OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit

Anoka-Metro Regional Treatment Center

Three Fiscal Years Ended June 30, 1999

JUNE 15, 2000 **00-27**

Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

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- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Report Summary

Audit Report

Anoka-Metro Regional Treatment Center
Three Fiscal Years Ended June 30, 1999

Key Findings and Recommendations:

- The reimbursement specialists housed at Anoka-Metro Regional Treatment Center (AMRTC) did not always verify and document all information needed to appropriately bill responsible parties for the cost of care. The reimbursement specialists should adequately pursue responsible relatives and should document client deductions allowed to pay previously incurred debt.

- Anoka-Metro Regional Treatment Center did not adequately restrict access to the state's payroll and personnel system. The treatment center should review access and give employees the minimum access needed to perform their job duties.

- Anoka-Metro Regional Treatment Center did not properly record the expenditures associated with providing meals to Anoka County clients. The treatment center should properly account for expenditures and revenue associated with the shared services contract with Anoka County. It should also recalculate the cost of meals served to it clients to ensure that the General Fund appropriation allocation did not fund the cost of meals provided to Anoka County clients.

Anoka-Metro Regional Treatment Center is a part of the Minnesota Department of Human Services. This **audit report** represents the conclusions of our audit of the center's cost of care billings, payroll expenditures, social welfare account activity, purchased goods and services, and meal receipts for the period from July 1, 1996, through June 30, 1999. The department's response is included in this report.

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Anoka-Metro Regional Treatment Center

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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
Jeanine Leifeld, CPA, CISA	Audit Manager
Susan Rumpca, CPA	Auditor-in-Charge
John Hakes, CPA	Auditor
Heather White	Auditor

Exit Conference

We discussed the findings and recommendations included in this report with the following representatives of Anoka-Metro Regional Treatment Center and the Department of Human Services' State Operated Services Division at an exit conference held on June 6, 2000:

Anoka Metro Regional Treatment Center:	
Judith Krohn	Chief Executive Officer
Jon Gillmore	Chief Operating Officer
Don Peters	Chief Financial Officer
Betty Fortuna	Accounting Supervisor
State Operating Services:	
Elaine Timmer	Assistant Commissioner
Shirley Jacobson	Financial Officer
Fran Bly	Director of Operations
Central Office:	
Dave Ehrhardt	Internal Audit Director

OLA

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Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Michael O'Keefe, Commissioner
Department of Human Services

Dr. Judith Krohn, Chief Executive Officer
Anoka-Metro Regional Treatment Center

We have audited Anoka-Metro Regional Treatment Center (AMRTC) for the period July 1, 1996, through June 30, 1999, as further explained in Chapter 1. Our audit scope included cost of care billing, payroll expenditures, social welfare account activity, purchased goods and services, and meal receipts. We discuss our audit objectives and conclusions 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 management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that Anoka-Metro Regional Treatment Center complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of Anoka-Metro Regional Treatment Center is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of Anoka-Metro Regional Treatment Center. This restriction is not intended to limit the distribution of this report that was released as a public document on June 15, 2000.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: March 24, 2000

Report Signed On: June 12, 2000

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Chapter 1. Introduction

Anoka-Metro Regional Treatment Center (AMRTC) is part of the Department of Human Services. The center began operating around the turn of the century. It houses male and female patients afflicted with mental illness and/or chemical dependency. In the past, patients lived at the center for many years. The center now focuses on returning clients to the community. As part of this focus, the current length of stay ranges from 60 to 90 days. Dr. Judith Krohn, chief executive officer, is responsible for the daily management of AMRTC.

AMRTC has developed a large network of community-based services. The center uses this network to serve at-risk clients, thus hoping to avoid having to admit these clients into a treatment facility. Pursuant to 1994 legislation, AMRTC also has developed two 16-bed community-based transitional sites in Bloomington and St. Paul. Clients can live at these transitional sites while they develop the necessary social skills to eventually live independently in the community. The financial activity for the two sites flows through AMRTC.

In 1999, AMRTC moved into a new hospital building on its campus. This new building houses several administrative operations and resident living areas. AMRTC continues to use some of its old buildings on the campus and rents the remaining buildings to other entities. The Department of Administration, Division of Building Construction, received the funding for the new hospital and served as the project manager. We did not audit the construction costs as part of this audit.

