

# **Selected Health-Related Licensing Boards Financial Audit**

**For the Period July 1, 1995, through June 30, 1997**

**September 1998**

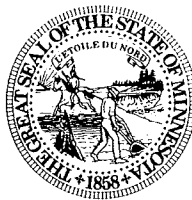
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**Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota**

**98-54**

Centennial Office Building, Saint Paul, MN 55155 • 612/296-1727





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

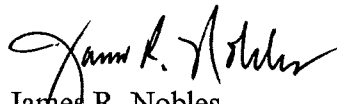
We have audited the following seven health-related licensing boards for the period July 1, 1995 through June 30, 1997:


98-54A	Board of Chiropractic Examiners
98-54B	Board of Dentistry
98-54C	Board of Dietetics and Nutrition Practices
98-54D	Board of Marriage and Family Therapy
98-54E	Board of Nursing
98-54F	Board of Podiatric Medicine
98-54G	Board of Veterinary Medicine

The scope of each of the audits included license revenue, personnel services, rent, and other administrative expenditures.

The overview section discusses the general operations of the boards and our overall audit conclusions. The individual board reports include background information, a description of audit objectives and conclusions, any current findings and recommendations, a status of prior audit issues, and the board's response to our recommendations, if applicable.

These reports are intended for the information of the Legislative Audit Commission and the management of the boards. This restriction is not intended to limit the distribution of these reports, which were released as public documents on September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudivangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998



# **Selected Health-Related Licensing Boards**

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## **Overview**

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### **Audit Scope**

We audited seven of the thirteen health-related licensing boards including the Boards of Chiropractic Examiners, Dentistry, Dietetics and Nutrition Practices, Marriage and Family Therapy, Nursing, Podiatric Medicine and Veterinary Medicine. The other health-related licensing boards not included in this audit are Medical Practices, Nursing Home Administrators, Optometry, Pharmacy, Psychology, and Social Work. Our audit scope covered the period from July 1, 1995, through June 30, 1997. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures.

### **Board Operations and Organization**

Each of the health-related boards is responsible for protecting the public through licensing the professional service providers within their respective occupations. The boards are also responsible for regulating the services provided by these practitioners. Each board operates under specific Minnesota Statutes and Minn. Stat. Chapter 214, which provides general policy and regulation for the examining and licensing boards.

Each board is an independent state agency. The Governor appoints board members according to the regulations for each board. Board members are compensated at a rate of \$55 a day spent on board activities, when authorized by the board, pursuant to Minn. Stat. Section 214.09. Per diem payments ranged from approximately \$35,000 at the Dentistry Board to about \$3,000 at the Dietetics Board for fiscal year 1997. The Dentistry Board is the only board that allows per diem payments for preparation time for board and committee meetings. The staffing levels of the boards' administrative operations also vary greatly from one part-time person at the Board of Podiatric Medicine to more than 30 staff at the Board of Nursing. All staff of the boards are state employees. Table 1-1 shows information about the audited boards including board size, meetings, and per diem, as well as staffing levels.

## Selected Health-Related Licensing Boards

**Table 1-1**  
**Summary of Board Activities**  
**Fiscal Year 1997**

<u>Board</u>	<u>Number of Board Members</u>	<u>Meetings Per Year</u>	<u>Number of Committees</u>	<u>Per Diem Prep Time</u>	<u>Total Per Diem</u>	<u>Staff Size (1)</u>	<u>Approximate Number of Licenses</u>
Chiropractic Examiners	7	5	5	No	\$15,125	5	1,600
Dentistry	9	5	5	Yes	\$34,622	8	12,100
Dietetics and Nutrition Practice	7	4	2	No	\$2,255	2	1,000
Marriage and Family Therapy	7	12	2	No	\$5,115	2	700
Nursing	16	6	5	No	\$18,755	31	78,000
Podiatry	7	4	1	No	\$2,915	1	150
Veterinary Medicine	7	4	2	No	\$2,475	2	1,300

(1) Staff size represents the number of individuals employed by the boards, some of whom may be employed less than full-time.  
Source: Auditor prepared from discussions with boards, board minutes, board reports, and the 1998-99 Biennial Budget Report.

Each health-related board is responsible for receiving and accounting for all fees and maintaining its financial records. The boards also use the services of an Administrative Services Unit (ASU), which was created to assist the boards with various accounting and administrative services. Each board has a computer system for issuing and monitoring of licenses. While the process is generally the same in each board, there is a vast degree of difference in complexity among the licensing systems. Some boards use a PC-based spreadsheet program while other boards use a sophisticated database licensing system. For example, the Nursing Board recently installed a new licensing system for which it received an appropriation of about \$1.3 million.

Each health-related board is funded by a state government special revenue fund appropriation. The appropriation is established to cover the direct operating costs of the boards. In addition, the boards receive services from the Office of the Attorney General, the Administrative Services Unit, and the Health Profession and HIV/HBV programs that promote the health and wellness of practitioners. These services are separately funded.

Each health-related board is authorized to establish fees with the approval of the Commissioner of Finance so that fees collected will approximate anticipated total expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. The boards also consider differences between receipts and expenditures from prior years in evaluating the sufficiency of fees. The boards deposit fees collected as non-dedicated revenue to the State Treasury. Table 1-2 compares the total revenues and the total expenditures of the eight boards we audited for fiscal year 1997. A more detailed analysis of each board's financial activity is shown in the individual board audit reports.

## Selected Health-Related Licensing Boards

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**Table 1-2**  
**Summary of Revenues and Expenditures**  
**Fiscal Year 1997**

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<u>Board</u>	<u>Revenues</u>	<u>Expenditures (1)</u>
Chiropractic Examiners	\$476,701	\$513,186
Dentistry	1,133,873	965,483
Dietetics and Nutrition Practice	192,375	71,247
Marriage and Family Therapy	100,808	119,527
Nursing	2,624,245	3,012,300
Podiatric Medicine	46,004	35,492
Veterinary Medicine	302,091	251,660

(1) The expenditures identified in this table include both direct and indirect obligations of the boards for fiscal year 1997.  
Source: MAPS reports and Administrative Services Unit fiscal year 1997 Financial Analysis Reports.

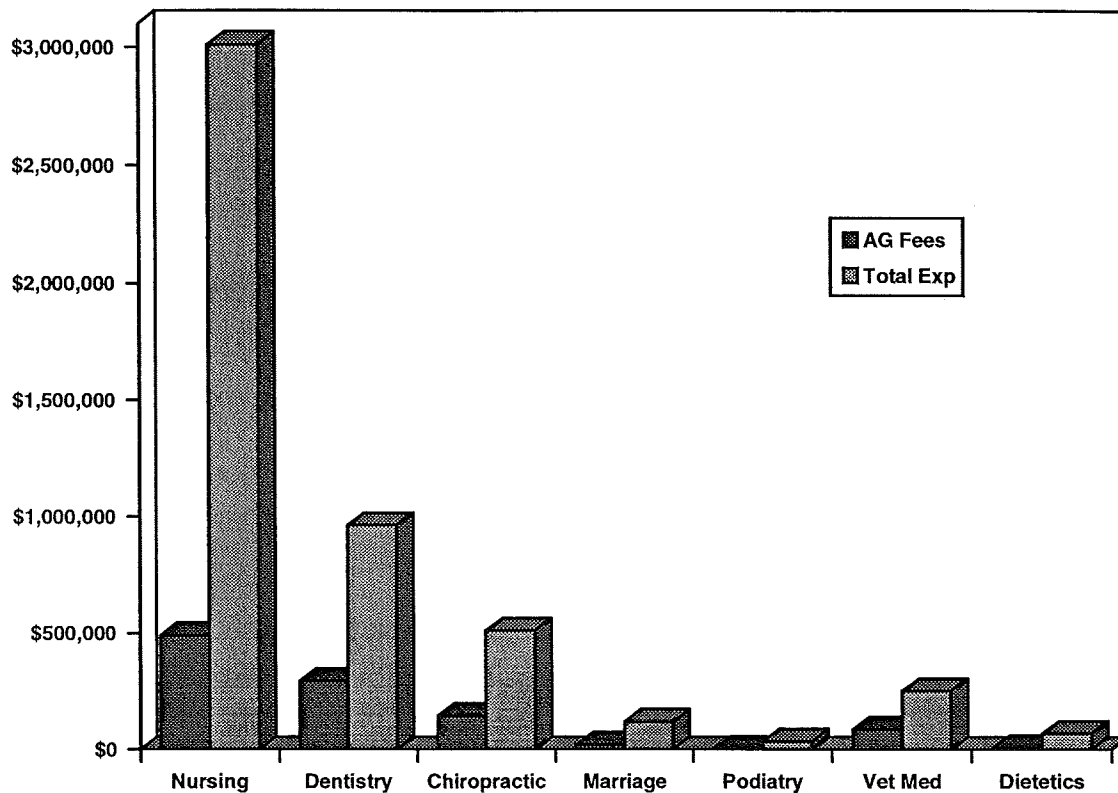
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The health boards are supported by an administrative services unit (ASU). The ASU is located in the same building as the health boards and is administered through the Board of Pharmacy. The ASU receives an appropriation through the Pharmacy Board to finance the costs of providing services to the boards. The ASU provided services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU assisted the boards with budget development and provides financial reports to the boards throughout the year. Each board determined the extent of support services it needs from the ASU. All boards, except the Nursing Board, utilized the full services of the ASU. The Nursing Board processed its own payments into the state's accounting and payroll systems, but utilized the ASU services for budget and financial reporting. The ASU is funded through an indirect cost allocation from the participating health-related boards.

The Attorney General's Office supports each board's legal and investigative services pursuant to Minn. Stat. Section 214.10. The legal costs can be a significant part of the total operating costs for these boards. For example, more than 30 percent of the operating costs for the Dentistry Board and Veterinary Medicine Board were for legal fees. Figure 1-1 shows each board's legal costs compared to total expenditures.

## Selected Health-Related Licensing Boards

Figure 1-1  
Comparison of Legal Fees and Total Expenditures  
Fiscal Year 1997



Source: Administrative Services Unit fiscal year 1997 financial analysis reports.

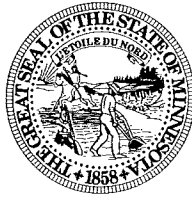
### Conclusions

The boards generally designed an appropriate system of control to provide reasonable assurance that financial activity was properly recorded and assets were adequately safeguarded. The administrative services unit provided centralized budgetary and financial reporting support to the boards. In the future, the boards may find additional opportunities to centralize other operations. For example, although certain boards have recently implemented new licensing systems, as other boards consider the need for new systems, they should assess the feasibility of centralizing the licensing functions. The feasibility of centralized licensing would depend upon the various licensing requirements of each board. Similarly, the ASU may be able to provide additional receipt processing services.

We did find one significant control issue that cross-cuts several of the boards. Those boards did not reconcile receipts collected with the number of licenses issued. This reconciliation would provide the boards with a level of assurance that they collected and accounted for the appropriate amount of revenue. This issue is further discussed in the individual board reports, as applicable.

Other control and compliance issues unique to individual boards were also identified. All current findings and recommendations related to each board are discussed in the individual reports.





