

# **Board of Medical Practice**

## **Financial Audit**

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

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**June 1996**

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

**96-23**





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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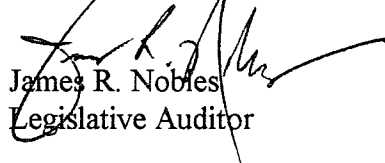
Mr. Robert Leach, Executive Director  
Board of Medical Practice

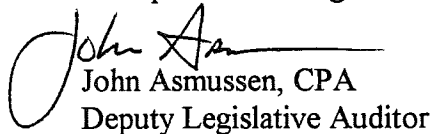
We have audited the Board of Medical Practice for the period July 1, 1992, through June 30, 1995, as further explained in Chapter 1. Our audit scope included license fee revenues and administrative expenditures. The summary on the next page highlights the audit objectives and conclusions. We discuss 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. Management of the Board of Medical Practice is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants. We noted some matters involving the internal control structure and its operation that we reported orally to the management of the board at an exit conference held on April 25, 1996.

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 June 7, 1996.

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

  
James R. Nobles  
Legislative Auditor

  
John Asmussen, CPA  
Deputy Legislative Auditor

End of Fieldwork: April 16, 1996

Report Signed On: May 31, 1996



# SUMMARY

State of Minnesota

Office of the Legislative Auditor

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

## Board of Medical Practice

### Financial Audit

For the Three Years Ended June 30, 1995

Public Release Date: June 7, 1996

No. 96-23

### Agency Background

The Board of Medical Practice (board) exists to protect the public by ensuring that all physicians, physical therapists, athletic trainers, physician assistants, respiratory care practitioners, athletic trainers and professional corporations meet the standards and qualifications to practice competently in the state. The board consists of five public members, ten licensed medical doctors, and one member with a doctor of osteopathy degree. The board appoints an executive director, who is its chief administrative officer, and has the responsibility of directing the board's operations. The current executive director is Robert A. Leach.

The board finances its operations through appropriations from the state of Minnesota. The board receives about \$2,000,000 a year in state appropriations. The board sets its fees to recover the appropriation and indirect costs, mainly attorney general services.

### Audited Areas and Conclusions

Our audit scope included several revenue classifications with a focus on annual registration and licensure application fees. In addition, our audit scope included administrative expenditures with a focus on payroll and board member per diems, rent, contractual and purchased services, and travel disbursements for the period July 1, 1992, through June 30, 1995.

We concluded that the board set annual registration and licensure application fees sufficient to cover expenses as specified in statute and rule. We found that the board properly recorded revenue on the statewide accounting system.

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 purposes. We also concluded the board accurately paid, recorded, and retained documentation for payroll, per diem, rent, contractual and purchased services, and travel expenditures.

Contact the Financial Audit Division for additional information.

296-1235



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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
Sonya Hill, CPA	Auditor-in-Charge
Laura Puig-White	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Medical Practice staff on April 25, 1996:

Robert A. Leach	Executive Director
Richard L. Auld	Assistant Executive Director
Lois Kauppila	Office Manager
Debbie Milla	Accounting Officer





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### Chapter 1. Introduction

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The Board of Medical Practice, pursuant to Minn. Stat. Section 147.01, is a health-related licensing board. The board consists of 16 state residents who are appointed by the governor. Ten of these members must be licensed doctors of medicine, one member must have a doctor of osteopathy degree, and the remaining five members must be public members. The current executive director of the board is Robert A. Leach.

The board is responsible for protecting the public by ensuring that all physicians, physical therapists, athletic trainers, doctors of osteopathic medicine, physician assistants, respiratory care practitioners, and professional corporations meet the standards and qualifications deemed necessary to competently practice in Minnesota. The board fulfills this responsibility in the following ways:

- licensing physician and doctor of osteopathic medicine applicants and registering physical therapist, physician assistant, respiratory care practitioner, athletic trainer, and professional corporation applicants;
- renewing annual licenses and registrations;
- receiving and taking action on every complaint which alleges a violation of statute and investigating those allegations, conducting hearings, taking and enforcing disciplinary action, and enforcing board orders;
- administering the Health Professional Services Program, which monitors the treatment and continuing care of regulated health professionals who are unable to practice their profession with reasonable care and safety due to physical, psychological, mental, or chemical dependency and/or abuse conditions; and
- enforcing continuing medical education requirements.

