

**DEPARTMENT OF HUMAN SERVICES
ST. PETER REGIONAL TREATMENT CENTER
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1989**

JULY 1990

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

90-42

ST. PETER REGIONAL TREATMENT CENTER

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1989

Public Release Date: July 20, 1990

No. 90-42

OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** Social welfare receipts; social welfare disbursements; chemical dependency program receipts; shared services receipts; administrative disbursements; contractual services; employee payroll; and resident payroll.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

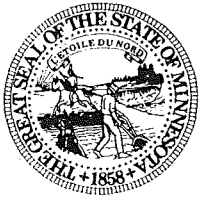
We found five areas where the internal control structure needed improvement:

- The center does not reconcile the social welfare account properly. The center must reimburse the General Fund \$2,765.87 to resolve a deposit correction error.
- Controls over receipts and accounts receivable for work activity programs require improvement.
- The center has inadequate controls over payments for contractual services.
- The center allows state employees to incur negative compensatory leave balances. Employees should not be paid for compensatory leave not earned.
- Duties for the imprest cash contingent account are not adequately separated.

We found three additional areas where the center had not complied with finance-related legal provisions:

- The center is improperly depositing some receipts into the General Fund, by misusing an expenditure refund procedure.
- The center is paying some work activity payroll from the state appropriation for the Industrial Therapy Program, rather than its revolving fund.
- The center is not basing resident pay on the prevailing federal and state minimum wage. The center should obtain legal advice regarding its liability for underpaying residents' wages in past years.

Contact the Financial Audit Division for additional information.
(612) 296-1730



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Ann Wynia, Commissioner
Department of Human Services

William L. Pedersen, Chief Executive Officer
St. Peter Regional Treatment Center

Audit Scope

We have conducted a financial related audit of the St. Peter Regional Treatment Center as of and for the three years ended June 30, 1989. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of St. Peter Regional Treatment Center, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of St. Peter Regional Treatment Center in effect at January 31, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transaction of St. Peter Regional Treatment Center are free of material misstatements.

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

Management Responsibilities

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

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

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

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

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- social welfare receipts;
- social welfare disbursements;
- chemical dependency program receipts;
- shared service receipts;
- administrative disbursements;
- contractual services;
- payroll; and
- industrial therapy payroll.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

Our study and evaluation disclosed the conditions discussed in findings 1, 3, and 6-8 involving the internal control structure of the St. Peter Regional Treatment Center. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities

Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
Ms. Ann Wynia, Commissioner
Mr. William L. Pedersen, Chief Executive Officer
Page 3

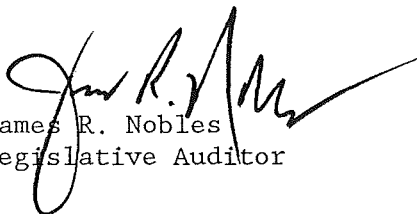
being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe that the reportable condition described in finding 1 is a material weakness.

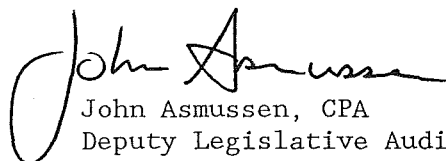
We also noted other matters involving the internal control structure and its operation that we reported to management of the St. Peter Regional Treatment Center at the exit conference held on April 3, 1990.

The results of our tests indicate that, except for the issues discussed in findings 2-5, with respect to items tested, St. Peter Regional Treatment Center complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that St. Peter Regional Treatment Center had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of St. Peter Regional Treatment Center. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 20, 1990.

