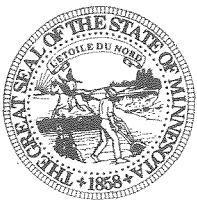


**DEPARTMENT OF HUMAN SERVICES
MOOSE LAKE REGIONAL TREATMENT CENTER
FINANCIAL AND COMPLIANCE AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1987**

SEPTEMBER 1988

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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Representative Phillip J. Riveness, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Sandra S. Gardebring, Commissioner
Department of Human Services

Mr. Frank Milczark, Chief Executive Officer
Moose Lake Regional Treatment Center

Audit Scope

We have completed a financial and compliance audit of the Moose Lake Regional Treatment Center (Center) for the three years ended June 30, 1987. Section I provides a brief description of the Center's activities and finances. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary under the circumstances. Field work was completed on June 3, 1988.

The objectives of the audit were to:

- study and evaluate major Moose Lake Regional Treatment Center internal control systems, including review of receipts, payroll, inventories, fixed assets, and administrative disbursements;
- verify that financial transactions were properly recorded in the statewide accounting (SWA) system;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Chapters 246 and 252, and other finance-related laws and regulations; and
- determine the status of prior audit recommendations.

Management Responsibilities

The management of Moose Lake Regional Treatment Center is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded

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against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations of any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of the Center is also responsible for the facility's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by the Center. The purpose of our testing of transactions was to obtain reasonable assurance that the Center had, in all material respects, administered their programs in compliance with applicable laws and regulations.

Scope Limitation

We were unable to audit certain fiscal year 1986 and 1987 social welfare transactions of the Moose Lake Regional Treatment Center because monthly transaction statements were destroyed. These records are necessary to verify that transactions are appropriate.

Conclusions

Our study and evaluation disclosed the issues addressed in Section II, findings 1, 11, 14-15, 17, and 19, concerning the Moose Lake Regional Treatment Center's system of internal accounting control, in effect on May 1, 1988, which, in our opinion, results in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial activities of the Center may occur and not be detected within a timely period.

In our opinion, except for the issues raised in Section II, findings 2, 5, and 16, and subject to the fiscal years 1986 and 1987 social welfare transactions which we were unable to verify as described in the Scope Limitation section of this letter, for the period July 1, 1984 through June 30, 1987, the Moose Lake Regional Treatment Center properly recorded, in all material respects, its financial transactions on the statewide accounting system.

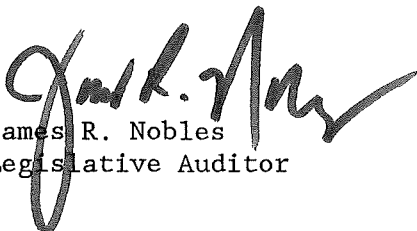
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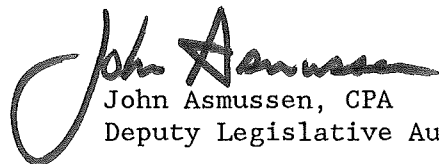
In our opinion, except for the issues raised in Section II, findings 3-4, 6-10, 12-13, and 18, and subject to the fiscal years 1986 and 1987 social welfare transactions which we were unable to verify as described in the Scope Limitation section of this letter, for the period July 1, 1984 through June 30, 1987, the Moose Lake Regional Treatment Center administered its programs in compliance, in all material respects, with Minn. Stat. Chapters 246 and 252 and other applicable finance-related laws and regulations.

Section II of this audit report includes both the recommendations developed during this audit and reiteration of our prior audit recommendations which have not yet been implemented. Prior audit recommendations repeated in this report are denoted under the caption "PRIOR FINDING NOT RESOLVED."

The recommendations included in this audit report are presented to assist the Center in resolving the audit findings and in improving accounting procedures and controls. We will be monitoring and reviewing the Center's progress on implementing these recommendations. A summary of the progress made on all audit recommendations discussed in our last audit report covering the period July 1, 1983 through June 30, 1984, dated June 1985, is shown in Section III entitled, "Status of Prior Audit Recommendations and Progress Toward Implementation."

We would like to thank the Moose Lake Regional Treatment Center staff for their cooperation during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

September 21, 1988

MOOSE LAKE REGIONAL TREATMENT CENTER

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AUDIT PARTICIPATION

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

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer	Audit Manager
Ken Vandermeer, CPA	Auditor-in-Charge
Marla Conroy	Staff Auditor
Connie Keeler	Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Moose Lake Regional Treatment Center on June 3, 1988:

Frank Milczark	Chief Executive Officer
Rick Harry	Assistant Administrator
John Karkela	Accounting Supervisor
Kathy Bonk	Accounting Clerk
Earl Schiltz	Personnel Director
Susan Arnold	Personnel Clerk
Donald Fox	Medical Director
Ron Peterson	Pharmacist

MOOSE LAKE REGIONAL TREATMENT CENTER

I. INTRODUCTION

Moose Lake Regional Treatment Center (Center), which began operation in 1938, provides treatment for mentally ill, geriatric, mentally retarded, and chemically dependent persons. Most mentally ill (MI) residents stay for five or six months, and the chemically dependent (CD) residents generally stay for four weeks. The Center is under the general management and control of the Commissioner of Human Services and the immediate supervision of a chief executive officer appointed by the commissioner. Frank R. Milczark has held the position of chief executive officer of Moose Lake since his appointment which became effective August 16, 1978. The Center has a staff of 496 to administer the general operations and various programs. The table below shows the average resident population for fiscal years 1985-1987:

<u>Fiscal Year</u>	<u>Average Resident Population</u>			
	<u>MI</u>	<u>MR</u>	<u>CD</u>	<u>Total</u>
1985	171	103	161	435
1986	164	96	157	417
1987	179	94	117	390

The Center is financed mainly by General Fund appropriations made directly to the Department of Human Services. The Department of Human Services is responsible for maintaining, controlling, and transferring the necessary funds to the appropriate Center's accounts. The table below summarizes the Center's expenditures for fiscal years 1985-1987.

	<u>1985</u>	<u>1986</u>	<u>1987</u>
Personnel	\$13,245,421	\$14,185,524	\$14,779,381
Current Expense	1,554,928	1,445,283	1,347,537
Repairs and Replacements	87,853	157,701	159,531
Special Equipment	<u>31,782</u>	<u>55,177</u>	<u>21,540</u>
TOTAL EXPENDITURES	<u>\$14,919,984</u>	<u>\$15,843,685</u>	<u>\$16,307,989</u>
AVERAGE POPULATION	435	417	390
COST PER AVERAGE POPULATION	\$ 34,299	\$ 37,994	\$ 41,815

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Social Welfare

The Social Welfare Fund was established by Minn. Stat. Section 246.15 for the Department of Human Service's Centers to safeguard and account for the personal funds of the residents. Money received for the residents is deposited with the State Treasurer and credited to the Social Welfare Fund in the statewide accounting system. The Center's Policy and Procedure 51.14 establishes the standards regulating the withdrawal of resident funds. Specific staff are authorized to make cash withdrawals and disbursements from residents' accounts. Withdrawals are made for outings to special events, shopping trips, catalog orders, tobacco products, haircuts, and other personal expenses of residents. While some of the residents make their own deposits and withdrawals, others are not as capable of handling their financial transactions.