The board is responsible for receiving and accounting for all fees and maintaining necessary records. The Attorney General's Office supports the board's legal and investigative services pursuant to Minn. Stat. Section 214.10. In May 1994, the health-related boards formed an Administrative Services Unit to provide support services to the boards. The boards decide what support services the Administrative Services Unit provides for them. The Administrative Services Unit only performs budgeting functions for the Board of Medical Practice. The board does its own receipt recording, payroll processing, and disbursing functions. Board expenditures are further discussed in Chapter 3.

The Legislature 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

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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.

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

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years 1993 - 1995**

	Year Ended June 30		
	1993	1994	1995
Direct appropriations (1)	<u>\$1,951,000</u>	<u>\$2,045,000</u>	<u>\$2,243,000</u>
Revenues from fees	<u>\$2,980,934</u>	<u>\$3,100,128</u>	<u>\$3,212,360</u>
Expenditures:			
Payroll and board per diems	\$1,066,774	\$1,119,515	\$1,179,398
Contractual services	240,408	213,201	246,230
Purchased services	175,751	125,281	83,823
Rent	97,598	97,772	112,101
Travel	74,908	66,066	59,857
Other expenditures	286,397	254,709	279,592
Statewide indirect costs	26,943	14,868	27,476
Attorney General's costs (2)	<u>642,000</u>	<u>924,218</u>	<u>883,202</u>
Total Expenditures and Costs	<u>\$2,610,779</u>	<u>\$2,815,630</u>	<u>\$2,871,679</u>

Notes:

- (1) Direct appropriation amounts shown do not include legislative indirect appropriations that are allotted at the discretion of the commissioner of finance.
- (2) The board was not required to pay Attorney General's Office costs from its appropriation, but had to consider them when setting its fees. For the next fiscal year, the costs will be paid from the board's appropriation.

Sources: Minnesota Laws.

Statewide Accounting System Estimated/Actual Receipts Reports and Manager's Financial Reports as of September 4, 1993; September 3, 1994; and October 14, 1995.

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

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## Chapter 2. Revenues

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### *Chapter Conclusions*

*The board sets licensure application and renewal, registration, and examination fees sufficient to cover expenses, including Attorney General's Office costs, as specified in statute. The board recorded fees properly on the statewide accounting (SWA) system. The board complied with Minn. Rule 5600 relating to the different fees charged for board examinations, licensure applications, and annual registrations.*

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The board receives a direct appropriation for operations from the Legislature. Biennially, the board and the Department of Finance review the current fee structure to determine if fees are sufficient to cover board expenditures for the years. If a decision to change the fees is made, the board must follow the rule-making process. In March 1994, the board approved a resolution for preparing a proposed fee rule change, with the proposed fee changes effective September 1, 1994. The board had various revenue classifications throughout the audit period, as shown in Table 2-1.

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**Table 2-1**  
**Summary of Revenue Classifications**  
**Fiscal Years 1993 - 1995**

	Year Ended June 30		
	1993	1994	1995
Annual registration fees	\$2,456,452	\$2,552,274	\$2,694,692
Licensure application fees	244,747	263,040	248,155
Examination fees	82,689	52,800	15,816(1)
Late fees	63,655	63,126	56,885
Temporary permit and residency permit fees	28,560	41,467	51,726
Transfers in	0	3,715	7,430
Miscellaneous fees, surcharges, and service fees	104,831	123,706	137,656
Total Revenue	<u>\$2,980,934</u>	<u>\$3,100,128</u>	<u>\$3,212,360</u>

(1) The board no longer administers most examinations.

Source: Statewide Accounting System Estimated/Actual Receipts Reports as of September 3, 1993; September 3, 1994; and October 14, 1995.

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We focused our review of revenue on the following objectives:

- Were the board's fees sufficient to cover operating expenses (including Attorney General costs) as specified in the statutes?
- Did the board collect, deposit, and properly record annual registration fees, application fees, and examination fees received?

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- Were fees for licenses issued properly recorded on the SWA records?
- Did the board charge fees properly according to those set in Minn. Rules?

### **Audit Methodology**

We interviewed board employees to determine how the board processed receipts. We performed analytical procedures to determine and evaluate changes in revenues during the three-year audit period. We also reviewed the board's method of reconciling licenses issued and fees incurred to amounts recorded on the SWA system.