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


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 3, 1990

REPORT SIGNED ON: July 16, 1990

ST. PETER REGIONAL TREATMENT CENTER

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. CURRENT FINDINGS AND RECOMMENDATIONS	2
AGENCY RESPONSE	9

AUDIT PARTICIPATION

The following staff from the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer	Audit Manager
Charlie Gill	Auditor-in-Charge
Mary G. Lentsch	Senior Auditor
Carl Otto, CPA	Senior Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff on April 3, 1990:

William L. Pedersen	Chief Executive Officer
Gloria Duffus	Accounting Technician Supervisor

ST. PETER REGIONAL TREATMENT CENTER

I. INTRODUCTION

The St. Peter Regional Treatment Center has three divisions to serve the mentally ill, mentally retarded, chemically dependent, and mentally ill dangerous men and women. The St. Peter State Hospital treats mentally ill (MI) and chemically dependent (CD) from a 19 county area in south and southeastern Minnesota. The Minnesota Valley Adaptation Center treats mentally retarded (MR) from 11 counties in southern Minnesota, and the Minnesota Security Hospital (MSH) evaluates and treats mentally ill dangerous men and women from the entire state.

The center is under the general management of the Commissioner of Human Services. Since June of 1986, the facility has been under the immediate supervision of William L. Pedersen, the Chief Executive Officer, appointed by the Commissioner of Human Services. The center has a staff of 779 to administer the general operations and various programs. The table below shows the average resident population for fiscal years 1987-1989:

<u>Fiscal Year</u>	<u>Average Resident Population</u>				
	<u>MI</u>	<u>CD</u>	<u>MR</u>	<u>MSH</u>	<u>Total</u>
1987	157	51	155	222	585
1988	160	36	156	223	575
1989	170	31	156	229	586

St. Peter Regional Treatment Center is subject to various legal provisions which direct its conduct regarding specific financial issues. Minn. Stat. Chapter 256 establishes the social welfare fund, providing for the use and disposition of monies for the legal benefit of various persons, including those suffering from mental illness and chemical dependency. Under Minn. Stat. Section 246.151 residents may receive compensation based on the quality and character of their work. Minn. Stat. Section 246.18 requires the appropriation of chemical dependency program receipts to the operation of chemical dependency programs. Under Minn. Stat. Section 246.57, the Chief Executive Officer may enter into shared service agreements on behalf of the Commissioner of Human Services. The center is also subject to certain general legal provisions which affect the financial management of most state agencies.

The center is financed mainly by General Fund appropriations made directly to the Department of Human Services. Human Services is responsible for maintaining, controlling, and transferring the necessary funds to the appropriate center accounts.

The table below summarizes the St. Peter Regional Treatment Center General Fund expenditures for fiscal years 1987-1989:

	<u>1987</u>	<u>1988</u>	<u>1989</u>
Personnel	\$22,415,356	\$23,478,005	\$25,734,582
Current Expense	2,136,726	2,290,465	2,311,493
Repairs and Betterments	261,004	296,385	216,324
Special Equipment	<u>31,345</u>	<u>90,087</u>	<u>55,732</u>
Total Expenditures	<u>\$24,841,431</u>	<u>\$26,154,942</u>	<u>\$28,318,131</u>

Source: Statewide Accounting System Allotment Balance within Appropriation Report at September closing for the respective years.

ST. PETER REGIONAL TREATMENT CENTER

II. CURRENT FINDINGS AND RECOMMENDATIONS

1. The center does not reconcile the social welfare account properly.

The center does not reconcile the available cash balance from the social welfare account subsidiary records to the statewide accounting system (SWA). Without a proper reconciliation, errors and irregularities could occur and go undetected.

Currently, business office staff reconcile receipts and expenditures from the SWA reports to the center's social welfare account subsidiary records on a monthly basis. However, this procedure is improper because staff do not confirm the month end cash balance between the two accounting systems. As a result, we found errors in the social welfare subsidiary records which the center had not detected.