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
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Ms. Rosemary Kassekert, President  
Minnesota Board of Chiropractic Examiners

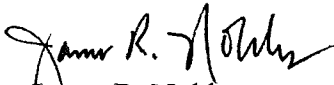
Members of the State of Minnesota Board of Chiropractic Examiners


Dr. Larry Spicer, D.C., Executive Director  
Board of Chiropractic Examiners

We have audited the Board of Chiropractic Examiners for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998



# SUMMARY

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## **Board of Chiropractic Examiners**

### **Financial Audit**

### **For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54A

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#### **Background**

The Board of Chiropractic Examiners operates under Minn. Stat. Sections 148.01 - 148.106 and Chapter 214. The board is appointed by the Governor and consists of seven members. Dr. Larry Spicer is the current executive director. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited to the State Treasury. For fiscal years 1996 and 1997, the board collected approximately \$475,000 in revenue from fees each year.

#### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

The Board of Chiropractic Examiners designed an appropriate system of control that provided reasonable assurance over recording its financial activity and adequately safeguarding assets. We found that the board designed controls that provided reasonable assurance that the approved amount of license fees were collected and deposited. We also found that the board accurately paid and recorded payroll expenditures. Payroll expenditures were in compliance with rules and regulations for the transactions tested. In addition, we found that expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose.



# **Board of Chiropractic Examiners**

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### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Chiropractic Examiner staff on August 13, 1998:

Larry Spicer	Executive Director
Teri Longstrom	Office Manager
Julia Vangsness	Administrative Services Unit Accounting Supervisor



# **Board of Chiropractic Examiners**

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## **Chapter 1. Background Information**

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The Board of Chiropractic Examiners regulates the licensing of chiropractors in Minnesota to ensure compliance with the rules of the practice of chiropractic medicine. In addition, the board also licenses acupuncturists and corporations engaged in providing chiropractic medicine. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Sections 148.01 - 148.106 and Chapter 214. The board has seven members appointed by the Governor. Dr. Larry Spicer currently is the executive director of the board.

The board 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 214.10. The board is supported by an administrative services unit (ASU). The board determines the extent to which it will use ASU support services. The ASU is located in the same building as the health boards. The ASU provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU assists the boards with budget development and provides financial reports throughout the year.

The Board of Chiropractic Examiners is authorized to establish fees with the approval of the commissioner of Finance so that fees collected will approximate anticipated expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board also considers differences between receipts and expenditures from prior years' operations.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Chiropractic Examiners

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues from Fees		
Registration/Renewal License Fees	\$362,650	\$377,400
Examination Fees	41,000	17,250
Miscellaneous Fees	<u>73,487</u>	<u>82,051</u>
Total Revenues	<u>\$477,137</u>	<u>\$476,701</u>
Expenditures:		
Payroll and Board Per Diems	\$211,388	\$221,733
Rent	29,046	39,490
Other Expenditures	<u>49,547</u>	<u>83,285</u>
Direct Expenditures Paid From Board Appropriation	<u>\$289,981</u>	<u>\$344,508</u>
Statewide Indirect Costs	\$ 4,818	\$ 11,819
Attorney General Costs	168,055	144,211
Administrative Services Unit Costs	9,142	9,850
Health Professional Program Costs	<u>0</u>	<u>2,798</u>
Total Expenditures	<u>\$471,996</u>	<u>\$513,186</u>
Surplus/(Deficit) (1)	<u>\$ 5,141</u>	<u>(\$ 36,485)</u>

(1) The deficit shown is the result of current year operating activity only. It does not consider balances from prior year operations.

Source: MAPS Accounting System, Board of Chiropractic Examiners Biennial Budget, ASU Fiscal Analysis reports.



# Board of Chiropractic Examiners

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## Chapter 2. Revenues

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### *Chapter Conclusions*

*The Board of Chiropractic Examiners designed controls to provide reasonable assurance that it collected and deposited appropriate fees for each license, license renewal or registration issued. The board complied with applicable legal and policy provisions for the fees tested.*

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### Background

The board issues licenses to chiropractors that meet education and national examination requirements. The board charges license applicants a non-refundable application fee. Licensees may maintain either an active or inactive license, each of which expire annually on December 31. The board charges an annual fee to renew licenses, and assesses a late penalty to licensees that fail to renew before the December 31 due date.

The board also registers licensed chiropractors who perform acupuncture and perform independent examinations for third party payers. Chiropractic corporations and organizations that offer continuing education programs must also register with the board. The board charges various fees for these registrations. As with licenses, registrations expire annually and can be renewed for a fee. Acupuncture registrations expire on September 15; independent examiner registrations expire on February 28; all other registrations expire on December 31.

Finally, the board also charges fees for other services and documents it provides such as peer reviews, lists of licensees, and official letters of standing. The Legislature establishes all board fees in the Minnesota Rules.

The Administrative Services Unit (ASU) records all the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). ASU enters summarized information into MAPS based on reports generated by the board.

### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license fee and registration revenue was collected, adequately safeguarded and properly reported in the accounting records?

## **Board of Chiropractic Examiners**

- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed board staff to gain an understanding of the receipt collection and deposit process. We reviewed deposit transactions and individual receipts on a sample basis. Finally, we performed analytical procedures to reconcile licenses, license renewals and registrations issued to recorded revenue.

## **Conclusion**

The board designed controls to provide reasonable assurance that it collected and deposited appropriate fees. With respect to items tested, the board complied with applicable legal and policy provisions.

## Board of Chiropractic Examiners

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*Generally, the Board of Chiropractic Examiners designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. The board complied with applicable rules, regulations and bargaining agreements, for the items tested.*

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The board's payroll expenditures for fiscal years 1996 and 1997 were \$199,123 and \$206,608, respectively. Payroll is the largest expenditure of the board, accounting for over 67 percent of the board's direct expenditures. The board's per diem expenditures totaled \$12,265 for fiscal year 1996 and \$15,125 for fiscal year 1997.

During fiscal years 1996 and 1997, the office employed five staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), and the Managerial Plan.

Like most of the other health related boards, the Board of Chiropractic Examiners used the services of the Administrative Services Unit to process payroll and personnel transactions and per diem payments.

Until December 1995, the ASU used the state's Personnel/Payroll System (PPS) to process payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the board. The ASU entered the biweekly payroll information. During December 1995, the ASU began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, the ASU became responsible for recording both the personnel and payroll information.

The ASU office recorded per diem transactions on the MAPS accounting system.

#### **Audit Objectives and Methodology**

Our review of payroll and other administrative expenditures focused on the following questions:

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?

## **Board of Chiropractic Examiners**

- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To address these questions, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other applicable rules and regulations.

## **Conclusions**

The Board of Chiropractic Examiners designed internal controls to provide assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

## Board of Chiropractic Examiners

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### Status of Prior Audit Issues As of May 29, 1998

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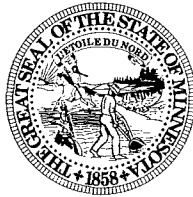
#### Most Recent Audits

The October 1994, Legislative Audit Report 94-53 covered the four fiscal years ended June 30, 1993. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included two issues related to the Board of Chiropractic Examiners. We reported that the board was not reconciling receipts with licenses issued. The other prior audit finding related to a record retention schedule. The board resolved both issues.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.





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Ms. Cheryl Tietge, President  
State of Minnesota Board of Dentistry

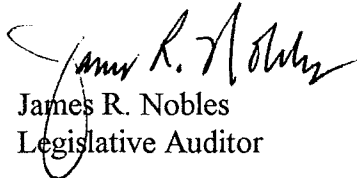
Members of the State of Minnesota Board of Dentistry

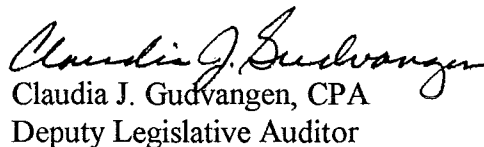
Ms. Patricia Glasrud, Executive Director  
Board of Dentistry

We have audited the Minnesota Board of Dentistry for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998





# SUMMARY

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## **Board of Dentistry**

### **Financial Audit**

### **For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54B

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#### **Background**

The Board of Dentistry operates under Minn. Stat. Chapters 150A, 319A, and 214. The board is appointed by the Governor and consists of nine members. Ms. Patricia Glasrud is the current executive director. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited to the State Treasury. For fiscal years 1996 and 1997, the board collected approximately \$1.1 million in fee revenue each year.

#### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

The Board of Dentistry designed an appropriate system of control to provide reasonable assurance over its recording financial activity and adequately safeguarding assets. We found that the board had adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. However, the board did not deposit license renewal receipts timely. The board accurately paid and recorded payroll expenditures. Payroll expenditures were also in compliance with rules and regulations for the items tested. In addition, we found that expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose.

#### **Board Response**

In its response to the audit report, the Board of Dentistry agreed with the finding on not complying with prompt depositing requirements during its renewal period. The board has since received a waiver from the requirement during the renewal period authorized by the Department of Finance.



## **Board of Dentistry**

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#### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

#### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Dentistry staff on August 11, 1998:

Patricia Glasrud	Executive Director
Karen Ramsey	Office Manager
Julia Vangsness	Administrative Services Unit Accounting Supervisor



## **Board of Dentistry**

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### **Chapter 1. Background Information**

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The Board of Dentistry regulates the licensing of dentists, faculty dentists, resident dentists, registered dental assistants, and dental hygienists in Minnesota to ensure compliance with the rules governing the practice of dental medicine. As part of its regulatory functions, the board processes applications for licensure and issues original licenses and renewal certificates. The board approves educational seminars required for relicensure, and processes complaints filed against licensees. The board uses a regional testing service for licensing examinations. It operates under Minn. Stat. Chapters 150A, 319A and 214. The board has nine members appointed by the Governor. Ms. Patricia Glasrud is the executive director of the board.

The board 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 214.10. The board is supported by an administrative services unit (ASU). The board determines the extent to which it will use ASU support services. The ASU is located in the same building as the health boards. The ASU provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The ASU assists the boards with budget development and monitors financial activity throughout the year.

The Board of Dentistry is authorized to establish fees with the approval of the commissioner of Finance so that fees collected will approximate expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board considers any differences between receipts and expenditures from prior years operations.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Dentistry

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**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
Registration/Renewal License Fees	\$ 997,261	\$ 994,690
Examination Fees	22,005	17,985
Miscellaneous Fees	<u>108,597</u>	<u>121,198</u>
Total Revenues	<u>\$1,127,863</u>	<u>\$1,133,873</u>
Expenditures:		
Payroll and Board Per Diems	\$ 351,302	\$ 367,790
Rent	44,747	44,267
Other Expenditures	<u>153,506</u>	<u>213,067</u>
Direct Expenditures Paid From Board's Appropriation	<u>\$ 549,555</u>	<u>\$ 625,124</u>
Statewide Indirect Costs	\$ 5,928	\$ 15,964
Attorney General Costs	469,213	293,274
Administrative Services Unit Costs	18,372	18,511
Health Professional/HIV Program Costs	<u>7,562</u>	<u>12,610</u>
Total Expenditures	<u>\$1,050,630</u>	<u>\$ 965,483</u>
Surplus/(Deficit)	<u>\$ 77,233</u>	<u>\$ 168,390</u>

Source: MAPS Accounting System, Board of Dentistry Biennial Budget, ASU fiscal analysis reports.