1. Cash withdrawals for residents from the Social Welfare Fund are not adequately administered.

We identified control weaknesses in the resident withdrawal system as follows:

- **Support for resident withdrawals:** Resident withdrawals made by Center staff were not adequately supported. We reviewed 280 resident disbursements; 68 were authorized by Center staff rather than the resident. Approximately 50 percent of the staff withdrawals were not supported by a receipt or other document to show that the disbursement was made for the benefit of the resident. Documentation should be obtained to substantiate the propriety of disbursements made from residents' funds. A receipt for group activities, such as Dairy Queen treats or bowling, should be submitted by Center staff. Residents should be authorizing the withdrawal of their own funds by signing the withdrawal slip. Alternate controls should be established if the resident is not capable of signing. The documentation would allow the Center to defend the withdrawals if questioned by the residents, their families, or legal representatives. The documentation would also serve as an effective internal administrative control.
- **Authorized signature records:** Records do not reflect the effective dates that staff are authorized to sign for resident withdrawals. Review of the signature records indicated additions and deletions that were not dated. Signature records should show the correct dates of staff authorizations to ensure that the proper personnel are approving transactions.

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- **Resident change funds:** Documentation of withdrawals from the resident change funds maintained on the living units was incomplete. Change funds are established on the units for residents to purchase pop, candy and other items. Funds are maintained in either locked areas or desks. Staff administer the resident change fund activities differently. One unit uses change boxes for resident funds; however, they do not maintain records of the receipts and disbursements. Therefore, we could not trace staff withdrawals of resident funds to the records at the unit level. The Skills Development Center, Cottage 2, maintains separate envelopes for the residents. Receipts and disbursements are recorded on individual ledger sheets; however, the records are only retained for six months. Financial records should be maintained for at least four years.

RECOMMENDATIONS

- Staff withdrawals and disbursements of resident funds should be supported by evidence of the use of the funds.
- Authorized signature records should provide the effective dates of authorization for each staff member listed.
- The procedures developed for administering resident funds in the Skills Development Center, Cottage 2, should be uniformly adopted by other units.
- Ledger sheets for the resident change funds should be retained in accordance with record retention policies used for other financial records.

2. The Center has not established an appropriate account to fund resident advances.

The Center allows residents to withdraw cash from their account even when it creates a negative balance. We reviewed 77 resident statements; 13 of these statements reflected negative balances during the month. The overdrawn account balances were due to advancing work for pay, general assistance and donated funds to residents. The Center has not established a policy or an appropriate funding mechanism to provide advances to residents.

In some cases, a resident may request an advance on their work for pay money. The resident will bring their timesheet to the business office where it will be reviewed. The business office then authorizes the cashier to disburse the appropriate amount of pay to the resident. When

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work for pay is disbursed, the resident is to deposit the amount in their account. Residents are also allowed to overdraw their account based on anticipated receipt of general assistance or private funds. The general assistance received by a resident may vary from month to month based on the financial status of the resident. Therefore, the amount advanced may not be the amount that is actually received at a later date. Advancing general assistance or private funds could result in an overdrawn account even after the anticipated funds are received.

When a resident is allowed to withdraw cash on credit, they are in effect borrowing from other residents. This activity jeopardizes the other resident's assets and makes the institution liable for any outstanding overdrafts if the resident leaves the facility or in the event of the resident's death. This activity also reduces the interest earnings on other resident's deposits.

We understand that advances may be necessary in certain cases. However, the Center should review other alternate methods of advancing funds to residents. Perhaps an account should be established from the General Fund appropriation for this purpose. Central office should be consulted to obtain the proper authorization in developing a policy and advance account.

RECOMMENDATION

- The Center should work with central office in establishing a proper account for resident advances.

3. Unclaimed resident property is disposed of prior to the two year statutory requirement.

Residents are allowed to keep items of personal property at the Center. Minn. Stat. Section 246.16 provides that personal property that has remained unclaimed for two years after a resident dies or is discharged may be sold at a public auction. The proceeds from the sale, after deduction of the costs, may be expended for the benefit and entertainment of the residents at the Center. The Center's procedures regarding the disposition of unclaimed property are not in compliance with these statutes since property is not held for the required two year period.

Program staff inventory all possessions left by a resident and store the items in the hospital services office. Hospital services staff list the resident's belongings on a form. Since a written policy does not exist, an informal decision is made regarding which items are valuable and which items are not valuable. One copy of this form is mailed to the resident if an address is known. The other copy is kept in the resident's medical record. The resident has 30 days to claim non-valuable property. When a resident fails to claim their property within the 30 days, the hospital services staff turn usable possessions over to the volunteer services

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department for the resident's apparel shop. The unusable possessions are sent to the maintenance department for disposal. In regards to valuable property, the resident has 60 days to claim the property before hospital services contact the program director and the chief executive officer regarding disposition. The date and nature of the disposition is noted on the form which is then filed in the resident's personal record. These procedures are not in compliance with the statutory requirement of holding the resident's unclaimed property for two years before disposal.

RECOMMENDATIONS

- The Center should work with central office to establish a written policy on valuable and non-valuable property.
- All unclaimed property that is valuable should be held for two years as required by Minn. Stat. Section 246.16.

4. Unclaimed social welfare accounts are not reviewed periodically.

Minn. Stat. Section 246.16 requires that unclaimed resident accounts be held for a period of at least five years and then may be used for entertainment or amusement purposes which would benefit all residents of the Center. According to Center policy, resident accounts which are inactive for two years are transferred to a subaccount titled "inactive accounts." After remaining unclaimed for three more years, the inactive account balances are transferred to the suspense account. Balances remain in the suspense account for two years and are then transferred to the amusement fund and expended for the benefit of all residents. The Center's current policy allows an account to be inactive seven years before transfer to the amusement account. However, practices were not always consistent with the timelines cited in the policy.

The Center has not reviewed the social welfare accounts in the inactive and suspense accounts since 1985. The Center should review these accounts periodically for any unclaimed balances over the five year period and transfer funds to the amusement account. Interest is currently allocated to the inactive accounts; however, interest is not allocated to those balances in the suspense account. Therefore, when accounts are unclaimed but not transferred to suspense, interest is allocated to the account which reduces the amount of interest available to the active resident accounts.

RECOMMENDATIONS

- The Center should review the social welfare accounts periodically to determine any unclaimed balances. Accounts should be transferred at the intervals stated in the Center's policies.
- Interest should be prorated consistently between accounts as established in the Center's policies.

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5. Computer records are not adequately maintained for the social welfare accounts.