The SWA cash balance differed by \$3,490.99 from the center's balance at January 31, 1990. We identified \$2,765.87 to be an incorrect deposit to the social welfare account. We could not identify the remaining variance of \$725.12. We reviewed reconciliations from June 1988 to January 1990 and found that variances have existed in the cash balances each month. In June 1988, \$2,765.87 was incorrectly deposited to the social welfare account. Initially staff identified the error and submitted a correction to the statewide accounting system in July 1988. However, the correction erroneously decreased the cash balance in the General Fund salaries account instead of the social welfare account. This error was not detected because center staff do not confirm the available cash balance between the systems at month end. A proper reconciliation of the financial activities between the two accounting systems, including a comparison of the monthly cash balances, would disclose any variances such as errors in posting correcting entries. It is necessary to properly reconcile the two accounting systems to detect and correct errors. The risk of impropriety also increases without a proper reconciliation process.

RECOMMENDATIONS

- The center should reimburse the General Fund salary account \$2,765.87 from the social welfare account to resolve the deposit correction error. The remaining variance of \$725.12 should be resolved.
- In the future, the center should reconcile the cash balances between the two accounting systems on a monthly basis and investigate any variances promptly.

2. The center is not processing all receipts properly.

The center is inappropriately depositing certain types of receipts into its General Fund operating accounts in the statewide accounting system by

ST. PETER REGIONAL TREATMENT CENTER

using the expenditure refund process. By processing these receipts as expenditure refunds, the center is increasing its budget without obtaining the appropriate legislative authority.

The center is regularly processing receipts as expenditure refunds by using the A-26 transaction on statewide accounting to decrease expenditures in its operating accounts. The A-26 transaction is being inappropriately used for various types of receipts collected. An A-26 transaction is for depositing a refund received from an outside vendor as a result of an earlier overpayment. Depositing receipts as an A-26 transaction decreases the total expenditures and consequently increases the amount of funds available. In effect, the center is dedicating receipts for future use.

During fiscal years 1987 through 1989, the center processed over \$84,000 in A-26 transactions. While some of the A-26 transactions could be valid, we believe several of the transactions should be coded as nondedicated receipts (A-20s) unless the center obtains legislative authority to code them as dedicated receipts. Examples of the receipts being processed inappropriately as A-26s are:

- Lake shelter and swimming pool rental receipts are deposited as expenditure refunds. Pool receipts reduce the amount of expenditures in the pool supply expense account and dedicate the funds for future use. Pool and rental receipts should not be used for future needs. These receipts should be deposited as nondedicated receipts in the General Fund.
- Laundry service receipts from both the Nicollet County Jail and the Leo Hoffman Center are used to reduce the amount of expenditures in the center's laundry supplies account. Thus, the center has also dedicated these receipts for future use. These receipts should be deposited as nondedicated in the General Fund. The center would also have the option of establishing shared services agreements for laundry services and using these receipts to cover the cost of the services provided. In either case, the receipts should be used for the cost of expenses incurred.
- Utility service collections from the Leo Hoffman Center are used to reduce the expenditures in the center's fuel and utility account. Again, the center is improperly dedicating these receipts for other uses. The receipts should instead be deposited as nondedicated receipts in the General Fund. Another option would be to have the Leo Hoffman Center pay the vendor directly for utility services.

The center's General Fund operating accounts are not set up to accept dedicated receipts and the expenditure refund transaction provided the mechanism to retain certain collections in its operating accounts. The center does not have authority to expend the receipts it collects, unless it has specific legislative authority to do so.

ST. PETER REGIONAL TREATMENT CENTER

RECOMMENDATION

- The center should deposit general operating receipts as nondedicated to the General Fund, unless it obtains specific legislative authority to deposit receipts as dedicated.
- The center could also establish shared service agreements as appropriate, and administer these activities in the shared services account.

3. Controls over receipts and accounts receivable for work activity programs require improvement.

The center has not developed a formal accounts receivable system and has not deposited all receipts on a timely basis. Without an accurate accounts receivable system, the center may not collect amounts due on all sales invoices. The center is not adhering to state operating policies and laws when it does not deposit receipts promptly.