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## Board of Dentistry

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### Chapter 2. Revenues

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#### *Chapter Conclusions*

*The Board of Dentistry properly designed internal controls to provide reasonable assurance that it collected, adequately safeguarded and properly reported the appropriate license and renewal fee revenue. However, the board did not deposit all daily receipts greater than \$250, as required by Minn. Stat. Section 16A.275. The board complied with all other applicable legal and policy provisions for the fees tested.*

---

#### Background

The board receives revenue from licensing dentists, dental hygienists and registered dental assistants. License revenue is generated from application fees, renewal fees, and late renewal fees. The Legislature establishes the individual fees in state statute.

The Administrative Services Unit (ASU) recorded all of the board's financial activity into the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board.

#### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed Board of Dentistry personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of all receipts and verified whether the staff properly collected, adequately safeguarded and properly reported the appropriate license and renewal fees.

## Board of Dentistry

### Conclusions

We found that the Board of Dentistry designed internal controls that provided reasonable assurance that it accurately reported revenue in the accounting records. However, we noted that the board did not timely deposit receipts over \$250 during renewal processing as further explained in Finding 1.

**1. The Board of Dentistry did not deposit receipts over \$250 in accordance with Minn. Stat. Chapter 16A.275 during renewal processing.**

The Board of Dentistry did not deposit receipts over \$250 timely during renewal processing. Minn. Stat. Chapter 16A.275 requires state agencies to deposit receipts daily if amounts exceed \$250. The board staff mailed the renewals to licensees in November. The board staff did not open or process any renewals received until December 1st. The staff only open envelopes that they can process on a given day. All of the remaining receipts were kept in a locked filing cabinet until processed.

#### *Recommendation*

- *The Board of Dentistry should deposit receipts over \$250 per Minn. Stat. Chapter 16A.275 or request a waiver of the daily deposit requirement from the Department of Finance during the renewal processing period.*



## Board of Dentistry

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*Generally, the Board of Dentistry designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. The board does allow payment of per diem for preparation time, a practice not followed by any of the other boards we audited, but not specifically prohibited by state statute. In all material respects, the board complied with applicable rules, regulations and bargaining agreements for the items tested.*

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The Dentistry Board's payroll expenditures for fiscal years 1996 and 1997 were approximately \$322,000 and \$334,000, respectively. The board paid per diem expenditures of approximately \$39,000 in fiscal year 1996 and \$35,000 in fiscal year 1997.

During fiscal years 1996 and 1997, the office employed eight staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), the Middle Management Association (MMA), and the Managerial Plan.

Like most of the other health-related boards, the Dentistry Board used the services of the Administrative Services Unit (ASU) to process payroll/personnel transactions and other administrative expenditures.

Until December 1995, ASU used the state's Personnel/Payroll System (PPS) to process payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the agency. The office entered the biweekly payroll information. During December 1995, ASU began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, ASU became responsible for recording both the personnel and payroll information.

The ASU recorded all of the board's administrative payments in the MAPS accounting system.

#### **Audit Objectives and Methodology**

Our review of the Board of Dentistry's payroll and other administrative expenditures focused on the following questions:

## **Board of Dentistry**

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To answer these questions, we interviewed office staff to obtain a general understanding of the internal control structure over payroll/personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, personnel authorizations, and other applicable rules and regulations.

## **Conclusions**

In all material respects, the Board of Dentistry designed internal controls to provide reasonable assurance that payroll expenditures and other administrative expenditures were properly authorized and accurately reported in the accounting records. The board does allow payment of per diem for preparation time, a practice not followed by any of the other audited boards, but not specifically prohibited by state statute. Payroll expenditures and per diem payments complied with applicable statutory provisions and related bargaining agreements for the items tested.

## Board of Dentistry

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### Status of Prior Audit Issues As of May 29, 1998

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#### Most Recent Audits

The September 1994, Legislative Audit Report 94-50 covered the four fiscal years ended June 30, 1993. The audit scope included internal controls and compliance with material finance-related legal requirements. That report included no findings or recommendations.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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## Board of Dentistry

### EXECUTIVE OFFICE

2829 UNIVERSITY AVENUE SE • SUITE 450

MINNEAPOLIS, MINNESOTA 55414-3249

(612) 617-2250

MN RELAY SERVICE FOR HEARING/SPEECH IMPAIRED (800) 627-3529

August 17, 1998

James R. Nobles, Legislative Auditor  
1<sup>st</sup> Floor South, Centennial Building  
658 Cedar Street  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

I am writing in response to the draft report summarizing the results of your financial and compliance audit of the Board of Dentistry for the period July 1, 1995, through June 30, 1997.

As found on page 21 of the draft report, the auditors made one recommendation as follows:

*The Board of Dentistry should deposit receipts over \$250 per Minn. Stat. Chapter 16A.275 or request a waiver of the daily deposit requirement from the Department of Finance during the renewal period.*

On August 12, 1998, I spoke with Ms. Margaret Jenniges at the Department of Finance to request a waiver. I explained that the Board collects renewal fees once per year from approximately 12,500 dentists, dental hygienists and registered dental assistants. The difficulty making timely deposits occurs only during the renewal period (approximately December 1 through January 15). Even then, there are only about five to seven days on which the deposit is made on the next day rather than the day of receipt. In terms of cost-effectiveness, the waiver clearly appears to be the most feasible and logical option.

As you can see from my enclosed letter dated August 12<sup>th</sup> to Ms. Jenniges, she indicated to me by telephone that the waiver would be granted. Further, she stated that I should feel free to notify you of this in the event that I had not received the waiver by the time I sent my written response to you. I will forward a copy of the waiver as soon as it is received.

On behalf of the Board of Dentistry members and staff, I thank you for your recommendation and for the ease and professionalism with which the audit was conducted.

Very sincerely,

A handwritten signature in cursive script that reads "Patricia H. Glasrud".

Patricia H. Glasrud  
Executive Director

Cc: Cheryl Tietge, Board President  
Margaret Jenniges, Department of Finance





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Marita Haberman, Chair  
Board of Dietetics and Nutrition Practice

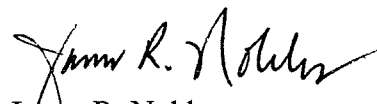
Members of the Board of Dietetics and Nutrition Practice


Ms. Laurie Mickelson, Executive Director  
Board of Dietetics and Nutrition Practice

We have audited the Board of Dietetics and Nutrition Practice for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998





# SUMMARY

Office of the Legislative Auditor  
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## **Board of Dietetics and Nutrition Practice Financial Audit For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54C

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### **Background**

The Board of Dietetics and Nutrition Practice operates under Minn. Stat. Sections 148.621 - 148.633 and Chapter 214. The board is appointed by the Governor and consists of seven members. Ms. Laurie Mickelson is the current executive director. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited to the State Treasury. For fiscal years 1996 and 1997, the board collected approximately \$142,000 and \$192,000, respectively, in revenue from fees.

### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

We found that the Board of Dietetics and Nutrition Practice did not have adequate controls to ensure that the approved amount of license fees were collected and deposited. The board accurately paid and recorded payroll expenditures. Payroll expenditures were in compliance with rules and regulations for the items tested. However, we questioned the fact that the executive director received the maximum achievement award at two health-related boards. We believe the intent of the Managerial Plan was to limit the amount of award a state manager may receive. The executive director works half-time at both the Dietetics and Nutrition Practice Board and the Board of Optometry. Expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. However, the board did not prepare a biennial operations report as required by statute.

### **Board Response**

The Board of Dietetics and Nutrition Practice agreed with the findings and recommendations regarding controls over license fees and the need to complete its biennial operations report. The chair of the Dietetics Board and the president of the Optometry Board responded to the finding and recommendation pertaining to the executive director's achievement awards. Both responses indicated the achievement awards were appropriate.



## **Board of Dietetics and Nutrition Practice**

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### **Table of Contents**

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Board of Dietetics and Nutrition Practice Response	9

### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Dietetics and Nutrition Practice staff on August 11, 1998:

Laurie Mickelson	Executive Director
Julia Vangsness	Administrative Services Unit Accounting Supervisor



# **Board of Dietetics and Nutrition Practice**

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## **Chapter 1. Background Information**

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The Board of Dietetics and Nutrition Practice regulates the licensing of dietitians and nutritionists in Minnesota to ensure compliance with the rules of the practice of dietetics and nutrition. In addition, the board processes applications for licensure and issues original licenses and renewal certificates. The board coordinates license examinations through national testing agencies, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Sections 148.621 - 148.633 and Chapter 214. The board has seven members appointed by the Governor. Ms. Laurie Mickelson is the executive director of the board.

The board 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 214.10. The health boards are supported by an administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing appropriations, and recording receipts in the accounting system. The ASU assists the boards with budget development and provides financial reports throughout the year.

The Board of Dietetics and Nutrition Practice is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximately equal anticipated total expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board considers differences between receipts and expenditures from prior years. The board reduced fees in fiscal year 1998 and is finalizing a reduction for fiscal year 1999 due to the surplus of funds it has accumulated.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Dietetics and Nutrition Practice

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**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
License and Renewal Fees (1)	\$ 82,200	\$144,450
Miscellaneous Fees	<u>59,815</u>	<u>47,925</u>
Total Revenues	<u>\$142,015</u>	<u>\$192,375</u>
Expenditures:		
Payroll and Board Per Diems	\$ 26,733	\$ 34,413
Rent	2,811	4,328
Other Expenditures	<u>9,368</u>	<u>23,326</u>
Direct Expenditures Paid From Board Appropriation	<u>\$ 38,912</u>	<u>\$ 62,067</u>
Statewide Indirect Costs	\$ 0	\$ 895
Attorney General Costs	3,311	6,985
Administrative Services Unit Costs	<u>555</u>	<u>1,300</u>
Total Expenditures	<u>\$ 42,778</u>	<u>\$ 71,247</u>
Surplus/(Deficit)	<u>\$ 99,237</u>	<u>\$121,128</u>

(1) The significant increase in revenues is attributed to fiscal year 1997 being the first year of license renewals and the last year for obtaining licensure under previous rules.

Source: MAPS Accounting System, Board of Dietetics and Nutrition Practice Biennial Budget, ASU fiscal analysis reports.

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## Board of Dietetics and Nutrition Practice

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### Chapter 2. Revenues

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#### *Chapter Conclusions*

*The board did not have adequate controls to ensure that the approved amount of license fees were collected and deposited. We found, with respect to the items tested, that the board complied with applicable legal and policy provisions. The board did not, however, complete its biennial report as required by Minn. Stat. Section 214.07.*

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#### Background

In February 1996, the board began to issue licenses to dietitians and nutritionists who meet educational and experience requirements. The board charges applicants a processing fee that varies based on the type of license applied for and an applicant's qualifications. The board also charges an initial licensing fee to approved applicants. Licenses expire annually on November 30. The board charges an annual fee to renew licenses, and assesses a late penalty to licensees that fail to renew before the November 30 due date. The fees are established in Minnesota rules.