The Department of Human Services receives a General Fund appropriation and allocates it to the regional treatment centers for mental illness programs. Any cost of care collections for the treatment of mental illness are deposited into the General Fund and are not available for use by the treatment center. AMRTC also maintains a Chemical Dependency Fund where it records the activities of its chemical dependency program. The Chemical Dependency Fund operates as an enterprise activity where the center retains all chemical dependency receipts to offset the costs of providing those services. Finally, AMRTC operates a Social Welfare Fund for the benefit of its clients.

Table 1-1 summarizes AMRTC’s financial activities for budgetary fiscal year 1999.

Table 1-1
Summary of Financial Activities by Fund
Budgetary Fiscal Year 1999

	General Fund	Chemical Dependency Fund	Social Welfare Fund
Source of Funds:			
Balances In	$ 2,093,418	$ 695,495	$ 89,474
Net State Appropriations (3)	31,249,492	0	0
Cost of Care Revenues (2)	0	1,922,731	0
Meal Revenues	370,635	0	0
Client Deposits	0	0	394,142
Other Revenues	355,838	30,862	2,226
Total Funds Available	$34,069,383	$2,649,088	$485,842
Use of Funds:			
Personnel Services	$28,412,749	$1,230,086	$ 0
Purchased Services	1,466,451	44,820	0
Supplies and Equipment	2,953,845	190,993	0
Social Welfare Costs	0	0	456,255
Other Expenditures	299,930	472,150	0
Total Expenditures	$33,132,975	$1,938,049	$456,255
Balances Out	936,408	711,039	29,587
Total Uses of Funds	$34,069,383	$2,649,088	$485,842

Notes:
1. This table does not show activity in the Special Revenue Fund, which had approximately $6,000 in expenditures and $11,000 in revenue in fiscal year 1999. General Fund expenditures include encumbrances of $28,485.
2. This table shows only cost of care receipts that AMRTC is allowed to keep to support its operations. It does not show nondedicated General Fund receipts collected for the Mental Illness Program cost of care. See Chapter 2 for more information.
3. Net State Appropriations in the General Fund consists of the following:

Total State Appropriation Allocation	$33,494,343
Cancellations	(2,244,851)
Net State Appropriation	$31,249,492

Source: MAPS accounting system as of April 5, 2000.

Chapter 2. Cost of Care Billing

Chapter Conclusions

The reimbursement specialists housed at Anoka-Metro Regional Treatment Center billed parties based on the predetermined cost of care rates. However, they did not always verify and document all information needed to appropriately bill responsible parties for the cost of care.

AMRTC admitted clients to one of three programs at the center: mental illness, chemical dependency, or detoxification. The center funded its mental illness program through a General Fund appropriation allocation. All cost of care receipts collected for this program cancelled back to the General Fund. Billings for the three programs were approximately $25.7 million for fiscal year 1999.

In contrast, the treatment center's chemical dependency and detoxification programs were meant to be self-supporting enterprises. AMRTC retained the cost of care receipts for these programs to offset the costs of providing those services. AMRTC collected about $1.9 million in cost of care receipts from chemical dependency and detoxification clients in fiscal year 1999.

Each of the programs at AMRTC had a different cost of care rate. The cost of care process involved calculating a cost of care rate, determining financial responsibility, billing for services provided, receiving payments for care, depositing and recording receipts, and monitoring accounts receivable. This process involved many different parties, most of whom were outside of AMRTC's direct control. For example, during the audit period, the Department of Human Services' Reimbursement Division maintained the computerized billing system that all of the state's regional treatment centers used to bill cost of care and track outstanding accounts receivable. Billings originated with reimbursement specialists who were housed at the treatment center but were employees of the Reimbursement Division.

Audit Objective and Methodology

Our audit of AMRTC's cost of care billing focused on the following question:

- Did the reimbursement specialists housed at AMRTC properly determine the various parties to bill and the amounts to bill based on the established cost of care rates?

To answer this question, we interviewed the reimbursement specialists to understand the process used to determine the responsible parties for billing cost of care. We tested whether the reimbursement unit housed at AMRTC properly determined the responsible party to bill and applied the predetermined cost of care rates.