We attempted to trace receipt and disbursement transactions to the resident's monthly statements which were stored on computer disk. However, statements for seven months of fiscal year 1986 and six months of fiscal year 1987 were not available due to damaged disks. As a result, we were unable to verify the proper recording of transactions to the residents accounts for those months.

The residents social welfare activity is recorded on the Center's computerized system (TI-990). Resident statements are generated monthly and copies are sent to the resident or program director. The program directors generally retain their copies for two months and then dispose of them. After the statements are generated, the resident statement file is saved on a data disk. Previously, the resident statements were stored on the same disk as the operating system. Due to a system failure, resident statements from July 1985 through January 1986 were lost. As a result of this system failure, the Center began using separate data disks. The data disk is the only source for obtaining the resident's monthly statements since the business office does not maintain hard copies of the statements. The data disk that contained the majority of fiscal year 1987 resident statements was defective and the information could not be retrieved.

Without backup copies the risk of losing resident statements and financial transactions is increased. In addition, the establishment of an audit trail, both for internal and external purposes, is at risk. Another essential control for safeguarding computerized data is separate Offsite storage of all backup files. By separating the locations, the risk of one tragedy destroying all files is reduced significantly.

RECOMMENDATIONS

- Backup copies of the resident statements should be maintained.
- Offsite locations should be used to store computerized backup records.

Disbursements

Moose Lake Regional Treatment Center processes disbursements centrally through the statewide accounting system. Disbursements, excluding payroll, for fiscal years 1985, 1986, and 1987 were \$1,674,563, \$1,658,161, and \$1,528,608, respectively. We noted the following problems with disbursements:

- Professional/technical and purchased services did not comply with state requirements.

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- Employee travel advances are not promptly repaid.
- Improper payments are made out of the current expense checking account.
- Department field purchase orders are not used.
- The authority for local purchase was exceeded.
- Disbursements are not properly authorized or supported.

6. Contracting procedures did not comply with state requirements.

The Department of Administration's Contract Management Division has established Policy and Procedure Statement ADM-188 governing contracts for professional/technical and purchased services. The Department of Finance has also established Policy and Procedure 06:04:05 for contractual services. Both procedures require that vendors receiving \$500 or more in a fiscal year be covered under a written contract. Vendors receiving under \$500 a year can be included under the agency's annual spending plan.

Contracts were not developed for five of the vendors tested for fiscal year 1985, seven for fiscal year 1986, and two for fiscal year 1987. Without a written contract, the business office cannot properly monitor contractual services for compliance with the Administration and Finance procedures. Compliance with these procedures is essential to obtain prior authorization of contractual agreements by the appropriate state regulatory agencies. Without written contracts, the approval process is circumvented, thereby reducing the controls established by the regulating departments. The state is also liable to pay for services provided under verbal contractual agreements. However, state statutes discourage agencies from entering into such obligations without written contracts. Written contracts must be established prior to obligating the state for professional/technical services exceeding \$500 to comply with state law.

Contract maximums were exceeded for three vendors in fiscal year 1986 and four vendors in fiscal year 1987. For example, the contract with Mercy Hospital-Ambulance was exceeded by \$3,700. Amendments should be submitted when the original contract amount is anticipated to be exceeded and approval obtained before additional payments are made.

When contracts are developed for a vendor, the agency is required to evaluate the vendor's performance. This requirement is stated in ADM-188, and is to be done within 30 days of the end of the contract. Evaluations were late for all vendors for fiscal year 1986. Evaluations were not dated for fiscal year 1987; therefore, the timeliness of completing evaluations could not be tested.

RECOMMENDATIONS

- Written contracts should be established for all vendors receiving over \$500 in one fiscal year.

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- Contract payments should be reviewed for compliance with contract requirements including contract maximums.
- Evaluations should be completed within 30 days after the contract expiration date.

7. Employee travel advances are not promptly repaid.

Employees at Moose Lake Regional Treatment Center are allowed to receive travel advances from the current expense contingent account. Employees are required to have signed statements from their supervisors before they receive the travel advances. According to the Department of Finance Policy and Procedure 06:05:14, travel advances are to be issued after an employee completes an expense form and a supervisor authorizes the advance. Also, this policy states that advances issued after July 1, 1987 are to be settled within five days of completing the travel. Prior to Policy 06:05:14, travel advances were to be settled within 30 days.

Employees at the Center are not completing employee expense forms prior to receiving their travel advances. Also, employees are not settling travel advances within the five day limit. During fiscal year 1988, six travel advances were outstanding for longer than a 60 day period. These advances totaled \$892.

When employees do not complete employee expense forms for travel advances, it is difficult to determine appropriate prior authorization and to monitor final settlements. Without proper monitoring and prompt settlement, the state may sustain a loss if the employee does not repay amounts owed. If the employee leaves state employment without settling obligations such as travel advances timely, the state sustains an unnecessary loss. The Center could use the Finance form for travel expenses or the Center can develop their own form to properly administer travel advances.

RECOMMENDATIONS

- Employees should complete employee expense reports prior to receiving travel advances.
- Employees should settle travel advances within five days of returning from travel.

8. Improper payments are being made out of the current expense checking account.

The Center's current expense checking account has an authorized balance of \$2,500. The account's purpose is to provide the Center with the ability to pay for small non-recurring bills at the time of purchase and fund some of the Center's daily activities. However, the Center has not developed guidelines identifying the type of expenses to be paid from the current

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expense account. General recurring operating expenses should be processed through the statewide accounting system and subject to state operating controls.

The Center pays telephone, rubbish removal, and pharmaceutical bills out of the current expense account. These expenses are recurring on a monthly basis and should be processed through the statewide accounting system. During Christmas 1987, the Center also paid for postal service freight charges on behalf of their employees, with the agreement that the employees were to pay back the Center for these charges. As of May 1988, some of the employees had not reimbursed the account for a total amount of \$93. The Center should not pay for personal business of its employees, since these expense are inappropriate items paid from state money.

RECOMMENDATIONS

- Guidelines should be developed in conjunction with the central office to define allowable expenditures from the current expense account. These expenses should be for small non-recurring items.
- Recurring expenses should be paid through the statewide accounting system.
- Expenditures on behalf of employees should not be made with state funds.

9. Department field purchase orders are not used.

Agencies are required to use purchase orders for making direct purchases from vendors according to the Department of Administration's Procurement Bulletin 7-206. A department purchase order is used for most purchases for more than one item. This form permits back orders, partial deliveries, and the submission of more than one invoice. All other direct purchases should be made with a department field purchase order. Department field purchase orders are used to make over-the-counter purchases in which the order is completely filled. Staff are required to obtain an authorized signature on the field purchase order before making a purchase.

Department field purchase orders are not used by the Center. Instead, employees are allowed to charge items at businesses without obtaining prior written authorization. Since charge cards are not used, the vendor takes the word of the employee and bills the Center. This practice subjects the Center to a high degree of risk because the employee may not be authorized to make a purchase or may be making the purchase for personal use. If department field purchase orders were used, the vendor would have an authorized signature to rely on.

