

**Board of Architecture, Engineering, Land Surveying
Landscape Architecture, Geoscience, and Interior Design**

**Financial Audit
Fiscal Year 1996**

May 1997

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

97-28



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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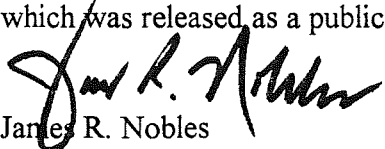
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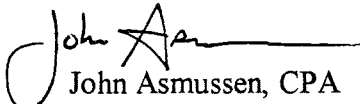
Mr. George Iwan, Executive Secretary
Board of Architecture, Engineering, Land Surveying, Landscape Architecture,
Geoscience, and Interior Design

We have audited the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design (board) for the period of July 1, 1995, through December 31, 1996, as further explained in Chapter 1. Our audit scope included license and examination fee revenues, administrative expenditures, and payroll. We discuss these issues more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of internal 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, and contracts that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, and contracts.

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 May 16, 1997.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 2, 1997

Report Signed On: May 9, 1997

**Board of Architecture, Engineering, Land Surveying, Landscape
Architecture, Geoscience, and Interior Design**

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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
Jim Riebe, CPA	Audit Manager
Beaujon Guerin	Auditor-in-Charge

Exit Conference

We discussed the results of the audit at an exit conference with the following staff from the Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design on May 7, 1997:

George Iwan	Executive Secretary
Doreen Frost	Investigator

Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design

Chapter 1. Introduction

The Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design examines, certifies, licenses, and regulates individuals who practice architecture, engineering, land surveying, landscape architecture, geoscience, and interior design. The board's operations are governed by Minn. Stat. Section 326.02 to 326.15 and Minn. Rules 1800 and 1805. The board is comprised of 21 members appointed by the Governor. The board employs eight individuals. Mr. George Iwan became the executive secretary in September of 1995. The former executive secretary, Ms. Pamela Smith, left the position in June of 1995.

The board administers license examinations and processes complaints filed against licensees. The board also processes applications for original and renewal licenses. The board administers each examination twice a year. Examination fees range from \$120 to \$475. Ten examinations were administered during fiscal year 1996 to approximately 3,000 candidates. Candidates that successfully complete an examination are eligible for licensure. The cost to obtain the license is \$70. Licenses are renewable on June 30 of each even-numbered year. Approximately 12,000 licenses were renewed in fiscal year 1996.

The board receives administrative support from the Department of Commerce under Minn. Stat. Section 214.04. The Department of Commerce provides services such as processing payroll and personnel transactions, allotting and disbursing funds, and depositing receipts into the state treasury. The board receives legal and investigative services from the Attorney General's Office.

The board receives a direct appropriation for operations. The board sets its fees to recover its direct and indirect operating expenses.

Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design

Table 1-1 shows appropriations, revenues, and expenditures for the board for fiscal year 1996.

Table 1-1
Summary of Financial Activities
Fiscal Year 1996

Revenues	
License fees	\$ 853,876
Examination fees	149,040
Fines, penalties, and filing fees	<u>9,783</u>
Total Revenues	<u>\$1,012,699</u>
Direct Expenditures	
Payroll and Per Diem	\$ 276,555
Administrative Expenditures	<u>245,595</u>
Total Direct Expenditures	<u>\$ 522,150</u>
Indirect costs (1)	
Attorney General Services	\$ 64,382
Department of Commerce Fiscal Services	23,186
Statewide Indirect Costs	<u>15,693</u>
Total Indirect Costs	<u>\$ 103,261</u>
Total Direct and Indirect Costs	<u>\$ 625,411</u>

Notes:

- (1) The board was not required to pay indirect costs from its appropriation. However, the board considers these costs when setting fees.
- (2) Revenue is significantly greater than expenditures because biennial license renewals were due June 30, 1996.

Source: Minnesota Laws and Minnesota Accounting and Procurement System.

Chapter 2. Revenues and Expenditures

Chapter Conclusions

Revenue:

The board assessed the appropriate fees according to the rules relating to board examinations, license applications, and annual registrations. The board also accurately recorded revenue on the accounting system.

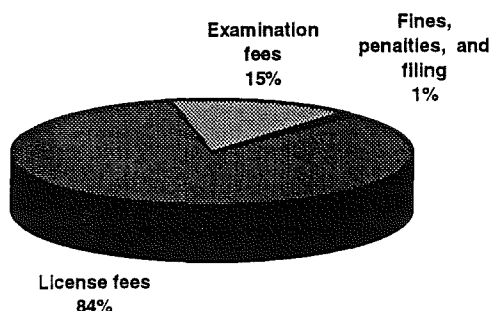
Payroll and Other Expenditures:

The board spent its state appropriations within its appropriation limits and statutory authority. Payroll expenditures were in compliance with regulations for the items tested, and board expenditures were authorized and consistent with the board's purpose. However, we found that the board did not maintain an adequate separation of duties over non-payroll disbursements.