The Administrative Services Unit (ASU) records all the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). ASU enters information into MAPS based on reports generated by the board.

#### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license fee revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed board staff to gain an understanding of the receipt collection and deposit process. We reviewed deposit transactions and individual receipts on a sample basis. Finally, we performed analytical procedures to reconcile licenses and license renewals issued to recorded revenue.

## Board of Dietetics and Nutrition Practice

### Conclusions

Finding 1 discusses that the board did not verify that it collected all appropriate fees for each license and license renewal issued. With respect to the items tested, the board complied with applicable legal and policy provisions. We found, however, as further discussed in Finding 2, that the board did not complete its biennial report of operations for fiscal year 1996 as required by statute.

**1. The board did not reconcile the number of licenses and license renewals issued to recorded revenue.**

The board did not perform a reconciliation of the number of licenses and license renewals issued to fees collected and deposited. The board collected about \$144,000 in license revenue in fiscal year 1997. Performing the reconciliation would provide assurance to the board that it collected and deposited all appropriate fees. The board could mistakenly issue licenses or license renewals to individuals who did not pay all the appropriate fees. Without the reconciliation, the board may not detect those errors.

*Recommendation*

- *The board should periodically reconcile the number of licenses and license renewals issued to recorded revenue to provide assurance that it collected and deposited all appropriate fees.*

**2. The board did not complete its fiscal year 1996 biennial report of operations as required by statute.**

The board did not comply with Minn. Stat. Section 214.07 which requires the board to complete a biennial report of operations. The report is to be delivered to the Legislature, Governor's Office, and the Department of Health. The statute identifies 16 different criteria that should be addressed in the report including general operations, financial operations, licensure activities, and complaints.

*Recommendation*

- *The board should complete its biennial report of operations as required by Minn. Stat. Section 214.07.*



## Board of Dietetics and Nutrition Practice

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*The Board of Dietetics and Nutrition Practice designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. The board complied with applicable rules, regulations and bargaining agreements for the items tested. We question, however, the fact that the executive director received the maximum achievement award at two health-related boards. We believe the intent of the language in the Managerial Plan is to limit the amount of the award an individual state manager may receive.*

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The board's payroll expenditures for fiscal years 1996 and 1997 were \$25,381 and \$32,158, respectively. Payroll is the largest expenditure of the board. The board's per diem expenditures for fiscal years 1996 and 1997 were \$1,352 and \$2,255, respectively.

During fiscal years 1996 and 1997, the office employed three staff covered by the American Federation of State, County, and Municipal Employees (AFSCME) bargaining agreement or the Managerial Plan. The managerial plan covers the executive director, who works half-time for the Board of Dietetics and Nutrition Practice and half-time as the executive director for the Board of Optometry.

Like most of the other health related boards, the Board of Dietetics and Nutrition Practice used the services of the Administrative Services Unit to process payroll and personnel transactions and per diem payments. Until December 1995, ASU used the state's Personnel and Payroll System (PPS) to process biweekly payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the agency. During December 1995, ASU began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, ASU became responsible for also recording personnel information. The ASU office utilized the MAPS accounting system to make per diem payments.

#### **Audit Objectives and Methodology**

Our review of the Board of Dietetics and Nutrition Practice's payroll and other administrative expenditures focused on the following questions:

## Board of Dietetics and Nutrition Practice

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To answer these questions, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, personnel authorizations, and other applicable rules and regulations.

## Conclusion

Generally, the Board of Dietetics and Nutrition Practice designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements. As discussed in Finding 3, however, we question the fact that the executive director received the maximum achievement award at two health-related boards.

### **3. The executive director received the maximum achievement award from two health-related boards.**

The executive director works half-time for the Board of Dietetics and Nutrition Practice and half-time as the executive director for the Board of Optometry. The executive director received a full achievement award from both the Board of Dietetics and the Board of Optometry for fiscal year 1997. The amount of the achievement awards totaled \$2,800. In fiscal year 1996, the executive director did not receive an achievement award from the Dietetics Board. In fiscal year 1998, the executive director received achievement awards of \$700 and \$1,400 from the Board of Dietetics and the Board of Optometry, respectively. According to the provisions of the Managerial Plan for the two fiscal years ended June 30, 1997, managers who have demonstrated outstanding performance are eligible for an annual achievement award not to exceed \$1,400. While the managerial plan does not specifically address achievement awards for part-time employees, we believe that the intent of the achievement award program is to provide a maximum award of \$1,400 to any individual state manager.

### *Recommendation*

- *The board should work with the Optometry Board in authorizing achievement awards for the executive director to ensure that the intent of the limitations on achievement awards in the managerial plan are met.*

## **Board of Dietetics and Nutrition Practice**

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### **Status of Prior Audit Issues As of May 29, 1998**

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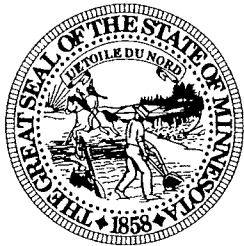
#### **Most Recent Audits**

The Board of Dietetics and Nutrition Practices has not previously been audited by the Legislative Auditor. The board was created on July 1, 1994, and issued its first licenses in February 1996.

#### **State of Minnesota Audit Follow-Up Process**

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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State of Minnesota  
Board of Dietetics and Nutrition Practice

2829 University Avenue SE, Suite 555, Minneapolis, MN 55414-3250  
(612) 617-2175 Fax (612)617-2174

August 12, 1998

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
1<sup>st</sup> floor South, Centennial Office Building  
658 Cedar Street  
St. Paul, MN 55155

Mr. Nobles:

I am taking this opportunity to respond to the findings and recommendations made by your office, following the recent audit of the Minnesota Board of Dietetics and Nutrition Practice. This audit covered the period July 1, 1995 through June 30, 1997.

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

*The board should periodically reconcile the number of licenses and license renewals issued to recorded revenue to provide assurance that it collected and deposited all appropriate fees.*

The Board of Dietetics and Nutrition Practice (BDNP) has maintained a limited reconciliation of receipts. However, the audit review concluded that the receipts did not reconcile. BDNP has contracted for and should be implementing a data base system for licensing and license renewal which includes a program for processing and reporting of fees collected and licenses issued. BDNP anticipates this data base system operational for license renewals effective November 30, 1998.

*The board should complete its biennial report of operations as required by Minn. Stat Section 214.07.*

The biennial report in question is for the period July 1, 1994 through June 30, 1996. During this time period BDNP was focused on promulgating rules for licensure, license renewal and assessment of fees. As noted in the report the first licenses were issued in November 1996. Of the sixteen criteria identified in statute for inclusion in this report, BDNP would have had information on seven criteria. As the biennial report is prepared for the period July 1, 1996 through June 30, 1998, notations will be made relative to those criteria for the previous period.

*The board should work with the Optometry Board in authorizing achievement awards for the executive director to ensure that the intent of the limitations on achievement awards in the managerial plan are met.*

This finding will be addressed with additional letters from Marita Haberman, Chair, Board of Dietetics and Nutrition Practice and Donald Sealock, O.D., President, Board of Optometry.

The recommendations in the audit report renews the board's awareness of statutory requirements. The BDNP will take this opportunity to improve board operation.

Sincerely,

A handwritten signature in black ink that reads "Laurie Mickelson". The signature is written in a cursive, flowing style.

Laurie Mickelson  
Executive Director



State of Minnesota  
Board of Dietetics and Nutrition Practice

2829 University Avenue SE, Suite 555, Minneapolis, MN 55414-3250  
(612) 617-2175 Fax (612)617-2174

August 24, 1998

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
1<sup>st</sup> floor South, Centennial Office Building  
658 Cedar Street  
St. Paul, MN 55155

Mr. Nobles:

During a regular board meeting on August 12, 1998, the Board of Dietetics and Nutrition Practice received an overview of the audit completed by the Office of the Legislative Auditor. I am responding to the recommendation in the audit report concerning the achievement award authorized by the Managerial Plan. The Board of Dietetics and Nutrition Practice grants this award in recognition of the outstanding performance Ms. Mickelson maintains for the Board

Annually, the board will review Ms. Mickelson's performance and approve an achievement award based on that review. We realize two boards employ Ms. Mickelson, however they are autonomous and both have the authority to grant achievement awards.

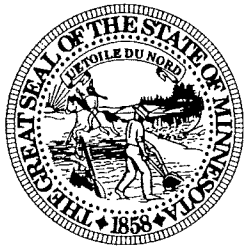
Sincerely,

A handwritten signature in cursive script that reads "Marita Haberman".

Marita Haberman  
Board Chair

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## MINNESOTA BOARD OF OPTOMETRY

2829 University Avenue SE, Suite 550

Minneapolis, MN 55414-3250

(612) 617-2173

Fax (612)617-2174

August 12, 1998

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
1<sup>st</sup> floor South, Centennial Office Building  
658 Cedar Street  
St. Paul, MN 55155

Mr. Nobles:

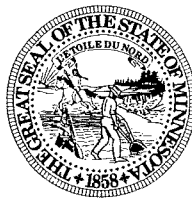
The Board of Optometry has been made aware of its inclusion in a finding and recommendation of the audit completed by the Office of the Legislative Auditor for the Board of Dietetics and Nutrition Practice. The finding concerns the achievement award authorized by the Managerial Plan and granted by the Boards of Optometry and Dietetics and Nutrition Practice to its executive director. Ms. Mickelson is employed by the two autonomous regulatory boards, with both boards having the authority to grant achievement awards.

It has been the practice of the Board of Optometry to annually review the performance of Ms. Mickelson and approve an achievement award based on that review. Ms. Mickelson maintains an outstanding performance level for the Board of Optometry and is awarded justly.

Sincerely,

Donald Sealock, O.D.  
Board President





STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Penny Johnson, Chair  
Minnesota Board of Marriage and Family Therapy


Members of the Minnesota Board of Marriage and Family Therapy


Mr. Robert Butler, Executive Director  
Board of Marriage and Family Therapy

We have audited the Minnesota Board of Marriage and Family Therapy for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998



# SUMMARY

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## **Board of Marriage and Family Therapy**

### **Financial Audit For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54D

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#### **Background**

The Board of Marriage and Family Therapy operates under Minn. Stat. Section 148B and Chapter 214. The board is appointed by the Governor and consists of seven members. Mr. Robert Butler is the executive director. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited to the State Treasury. For fiscal years 1996 and 1997, the board collected approximately \$103,000 and \$101,000, respectively, in revenue from fees.

#### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

We found that the board properly recorded its financial activity and adequately safeguarded its assets. The board needs to strengthen controls to ensure that the approved amount of license fees were collected and deposited. The board accurately paid and recorded payroll expenditures. Payroll expenditures were also in compliance with rules and regulations for the items tested. In addition, expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose.

#### **Board Response**

In its written response, the Board of Marriage and Family Therapy disagreed with the audit report finding. The board did state that it would start using pre-numbered license renewal certificates and retain unissued pre-printed renewal forms if required to do so. In our answer to the board's response, we reiterated our position that the recommendations in the audit report would provide additional assurance that the board collects and deposits the appropriate amount of license revenue based on the number of renewal certificates issued.