We did not review how the Department of Human Services' (DHS) Reimbursement Division calculated cost of care rates for the mental illness program. We also did not verify that the rates the treatment center charged for chemical dependency and detoxification were sufficient to cover all related costs. We did not audit the receipts collection process for mental illness and chemical dependency cost of care. That collection process took place at the DHS central cashiering unit, which was not a part of AMRTC. Finally, we did not review the cost of care accounts receivable monitoring process since the DHS Collections Unit was responsible for this function after a client was discharged from AMRTC.

Mental Illness Program

During the audit period, the Department of Human Services' Reimbursement Division calculated the cost of care for AMRTC's mental illness program. Reimbursement specialists, who were not AMRTC employees, determined the parties responsible to pay for the cost of care. They established billing system accounts, which were the basis for billing the cost of care.

The DHS Cashier Unit, which was not a part of AMRTC, collected receipts, made the deposits, and posted the receipts to the MAPS accounting system. The cashiering unit produced an electronic file of the receipt transactions that was used to post to the accounts receivable system. Mental illness cost of care collections were deposited as nondedicated receipts into the state's General Fund. Reimbursement specialists at AMRTC and DHS Collections monitored accounts receivable. Reimbursement specialists made billing adjustments based on new or revised information.

Detoxification Program

AMRTC contracted with the host county for detoxification services. These services were short-term in nature, generally lasting for only a few days. The contracts specified a cost of care rate for each 24-hour period a client was in the program. The reimbursement specialists invoiced the county for the cost of services based on the time the client spent in the program. The county sent payment to the AMRTC business office, which made the deposits and recorded the receipts on the state's accounting system.

Chemical Dependency Program

AMRTC contracted with the host county for chemical dependency services. The contracts specified a daily cost of care rate. In most cases, the cost of chemical dependency treatment was paid by DHS substance abuse programs. Primary chemical dependency treatment lasted for 28 days. Extended care can last up to 90 days. For chemical dependency, the reimbursement specialists determined who will pay for the cost of care and established the account in the billing system. They invoiced the client or other responsible party for days in the program. The DHS Cashier Unit received the chemical dependency receipts, made the deposits, and posted the receipts to the state's accounting system.

Conclusions

The reimbursement specialists housed at Anoka Metro Regional Treatment Center billed parties based on the proper predetermined cost of care rates. However, as discussed below, they did not always verify and document all information needed to appropriately bill responsible parties for the cost of care. For example, the reimbursement specialists did not always adequately determine responsible parties, document cost of care decisions, and verify financial information.

1. The reimbursement specialists did not always verify and document all information needed to appropriately bill responsible parties for the cost of care.

The reimbursement specialists housed at AMRTC did not adequately determine responsible parties, document cost of care decisions, and verify financial information needed to appropriately bill responsible parties for the cost of care. As a result, the reimbursement specialists did not pursue collection of certain cost of care charges that should have been invoiced to the client or another party.

We found at least three cases where the reimbursement unit did not adequately pursue responsible relatives to determine if they had the ability to pay the client's cost of care. Minnesota Rules, Chapter 9515, requires that the department interview the responsible relative if a client is unable to pay. The rules also discuss the responsible relative's ability to pay. In one case, the client file contained conflicting information regarding a spouse. The reimbursement specialists did not resolve this conflicting information to determine if the spouse should have been considered a responsible party. In another case, the reimbursement specialists sent a letter to a spouse requesting financial information. There was no information in the file showing that the spouse provided the requested financial information nor any indication that the reimbursement specialists followed up on the information request. In another case, the reimbursement specialists did not pursue the client's separated spouse as a potential responsible relative. They consulted the DHS welfare system and determined that, since the spouse was receiving public assistance, the spouse would be unable to pay. However, the client's file did not contain specific information documenting the reimbursement specialist's decision not to pursue the spouse as a responsible party. In all three cases, the reimbursement unit did not pursue or collect some or all of the cost of care.

In addition, the reimbursement specialists did not adequately verify deductions allowed to pay previously incurred debts. In one case, they used informal documentation consisting of a letter from a case manager documenting a conversation with the client regarding her income and expenses. Minnesota Rules 9515.1600 requires the department to verify property and deductions allowed to pay previously incurred debts. A conversation with the client is not sufficient verification of assets and expenses.

