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MINNESOTA VETERANS HOMES BOARD

FINANCIAL AUDIT

FOR THE TWO YEARS ENDED JUNE 30, 1992

MAY 1993

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

93-23

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
612/296-4708

MINNESOTA VETERANS HOMES BOARD

FINANCIAL AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1992

Public Release Date: May 21, 1993

No. 93-23

OBJECTIVES:

- EVALUATE INTERNAL CONTROL STRUCTURE: Payroll; per diem; employee expense reimbursement; and consultant service contracts.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

We found the internal control structure to be effective.

We found no departures from finance-related legal provisions.

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FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. James Main, Chair
Minnesota Veterans Homes Board

Members of the Minnesota Veterans Homes Board

Audit Scope

We have conducted a financial related audit of the Minnesota Veterans Homes Board for the two years ended June 30, 1992. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Minnesota Veterans Homes Board, as discussed in the Background. We have also made a study and evaluation of the internal control structure of the Minnesota Veterans Homes Board in effect as of February 1993.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Minnesota Veterans Homes Board are free of material misstatements.

As part of our study and evaluation of the internal control structure, we performed tests of the Minnesota Veterans Homes Board's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Minnesota Veterans Homes Board is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;

- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures into various categories. For all of the internal control structure categories listed below, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

- Payroll;
- Per Diem;
- Expense Reimbursements; and
- Consultant Service Contracts.

Conclusions

In our opinion the internal control structure of the Minnesota Veterans Homes Board in effect at February, 1992, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial transactions of the Minnesota Veterans Homes Board.

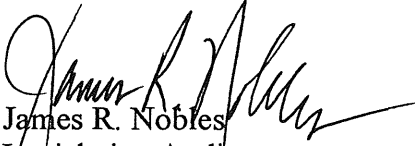
The results of our tests indicate that, with respect to the items tested, the Minnesota Veterans Homes Board complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Minnesota Veterans Homes board had not complied, in all material respects, with those provisions.

We noted certain matters involving the internal control structure and its operation that we reported to the management of the Minnesota Veterans Home Board at the exit conference held on April 26, 1993.


Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Mr. James Main, Chair
Members of the Minnesota Veterans Homes Board
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This report is intended for the information of the Legislative Audit Commission and management of the Minnesota Veterans Homes Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on May 21, 1993.

We would like to thank the Minnesota Veterans Homes Board staff for their cooperation during this audit.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 30, 1993

Report Signed On: May 17, 1993

Minnesota Veterans Homes Board

Background

The Minnesota Veterans Homes Board was created by the 1988 Legislature to govern the Minnesota veterans homes. The office of the board serves as the first point of contact and referral for the Minnesota veterans homes. Laws of 1988, Chapter 699, Section 7, states in part that: "it is the duty of the board and the board has the power to determine policy and adopt, amend, and ... repeal rules for the governance of the homes." The board consists of nine voting members appointed by the governor. James Sieben was the board chair during the audit period. James Main is the current chairman of the board.

The board states that its mission is to provide high quality skilled nursing and domiciliary care to the residents of the Minnesota veterans homes.

The Minnesota Veterans Homes Board Office currently consists of nine state employees. The executive director of the board office is Richard Zierdt. The activities of the board and board office are financed by state appropriation and accounted for on the statewide accounting system. The board office received general fund appropriations of \$145,000 for fiscal year 1991 and \$552,000 for fiscal year 1992. The 1991 laws also allowed for the transfer of positions and unencumbered balances from the homes to the board office for each fiscal year. The board activities for fiscal years 1991 and 1992 are as follows:

	<u>1991</u>	<u>1992</u>
Payroll	\$300,969	\$331,054
Per Diem	28,361	27,221
Expense Reimbursements	25,936	19,195
Consultant Service Contracts	0	146,337
Other	<u>70,164</u>	<u>33,218</u>
Total	<u>\$425,430</u>	<u>\$557,025</u>

Source: Managers Financial Report, September 5, 1992.