## **Board of Marriage and Family Therapy**

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### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Marriage and Family Therapy staff on August 12, 1998:

Robert Butler	Executive Director
Kathy Fordice	Administrative Assistant
Julia Vangsness	Administrative Services Unit Accounting Supervisor





# **Board of Marriage and Family Therapy**

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## **Chapter 1. Background Information**

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The Board of Marriage and Family Therapy regulates the licensing of professional marriage and family therapists in Minnesota to ensure compliance with the rules of practice of their profession. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Chapters 148B and 214. The board has seven members appointed by the Governor. Mr. Robert Butler is the executive director of the board.

The board 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 214.10. The board receives support from the administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, which is located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing appropriations, and recording receipts. The ASU also assists the board with budget development and provides financial reports throughout the year.

The Board of Marriage and Family Therapy is authorized to establish fees with the approval of the commissioner of Finance so that fees collected will approximate anticipated expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Marriage and Family Therapy

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
Registration/Renewal License Fees	\$ 77,190	\$ 77,450
Miscellaneous Fees	<u>25,791</u>	<u>23,358</u>
Total Revenues	<u>\$102,981</u>	<u>\$100,808</u>
Expenditures:		
Payroll and Board Per Diems	\$ 66,367	\$ 68,765
Rent	8,124	8,960
Other Expenditures	<u>13,004</u>	<u>16,159</u>
Direct Expenditures Paid From Board Appropriation	<u>\$ 87,495</u>	<u>\$ 93,884</u>
Statewide Indirect Costs	\$ 36	\$ 2,066
Attorney General Costs	21,198	19,652
Administrative Services Unit Costs	3,051	2,925
Health Professional Program Costs	<u>1,000</u>	<u>1,000</u>
Total Expenditures	<u>\$112,780</u>	<u>\$119,527</u>
Surplus/(Deficit) (1)	<u>(\$ 9,799)</u>	<u>(\$ 18,719)</u>

(1) The deficits are the result of current year operating activity only. It does not consider balances from prior year operations.

Source: MAPS Accounting System, Board of Marriage and Family Therapy Biennial Budget, ASU fiscal analysis reports.

## Board of Marriage and Family Therapy

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### Chapter 2. Revenues

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#### *Chapter Conclusions*

*The Board of Marriage and Family Therapy needs to improve controls to provide reasonable assurance that it collected and reported the appropriate license and renewal fee revenue. We found that the board complied with applicable legal and policy provisions for the fees tested.*

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#### **Background**

The Minnesota Board of Marriage and Family Therapy was established in 1987. The board licenses marriage and family therapists who have met the established standards of graduate education, post degree professional experience, and continuing education, and who have passed the national licensure examinations. The board began licensing in 1989 through a grandparenting process.

The board receives revenue from the initial licensure of marriage and family therapists, fees for license renewals, application fees, late fees, and for applications for approval of continuing education courses. Fees are established in state statute and rules.

The Administrative Services Unit (ASU) recorded all of the board's financial activity into the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board.

#### **Audit Objectives and Methodology**

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed Board of Marriage and Family Therapy personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of receipts and verified whether the staff properly collected, adequately safeguarded and properly reported the appropriate license and renewal fees.

## Board of Marriage and Family Therapy

### Conclusion

We found that the Board of Marriage and Family Therapy did not design internal controls that provided reasonable assurance that it accurately collected and reported revenue in the accounting records, as further explained in Finding 1.

- 1. The Board of Marriage and Family Therapy needs to improve its procedures to ensure that it collected and deposited the proper amount of revenue based on the number of licenses and renewal certificates issued.**

The board had an inadequate separation of duties over license and renewal receipts. The office administrator received checks in the mail, prepared the bank deposits and issued licenses and license renewal certificates to marriage and family therapists. The board collected approximately \$75,000 in license fees in fiscal year 1997. The board only has two employees, a full-time office administrator and an executive director who is employed part-time. It is difficult to adequately separate duties with such a small staff. Although the executive director is involved in the licensing function, the concentration of duties with the office administrator increases the risk that an individual could issue a license or renewal without depositing the appropriate amount of money in the state treasury. There are several controls the board could strengthen or implement to address this weakness.

The board did not retain documentation supporting its reconciliation of the total number of licenses and license renewals issued to the amount of license fees deposited in the state treasury. Both the office administrator and the executive director indicated that they performed or reviewed the license and deposit reconciliation; however, the documentation was not retained. Also, the board did not retain voided license renewal certificates. The board preprinted license renewal certificates prior to the completion of the renewal process. At the end of the renewal process, the board destroyed the preprinted renewals for licensees that elected not to renew or that were not qualified to renew. The reconciliation is a key control, in particular because of the office administrator's responsibilities in working with the licensing computer system. Without adequate documentation, the license reconciliation and accuracy of the licensing function cannot be independently verified.

Also, the board did not use pre-numbered license renewal certificates. Numbering the renewal certificates would provide additional control over the number of authorized renewals issued by the board. Pre-numbering accounting forms is a commonly accepted method of controlling accounting processes such as sales, purchases, and invoices. Several of the smaller health-related licensing boards use pre-numbered renewal certificates. The board could use the number of renewal certificates issued each year based on the pre-numbered forms in its reconciliation of license renewals issued to the receipts deposited.

## Board of Marriage and Family Therapy

### *Recommendations*

- *The board should retain documentation supporting its reconciliation of the total number of licenses issued to the license receipts deposited in the state treasury. The executive director should review and approve the reconciliation.*
- *The board should retain voided licenses to support the license renewal activity.*
- *The board should consider pre-numbering license renewal certificates as an added control over the licensing function.*

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## Board of Marriage and Family Therapy

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*The Board of Marriage and Family Therapy designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures. The board complied, in all material respects, with applicable rules, regulations and bargaining agreements for the items tested.*

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The board's payroll expenditures for fiscal years 1996 and 1997 were approximately \$61,000 and \$64,000, respectively. Payroll is the largest expenditure of the board, accounting for about 67 percent of the board's total direct operating expenditures. The board's per diem expenditures amounted to about \$5,000 per year for fiscal year 1996 and 1997.

During fiscal years 1996 and 1997, the office employed two staff belonging to two compensation plans, the American Federation of State, County, and Municipal Employees (AFSCME), and the Managerial Plan.

Like most of the other health related boards, the Board of Marriage and Family Therapy used the services of the Administrative Services Unit to process payroll/personnel transactions and per diem payments. The board used the MAPS accounting system to make per diem payments and nonpayroll administrative expenditures.

Until December 1995, the office used the state's Personnel and Payroll System (PPS) to process payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the agency. The office entered the biweekly payroll information. During December 1995, the office began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, the office became responsible for recording both the personnel and payroll information.

#### **Audit Objectives and Methodology**

Our review of the Board of Marriage and Family Therapy's payroll and other administrative expenditures focused on the following questions:

## **Board of Marriage and Family Therapy**

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To address these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, and personnel authorizations, and other applicable rules and regulations.

## **Conclusions**

Generally, the Board of Marriage and Family Therapy designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. For the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.



## **Board of Marriage and Family Therapy**

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### **Status of Prior Audit Issues As of May 29, 1998**

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#### **Most Recent Audit**

The March 1992, Legislative Audit Report 92-15 covered the four fiscal years ended June 30, 1991 for the Boards of Social Work, Marriage and Family Therapy, and Unlicensed Mental Health Service Providers. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included one issue related to the Board of Marriage and Family Therapy. The board did not promptly deposit receipts. Based on the current audit, the issue has been resolved.

#### **State of Minnesota Audit Follow-Up Process**

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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## **Board of Marriage and Family Therapy**

### **Auditor's Answer to the Board of Marriage and Family Therapy Response**

We believe our audit finding number 1 is based on fact. We recommended that the Board of Marriage and Family Therapy improve procedures to ensure that it collected and deposited the proper amount of revenue based on the number of licenses and renewal certificates issued. We think that the board could readily implement the procedures contained in our recommendations. We concluded that the recommended procedures would provide additional assurance and control over the total number of licenses issued and receipts deposited. We made these recommendations because of the degree of responsibility the office administrator had over both the receipt and license renewal processes.

As stated in the executive director's response, the board provided us with a list of those individuals eligible to renew their licenses. The list contained notations documenting the date of renewal and the check number of the licensee's payment. The board did not, however, provide us with documentation supporting a reconciliation of the total number of licenses issued as contained on the list to the total amount of license fees deposited in the accounting system.

The executive director's response also indicates that daily deposits are reconciled to the accounting system. We understand that this control was in place. This reconciliation, however, only ensured that what the board prepared for deposit was accurately reported in the accounting system. It would not detect potential misappropriation of receipts.

The executive director also states that each step of the licensing process is checked by each board staff member. We acknowledge in our finding that the executive director was involved in the licensing function. We continue to believe, however, that without the added controls contained in our recommendations to the board, that the board unnecessarily assumes the risk that license receipts could be lost or stolen without detection.

Finally, the executive director states that the board had destroyed preprinted renewal certificates for individuals not renewing licenses in order to protect against misuse. Our concern is that without retaining the unissued renewal certificates, the possibility exists that those certificates could be provided to individuals that had not paid the renewal fee. We assume that the board staff will void the unissued certificates that we recommended be retained for accounting purposes.

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# Minnesota Board of Marriage and Family Therapy

2829 UNIVERSITY AVENUE SE • SUITE 330 • MINNEAPOLIS, MINNESOTA 55414-3222 • (612) 617-2220

September 9, 1998

To Whom It May Concern:

Finding number one of the Office of the Legislative Auditor's audit report of this board for the period of July 1, 1995-June 30, 1997 is not based on fact.

The board did retain documentation of its reconciliation of the total number of renewals and fees deposited. The board has the master paper copy of those eligible to renew. This copy documents who renewed when, and any fees paid. Jim Riebe, Audit Manager, personally obtained a copy of the 1997 materials from Miss Fordice on his last visit to the office.

This list can be further verified on an individual basis by checking the individual renewal forms which are in each licensee's paper file. This form also indicates when the renewal was paid, the amount paid, and who made the actual payment. If a renewal was postmarked after the deadline, the envelope is attached as proof of a late fee being due. Files of those who choose not to renew contain copies of their termination letters.

Actual deposits can be verified by the daily deposit slips prepared by board staff, showing not only the total deposit for the day, but also the number of fees by classification. The fact that these deposits were made can be verified through the Minnesota Accounting and Purchasing System.

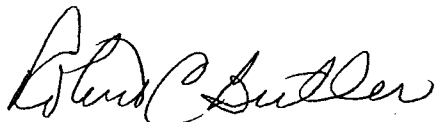
The entire renewal process can also be accessed through the board's computer program. This, in fact, was demonstrated by Fordice to Riebe.

Again, I point out that each renewal step is checked by each board staff member and renewal certificates are not released until both staff members agree that all requirements have been met. It should also be noted that the requirements for renewal go far beyond the payment of fees.