### **Conclusion**

On the basis of our review of revenue during the audit period, we conclude that the board set licensure and examination fees sufficient to cover expenses, including Attorney General's Office costs, as specified in statute. The board complied with Minn. Rules 5600 relating to fees charged for board examinations, licensure applications, and annual registrations for physicians, physicians assistants, physical therapists, respiratory care practitioners, athletic trainers, and corporations. The board recorded receipts properly on the SWA system.

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### Chapter 3. Expenditures

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#### *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. The board accurately paid, recorded, authorized, and retained documentation to support its expenditures for payroll and per diems, rent, contractual services, purchased services, and travel.*

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The board received a direct appropriation from the Legislature to finance its operating activities. Table 3-1 summarizes the board's direct and indirect expenditures for the three-year audit period.

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**Table 3-1**  
**Summary of Expenditures**  
**Fiscal Years 1993 - 1995**

	<u>1993</u>	<u>1994</u>	<u>1995</u>
Payroll/per diems	\$1,066,774	\$1,119,515	\$1,179,398
Contractual services	240,408	213,201	246,230
Purchased services	175,751	125,281	83,823
Rent	97,598	97,772	112,101
Travel	74,908	66,066	59,857
Statewide indirect costs	26,943	14,868	27,476
Other expenditures	<u>286,397</u>	<u>254,709</u>	<u>279,592</u>
Total Expenditures	<u>\$1,968,779</u>	<u>\$1,891,412</u>	<u>\$1,988,477</u>

Source: Statewide Accounting System Manager's Financial Reports as of September 4, 1993; September 3, 1994; and October 14, 1995.

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Payroll for the staff was the largest administrative expenditure. Board member per diems were included with payroll. Travel expenditures consisted primarily of mileage and related travel expenses incurred by board members since many of them reside in various parts of the state. The main out-of-state travel was the annual meeting of the Federation of State Medical Boards, which is attended by all board members and specific board staff.

Contractual services consisted mainly of medical consultants and technical advisors the board used to carry out its statutory responsibilities, including investigating and taking necessary disciplinary action on any complaints or alleged violations of statute. The consultants are medical experts and perform case reviews. The results of the case reviews help the board determine what action, if any, needs to be taken regarding the complaint. Other consultants are participants at educational seminars the board holds in order to provide technical medical instruction to board staff for use in their duties.

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Purchased services consisted primarily of payments made to vendors providing board examinations, vendors providing medical records services for the board, and costs incurred under the HIV/HBV infection control program.

Rent payments were mainly for the board office space in St. Paul. All health related board offices currently are housed in the same building, so the boards can utilize common services.

We focused our review of payroll and per diems, contractual and purchased services, 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?
- Were employees appropriately paid according to the board policies and applicable bargaining agreements?
- Were contractual service payments made properly under the annual spending plan or contract?
- Were board member per diems and travel expenditures paid in the proper amounts and paid in accordance with applicable rules and regulations?

## **Audit Methodology**

We interviewed board employees to gain an understanding of the disbursement processes. We selected a sample of payroll and board member per diem disbursement transactions and performed tests of detail and tests of compliance. We reviewed all of the lease payments under lease agreements in effect during the audit period and compared the payments to those outlined in the lease agreements.

We selected a sample of contractual services payments and performed tests of detail and tests of compliance. We ensured that properly executed contracts were initiated with vendors receiving in excess of \$2,000, or were under a memorandum of agreement if the vendor received less than \$2,000.

We selected a sample of purchased services expenditures for specific attribute testing. We also performed key item testing of higher dollar expenditures in this category. We performed tests of detail on these transactions.

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For travel expenditures, we ensured that travel reimbursements were made according to outlined policies and procedures, were made in the proper amounts, and were reasonable for board purposes.

For the remaining administrative expenditures, we performed analytical review procedures. We focused specific attention on those expenditure types with extremely high dollar/percentage variances during the audit period and satisfied ourselves that the reasons for the variances were valid.

## **Conclusions**

Based upon our review of expenditures, we found the board's expenditures 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 payroll expenditures were reasonable, accurate, and properly recorded. We found that payroll expenditures were in compliance with rules and regulations. Board member per diems were paid in the proper amounts, properly recorded, and in compliance with rules and regulations. Contractual services were properly recorded and appropriately handled under either a contract or memorandum of understanding. Purchased services were properly approved and documented. Travel expenditures were paid in the proper amounts, properly recorded, and in compliance with rules and regulations.