RECOMMENDATION

- Department field purchase orders should be used for all over-the-counter purchases.

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10. The authority for local purchase was exceeded.

The authority for local purchases at the Moose Lake Regional Treatment Center is \$100. Several purchases exceeded this amount. For example, the Center uses local purchase authority to procure inventory for their resident store, called the Mart, from noncontract vendors. These purchases, which often exceed \$100, totaled \$54,645 in fiscal year 1987.

Purchases exceeding the \$100 limit must be processed through the Department of Administration's Procurement Division. This division obtains bids and establishes state contracts centrally for all agencies. When an agency circumvents these procedures, it may receive a poor quality of goods or pay a higher price since the Procurement Division usually receives a bulk quantity discount type of contract price.

RECOMMENDATION

- All purchases exceeding the agency's authority for local purchases limit should be made through the Procurement Division of the Department of Administration.

11. PRIOR FINDING NOT RESOLVED: Disbursements are not properly authorized or supported.

The Department of Finance has established various policies and procedures for disbursements. The Center has also developed various internal policies regulating areas such as professional/technical services. However, the Center was not complying with established procedures in the following instances:

- Professional/technical contractors are signing in when they report for work but they are not signing out. Without a complete log, the business office cannot monitor the hours actually worked by these individuals, which may result in overpayments.
- The pharmacy does not compare invoice amounts to prices established in state contracts. All prices should be compared before disbursements are made to prevent incorrect payments.
- Contingent account expenditures are not properly supported. Invoices or receipts are not being maintained for a number of contingent account disbursements. Without the required supporting documentation, payments to vendors cannot be scrutinized for improprieties or errors.
- Purchase orders are not on file for some Mart purchases. Also, orders which are telephoned in by the pharmacy are not properly approved by the pharmacy and business office personnel. Authorization to initiate a purchase should be recorded on the purchase

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order by the pharmacy and sent to the business office for approval prior to payment.

RECOMMENDATIONS

- Professional/technical staff should log in and out each time they work.
- All pharmacy invoices should be compared to the proper state contract.
- Contingent account disbursements should have supporting documentation.
- Purchase orders should be completed and properly approved for all Mart and pharmacy purchases.

12. Financial records are not properly retained.

According to Minn. Stat. Section 15.17, all financial records need to be controlled by a retention schedule. The Department of Finance's general retention schedules require financial records to be retained for three complete fiscal years after the current processing year.

We identified two types of records which were not retained for the required time period. Deposit slips, which support receipts collected and deposited by the Center, were not on file for fiscal year 1986. Cash register transaction tapes to support Mart sales were not retained for any deposits sampled from fiscal years 1985-1987. Without the necessary records, financial data cannot be properly verified.

RECOMMENDATION

- All financial records should be retained for a minimum of three years.

Receipts

Receipts are processed by the Center for various areas such as: (1) resident accounts (social welfare), (2) imprest cash reimbursements, (3) meal tickets, (4) work programs, and (5) miscellaneous sales of scrap metal. These receipts totaled \$417,526, \$435,702, and \$448,995 in fiscal years 1985-1987, respectively. Problems exist in the following areas:

- Imprest cash accounts are not managed properly.
- Duties are not separated properly.

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13. Imprest cash accounts are not managed properly.

Imprest cash accounts for social welfare, current expense, and resident payroll were reviewed for fiscal years 1985 through 1987. The following list of weaknesses were noted:

- **Improper payments:** Various payments were made, such as loans between imprest cash accounts, which are not allowable. Payments were also made from one imprest account for expenditures of another imprest account. For example, automobile parts were purchased with funds from the resident accounts. Improper payments are discussed further under finding #8.
- **Authorized limits:** The authorized limit set by the Department of Finance was exceeded for the current expense and resident payroll accounts. Several methods were used to accumulate the excess cash, such as: (1) reimbursements were obtained for voided checks, (2) sales from scrap metal were deposited to the imprest account instead of the State Treasury, (3) refunds from pharmaceutical purchases were deposited to the imprest account instead of the General Fund, (4) expenses were reimbursed twice, and (5) contract payments from resident work programs were deposited to the imprest account instead of the State Treasury. The amounts in excess of the authorized limits on May 11, 1988 were \$3,286 for current expense (authorized limit = \$2,500) and \$126 for resident payroll (authorized limit = \$8,500). These excess amounts have been accumulated over several months.
- **Unauthorized change funds:** A \$75 meal ticket change fund was established at the Center several years ago. This fund was not approved by Finance and is not included on the Center's listing of authorized imprest cash accounts. As stated in Finance Policy and Procedure 06:06:04, an agency may not create a fund without the Department of Finance approval.
- **Over/Short accounts:** Finance Policy and Procedure 06:06:09 requires that a cash overage and shortage account be established for each imprest account. A daily log is typically used to monitor this activity. The Center has not developed a log, but has accumulated funds of \$134, which is in excess of the \$50 limit set by Policy 06:06:09. The amount over \$50 should be deposited to the State Treasury. This account has also been used to cash personal checks of employees which is not allowable in accordance with Finance Policy and Procedure 06:06:04.
- **Reconciliations:** The monthly reconciliations of the imprest cash accounts were not dated and initialed by the individuals responsible for preparing and reviewing the documents. Evidence of timely preparation and responsibility to prepare the

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reconciliation cannot be verified without dates and initials. Center staff told us that reconciliations were reviewed. However, evidence does not exist to indicate approval and review by an authorized supervisor. This is extremely important when adjustments are involved.

- **Signatures on checks:** Two authorized signatures are required on each check to provide control over disbursements. We found four blank checks with one signature already on them. Signing checks in advance defeats the control provided by two authorized signatures.

RECOMMENDATIONS

- The practice of making loans and unauthorized purchases from the imprest accounts should be discontinued.
- Authorized limits should not be exceeded. Overreimbursed items should be repaid. Revenues required to be deposited in the State Treasury should not be processed through the imprest accounts. Revenues earned for the General Fund should be deposited directly into the State Treasury.
- Authority to maintain a change fund for meal tickets should be requested from the Department of Finance.
- A daily log should be used to account for activity in each imprest account when overages/shortages occur.
- Any amounts accumulated in excess of \$50 in an over/short account should be deposited in the State Treasury.
- Imprest cash accounts and their related short and over accounts should not be used to cash personal checks of state employees.
- Monthly reconciliations should be dated and initialed by both individuals responsible for preparing and reviewing the documents.
- Blank checks should not be signed in advance.

14. Duties are not separated properly.

The business office receives, records, and deposits various types of receipts. The custody or access to receipts function and record keeping

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function are incompatible and should be performed by separate individuals. Receipts should also be reconciled by an independent individual.