Recommendations

- *The reimbursement specialists should adequately pursue responsible relatives to determine if they have the ability to pay the client's cost of care. They should document any decisions not to pursue potential responsible parties.*

- *The reimbursement specialists should adequately document client deductions allowed to pay previously incurred debt.*

Chapter 3. Payroll

Chapter Conclusions

Anoka-Metro Regional Treatment Center accurately reported payroll expenditures in the accounting records. However, the center did not adequately restrict certain employees' access to SEMA4, the state's payroll and personnel system. For the items tested, the treatment center complied with significant finance-related legal provisions over payroll.

AMRTC had payroll expenditures during the three-year audit period of approximately $77 million. Payroll costs are approximately 80 percent of AMRTC's total expenditures. The center employs approximately 650 employees, including employees who work at the Bloomington and St. Paul community-based facilities and employees doing outreach within the community. Since AMRTC is a hospital, it is staffed 24 hours a day, seven days a week. The center uses the state's payroll system, SEMA4, to process its payroll and personnel transactions.

Audit Objectives and Methodology

Our audit of AMRTC's payroll focused on the following questions:

- Did AMRTC accurately report payroll expenditures in the accounting records?

- Did AMRTC comply with significant finance-related legal provisions over payroll?

To answer these questions, we interviewed employees to gain an understanding of the processes for employee payroll and personnel transactions. These processes include how AMRTC documents and approves time worked, enters payroll and personnel transactions, and reports payroll transactions in the accounting records. We performed analytical procedures and reviewed system access and security. We also reviewed a sample of payroll and personnel transactions to determine if AMRTC properly authorized, processed, and recorded payroll expenditures. We reviewed transactions to determine if AMRTC complied with applicable bargaining unit agreements and state policies and procedures. We interviewed employees to determine how AMRTC charged payroll to the various funding sources and reviewed transactions for reasonableness.

Anoka-Metro Regional Treatment Center

Conclusions

Anoka-Metro Regional Treatment Center accurately reported payroll expenditures in the accounting records. For the items tested, AMRTC complied with significant finance-related legal provisions over payroll. However, as discussed in Finding 2, AMRTC gave five employees incompatible access to SEMA4, the state's payroll and personnel system.

2. AMRTC did not adequately restrict access to the state's payroll and personnel system.

AMRTC gave five employees full access to both the human resource and payroll portions of SEMA4, the state's payroll and personnel system. As a result, these employees could enter new employees in SEMA4 and process payroll transactions for all employees. These employees could also enter unauthorized personnel transactions into SEMA4. AMRTC should ensure that employees are given the minimum SEMA4 access needed to perform their job duties. The regional treatment center should limit and control the number of employees who have access to personnel and payroll transactions for emergency purposes.

Recommendation

- *AMRTC should review SEMA4 access and give employees the minimum access needed to perform their job duties.*

Chapter 4. Social Welfare Account Activity

Chapter Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded social welfare funds by depositing funds promptly, only initiating authorized transactions, adequately separating duties, and reconciling accounts. The treatment center accurately recorded social welfare account activity in the MAPS accounting system and in the subsidiary records.

AMRTC operates a social welfare account for the benefit of its clients. Clients can deposit personal funds with AMRTC's cashier and withdraw those funds as needed. AMRTC maintains an imprest cash account to satisfy clients requests for money from the social welfare account. AMRTC maintains both cash on hand and in a local checking account to meet client withdrawal requests. AMRTC can also process payments on behalf of clients from social welfare funds held in the state treasury. During the audit period, clients deposited over $1.3 million into the social welfare account. Clients withdrew over $1.4 million from the account.

Employees post deposit and withdrawal transactions to the client accounts in a subsidiary accounting system each day. AMRTC deposits client money into a separate account in the state treasury, which earns interest. The account earned nearly $15,000 in interest during the three-year period. AMRTC allocates interest earnings each month to client accounts based on the average daily balances for the month. AMRTC reconciles the client balances to the balances in the state's accounting system to ensure the accuracy of these transactions.

Audit Objectives and Methodology

Our audit of AMRTC's social welfare account focused on the following questions:

- Did AMRTC adequately safeguard social welfare funds by depositing funds promptly, initiating transactions only after authorization by the client, separating duties, and reconciling accounts?

- Did AMRTC accurately record social welfare account activity in the MAPS accounting system and in the subsidiary records?