Revenues

The Department of Commerce collects and records board receipts. The Department of Commerce also deposits the fees collected from examination candidates and licensees in the General Fund as nondedicated revenue. Figure 2-1 shows the types of revenues collected by the board for fiscal year 1996. Biennially, the board and the Department of Finance review the fee structure to determine if fees are sufficient to cover board expenditures. The fee structure was last reviewed in January 1997 as noted in the 1998-99 Departmental Earnings Report.

**Figure 2-1
Revenues by Type
Fiscal Year 1996**



Source: Minnesota Accounting and Procurement System.

Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design

Objectives, Methodology, and Conclusions

We focused our review of receipts on the following objective:

- Did the board collect and record the appropriate license and examination revenue based on licenses issued and examinations administered?

The methodology we used to audit revenues included interviewing the board's office manager and Department of Commerce employees to determine how the board processed receipts. We performed analytical review procedures to determine if the number of licenses issued agreed with revenues earned. We also selected a sample of deposits and traced them through to the accounting system and to the license and examination records.

We concluded that the board collected and recorded the appropriate amount of license and examination revenues.

Payroll and Other Expenditures

The board receives an appropriation from the Legislature to finance operations. Table 2-1 summarizes the board's direct expenditures for fiscal year 1996.

Table 2-1
Summary of Expenditures
Fiscal Year 1996

Expenditures	
Payroll and Per Diem	\$276,555
Rent	62,283
Examination and Preparation Costs	56,228
Supplies, Materials, and Postage	47,681
Travel	29,422
Purchased Services	22,045
Professional Memberships and Conferences	17,825
Equipment	<u>10,111</u>
Total	<u>\$522,150</u>

Source: Minnesota Accounting and Procurement System.

Payroll and Other Expenditures

Payroll is the most significant expenditure at the board. The board employs eight individuals. The executive secretary approves the employees' time sheets and submits them to the Department of Commerce for processing. The executive secretary's bargaining unit agreement is the Managerial Plan. The investigator's bargaining unit agreement is the Minnesota Association of Professional Employees (MAPE). All other positions are covered under the American Federation of State, County, and Municipal Employees (AFSCME) bargaining unit agreement.

Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design

The examinations purchased from the three national councils represented one of the board's largest expenditures. Other administrative expenditures include travel, supplies, equipment, and rent. The office manager approves the purchases and disbursements. The Department of Commerce prepares the purchase order and records the disbursement on MAPS.

We focused our review of expenditures on the following objectives:

- Were board staff paid at the proper amounts in accordance with applicable bargaining unit agreements and management's authorization?
- Were payments made to vendors properly authorized by the board, paid in the correct amount, and in compliance with the board's purpose and statutes?
- Did the board comply with the limits of its appropriation during the audit period?

Methodology

We interviewed employees from the board and the Department of Commerce to gain an understanding of the processes for payroll and other expenditures. We performed analytical review procedures to determine any increases in pay rates. We traced pay rates to the applicable bargaining units. We also selected a sample of disbursement transactions and tested compliance with the board's purpose and statutes.

Conclusions

We found that the board paid employees the proper amounts according to their respective bargaining unit agreements for the items tested. These expenditures were accurately recorded in the accounting records.

We also found that payments made to vendors were authorized by the board, paid in the correct amounts, and in compliance with the board's purpose. The board complied with the limits of its appropriation. However, the board did not maintain an adequate separation of duties over disbursements as reported in Finding 1.

1. The board did not maintain an adequate separation of duties over disbursements.

The board relied on one individual to authorize the purchase of goods and services and also to initiate payments for those purchases. Strong internal controls provide that these duties should be separated to prevent unauthorized purchases. The board processed about 1,000 nonpayroll disbursement transactions totaling approximately \$274,000 during fiscal year 1996. This volume of disbursement activity justifies that the board should assign one of these duties to another individual, such as the executive secretary.

Recommendation

- *The board should reassign some of the responsibilities relating to the disbursement of funds to ensure an adequate separation of duties.*

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BOARD OF ARCHITECTURE, ENGINEERING, LAND SURVEYING, LANDSCAPE ARCHITECTURE, GEOSCIENCE AND INTERIOR DESIGN

May 6, 1997

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

Dear Mr. Nobles:

As a result of the recent audit of the Board a conclusion was made that the Board did not have adequate separation of duties over disbursements. The report further recommended the reassignment of some of the disbursement duties.

In order to resolve this issue, the following changes will be made. First, while Sheri Lindemann will continue to process orders and invoices all such documents will be approved by me. Second, the Department of Commerce staff which actually enter the orders and invoices will be advised that all such documents must be approved by me. In my absence the approval role will be filled by Doreen Frost, the Board's investigator.

I trust that this change adequately responds to the conclusion and recommendation of the audit report.

Sincerely,

A handwritten signature in cursive script, appearing to read "George Iwan", followed by a horizontal line.

George Iwan
Executive Secretary

GI/cgr