Social welfare mail receipts are received by two business office employees and forwarded to a clerk for recording. The clerk then returns the receipts to the business office for deposit. A listing of these receipts is not prepared when they are received. Without this list, incompatible duties are no longer segregated and an independent accounting of all receipts and deposits cannot be made. Checks may be intentionally or unintentionally lost and remain undetected without an independent reconciliation of the receipts and deposits.

Meal ticket receipts are received by two business office employees during over-the-counter sales. After recording on a ledger, the receipts are forwarded to a third clerk for depositing. Reconciliation of amounts received, recorded and deposited is then performed by one of the employees involved in the receiving and posting process. Again, an independent reconciliation cannot be made unless incompatible functions are properly separated.

RECOMMENDATIONS

- A list of social welfare mail receipts should be prepared upon initial receipt and forwarded to the individual responsible for reconciling to amounts deposited.
- Reconciliations should be performed by an individual not associated with the receiving, posting, and depositing process.

Inventories

Consumable inventories are maintained in various locations at the Moose Lake Regional Treatment Center. The Center has pharmacy, gasoline, supplies, and food inventories. Fixed asset inventory records are maintained by an inventory coordinator.

Effective internal controls provide assurance that inventories are properly safeguarded and accurately recorded. Without these controls inventories may be misused, misplaced, or stolen without detection. We noted two common deficiencies over the Center's inventories.

- Duties are not adequately separated.
- Inventory records are not adequately maintained.

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15. Duties over food service inventories are not adequately separated.

Physical counts and purchases should be made by someone other than the individual in custody of inventory. Without this separation of incompatible functions, the custodian could be in a position to conceal both intentional and unintentional errors without detection by another employee.

Currently, one individual in food service is responsible for taking inventory counts, placing orders with vendors, and comparing shipments with amounts ordered. These incompatible functions need to be separated. Such control provides some assurance that errors and irregularities will be detected in the normal course of business.

RECOMMENDATION

- Someone independent of the custodial function should verify physical inventory counts.

16. Inventory records for fixed assets are not adequately maintained.

A comprehensive fixed asset inventory has not been completed at the Center in over three years, resulting in current fixed asset records are not accurate. For example, only three of eight assets selected for testing were found on the fixed asset records management system. Furthermore, evidence is lacking that fixed asset spotchecks are being completed. Without an adequate inventory record system, assets become susceptible to misplacement and/or theft. In addition, spotchecks provide a means of monitoring the accuracy of these records.

RECOMMENDATION

- A comprehensive physical inventory of fixed assets should be completed, and reconciled to fixed asset inventory records. A system of fixed asset spotchecks should also be developed.

Payroll

Payroll transactions reviewed at the Center consisted of both state employees' salaries and therapeutic work programs for residents. Payroll for state employees totaled \$13,245,421, \$14,185,524, and \$14,779,381 in fiscal years 1985, 1986, and 1987, respectively. For resident work programs, \$139,833, \$152,271, and \$141,573 were spent for fiscal years 1985, 1986, and 1987, respectively. Weaknesses were noted in both areas as follows:

- Central payroll transactions for employees are not independently verified by the Center.

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- Payroll advances through imprest cash were not properly handled.
- Resident payroll requirements were not followed.

17. Central payroll transactions for employees are not independently verified.

Employee payroll transactions for the Center are processed through the Department of Finance, Central Payroll Division. Transactions are input by Center staff on a computer terminal and processed by Central Payroll in batches with other departments' transactions. Central Payroll generates the warrants for state employees and distributes various summary reports of the transactions processed to the state agencies.

The Department of Finance Policy and Procedure 07:04:28 requires agencies to review the payroll audit report for discrepancies. This review is to be done on at least a sample basis each pay period, and is required to be documented. The Center does not perform this review currently. Without this review, errors in employee deductions, contributions, and other payroll transactions may occur and remain undetected.

RECOMMENDATION

- The Center should review the payroll audit report each pay period.

18. Payroll advances through imprest cash were not properly handled.

Department of Finance Policy and Procedure 07:04:19 provides that "where an employee is entitled to a payroll warrant and has not received this warrant on the date the warrant is due, the imprest cash fund may be used to give the employee the amount of the warrant or a portion thereof." The employee is to repay the advance as soon as the Finance Central Payroll Division has processed the corrected warrant. Procedure 07:04:19 requires the agency to obtain a signed statement from the employee certifying repayment along with obtaining advance approval from Employee Relations to make the initial payment.

The Center has obtained signed statements from employees, but approval has never been requested from Employee Relations. Without prior approval from Employee Relations, imprest cash checks may be issued to ineligible employees. The signed statement certifying repayment does not contain a reference to the date repaid and the corresponding receipt or deposit number. Without this information, prompt repayment cannot be reasonably verified.

RECOMMENDATIONS

- Approval should be obtained from Employee Relations prior to the issuance of imprest cash checks for payroll corrections.

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- Statements signed by employees to certify repayment should indicate the date repaid and the receipt or deposit number.

19. PRIOR FINDING NOT RESOLVED: Resident payroll requirements were not followed.

The resident payroll program at the Center consists of two units. One unit is called the pay for work program and utilizes residents in jobs on-campus. The second unit was newly created in April 1987, and is called the works program. The works program involves contract work for vendors both on and off-campus. The pay for work program did not have any significant weaknesses. However, the following weaknesses were found for the works program.

- **Evaluations:** Evaluations of resident's work performance were not always signed and dated by program supervisors. Effective dates were also missing from some forms currently used. Supervisory reviews of resident's work performance and related wages were also not done on a timely basis. Signatures are needed on evaluations to establish the individual responsible for the review. Dates are required to establish timeliness of reviews and a change in wages. Without timely reviews, residents may not receive the proper wage.
- **Wages:** Four instances of wage overpayments to residents were found. Although the overpayments were small, these occurrences indicate a weakness in the review process. Currently, the business office prepares the payroll roster based on the hours and wage rate indicated on the timesheet. Wage rates are entered on the timesheets by the program supervisor, who is also responsible for authorizing adjustments. An independent review of the wage rate is absent, but could be provided by the business office if all wage adjustments were reported to them separately from the timesheets.
- **Timesheets:** Supervisory signatures were not always present to attest to the actual hours worked. Supervisory approval is critical since a majority of residents are unable to sign timesheets themselves. If timesheets cannot be effectively used, possibly an alternative mechanism such as an approved work schedule could be used.
- **Receipts:** Cash collections from miscellaneous sales (i.e., aluminum can recycling) and corresponding calculations of earnings were not supported. Without receipts to support the amount received by the work program staff or calculations to explain the breakdown of earnings for each resident, assurance that the correct wages were paid cannot be given.

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RECOMMENDATIONS

- The evaluation process should be improved by:
 - requiring program supervisors to sign and date evaluations;
 - indicating the effective date; and
 - completing reviews on a timely basis.
- Wage rates in effect for each resident should be maintained by the business office and compared to rates noted on the timesheets.
- Supervisors should approve the actual hours worked by residents.
- Cash collections and corresponding calculations of earnings should be properly documented.