To answer these questions, we interviewed employees to understand the process clients used to deposit and withdraw funds. We observed how and where AMRTC deposited receipts. We reviewed the process the treatment center used to record activity in the clients' accounts and to ensure the accuracy of the accounting records by reconciling financial activity. For a sample of social welfare account transactions, we determined if the clients authorized the transactions and if AMRTC properly posted the transactions to the clients' accounts. We also reviewed a sample of the reconciliations between the imprest cash checking account bank balance and the check register balance. We reviewed a sample of the reconciliations between the client balances and the balances in the state's accounting system. Finally, we determined whether interest was allocated to client accounts using a reasonable basis.

Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded social welfare funds by depositing funds promptly, only initiating authorized transactions, adequately separating duties, and reconciling accounts. The treatment center accurately recorded social welfare account activity in the MAPS accounting system and in the subsidiary records.

Chapter 5. Purchased Goods and Services

Chapter Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded supplies and equipment, accurately recorded purchases in the accounting records, and complied with material finance-related legal provisions relating to purchased goods and services.

AMRTC purchased approximately $5 million in services and $8.9 million in supplies and equipment during the audit period. The largest categories of service expenditures included utilities, medical and dental services, waste management services, repairs and alterations to buildings, and network services. Supplies and equipment purchases included food, pharmaceuticals, office supplies, medical supplies, equipment, and other goods.

Audit Objectives and Methodology

Our audit of AMRTC's purchased goods and services focused on the following questions:

- Did AMRTC accurately record purchases in the accounting records?

- Did AMRTC comply with material finance-related legal provisions, including prompt payment and purchasing requirements?

- Did AMRTC adequately safeguard supplies and equipment?

To answer these questions, we interviewed employees to gain an understanding of the purchasing, recording, and invoice paying processes. We reviewed the process AMRTC used to ensure it received services or goods before making payment. We determined and tested AMRTC's process for complying with purchasing, prompt payment, funding source, and recording requirements. We also determined how AMRTC safeguarded its assets. We looked at AMRTC's process to record equipment purchases in the fixed asset inventory system and to perform periodic inventory counts.

Purchased Services

Employees requesting services completed a purchase request form that was forwarded to the business office. The business office determined the purchasing process to use, selected the vendor, and completed the purchase order or contract. After providing the services, the vendor sent an invoice to the business office. The business office either called or sent a copy of the invoice to the supervisor of the area that received the services. After confirming the satisfactory completion of the services, the supervisor forwarded the invoice to the business office for payment. The business office compared the invoiced amount to the quoted amount and paid the invoice.

Supplies and Equipment Purchases

Employees requesting supplies and equipment completed a purchase request form that was routed to the business office. For most purchases, the business office selected the vendors and completed the purchase orders after ensuring that the department manager authorized the request. The warehouse received all supplies and equipment except food and pharmaceuticals. Warehouse workers delivered the supplies and equipment and marked the purchase orders as complete. They sent the receiving documents to the business office. The business office matched the purchase orders, invoices, and receiving documents before processing the payments.

Nearly 58 percent of all supplies and equipment expenditures were for food and pharmaceuticals. AMRTC used a state negotiated price contract for its food and pharmaceutical purchases. The pharmacy and the dietary unit purchased pharmaceuticals and food, respectively. The pharmacy and kitchen received these goods, and employees verified the delivery. Employees sent the completed purchase orders to the business office for payment.

AMRTC operates a warehouse that stores consumable goods purchased on a regular basis. AMRTC departments request goods from the warehouse as needed.

Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded supplies and equipment, accurately recorded purchases in the accounting records, and complied with material finance-related legal provisions relating to purchased goods and services.

Chapter 6. Meal Receipts

Chapter Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded and promptly deposited its incoming receipts. The treatment center properly determined the amount to bill based on actual meals served and adequately monitored its accounts receivable. However, the center did not properly record the expenditures associated with providing meals to Anoka County clients.

AMRTC has established a contract with Anoka County to provide meals to certain county clients housed in the old AMRTC buildings. The Department of Human Services refers to such arrangements as "shared service" agreements. AMRTC's contract with the county is on a state fiscal year basis and specifies a per-meal rate. The center's dietary unit tracks the number of meals served to county clients and forwards this information to the business office each month. AMRTC invoices Anoka County for actual meals served. The business office receives incoming checks from the county, makes deposits, and posts the receipts into MAPS, the state's accounting system. AMRTC is allowed to keep any additional receipts earned through this shared service arrangement.