The center operates various work activity programs for prevocational training of residents in accordance with Minn. Stat. Section 246.56. The Minnesota Valley Social Adaptation Center operates the Jobs Unlimited Work Activity Program which sells various crafts. Gross receipts of \$57,973 were collected for work activity sales during calendar year 1989.

Jobs Unlimited Program staff use a cash register to record sales of its crafts. Some items are sold to other businesses which are billed for their purchases. An accounts receivable system has not been developed for the Jobs Unlimited Program activities. One employee keeps the duplicate sales invoice in a desk drawer. This person also receives the mail and checks from the businesses. Good internal control over accounts receivable requires an adequate separation of duties between the recordkeeping function and collection process.

Receipts are not always deposited on a timely basis for the Jobs Unlimited Work Activity Program. Four of the ten deposits tested during calendar year 1989 were from seven to ten days late in being deposited. General receipts are not always deposited on a timely basis. Four of the eleven deposits tested during the three years ended June 30, 1989 were from 14 to 30 days late in being deposited. The deposits ranged from \$575 to \$10,073. Daily depositing of receipts is required when the aggregate amount exceeds \$250 according to Minn. Stat. Section 16A.275 and the Department of Finance Operating Policy and Procedure 06:06:01. Delays in depositing receipts create a greater potential for loss or theft.

RECOMMENDATIONS:

- Internal controls over the Jobs Unlimited Program accounts receivable should be improved by separating accounts receivable recordkeeping functions and access to incoming receipts.

ST. PETER REGIONAL TREATMENT CENTER

RECOMMENDATIONS (Continued)

- Receipts should be deposited daily when the aggregate amount exceeds \$250.

4. The center is paying work activity payroll from the state appropriation for the Industrial Therapy Program.

The center is paying some of the work activity program payroll from an improper source of funds. By paying the work activity payroll from the state appropriation for Industrial Therapy account, the state is subsidizing the work activity program. Work activity accounts are governed by Minn. Stat. Section 246.56 and are required to be self-supporting enterprises.

The center has two SWA accounts to use for resident payroll. One account is a General Fund appropriation and is to be used for residents involved with Industrial Therapy. Industrial Therapy Program jobs are those jobs typically performed by center employees which may be accomplished by residents. These jobs would include custodial, food service, housekeeping, laundry and grounds maintenance work. The other account is a work activity program account.

Work activity programs are funded by a revolving fund. The center operates various work activity programs for prevocational training of residents. Residents have an initial evaluation performed and are assigned to either Industrial Therapy or work activity programs. A work location code is entered on the resident payroll system. The code is the basis to charge each resident's pay to the proper account. A supervisor admitted to us that the center is paying some residents who are involved in one of the work activity programs out of the Industrial Therapy Program account. Apparently, the initial work locations were changed; however, notification was not forwarded to the business office. For the pay period ending January 30, 1990, resident payroll paid from the Industrial Therapy account totalled \$13,535.69. Using a percentage of residents enrolled in the work activity program, we estimated that approximately \$1,437 of the January 30 payroll should have been paid from the work activity account.

By paying work activity residents from the Industrial Therapy Program account, the center is financing the work activity program with General Fund monies. Work activity payroll should be subsidized from the center's Work Activity Revolving Fund as required by Minn. Stat. Section 246.56.

RECOMMENDATION

- Any changes in resident work locations should be communicated to the business office to ensure that the proper account is being charged.

ST. PETER REGIONAL TREATMENT CENTER

5. The center is not basing resident pay on the prevailing federal and state minimum wage.

The center is not paying residents wages based on the prevailing federal and state minimum wage. Because they are not paying resident payroll wages justly, they are in violation of federal and state statutory minimum wage requirements.

