

**FERGUS FALLS REGIONAL TREATMENT CENTER
FINANCIAL AUDIT
FOR THE THREE YEARS ENDED JUNE 30, 1991**

AUGUST 1992

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

FERGUS FALLS REGIONAL TREATMENT CENTER

FINANCIAL AUDIT FOR THE THREE YEARS ENDED JUNE 30, 1991

Public Release Date: August 13, 1992

No. 92-51

OBJECTIVES:

- **EVALUATE INTERNAL CONTROL STRUCTURE:** State employee payroll; cost of residents' care; chemical dependency programs; and the Pell Grant Program (CFDA #84.063).
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

We found the internal control structure to be effective.

We found one area where the center had not complied with finance-related legal provisions:

- The center did not determine compliance with certain student financial and eligibility requirements for the Pell Grant Program. We recommended that the center work with the U.S. Department of Education to determine if it should pursue further whether students met the eligibility requirements.

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



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Natalie Steffen, Commissioner
Department of Human Services

Elaine Timmer, Chief Executive Officer
Fergus Falls Regional Treatment Center

Audit Scope

We have conducted a financial related audit of the Fergus Falls Regional Treatment Center as of and for the three years ended June 30, 1991. Our audit was limited to only that portion of the State of Minnesota financial activities attributable to the transactions of the Fergus Falls Regional Treatment Center, as discussed in the Introduction. We have also made a study and evaluation of the internal control structure of Fergus Falls Regional Treatment Center in effect as of December, 1991.

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

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

Management Responsibilities

The management of Fergus Falls 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:

Representative Ann Rest, Chair
Members of the Legislative Audit Commission
Ms. Natalie Steffen, Commissioner
Ms. Elaine Timmer, Chief Executive Officer
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- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the 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:

- State employee payroll
- Cost of residents' care
- Chemical dependency programs
- Pell Grant Program (CFDA #84.063)

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and we assessed control risk.

Conclusions

In our opinion, the internal control structure of the Fergus Falls Regional Treatment Center, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial activities attributable to the transactions of the Fergus Falls Regional Treatment Center.

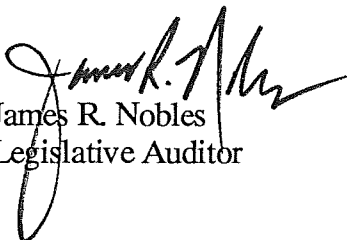
We noted certain matters involving the internal control structure and its operation that we reported to management of the Fergus Falls Regional Treatment Center at the exit conference held on April 17, 1992. However, we did not consider these matters to be reportable conditions under the standards established by the American Institute of Certified Public Accountants.

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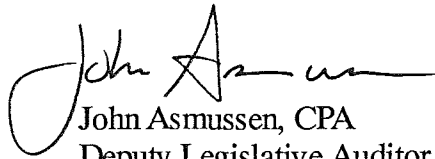
The results of our tests indicate that, with respect to items tested, the Fergus Falls Regional Treatment Center complied, in all material respects, except for finding 1, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that Fergus Falls 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 Fergus Falls Regional Treatment Center. This restriction is not intended to limit the distribution of this report, which was released as a public document on August 13, 1992.

We would like to thank the Fergus Falls 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 17, 1992

Report Signed On: July 31, 1992

Fergus Falls Regional Treatment Center

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Audit Participation

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

John Asmussen, CPA	Deputy Legislative Auditor
Renee Redmer, LPA	Audit Manager
Charlie Gill	Auditor-in-Charge
Carl Otto, CPA	Senior Auditor
John Wicklund, CPA	Senior Auditor

Exit Conference

The finding and recommendation in this report was discussed with the following staff of the Fergus Falls Regional Treatment Center on April 17, 1992:

Mike Ackley	Assistant Administrator
Ron Louks	Business Manager
Char Lefebvre	Budget Analyst
Doug Boyer	Personnel Director
Vernie McClure	Assistant Personnel Director

Fergus Falls Regional Treatment Center

Introduction

The Fergus Falls Regional Treatment Center (Center) is a multipurpose institution which serves individuals with problems caused by mental illness, chemical dependency, or developmental disability. The Center serves a 17 county area in northwestern Minnesota. The Center is under the general management of the Commissioner of Human Services and the immediate supervision of a chief executive office (CEO) appointed by the commissioner. Elaine Timmer has served as CEO of the Fergus Falls Regional Treatment Center since her appointment in fiscal year 1985.