Audit Objectives and Methodology

Our audit of AMRTC's meal receipts focused on the following questions:

- Did AMRTC adequately safeguard its incoming receipts and monitor its accounts receivable?
- Did AMRTC properly determine the amount to bill based on actual meals served, supported by documentation from the dietary unit and the per meal amount stated in the contract?
- Did AMRTC deposit receipts promptly and record them in the accounting records accurately?

To answer these questions, we interviewed employees to gain an understanding of the process used to invoice meals and collect meal receipts. We determined the process AMRTC used to deposit receipts and record them in the accounting records. We also tested a sample of meal invoices to determine if AMRTC properly determined the amount to bill, monitored its accounts receivable, accurately recorded transactions in the accounting records, and promptly deposited receipts.

Anoka-Metro Regional Treatment Center

Conclusions

Anoka-Metro Regional Treatment Center adequately safeguarded and promptly deposited its incoming receipts. The treatment center properly determined the amount to bill based on actual meals served and adequately monitored its accounts receivable. However, during our testing, we noted that AMRTC did not invoice Anoka County for meals served in April 1999. AMRTC generated an invoice for over $36,000 on March 20, 2000, after we brought this issue to their attention. As discussed below, we also found that the center did not properly record the expenditures associated with providing meals to Anoka County clients.

3. AMRTC did not properly record the expenditures associated with providing meals to Anoka County clients.

AMRTC did not properly match the expenditures and revenue associated with providing meals to Anoka County clients. The treatment center provided food to its clients from a General Fund appropriation. However, the center also purchased food for its Anoka County clients from the General Fund appropriation. AMRTC is allowed to keep and use meal receipts from the county. The treatment center deposited those receipts into a shared services account in the Special Revenue Fund.

During the audit period, AMRTC purchased the food for both AMRTC clients and Anoka County clients from its General Fund appropriation for food until that General Fund allocation was exhausted. When AMRTC had spent its entire General Fund food allocation, it used the shared services receipts to purchase food for both center and county clients. Because of this, for much of each year, the treatment center used an inappropriate funding source to purchase food served to county clients. AMRTC should purchase food for Anoka County clients under the shared service agreement from the meal receipts paid by the county.

AMRTC did not go back at the end of the year to determine if the General Fund only paid for the portion of food costs for AMRTC clients. The treatment center may have funded meals from the incorrect funding source. Potentially, the center may have to reimburse the General Fund for food costs for county clients.

Recommendations

- *AMRTC should periodically determine the cost of meals for Anoka County clients and make the necessary accounting transactions to ensure that the General Fund only pays for AMRTC client meals.*
- *AMRTC should recalculate the cost of meals served to its clients to ensure that the General Fund appropriation allocation did not fund the cost of the meals provided to Anoka County clients.*

Status of Prior Audit Issues
As of March 24, 2000

Most Recent Audits

Statewide Audits

Legislative Audit Report 00-08, issued in March 2000, **Legislative Audit Report 99-17,** issued in March 1999, and **Legislative Audit Report 98-20,** issued in March 1998, examined the Department of Human Services' activities and programs material to the State of Minnesota's general purpose financial statements or the Single Audit for the years ended June 30, 1999, 1998, and 1997, respectively. The scope of the audits included reviews of the department's residential treatment center cost of care revenues. The reports did not include any findings specifically related to Anoka-Metro Regional Treatment Center.

Department of Human Services Internal Audit Report

Department of Human Services Internal Audit Report, issued on August 24, 1998, by the department's internal audit office, reviewed cash accounts, internal controls surrounding the cash accounts, shared service contracts, computer policies and procedures, payroll entry, and compliance with purchasing policies set by the Department of Human Services. The report contained 13 findings and recommendations. We only reviewed the status of those issues that were relevant to our current audit objectives. We found that Anoka-Metro Regional Treatment Center had resolved the internal audit issues related to recording and counting fixed assets, documenting bidding and receiving processes, accessing MAPS (the state's accounting and procurement system), and approving timesheets.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on 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 metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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Minnesota Department of **Human Services**

June 12, 2000

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

Dear Mr. Nobles:

The enclosed material is the Department of Human Services response to the findings and recommendations included in the draft audit report of the Department's Anoka-Metro Regional Treatment Center financial related audit conducted by your office for the period July 1, 1996 through June 30, 1999. It is our understanding that our response will be published in the Office of the Legislative Auditor's final audit report.