The center employs residents whom are paid both hourly rates and piecemeal rates based on productivity. Minn. Stat. Section 246.151 provides that residents involved with the Industrial Therapy Program jobs be paid an hourly wage which is at least 25 percent of the prevailing federal minimum wage. As of January 1, 1990, the federal minimum wage was \$3.95; 25 percent of that amount equals \$.99 per hour. For the resident pay period ending January 30, 1990, we found six residents enrolled in the Industrial Therapy Program jobs being paid between \$.52 and \$.95 per hour. Therefore, center staff were not paying residents at least 25 percent of the federal minimum wage as required by state statute.

The residents involved with the work activity program also did not receive pay based on the prevailing federal minimum wage. Residents involved with work activity programs receive pay based on piecemeal rates as opposed to hourly wages. Piecemeal rates assign different wage rates depending on the task performed and the productivity level achieved. Department of Human Services Program Services Policy and Procedure #405 require the rates to be based both on the prevailing wage rates and on time studies performed on the different tasks. Upon review of the only time study which could be provided to us, an outdated federal minimum wage rate was applied to calculate the final piecemeal rate. Piecemeal rates must be updated when federal minimum wage rates are adjusted.

RECOMMENDATIONS

- All residents should be paid wages in accordance with applicable statutory requirements. The piecemeal rates used in the work activity programs should be updated for current minimum wage requirements.
- The center should obtain legal advice regarding its liability for underpaying residents' wages in past years.

6. The center has inadequate controls over payments for contractual services.

The center paid two vendors for professional and technical services without preparing written contracts. The center did not verify all invoices for medical services before making payments. Because the center did not execute the required contracts, it is not adhering to state contracting procedures. Without confirming the accuracy of the medical bills, the center may be paying for services not provided.

ST. PETER REGIONAL TREATMENT CENTER

We first addressed the issue of exceeding the state contract limits without executing a contract in our fiscal year 1986 audit report. The center has made some progress in this area; however, we found two vendors who did not have the required contracts processed. Administration Policy and Procedure ADM-188 requires that if payments to the contractor will be \$500 or more during the fiscal year, a contract must be processed. The center had paid an optometrist \$2,303.50, \$2,166.50, and \$2,871.79 for fiscal years 1987, 1988, and 1989, respectively, without having a contract. Without a written contract, disputes could arise concerning duties of the contractor, amount of consideration, term of service, or other rights between the parties. Also, compliance with specific legal requirements, such as human rights requirements and audit of contractor's books and records, cannot be enforced without a written contract.

The center regularly pays medical vendor invoices without verifying the propriety of the invoice. We found a case where monthly invoices have been routinely paid without verifying the accuracy of the charges. The monthly invoices are approximately \$4,800 per month. These bills are about 15 pages in length with 40 line items per page. The last page contains a hand-written total. We attempted to verify some of the totals shown on the billings; however, we could not compute the same totals as paid. We also tried to verify some of the individual rates charged to the medical vendors' fee schedules. Some of the individual rates charged were more than shown on the fee schedules and some rates paid were less. Some rates charged were not listed on the current fee schedules attached to the contracts or obtained from medical vendors. We were not able to compute a final net effect because of the complexity of the medical bills and variances shown between the rates and medical vendor fee schedules. We believe the center should review all invoices before making payment. This review includes spot-checking individual rates charged as well as the total amount due.

RECOMMENDATION

- The center should prepare written contracts with vendors for professional and technical services exceeding \$500 annually in accordance with Administration Policy and Procedure ADM-188.
- The center should verify the accuracy of all invoices prior to making payment. Invoices should be compared to the physicians' fee schedules to ensure propriety before payments are made.

7. The center allows state employees to incur negative compensatory leave balances.

Center employees are sometimes claiming compensatory time when they do not have it available. Payroll clerks have ignored payroll system edits and permitted the employees to be paid for the unearned compensatory time. Employees are receiving unauthorized benefits when they take leave when it is not available.