The report is correct in that the board does not retain preprinted renewal certificates for those not renewing. The board's primary responsibility is that of public protection. It has been the staff's assumption that, as long as these forms exist, there is always a chance for their misuse, thus, they have been shredded. This is the process recommended in the March 1992 audit process.

This is the first time that an audit team has recommended prenumbered renewal certificates. The board staff did not have the certificates prenumbered because of cost and because of possible printer errors in the numbering process.

If the Office of the Legislative Auditor insists, the staff of the Board of Marriage and Family Therapy will use prenumbered certificates and it will retain non-issued certificates, but the staff does so with the forewarning that this opens the renewal process to problems that do not currently exist!

A handwritten signature in black ink, appearing to read "Robert C. Butler". The signature is fluid and cursive, with the first name "Robert" and last name "Butler" clearly distinguishable.

Robert C. Butler, Executive Director



STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Lora Schwartz, President  
State of Minnesota Board of Nursing

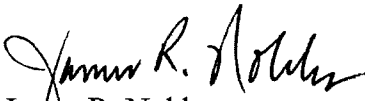
Members of the State of Minnesota Board of Nursing

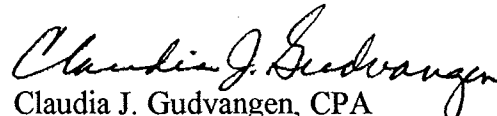
Ms. Joyce Schowalter, Executive Director  
State of Minnesota Board of Nursing

We have audited the Minnesota Board of Nursing for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998





# SUMMARY

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## **Board of Nursing**

### **Financial Audit**

### **For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54E

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#### **Background**

The Board of Nursing operates under Minn. Stat. Sections 148.171 - 148.299 and Chapter 214. Board members are appointed by the Governor. The Nursing Board has sixteen members. Ms. Joyce Schowalter is the executive director of the board. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited to the State Treasury. For fiscal years 1996 and 1997, the board collected approximately \$2.4 million and \$2.6 million, respectively, in revenue from fees.

#### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

The Board of Nursing designed an appropriate system of control to provide reasonable assurance over its financial management practices during the audit period. The board properly recorded financial activity and adequately safeguarded its assets.

We found that the board had designed controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. The board designed controls to provide reasonable assurance that it accurately paid and recorded payroll expenditures, except that the payroll clerk verified the accuracy of the payroll input to output reports, including the clerk's own payroll records. Payroll expenditures were also in compliance with rules and regulations, for the items tested. We found that expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. We found, however, that the board prepaid a vendor for services which had not been provided.

#### **Board Response**

The Board of Nursing agreed with the findings and recommendations in the audit report. In its response, the board indicated it has improved controls over payroll processing. The board acknowledged the erroneous prepayment of contract services and indicated it will seek advice in the future to avoid similar errors.



## **Board of Nursing**

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#### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

#### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Nursing staff on August 12, 1998:

Joyce Schowalter	Executive Director
Shirley Brekken	Associate Executive Director
Sheryl Meyer	Office Manager



## Board of Nursing

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### Chapter 1. Background Information

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The Board of Nursing regulates the licensing of registered and practical nurses in the state of Minnesota to ensure compliance with the rules of the practice of nursing. In addition, the board processes applications for licensure and issues original licenses and renewal certificates. The board administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Section 148.171 - 148.299 and Chapter 214. The board has sixteen members appointed by the Governor. Ms. Joyce Schowalter is the executive director of the board.

The board 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 214.10. The board is also supported by an administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The Nursing Board processed its own payments in the state's accounting and payroll systems, but utilized the ASU services for budgeting and financial reporting.

The board finances its direct operating activities through a special revenue fund appropriation. The board also incurs indirect cost charges for the attorney general, administrative services unit, and general state services. In addition, the board participates in the Health Profession and HIV/HBV programs that promote the health and wellness of practitioners.

The board is authorized to establish licensure fees with the approval of the commissioner of Finance so that fees collected will approximate expenditures for both direct operations and indirect costs during the biennium. In making the cost analysis, the board also considers differences between receipts and expenditures from prior years' operations. The board deposits licensure fees as non-dedicated revenue in the State Treasury.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Nursing

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
Registration/Renewal License Fees	\$1,803,095	\$2,022,590
Examination Fees	266,520	260,200
Miscellaneous Fees	<u>293,870</u>	<u>341,455</u>
Total Revenues	<u>\$2,363,485</u>	<u>\$2,624,245</u>
Expenditures:		
Payroll and Board Per Diems	\$1,134,926	\$1,145,097
Rent	87,722	108,136
Discipline/Licensing Computer System (1)	418,910	424,090
Other Expenditures	<u>235,848</u>	<u>528,937</u>
Direct Expenditures Paid From Board's Appropriation	<u>\$1,877,406</u>	<u>\$2,206,260</u>
Statewide Indirect Costs	\$ 35,084	\$ 34,042
Attorney General Costs	376,204	491,311
Administrative Services Unit Costs	45,013	49,907
Health Profession Program	95,624	146,837
HIV/HBV Program	<u>38,553</u>	<u>83,943</u>
Total Expenditures	<u>\$2,467,884</u>	<u>\$3,012,300</u>
Surplus/(Deficit) (2)	<u>(\$104,399)</u>	<u>(\$388,055)</u>

(1) Discipline/licensing computer system costs include \$53,501 and \$23,165 of payroll costs in FY96 and FY97, respectively.

(2) The deficits shown are the result of current year operating activity only. They do not consider balances from prior years' operations. The board had also received a special appropriation to cover the costs of the new licensing system which is not reflected in this table.

Source: MAPS Accounting System, Board of Nursing Biennial Budget, ASU Fiscal Analysis reports.

## Board of Nursing

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### Chapter 2. Revenues

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#### *Chapter Conclusions*

*The Board of Nursing properly designed internal controls to provide reasonable assurance that it collected, adequately safeguarded and properly reported the appropriate license and renewal fee revenue. With respect to the fees tested, the board complied with applicable legal and policy provisions.*

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#### Background

The Nursing Board receives license revenue from three different types of licenses: registered nurses, licensed practical nurses and nurse practitioner. License revenue is generated from application fees for licensure, renewal fees for licensure, and late renewal fees for licensure. The Legislature establishes the individual fees in state statute and rules.

The board records all of its financial activity on the Minnesota Accounting and Procurement System (MAPS).

#### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed Board of Nursing personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of all receipts and verified whether the staff properly collected, adequately safeguarded and properly reported the appropriate license and renewal fees.

#### Conclusions

We found that the Board of Nursing designed internal controls to provide reasonable assurance that it accurately reported revenue in the accounting records. For the items tested, the board complied with applicable legal provisions.

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## Chapter 3. Administrative Expenditures

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### *Chapter Conclusions*

*The Board of Nursing designed controls to ensure that it accurately paid and recorded, payroll and other administrative expenditures in the accounting records. We found, however, that the board did not have a sufficient separation of duties for processing payroll transactions. We also found that the board did not comply with Minn. Stat. Section 16A.41 regarding the prepayment of services not yet rendered. The board complied with applicable rules, regulations and bargaining agreements for all other items tested.*

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The board's payroll expenditures were approximately \$1.1 million per year in fiscal years 1996 and 1997. Payroll is the largest expenditure of the board, accounting for approximately 53 percent of the board's direct operating expenditures. The board's per diem expenditures for fiscal years 1996 and 1997 were \$14,245 and \$18,755, respectively.

During fiscal years 1996 and 1997, the office employed 31 staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), the Middle Management Association (MMA), the Minnesota Nurses Association (MNA), and the Managerial Plan.

Unlike most of the other health boards, the Nursing Board does not utilize the full range of services provided by the Administrative Services Unit (ASU). The board inputs its own payroll, personnel, receipt, and disbursement transactions into the Statewide Employee Management System (SEMA4) and the Minnesota Accounting and Procurement System (MAPS). The board does rely on the services of the ASU for budget preparation and monitoring and reporting of financial activity.

### **Audit Objectives and Methodology**

Our review of the Board of Nursing's payroll and other administrative expenditures focused on the following questions:

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

## Board of Nursing

To address these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over the payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, position descriptions and personnel authorizations, and other applicable rules and regulations.

We also analyzed the development project for a new discipline and licensing system at the board and drew two conclusions regarding the financial activity of the project. In fiscal years 1996 and 1997, the board received a special appropriation for this project, which stipulated that the board may raise fees to cover the costs of the project. We noted that the board spent about \$161,000 more on the project during the audit period than was specifically identified in the appropriation law. The additional funds were from the general operating account of the board.

## Conclusions

Generally, the Board of Nursing designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. However, as discussed in Finding 1, we found a lack of separation of duties between entering and verifying payroll transactions. Finding 2 discusses the prepayment to the computer system development vendor for services not yet rendered at the end of fiscal year 1997. For the other items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

### 1. The Board of Nursing did not adequately separate payroll entry duties.

The board employee responsible for personnel and payroll functions inputs payroll transactions in SEMA4 and also verifies the information entered. This includes a verification of the employee's own data. Ideally, the reconciliation should be performed by a person independent of the payroll input process. At over \$1 million, payroll is the most significant expenditure of the board. Without properly separating these duties, accounting records could be manipulated without detection.

#### *Recommendation*

- *The Board of Nursing should improve internal control by separating the duties of entering payroll and reconciling the input of payroll transactions to output reports.*

## Board of Nursing

2. **The Board of Nursing violated Minn. Stat. Section 16A.41 by prepaying a vendor for services not yet rendered.**

The Nursing Board prepaid the computer system development vendor \$179,000 at the end of fiscal year 1997 for services that had not been rendered. Minn. Stat. Section 16A.41 requires that payments be made only for goods received or services rendered. The board prepaid the vendor because staff thought that otherwise the funds would revert back to the State Treasury at the end of the biennium. The board could have encumbered the funds and not prepaid the vendor.

We reviewed project invoices during fiscal year 1998 to verify the status of the contract, including the prepaid funds. The board received an additional special appropriation for fiscal years 1998 and 1999 for the continued development and implementation of this project. As of the end of our audit fieldwork in May 1998, the board had not spent any of the 1998 appropriation and still had \$87,977 remaining of the prepaid expenses.

### *Recommendation*

- *The Board of Nursing should not prepay funds for goods or services that have not been provided.*

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## **Board of Nursing**

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### **Status of Prior Audit Issues As of May 29, 1998**

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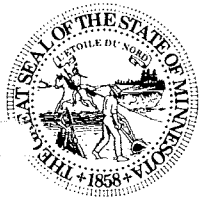
#### **Most Recent Audits**

**The June 1992, Legislative Audit Report 92-37** covered the three fiscal years ended June 30, 1991. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included one issue related to the prompt depositing of receipts. Based on the current audit, the board resolved the issue.

#### **State of Minnesota Audit Follow-Up Process**

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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**STATE OF MINNESOTA**  
**BOARD OF NURSING**

2829 University Avenue SE • Suite 500 • Minneapolis, Minnesota 55414 • (612) 617-2270 • Fax: (612) 617-2190

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MN Relay for Hearing/Speech Impaired: 1-800-627-3529

August 20, 1998

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

Dear Mr. Nobles:

Thank you for the opportunity of responding to the draft report of the recent financial audit of the Board of Nursing. It was a pleasure working with Jim Riebe and others.