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III. STATUS OF PRIOR AUDIT RECOMMENDATIONS
AND
PROGRESS TOWARD IMPLEMENTATION

Control over the withdrawal of resident money is insufficient.

1. We recommend improved controls over resident account withdrawals as follows:

- establish authorized signature cards for residents, employees and supervisors to verify the propriety of cash withdrawal;

RECOMMENDATION IMPLEMENTED. The Center currently uses authorized signature sheets for supervisors and employees who make cash withdrawals.

- limit hospital staff who authorize transactions and handle residents cash;

RECOMMENDATION IMPLEMENTED. The Center currently allows the program director and up to five staff persons per program to authorize transactions and handle resident cash.

- avoid cash withdrawals when possible by handling resident transactions by charging and paying by check with proper documentation; and

RECOMMENDATION IMPLEMENTED. The Center currently charges goods for residents when possible, and pays by check when the invoice is received.

- when the new accounting system is implemented, statements of accounts should be given residents and program directors for review on a monthly basis.

RECOMMENDATION IMPLEMENTED. The new accounting system was implemented in July 1985. The residents and program directors receive statements of accounts on a monthly basis.

The vending machine contract is outdated and commission reports are not verified.

2. Vending procedures and controls should be improved as follows:

- a new vending machine contract should be executed and the contract amended only in writing;

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RECOMMENDATION SUBSTANTIALLY IMPLEMENTED. The vending contract has been updated. However, the contract has not been approved by the DHS Central Office, the Attorney General's Office, the Department of Finance, and Contract Management. These signatures are required to meet the necessary state guidelines, since the Center does not have the authority to enter into contracts on their own.

- the contract should request reporting by observation of cash collections; and

RECOMMENDATION IMPLEMENTED. The contract currently includes these requirements.

- business office staff should confirm that the commissions received are correct.

RECOMMENDATION IMPLEMENTED. Commissions are verified by the business office.

Residents' time cards were not properly approved by the supervisors.

3. Resident time cards should be reviewed and signed by the supervisor indicating approval.

RECOMMENDATION NOT IMPLEMENTED. See current finding #19.

Local purchases are being made without written purchase order approval.

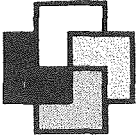
4. The Center should require the use of written purchase orders under local purchase authority.

RECOMMENDATION NOT IMPLEMENTED. See current finding #11.

The return of pharmacy drugs is not verified to credit received.

5. Business office staff should monitor the return of pharmacy drugs to determine proper credit is received.

RECOMMENDATION IMPLEMENTED. The business office now records and monitors the status of all drugs returned.



Moose Lake Regional Treatment Center

Frank R. Milczark
Chief Executive Officer

September 21, 1988


James Nobles, Legislative Auditor
Office of the Legislative Auditor
Veterans Service Building
St. Paul, Minnesota 55155

Dear Mr. Nobles

Attached is our response and plan of correction for the audit conducted for period fiscal year 1985,86 and 87. I believe we have responded positively to all recommendations. However, if you have any questions, regarding our response and plan of correction, please contact me directly.

I appreciate the professional conduct and cooperation we received from your staff.

Sincerely



Frank R. Milczark
CEO

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Attachment

To: James Nobles

From: Frank R. Milczark

Subject: Legislative Audit Committee Recommendations

1. Cash withdrawals for resident funds are not adequately administered:

-Recommendation: Staff withdrawals and disbursements of resident funds should be supported by evidence of the use of the funds.

Plan of Correction: Add the following content to MLRTC 51.14, Clients Personal Financial Affairs at the end of the first paragraph of section III. B. on page 3: "All staff withdrawals and disbursements of client funds must be supported by evidence of the use of the funds. Receipts for all cash disbursements both individual and group (such as Dairy Queen trips, bowling, etc.) must be obtained and returned to the Mart during regular Mart hours or to the Business Office if the Mart has closed for attachment to the proper withdrawal voucher.

Staff Responsible: Ken Rice

Date of Correction: November 1, 1988

-Recommendation: Authorized signature records should provide the effective dates of authorization for each member authorized.

Plan of Correction: This has been done since the legislative audit committee exit interview on June 3, 1988. Program directors will submit a dated written memo to business office or mart personnel requesting that a person be placed on the authorized signature list. When the authorized person signs the list, the date of signing will also be placed on the list. Quarterly inspection will be made to see that this procedure is being followed.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

-Recommendation: The procedures developed for administering resident funds in the SDC Cottage 2, should be informally adopted by other units.

Plan of Correction: See proposed correction for succeeding recommendation.

Staff Responsible: Ken Rice

Date of Correction: November 1, 1988

-Recommendation: Ledger sheets for the client change fund should be retained in accordance with record retention policies used for other financial records.

Plan of Correction: The Program Services Division Director shall instruct, in writing, all client living units utilizing "client change funds" to add to their program operation manuals the following procedure for the administration and documentation of these funds.

Client monies retained on the living units or in day program settings shall be handled in the following manner: (Taken from SDC-2 procedures)

1. Monies held for a specific purpose such as recreation outings, dinner outings, etc. will be stored in a locked area and will be placed in an envelope that contains the client's name, purpose for funds, date to be used, and staff that will supervise the funds.
2. Monies held to be used for multiple usages (i.e., .35 cents per day for pop, or .50 cents per day for vending machines, etc.) shall be stored in a locked area and will be placed in an envelope that contains a client financial transactions record (example attached) which is reviewed, verified, and signed off by supervisory staff on a monthly basis. The completed transaction form shall be retained for a period of four years and shall be kept in the administrative section of the client's medical records.

Staff Responsible: Ken Rice

Date of Correction: November 1, 1988

2. The Center has not established an appropriate account to fund resident advances.

-Recommendation: The Center should work with Central Office on establishing a proper account for resident advances.

Plan of Correction: Client advancements are an exception to the rule. This is done only when a client, who is on work-for-pay and is being discharged before his or her pay date, will receive their earned pay.

Tom Sherwood, Principle Accounting Officer, D.H.S., was contacted on September 15, 1988 regarding advance payment to discharged clients. It was agreed that the salary contingent fund would be used to advance payment

to clients who are being discharged prior to payroll date. A check will be issued out of the salary Contingent fund for the amount of salary obligation. The client will sign a withdrawal voucher signifying that he/she has received payment for their work-for-pay.

Staff Responsible: John Karkela

Date of Correction: October 1, 1988

3. Unclaimed resident property is disposed of prior to the two year statutory requirement.

-Recommendation: The Center should work with Central Office to establish a written policy regarding non-valuable property.

Plan of Correction: This recommendation will be initiated.

Staff Responsible: Frank Milczark

Date of Correction: January 1, 1989

-Recommendation: All unclaimed property that is valuable should be held for two years as required by Minn. Stat. Section 246.16.