ST. PETER REGIONAL TREATMENT CENTER

The center has over 900 employees on the state's central payroll system. The center employs four clerks to process the payroll. Payroll clerks allow employees to be paid for compensatory leave when they do not have the leave available. When payroll is being input and the payroll system edits indicate that there is insufficient compensatory leave available, the clerks are ignoring the system edits. The clerks are paying employees for the compensatory time although the payroll system indicates that the balance is insufficient. Payroll clerks do not attempt to resolve the discrepancies between the employees' timesheets and leave records before payments are made. Negative compensatory leave edits will be ignored if the clerks determine that the employee has compensatory time worked in the same payperiod. However, the clerks do not check the balance available on other payroll reports. We noted several negative leave balances during the audit period ranging from .5 to 15.25 hours. However, as of January 31, 1990, there were no negative balances.

Finance procedures require location and correction of an error prior to processing the payroll transaction. Transactions should not be accepted without verifying their propriety. We believe that forcing compensatory leave taken through the system must be discontinued. Payroll clerks and the supervisors must ensure that any leave requested by an employee is available prior to giving approval. Employees should only be paid for hours worked.

RECOMMENDATION

- Employees should not be paid for compensatory leave not earned. Payroll clerks and supervisors should resolve any discrepancies between the employees' timesheets and payroll reports before payments are made.

8. There is an inadequate separation of duties for the imprest cash contingent account.

The center maintains a \$3,000 imprest cash contingent account to pay postage and other miscellaneous items. Incompatible functions are being performed. Currently, one of the employees has authority to sign imprest cash checks and this person also performs the monthly bank reconciliation.

The separation of incompatible functions is an essential element of good internal accounting control. Without a proper separation of duties, persons are put in a position in which they can both perpetrate and conceal irregularities. In order to improve the internal controls over the contingent account, the reconciliation of the account records to the bank statement should be performed by a person independent of the check signing process.

RECOMMENDATION

- The imprest cash contingent fund bank reconciliations should be performed by someone other than an authorized check signer.



St. Peter Regional Treatment Center

100 FREEMAN DRIVE - ST. PETER, MN 56082
507/931-7100

July 12, 1990

Ms. Renee C. Redmer
Office of the Legislative Auditor
Veteran's Service Building
St. Paul, MN 55155

Dear Ms. Redmer:

Thank you for providing us an opportunity to respond to the recommendations contained in the draft copy of your audit report for the year ending June 30, 1989.

The responses which follow have been discussed with all appropriate staff and the responsibility and implementation date determined.

Recommendation #1:

- The Center should reimburse the General Fund salary account \$2,765.87 from the social welfare account to resolve the deposit correction error. The remaining variance of \$725.12 should be resolved.
- In the future, the Center should reconcile the cash balances between the two accounting systems on a monthly basis and investigate any variances promptly.

Response:

We have worked with the Department of Human Services and the Department of Finance to correct these errors. All accounts should be in balance as of June 30, 1990. We will verify this when we do our balancing in July 1990.

We have adjusted our monthly reconciling procedures to insure that any errors can be detected immediately in the future.

Responsibility: Tom Bolstad, Business Services Director

Date of Projected Implementation: Immediate substantial completion

Recommendation #2:

- The Center should deposit general operating receipts as non-dedicated to the General Fund, unless it obtains specific legislative authority to deposit receipts as dedicated.
- The Center could also establish shared service agreements as appropriate, and administer these activities in the shared services account.

Response:

We will discuss the depositing of receipts as non-dedicated to the General Fund with the Department of Human Services versus obtaining legislative authority to deposit receipts as dedicated to the respective accounts. We will implement the agreed upon procedure.

Shared service agreements will be established as appropriate for FY91.

Responsibility: Tom Bolstad, Business Services Director

Date of Projected Implementation: September 1, 1990

Recommendation #3:

- Internal controls over the Jobs Unlimited Program accounts receivable should be improved by separating accounts receivable recordkeeping functions and access to incoming receipts.
- Receipts should be deposited daily when the aggregate amount exceeds \$250.

