. We have developed, in consultation with your staff, a quarterly reconciliation process which should satisfy this requirement.

Thank you for the professional manner in which your staff conducted the financial audit of the Board of Social Work, as well as the helpful suggestions which your staff gave to us.

Sincerely,

  
Thomas M. McSteen  
Executive Director