The Board is pleased that the auditors found the Board's control processes to provide reasonable assurance over its financial management practices. The Board has improved internal control pertaining to entering and reconciling payroll transactions by separating those functions. Entry is now done by personnel in the Board's Administrative Services Unit (ASU) and reconciling is done by a Board of Nursing employee.

In response to the finding that the Board prepaid a vendor for services not yet rendered, the report is accurate. The Board's concern was to assure use of the unexpended appropriation. Unfortunately the process used to do so was incorrect. We will continue to seek advice from the ASU and Department of Finance in the future to prevent a similar error.

If I may be of further assistance, please contact me at 612-617-2295.

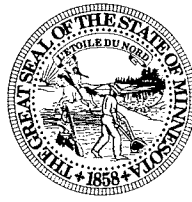
Sincerely,

A handwritten signature in cursive script, appearing to read "Joyce M. Schowalter".  
Joyce M. Schowalter  
Executive Director

JMS:kr







STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Judith Sperling, DPM, Chair  
Minnesota Board of Podiatric Medicine

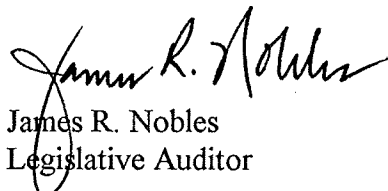
Members of the Minnesota Board of Podiatric Medicine

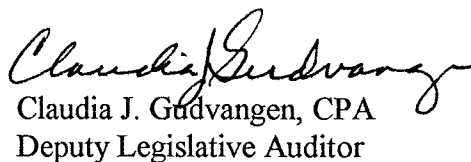
Ms. Joann Benesh, Executive Director  
Board of Podiatric Medicine

We have audited the Minnesota Board of Podiatric Medicine for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998



# SUMMARY

Office of the Legislative Auditor  
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658 Cedar Street • St. Paul, MN 55155  
(651)296-4708 • FAX (651)296-4712  
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URL: <http://www.auditor.leg.state.mn.us>

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## **Board of Podiatric Medicine Financial Audit For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54F

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### **Background**

The Board of Podiatric Medicine operates under Minn. Stat. Chapters 153 and 214. The board is appointed by the Governor and consists of seven members. Ms. Joann Benesh currently works half-time for the board as the executive director. The board's operations are financed by a General Fund appropriation. The board also collects fees for professional licensure, which are deposited in the State Treasury. For fiscal years 1996 and 1997, the board collected about \$41,000 and \$46,000, respectively, in revenue from fees.

### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

We found that the Board of Podiatric Medicine designed a system of control to provide reasonable assurance that the board properly recorded financial activity and adequately safeguarded its assets. We found, however, that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. The board accurately paid and recorded payroll expenditures. Payroll expenditures were in compliance with rules and regulations for the items tested. In addition, expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose.

### **Board Response**

In its response, the Board of Podiatry agreed with the finding and recommendation to improve controls over license collections and receipt processing. The board has completed the recommended reconciliation of licenses issued to fees collected for fiscal year 1998. The board's response did take exception to our suggestion that the health-related licensing boards study the feasibility of centralizing the licensing system and receipt processing. The suggestion was included in the overview chapter of the combined reports for the health-related licensing boards included in our audit scope.



## **Board of Podiatric Medicine**

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### **Table of Contents**

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Chapter 2. Revenues	3
Chapter 3. Administrative Expenditures	5
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### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Podiatric Medicine staff on August 13, 1998:

Joann Benesh	Executive Director
Julia Vangsness	Administrative Services Unit Accounting Supervisor



## **Board of Podiatric Medicine**

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### **Chapter 1. Background Information**

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The Board of Podiatric Medicine regulates the licensing of doctors of podiatric medicine in Minnesota to ensure compliance with the rules of the practice of podiatric medicine. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Chapters 153 and 214. The board has seven members appointed by the Governor. Ms. Joann Benesh is the executive director of the board.

The board 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 214.10. The health boards are supported by an administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing appropriations, and recording receipts. The ASU assists the boards with budget development and monitors financial activity throughout the year.

The Board of Podiatric Medicine is authorized to establish fees with the approval of the commissioner of Finance so that fees collected will approximate anticipated total expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Podiatric Medicine

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
Registration/Renewal License Fees	\$28,008	\$29,945
Miscellaneous Fees	<u>12,797</u>	<u>16,059</u>
Total Revenues	<u>\$40,805</u>	<u>\$46,004</u>
Expenditures:		
Contracted Employee	\$14,950	\$15,960
Board Per Diems	2,310	2,585
Rent	2,819	2,928
Other Expenditures	<u>2,488</u>	<u>9,129</u>
Direct Expenditures Paid From Board Appropriation	<u>\$22,567</u>	<u>\$30,602</u>
Statewide Indirect Costs	\$ 3,153	\$ 1,382
Attorney General Costs	4,353	1,649
Administrative Services Unit Costs	876	859
Health Professional/HIV Program Costs	<u>2,071</u>	<u>1,000</u>
Total Expenditures	<u>\$33,020</u>	<u>\$35,492</u>
Surplus/(Deficit)	<u>\$ 7,785</u>	<u>\$10,512</u>

Source: MAPS Accounting System, Board of Podiatric Medicine Biennial Budget, ASU fiscal analysis reports.



# Board of Podiatric Medicine

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## Chapter 2. Revenues

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### *Chapter Conclusions*

*The board did not have adequate controls to ensure that the approved amount of license fees were collected and deposited. For the fees tested, the board complied with other applicable legal and policy provisions.*

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### Background

The board receives license revenue from podiatrists. License revenue is generated from application fees for licensure, renewal fees for licensure, and late renewal fees for licensure. The Legislature establishes the individual fees in state statute.

The Administrative Services Unit (ASU) recorded all of the board's financial activity into the Minnesota Accounting and Procurement System (MAPS). The ASU entered information into MAPS based on reports generated by the board.

### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed board personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of all receipts and verified whether the staff properly collected, adequately safeguarded and properly reported the appropriate license and renewal fees.

### Conclusions

We found that the Board of Podiatry did not design internal controls that provided reasonable assurance that it accurately collected and reported revenue in the accounting records, as further explained in Finding 1.

## Board of Podiatric Medicine

- 1. The Board of Podiatric Medicine did not verify its licensing and application activity to receipts collected and deposited.**

The board did not reconcile the number of licenses issued to receipts deposited in the statewide accounting system (MAPS). The board collected about \$30,000 in fiscal year 1997 in license fees. Reconciliations provide the board with the means to ensure that the proper amount of license fee receipts were deposited and recorded in the appropriate MAPS account based on the number of licenses issued. Since our audit, the board has performed the recommended reconciliation for fiscal year 1998.

### *Recommendation*

- The board should perform regular reconciliations of its license receipts recorded on MAPS to the number of licenses issued.*

## Board of Podiatric Medicine

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*The Board of Podiatric Medicine designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. The board complied with applicable rules, regulations and bargaining agreements for the items tested.*

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The current executive director works half time for the Board of Podiatric Medicine and half time as the office manager for the Board of Nursing Home Administrators. Prior to July 1, 1997, the board contracted for the services of the executive director. Those services amounted to \$14,950 in fiscal year 1996 and \$15,960 in fiscal year 1997. The current executive director is a salaried state employee. The office's per diem expenditures for fiscal years 1996 and 1997 were \$1,980 and \$2,915, respectively.

Like most of the other health related boards, the Board of Podiatric Medicine used the services of the Administrative Services Unit to process payroll, personnel and other administrative expenditure transactions. The board records its financial activity on the MAPS accounting system.

#### **Audit Objectives and Methodology**

Our review of the Board of Podiatric Medicine's payroll and other administrative expenditures focused on the following questions:

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To address these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over the payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions.

## **Board of Podiatric Medicine**

We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions and personnel authorizations and other applicable rules and regulations.

### **Conclusions**

The Board of Podiatric Medicine designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

## **Board of Podiatric Medicine**

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### **Status of Prior Audit Issues As of May 29, 1998**

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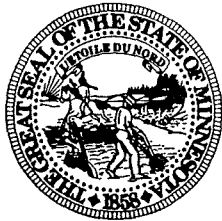
#### **Most Recent Audits**

The October 1992, Legislative Audit Report 92-69 covered the three fiscal years ended June 30, 1991. The audit scope included internal controls and compliance with material finance-related legal requirements. That report did not cite the Board of Podiatric Medicine for any issues.

#### **State of Minnesota Audit Follow-Up Process**

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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# Board of Podiatric Medicine

2829 University Avenue Southeast #430 • Minneapolis, Minnesota 55414-3245  
(612) 617-2200 • Hearing/Speech Relay: 1-800-627-3529

August 25, 1998

Mr. James R. Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
1<sup>st</sup> Floor South, Centennial Building  
658 Cedar Street  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

As the present Executive Director of this Board I am responding to the draft audit report summarizing the results of your audit for the period beginning July 1, 1995 and ending June 30, 1997 (fiscal years 1996 and 1997). Lois Mizuno was the Executive Director during the audit period.

At the exit conference on August 13, 1998, we discussed your general recommendation, in the overview chapter to all boards, to centralize other operations through the administrative services unit (ASU), such as the licensing system and receipt processing. While this unit is able to perform many services for all of the boards, I believe the licensing and receipt processing are handled most efficiently with the present system.

Your conclusions that the Board of Podiatric Medicine did not verify its licensing and application activity to receipts collected and deposited for fiscal years 1996 and 1997 and your recommendation that "The board should perform regular reconciliations of its license receipts recorded on MAPS to the number of licenses issued" was discussed at the conference. I had prepared a summary letter for FY '98, copy of which is attached, to Juli Vangsness, of the ASU unit. This letter verifies receipts with numbers of licenses issued and also tracks the certificate numbers for licenses and voided certificates. I am pleased that the representatives at the exit conference accepted this reconciliation as an acceptable way to meet this requirement and indicated that there was no need for me to prepare a similar document summarizing the information in the files for fiscal years 1996 and 1997. I will continue to keep records of receipts and certificate numbers in such a way so as to be able to furnish this summary to Juli Vangsness at the end of each fiscal year.

I look forward to receiving your final report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joann Benesh".

Joann Benesh  
Executive Director

Enclosure







STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Susan Poirot, President  
Minnesota Board of Veterinary Medicine


Members of the Minnesota Board of Veterinary Medicine


Dr. Roland Olson, D.V.M., Executive Director  
Board of Veterinary Medicine

We have audited the Minnesota Board of Veterinary Medicine for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, and other administrative expenditures. The following Summary 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 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, contracts and grants that are significant to the audit. Management of the board is responsible for establishing and maintaining the internal control structure and compliance with applicable laws and regulations.

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 September 30, 1998.