Response:

Separation of accounts receivable duties within the Jobs Unlimited Work Activity Program has been addressed with appropriate staff.

Also, a procedure for daily deposits of Jobs Unlimited Work Activity funds will be implemented for all amounts over \$250.00.

Responsibility: Nancy Petersen, D.D. Program Services Director
Jerry Pfieffer, D.D. Program Services Supervisor

Date of Projected Implementation: September 1, 1990

Recommendation #4:

- Any changes in resident work locations should be communicated to the business office to ensure that the proper account is being charged.

Response:

Procedures are being established to ensure that proper accounts (i.e. Work Activity vs. Industrial Therapy) are charged for resident pay.

Responsibility: Nancy Petersen, D.D. Program Services Director
Jerry Pfieffer, D.D. Program Services Supervisor
Ron Weyl, MSH Program Services Director
Gary Bird, MSH Program Services Supervisor

Date of Projected Implementation: Immediate substantial completion

Recommendation #5:

- All residents should be paid wages in accordance with applicable statutory requirements. The piecemeal rates used in the work activity programs should be updated for current minimum wage requirements.
- The Center should obtain legal advice regarding its liability for underpaying residents' wages in past years.

Response:

Procedures are being developed at SPRTC to insure that all residents are paid wages in accordance with applicable statutory requirements.

Any obligations for past years liability will be discussed with appropriate staff within Department of Human Services and any necessary actions will be taken.

Responsibility: Tom Bolstad, Business Services Director
Ron Weyl, MSH Program Services Director
Nancy Petersen, D.D. Program Services Director
Gloria Zimmerman, MH Rehab Services Supervisor

Date of Projected Implementation: Part I - Immediate substantial completion
Part II - September 1, 1990

Recommendation #6:

- The Center should prepare written contracts with vendors for professional and technical services exceeding \$500 annually in accordance with Administration Policy and Procedure ADM-188.
- The Center should verify the accuracy of all invoices prior to making payment. Invoices should be compared to the physicians' fee schedules to ensure propriety before payments are made.

Response:

SPRTC will prepare formal contracts for all known professional and technical services which are anticipated to exceed \$500 annually. However, it may not always be possible to anticipate the various medical specialty providers that our professional staff may use, often on an emergency basis, i.e., fractures, burns, etc. We do have contracts in place for all routine medical care.

Verification of invoices prior to payment is routinely done. The invoices in question are with the State contract vendor for laboratory services. This has been addressed with the Materials Management Division in an attempt to revise the billings so they are more readily reconcilable. Also, on some invoices for emergency medical care, it is difficult to verify the cost of individual procedures although we do verify that the service was performed.

Responsibility: Tom Bolstad, Business Services Director

Date of Projected Implementation: Immediate substantial completion

Recommendation #7:

- Employees should not be paid for compensatory leave not earned. Payroll clerks and supervisors should resolve any discrepancies between the employees' timesheets and payroll reports before payments are made.

Response:

Payroll staff will see the employees are not paid for compensatory time not earned. Payroll staff and supervisors will resolve any discrepancies between the employees' timesheets and payroll reports before payments are made.

Responsibility: Gerald Ylinen, Personnel Director

Date of Projected Implementation: Immediate substantial completion

Recommendation #8:

- The imprest cash contingent fund bank reconciliations should be performed by someone other than an authorized check signer.

Response:

A separation of duties for reconciliation of imprest cash contingent funds within the Business Office has been addressed.

Responsibility: Tom Bolstad, Business Services Director

Date of Projected Implementation: July 1, 1990

We appreciate the cooperation received from your office during this audit. Should you have further questions please feel free to call.

Sincerely,



William L. Pedersen
Chief Executive Officer

pc: Department of Human Services
ATTN: Jim Walker, Residential Services Director

Wally Johnson
Assistant Residential Facilities Administrator