The Department of Human Services policy is to follow-up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 282-9996.

Sincerely,

/s/ Michael O'Keefe

Michael O'Keefe
Commissioner

Enclosure
cc: Jeanine Leifeld
    Susan Rumpca

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Department of Human Services
Anoka-Metro Regional Treatment Center
Financial Related Audit
For the Period July 1, 1996, through June 30, 1999

Audit Finding #1

The reimbursement specialists did not always verify and document all information needed to appropriately bill responsible parties for the cost of care.

Audit Recommendation #1-1

The reimbursement specialists should adequately pursue responsible relatives to determine if they have the ability to pay the clients cost of care. They should document any decisions not to pursue responsible parties.

Department Response #1-1

The Department agrees with the recommendation. State Operated Services (SOS) is in the process of implementing a new client billing system, during which time we are reviewing all processes and documentation that are required to effectively bill for services provided. A standardized approach for handling documentation is being included in the process procedures being established for the SOS system. As of August 1, 2000, the Department expects to have all forms reviewed and updated, including processes for completing the necessary steps for determining responsible parties and documenting outcomes of reviews. Once procedures are completed, training will be provided at all sites to all reimbursement specialists and accounting clerks at each facility. SOS Support will continue to monitor and revise procedures as required.

Person Responsible: Fran Bly, Director

Estimated Completion Date: October 31, 2000

Audit Recommendation #1-2

The reimbursement specialists should adequately document client deductions allowed to pay previously incurred debt.

Department Response #1-2:

The Department agrees with the recommendation. See our response to recommendation 1-1.

Department of Human Services
Anoka-Metro Regional Treatment Center
Financial Related Audit
For the Period July 1, 1996, through June 30, 1999

Person Responsible: Fran Bly, Director

Estimated Completion Date: October 31, 2000

Audit Finding # 2

AMRTC did not adequately restrict access to the state's payroll and personnel system.

Audit Recommendation #2

AMRTC should review SEMA4 access and give employees the minimum access needed to perform their job duties.

Department Response #2:

The Department agrees with the recommendation. AMRTC has eliminated the access for one employee and reduced access for another employee from level 1 to level 6. Access for the remaining employees was determined to be proper to perform their respective duties.

Person Responsible: Dr. Judith Krohn, Chief Executive Officer

Estimated Completion Date: Completed

Audit Finding #3

AMRTC did not properly record the expenditures associated with providing meals to Anoka County clients.

Audit Recommendation #3-1

AMRTC should periodically determine the cost of meals for Anoka County clients and make the necessary accounting transactions to ensure that the General Fund for pays for AMRTC clients.

Department of Human Services
Anoka-Metro Regional Treatment Center
Financial Related Audit
For the Period July 1, 1996, through June 30, 1999

Department Response #3-1:

The Department agrees with the recommendation. As of July 7, 2000, AMRTC will allocate each food invoice in MAPS, based on a predetermined percentage. The percentages will be established based on the total projected number of meals provided to Anoka County clients and patient meals served at the facility. At the end of each quarter, AMRTC will reconcile the respective accounts based on the actual number of meals provided for the prior three month period.

At the beginning of each fiscal year, AMRTC receives an initial food allocation based on projected patient population data. Based on actual population figures provided in the current expense status reports, allocations are then adjusted accordingly. Therefore, AMRTC only receives funding for its actual patient population.

Person Responsible: Dr. Judith Krohn, Chief Executive Officer

Estimated Completion Date: July 1, 2000

Audit Recommendation #3-2

AMRTC should recalculate the cost of meals served to its clients to ensure that the General Fund appropriation allocation did not fund the cost of the meals provided to Anoka County clients.

Department Response #3-2:

The Department agrees with the recommendation. AMRTC will review the food account expenditures for FY 97, 98, and 99 to ensure that the appropriate food allocation was used for meals and snacks for AMRTC patients.

Person Responsible: Dr. Judith Krohn, Chief Executive Officer

Estimated Completion Date: July 31, 2000