  
James R. Nobles  
Legislative Auditor

  
Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: September 21, 1998



# SUMMARY

Office of the Legislative Auditor  
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(651)296-4708 • FAX (651)296-4712  
TDD Relay: 1-800-627-3529  
email: [auditor@state.mn.us](mailto:auditor@state.mn.us)  
URL: <http://www.auditor.leg.state.mn.us>

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## **Board of Veterinary Medicine Financial Audit For the Two Fiscal Years Ended June 30, 1997**

Public Release Date: September 30, 1998

No. 98-54G

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### **Background**

The Board of Veterinary Medicine operates under Minn. Stat. Chapters 156 and 214. The board is appointed by the Governor and consists of seven members. Dr. Roland Olson is the current executive director. The board's operations are financed by a special revenue fund appropriation. The board also collects fees for professional licensure, which are deposited in the State Treasury. For fiscal years 1996 and 1997, the board collected about \$258,000 and \$302,000, respectively, in revenue from fees.

### **Audit Areas and Conclusions**

Our audit scope covered the period from July 1, 1995 through June 30, 1997. We audited license revenue, personnel services, rent and other administrative expenditures.

We found that the board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We also found that the board did not deposit receipts promptly in all cases. Furthermore, the board did not comply with a statutory requirement that it prepare a biennial report on its operations to be submitted to various oversight bodies. The board accurately paid and recorded payroll expenditures. Payroll expenditures were in compliance with rules and regulations for the items tested. In addition, we found that expenditures for rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose.

### **Board Response**

The Board of Veterinary Medicine concurred with the findings and recommendations included in the audit report. In its response, the board indicated a corrective action plan to address the findings.



# **Board of Veterinary Medicine**

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### **Audit Participation**

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### **Exit Conference**

We discussed the results of the audit at an exit conference with the following Board of Veterinary Medicine staff on August 6, 1998:

Roland Olson	Executive Director
Donna Carolus	Office Manager
Julia Vangsness	Administrative Services Unit Accounting Supervisor



## **Board of Veterinary Medicine**

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### **Chapter 1. Background Information**

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The Board of Veterinary Medicine regulates the licensing of veterinarians in Minnesota to ensure compliance with the rules of the practice of veterinary medicine. The board processes applications for licensure and issues original licenses and renewal certificates. The board also administers license examinations, approves educational seminars required for relicensure, and processes complaints filed against licensees. It operates under Minn. Stat. Chapters 156 and 214. The board has seven members appointed by the Governor. Dr. Roland Olson is the executive director of the board.

The board 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 214.10. The health boards are supported by an administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the health boards, provides services such as processing personnel and payroll transactions, encumbering and disbursing appropriations, and recording receipts. The ASU also assists the board with budget development and providing financial reports to the board throughout the year.

The Board of Veterinary Medicine is authorized to establish fees with the approval of the commissioner of Finance so that total fees collected will approximate anticipated expenditures for both direct operations and indirect costs (attorney general, administrative services unit, and statewide charges) during the biennium. In making the cost analysis, the board considers differences between receipts and expenditures from prior years.

Table 1-1 shows the financial activity for the board during the audit period.

## Board of Veterinary Medicine

**Table 1-1**  
**Summary of Financial Activity**  
**Fiscal Years Ended June 30**

	<u>1996</u>	<u>1997</u>
Revenues:		
Registration/Renewal License Fees	\$200,690	\$251,660
Examination Fees	40,595	38,640
Miscellaneous Fees	<u>16,575</u>	<u>11,791</u>
Total Revenues	<u>\$257,860</u>	<u>\$302,091</u>
Expenditures:		
Payroll and Board Per Diems	\$ 87,190	\$ 90,273
Rent	8,034	8,420
Other Expenditures	<u>58,611</u>	<u>57,311</u>
Direct Expenditures Paid From Board Appropriation	<u>\$153,835</u>	<u>\$156,004</u>
Statewide Indirect Costs	\$ 3,854	\$ 4,929
Attorney General Costs	113,253	85,458
Administrative Services Unit Costs	<u>3,365</u>	<u>5,269</u>
Total Expenditures	<u>\$274,307</u>	<u>\$251,660</u>
Surplus/(Deficit) (1)	<u>(\$ 16,447)</u>	<u>\$ 50,431</u>

(1) The deficit shown is the result of current year operating activity only. It does not consider balances from prior year operations.

Source: MAPS Accounting System, Board of Veterinary Medicine Biennial Budget, ASU Fiscal Analysis reports.



# Board of Veterinary Medicine

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## Chapter 2. Revenues

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### *Chapter Conclusions*

*The board did not have adequate controls to provide reasonable assurance that the approved amount of license fees were collected and deposited. We also found that the board did not always make daily deposits of receipts over \$250 as required by Minn. Stat. 16A.275. The board complied with other applicable legal and policy provisions for the fees tested. The board did not, however, prepare its biennial report as required by Minn. Stat. Section 214.07.*

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### Background

The board receives license revenue from licensure of veterinarians, application fees for licensure, renewal fees for licensure, and late renewal fees for licensure. The fees are established in state statute and rules.

The Administrative Services Unit (ASU) recorded all of the board's financial activity in the Minnesota Accounting and Procurement System (MAPS). The ASU entered summarized information into MAPS based on reports generated by the board.

### Audit Objectives and Methodology

We focused our review of receipts on the following objectives:

- Did the board design internal controls to provide reasonable assurance that the appropriate amount of license and renewal revenue was collected, adequately safeguarded and properly reported in the accounting records?
- Did revenue collections comply with applicable legal and policy provisions?

To address these objectives, we interviewed Board of Veterinary Medicine personnel to gain an understanding of the process of collecting and depositing receipts. In addition, we selected a sample of all receipts and verified whether the staff properly collected, adequately safeguarded and properly reported the appropriate license and renewal fees.

## Board of Veterinary Medicine

### Conclusions

As explained in Finding 1, we noted that whenever the office administrator was absent, the board did not deposit receipts over \$250 daily as required by Minn. Stat. 16A.275. In addition, the board did not perform reconciliations between the licenses issued and the actual receipts it collects and deposits, as discussed in Finding 2. Finding 3 discusses that the board did not complete its biennial report for fiscal year 1996 as required by Minn. Stat. Section 214.07.

**1. The Board of Veterinary Medicine did not always deposit receipts over \$250 as required by Minn. Stat. 16A.275.**

The Board of Veterinary Medicine has two part-time employees, an office administrator and an executive director. The office administrator makes the daily deposits of receipts, however the administrator works only nine days out of ten each pay period and takes personal vacations during the year. On the days that the administrator is not present in the board office, receipts which usually total over \$250, are not deposited. Minn. Stat. Section 16A.275 requires that state agencies deposit receipts that total more than \$250 on a daily basis.

*Recommendation*

- *The Board of Veterinary Medicine should deposit receipts in accordance with state statute.*

**2. The Board of Veterinary Medicine did not verify its licensing and application activity to receipts collected and deposited.**

The board did not reconcile the number of license, examination, and corporate registration applications to receipts deposited in the statewide accounting system (MAPS). The board collected approximately \$290,000 during fiscal year 1997 in license and examination fees. Reconciliations provide the board with the means to ensure that the proper amount of license fee receipts were deposited and recorded in the appropriate MAPS account based on the number of licenses issued.

*Recommendation*

- *The board should perform regular reconciliations of its license receipts recorded on MAPS to the number of licenses issued.*

## Board of Veterinary Medicine

3. The board did not complete its biennial operations report as required by Minn. Stat. Section 214.07.

The board did not comply with Minn. Stat. Section 214.07 which requires the board to complete a biennial operations report. The report is to be provided to the Legislature, the Governor's Office and the Department of Health. The statute identifies sixteen different criteria that should be contained in the report including general operations, financial operations, licensure activities, and complaints.

### *Recommendation*

- *The Board of Veterinary Medicine should complete its biennial report of operations as required by state statute.*

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## Board of Veterinary Medicine

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### Chapter 3. Administrative Expenditures

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#### *Chapter Conclusions*

*The Board of Veterinary Medicine designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. For the items tested, the board complied with applicable rules, regulations and bargaining agreements.*

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The board's payroll expenditures for fiscal years 1996 and 1997 were \$83,945 and \$87,798, respectively. Payroll is the largest expenditure of the board, accounting for approximately 55 percent of the board's total direct operating expenditures. The board's per diem expenditures for fiscal years 1996 and 1997 were \$3,245 and \$2,475, respectively.

During fiscal years 1996 and 1997, the office employed two staff, one belonging to the American Federation of State, County, and Municipal Employees (AFSCME) bargaining agreement, and the executive director who belongs to the Minnesota Association of Professional Employees (MAPE).

Like most of the other health related boards, the Board of Veterinary Medicine used the services of the Administrative Services Unit to process payroll and personnel transactions and per diem payments. Until December 1995, ASU used the state's Personnel and Payroll System (PPS) to process payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the agency. The office entered the biweekly payroll information. During December 1995, ASU began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, ASU also began recording personnel information. The ASU uses the MAPS accounting system to make per diem payments.

#### **Audit Objectives and Methodology**

Our review of the Board of Veterinary Medicine's payroll and other administrative expenditures focused on the following questions:

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

## **Board of Veterinary Medicine**

To answer these questions, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes and the transaction authorization and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll, per diem, and rent expenditures. We verified compliance with bargaining unit provisions, personnel authorizations, and other applicable rules and regulations.

## **Conclusions**

The Board of Veterinary Medicine designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements.

## **Board of Veterinary Medicine**

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### **Status of Prior Audit Issues As of May 29, 1998**

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#### **Most Recent Audit**

The October 1992, Legislative Audit Report 92-67 covered the three fiscal years ended June 30, 1991. The audit scope included internal controls and compliance with material finance-related legal provisions. That report included an issue related to the board not reconciling license revenue to deposited receipts. The board did not resolve the issue as discussed in Finding 2 in this report.

#### **State of Minnesota Audit Follow-Up Process**

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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## MINNESOTA BOARD OF VETERINARY MEDICINE

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August 14, 1998

James R. Nobles  
Legislative Auditor  
1<sup>st</sup> Floor South, Centennial Building  
658 cedar Street  
St. Paul, MN 55155

Dear Mr. Nobles:

The following reply is submitted in response to the three findings of the financial and compliance audit of the Board of Veterinary Medicine for the period July 1, 1995 through June 30, 1997.

1. **The Board of Veterinary Medicine did not always deposit receipts over \$250 as required by Minn. Stat. 16A.275.**

The Board Executive Director will assume responsibility for making deposits on those days when receipts exceed \$250 and the Office Manager is not present. Dr. Roland Olson will be responsible for correction of this finding, which will be corrected by September 1, 1998.

2. **The Board of Veterinary Medicine did not verify its licensing and application activity to receipts collected and deposited.**

Board of Veterinary Medicine office staff will perform a formal reconciliation of license, examination and corporate receipts deposited in MAPS with the number of licenses, exam permits and corporate registrations issued. This will be done on an annual basis on June 30 and the results will be documented. Roland Olson and Donna Carolus will be responsible for correction of this finding, which will be corrected by July 1, 1999.

2. **The Board did not complete its biennial operations report as required by Minn. Stat. Section 214.07.**

The biennial operations report has been completed and forwarded to the appropriate agencies.

Sincerely,

Roland C. Olson, DVM  
Executive Director

RCO/dc