Plan of Correction: MLRTC policy 51.13, Clients Personal Possessions, should be amended in the following manner: Section V.H. under "Discharge Procedures" on page 6 which now indicates that if valuable items (those placed in the locked storage area or the vault) are not claimed within 60 days disposition will be made, should be changed to read two years rather than 60 days. Items should remain in locked storage or the vault. When a written policy on valuable and non-valuable property is worked out between MLRTC and Central Office any definition of "valuable" and "non-valuable" should be included as a definition section of MLRTC policy 51.13.

Staff Responsible: Frank Milczark

Date of Correction: January 1, 1989

4. Unclaimed Social Welfare accounts are not reviewed periodically.

-Recommendation: The Center should review the Social Welfare accounts periodically to determine any unclaimed balances. Accounts should be transferred at the four intervals stated in the Center's policies.

Plan of Correction: Inactive Social Welfare accounts have been reviewed and balances that have no activity prior to January 1, 1988 have been transferred to the inactive account. This was done on August 24, 1988.

The inactive account balance has been transferred to the suspense account and the suspense account balance has been transferred to the amusement fund. This was done on August 10, 1988. All inactive patient accounts will be reviewed on a six month basis by Business Office staff. Accounts that have no activity for the previous six months will be held for two years and then will be transferred to the suspense account. Suspense account balances will be held for three years before being transferred to the amusement fund account.

Staff Responsible: John Karkela

Date of Correction: See plan of correction

-Recommendation: Interest should be prorated consistently between accounts as established in the Center's policies.

Plan of Correction: Interest will be prorated among the various segments of the Social Welfare Fund. This will be done at the next interest posting period ending October 15, 1988.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

5. Computer records are not adequately maintained for the Social Welfare Accounts.

-Recommendation: Backup copies of resident statements should be maintained.

Plan of Correction: Backup copies of resident statements are and will continue to be made on backup data disks on a monthly basis.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

-Recommendation: Offsite locations should be used to store computerized backup records.

Plan of Correction: Offsite location will be used for the storage of backup data disks. This offsite location is in the Business Office safe.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

6. Contracting procedures did not comply with State requirements.

-Recommendation: Written contracts should be established for all vendors receiving over \$500.00 dollars in one

fiscal year.

Plan of Correction: Contracts for amounts over \$500.00 will be established according to contract management guidelines. This has always been done. However, there are instances where exceptions are necessary. It usually takes 90 days to complete the contract process. In most instances, the need for professional sources is anticipated and the process is initiated in sufficient time. There are circumstances when clients needs change or the application of rules and regulations require immediate action. This is to assure appropriate care and/or avoid substantial loss of federal funds.

Staff Responsible: Frank Milczark
Date of Correction: October 1, 1988

-Recommendation: Contract payments should be reviewed for compliance with contract requirements including contract maximums.

Plan of Correction: Contract review is done on a monthly basis. If maximums are anticipated to be exceeded, addendums are made to the contract to reflect the change in contract amounts. Contracts such as Radiology, E.C.T., Anesthesiology, and Pathology are difficult to estimate due to the change in client population and types of services required.

Staff Responsible: John Karkela
Date of Correction: On-going monthly

-Recommendation: Evaluations should be completed within 30 days after the contract expiration date.

Plan of Correction: Contract evaluation will be completed in 30 days.

Staff Responsible: Greg Peterson
Date of Correction: On-going annually

7. Employee travel advances are not promptly repaid.

-Recommendation: Employees should complete employee expense reports prior to receiving travel advances.

Plan of Correction: MLRTC policy 20.9 "Travel and Registration Fee Requests" will be revised to reflect this recommendation.

Staff Responsible: John Karkela
Date of Correction: November 1, 1988

-Recommendation: Employees should settle travel advances within five days after returning from travel.

Plan of Correction: MLRTC policy 20.9 "Travel and Registration Fee Requests" will be revised to reflect this recommendation.

Staff Responsible: John Karkela

Date of Correction: November 1, 1988

8. Improper payments are being made out of the Current Expense checking account.

-Recommendation: Guidelines should be developed in conjunction with the Central Office to define allowable expenditures from the Current Expense account. These expenses should be for small nonrecurring items.

Plan of Correction: Recommendation will be initiated.

Staff Responsible: John Karkela

Date of Correction: January 1, 1989

-Recommendation: Recurring expenses should be paid through the Statewide Accounting System.

Plan of Correction: Recurring expenses are paid through State Wide Accounting. Vendor numbers are established for vendors who we think we will be doing recurring business with.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

-Recommendation: Expenditures on behalf of employees should not be made with State funds.

Plan of Correction: Expenditures for employees as the type mentioned were not made on behalf of the employee. Employees were billed for the charges they incurred and this was applied to the billing. However, this practice has been discontinued.

Staff Responsible: John Karkela

Date of Correction: August 1, 1988

9. Department Field Purchase Orders are not used.

-Recommendation: Department Field Purchase Orders should be used for all over-the-counter purchases.

Plan of Correction: There are only a limited number of employers who are allowed to charge items to the hospital account. Authorized signature field purchase orders will be required for all purchases made for the hospital except after hour purchases made in emergency situations. Emergency situations are described as any situation that is a threat to client population or building structure.

Staff Responsible: John Karkela

Date of Correction: November 1, 1988

10. The authority for local purchase was exceeded.

-Recommendation: All purchases exceeding the agency's authority for local purchases limit should be made through the Procurement Division as much as possible. Exceptions to this are orders placed with proprietary vendors or emergency purchases.

Plan of Correction: Purchases exceeding the local purchase authority are placed with the Procurement Division as much as possible. Exceptions to this are orders placed with proprietary vendors or emergency purchases.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

11. Prior finding not resolved: Disbursements are not properly authorized or supported.

-Recommendation: Professional/Technical staff should log in and out each time they work.

Plan of Correction: Recommendation has been initiated.

Staff Responsible: Greg Peterson

Date of Correction: September 1, 1988

-Recommendation: All Pharmacy invoices should be compared to the proper state contract.

Plan of Correction: Invoice prices and contract prices are compared by Pharmacy staff before payment approval.

Staff Responsible: Ron Peterson

Date of Correction: June 3, 1988

-Recommendation: Contingent account disbursements should have supporting documentation.

Plan of Correction: Copies of supporting documentation are being made and kept along with the Contingent Fund number relating to the disbursement made from the Contingent Fund.

Staff Responsible: Kathy Bonk
Date of Correction: June 3, 1988

-Recommendation: Purchase orders should be completed and properly approved for all Mart and Pharmacy purchases.

Plan of Correction: Purchases orders are generated and approved for purchases by the Mart and Pharmacy. Orders placed to prime vendors and phone orders to proprietary vendors are approved prior to their placement.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

12. Financial records are not properly retained.

-Recommendation: All financial records should be retained for a minimum of three years.

Plan of Correction: All records are being retained according to the records retention schedule established by Records Management For Residential Facilities. The record retention schedule for financial records is three years or until audited.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

13. Imprest Cash Accounts are not managed properly.

-Recommendation: The practice of making loans and unauthorized purchases from the Imprest Account should be discontinued.

Plan of Correction: The practice of making loans from one contingent fund to the other is not a standard practice. The necessity of this was a delay from the State Treasury of our Contingent Fund reimbursement. There have been no unauthorized payments from the imprest funds. The payment made from the Resident Account Amusement Fund was made for repair parts for the resident recreation bus.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

-Recommendation: Authorized limits should not be exceeded. Over-reimbursed items should be repaid. Revenues required to be deposited in the State Treasury should not be processed through the Imprest Accounts. Revenues earned for the General Fund should be deposited directly into the State Treasury.

Plan of Correction: Revenues earned were for the sale of scrap metal and were deposited with the State Treasury on deposit number 211 dated May 3, 1988.

Staff Responsible: John Karkela
Date of Correction: May 3, 1988

-Recommendation: Authority to maintain a change fund for meal tickets should be acquired from the Department of Finance.

Plan of Correction: The change fund for meal tickets will be deposited into General Revenue. An alternate change fund will be initiated out of the Current Expense Imprest Account. This account has been authorized by the Department of Finance.

Staff Responsible: John Karkela
Date of Correction: October 1, 1988

-Recommendation: A daily log should be used to account for activity in each imprest account when overages and shortages occur.

Plan of Correction: A daily log was established on May 13, 1988 to account for activity in the overage account. This lists the balance in the overage fund, additions or deductions, and the reason for the activity. This will be checked on a quarterly basis by the Accounting Supervisor, Sr. or the Account Technician to make sure the maximum amount of \$50.00 is not exceeded.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

-Recommendation: Any amounts accumulated in excess of \$50.00 in an over/short account should be deposited in State Treasury.

Plan of Correction: The amount of \$90.68 which was in excess of the permitted \$50.00 limit in the overage account was deposited on deposit number 220 dated May 16, 1988. Any excesses in the overage account will be deposited in a like manner upon quarterly review.

Staff Responsible: John Karkela
Date of Correction: May 16, 1988

-Recommendation: Imprest Cash Accounts and their related short and over accounts should not be used to cash personal checks of State employees.

Plan of Correction: It has been the policy and will continue to be the policy that no personal checks will be cashed by the Regional Treatment Facility for it's employees.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

-Recommendation: Monthly reconciliations should be dated and initialed by both individuals responsible for preparing and reviewing documents.

Plan of Correction: Monthly reconciliations will be dated when completed and signed off by the person responsible for the reconciliation. The review process will also be dated and signed off.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

-Recommendation: Blank checks should not be signed in advance.

Plan of Correction: This has not been a standard procedure. It was necessary at the time because three of the four authorized signature personnel were absent from the facility for that particular time period. Since then, another staff person has been authorized to sign checks which should prevent the recurrence of such a problem.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

14. Duties are not separated properly.

-Recommendation: A list of Social Welfare mail receipts should be prepared when initially received and forwarded to the individual responsible for reconciling to amounts deposited.

Plan of Correction: A list of Social Welfare checks received by the Business Office has been started on June 7, 1988. This is compared to the actual deposits for the day to make sure all checks received by the Business Office have been deposited.

Staff Responsible: John Karkela
Date of Correction: July 1, 1988

-**Recommendation:** Reconciliations should be performed by an individual not associated with the receiving, posting, or depositing process.

Plan of Correction: Reconciliation functions have been separated from the receiving, posting, and depositing functions.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

15. Duties over food service inventories are not adequately separated.

-**Recommendation:** Someone independent of the custodial function should verify physical inventory counts.

Plan of Correction: The Chief Stores Clerk or designee provides the receiving function for food items along with writing up and comparing what has been ordered with what has been received. Inventory procedures will be conducted in accordance with guidelines established by the Department of Administration-Materials Management Division.

Staff Responsible: John Karkela
Date of Correction: June 3, 1988

16. Inventory records for fixed assets are not adequately maintained.

-**Recommendation:** In July of 1988 we requested a fixed asset inventory listing for our Center. This was received in September. The Chief Stores Clerk will contact Materials Management on or before Sept. 23, 1988 regarding the format established by their division for physical fixed asset inventory. By December of 1988 or before, we will perform a fixed asset inventory for our facility according to guidelines set up by Materials Management.

Staff Responsible: Mike Erwin
Date of Correction: Start January 1, 1989

PAYROLL

17. Central payroll transactions for employees are not independently verified.

-Recommendation: The Center should review the payroll audit report each pay period.

Plan of Correction: Upon receipt of the payroll audit report from Central Payroll, Barbara Larson, Clerk Typist 3 from the Business Office, will randomly pull time sheets and review them against the audit report for discrepancies. In her absence, Jeanne Beck, Personnel Aide, Sr., will do this review.

Staff Responsible: Earl Schiltz

Date of Correction: October 1, 1988

18. Payroll advances through imprest cash were not properly handled.

-Recommendation: Approval should be obtained from Employee Relations prior to the issuance of imprest cash checks for payroll corrections.

Statements signed by employees to certify repayment should indicate the date repaid and the receipt or deposit number.

Plan of Correction: Approval from Employee Relations will be obtained prior to issuing a check from imprest cash as Policy and Procedure 07:04:19.

Staff Responsible: Earl Schiltz

Date of Correction: October 1, 1988

-Recommendation: Statements signed by employees to certify repayment should indicate the date repaid and the date repaid and the receipt or deposit number.

Plan of Correction: A signed statement by an employee regarding repayment of a payroll advance is necessary before the advancement is made. When repayment is made the statement is dated as to the date of repayment. A receipt is given to the employee to be presented to the Personnel Office so the employee can receive his/her corrected payroll check.

Staff Responsible: John Karkela

Date of Correction: June 3, 1988

19. Prior finding not resolved: Resident requirements were not followed.

-Recommendation: The evaluation process should be improved by:

- a) requiring program supervisors to sign and date evaluations,
- b) indicating the effective date, and
- c) completing reviews on a timely basis.

-Recommendation: Wage rates in effect for each resident should be maintained by the Business Office and compared to rates noted on time sheets.

-Recommendation: Supervisors should approve the actual hours worked by residents.

-Recommendation: Cash collections and corresponding calculations of earnings should be properly documented.

Plan of Correction: All recommendations regarding the works program have been initiated according to the Treatment Center's Pay-For-Work policy.

Supervisors are signing, dating, and reviewing the evaluations.

Wage rates are supplied to the Business Office so comparisons can be made between what is paid and what should be paid.

Supervisors are signing the time cards certifying the actual hours worked.

Cash collections such as aluminum can sales are now documented by a slip from the buyer as to the quantity received and the amount that was paid.

These recommendations and implementation of corrections to the WORKS program were made on or before the exit interview on June 3, 1988.