The average daily population for fiscal years 1989-1991 was as follows:

<u>Fiscal Year</u>	<u>Average Daily Population</u>
1989	301
1990	275
1991	254

The Center is financed mainly by General Fund appropriations made directly to the Department of Human Services (DHS). DHS is responsible for maintaining, controlling, and transferring the necessary funds to the appropriate center accounts. The Fergus Falls Regional Treatment Center expenditures and per capita costs are summarized in the table below.

	<u>1989</u>	<u>1990</u>	<u>1991</u>
State employee payroll	\$17,804,941	\$19,906,325	\$20,307,943
Pell Grant	7,320	6,793	7,144
Other expenditures	<u>3,379,174</u>	<u>3,529,321</u>	<u>3,323,056</u>
Total Expenditures	<u>\$21,191,435</u>	<u>\$23,442,439</u>	<u>\$23,638,143</u>

Source: Statewide Accounting System, Manager's Financial Reports as of the closing date for fiscal years 1989, 1990, and 1991.

Receipts for the cost of care related to the center's residents are collected directly by the Department of Human Services Reimbursement Division. The center is still responsible, though, for determining the billing amounts that each resident or co-payor must make for their cost of care. The department collected \$12,219,899, \$13,851,872, and \$14,405,135 for the years ended June 30, 1989, 1990, and 1991, respectively, as reported by the Reimbursement Division. The center collected receipts for the chemical dependency program of \$2,891,230, \$3,231,474 and \$2,701,926 for the years ended June 30, 1989, 1990, and 1991, respectively. The center collected receipts for the Pell Grant Program of \$7,472, \$6,833 and \$7,241 for the years ended June 30, 1989, 1990, and 1991, respectively.

Fergus Falls Regional Treatment Center

Current Finding and Recommendation

1. Fergus Falls Regional Treatment Center did not determine compliance with certain student financial aid eligibility requirements.

The Fergus Falls Regional Treatment Center (center) did not require students enrolled in the Pell Grant Program (CFDA #84.063) to certify that the student:

- was registered with the selective service;
- did not owe a refund on any grant, was not in default on any loan, and has not borrowed in excess of the loan limits; and
- will not engage in the unlawful manufacture, distribution, possession or use of a controlled substance during the period covered by the Pell Grant.

In addition, the center did not obtain financial aid transcripts from the colleges previously attended by two of the students enrolled in the Pell Grant Program.

In order for students to be eligible for federal financial assistance they must meet student eligibility requirements set forth by the U.S. Department of Education. The federal government could require the repayment of the Pell money disbursed to any ineligible students.

For the three year period ended June 30, 1991, the Fergus Falls Regional Treatment Center obtained and disbursed \$21,257 to students registered in the Chemical Dependency Counselor Training Program. The students were registered at the Fergus Falls Community College and received their grades from the community college. Since the students were enrolled in the training program at the center, the center was required to directly administer Pell grants for these students. The center discontinued its training program as of June 30, 1991, and thus, no longer participates in the Pell Grant Program.

Recommendation

- *Fergus Falls Regional Treatment Center should work with the U.S. Department of Education to determine if it should pursue further whether students met the eligibility requirements of the Pell Grant Program.*



FERGUS FALLS REGIONAL TREATMENT CENTER

North Union Avenue
Box 157
Fergus Falls, Minnesota 56538-0157
(218) 739-7200

Elaine J. Timmer
Chief Executive Officer

Leonard E. Woytassek, M.D.
Medical Director

Accredited by the Joint Commission on Accreditation of Healthcare Organizations

July 22, 1992

James R. Nobles, Legislative Auditor
Centennial Building
St. Paul, MN 55155

Dear Mr. Nobles:

Subject: Draft Audit Report - Fergus Falls Regional Treatment Center

I would like to thank you and your staff for the opportunity to comment on the draft audit report. I appreciate the opportunity for having my comment and response to your recommendation included as part of the report.

Current Findings and Recommendations:

1. Fergus Falls Regional Treatment Center did not determine compliance with certain student financial aid and eligibility requirements.

Response: Fergus Falls Regional Treatment Center has notified the U.S. Department of Education of audit findings. We will comply with any directives that may be forthcoming from the U.S. Department of Education. The program was discontinued as of June 30, 1991 and no future plans have been made to continue the training program.

Sincerely,

Elaine J. Timmer
Chief Executive Officer

ejt:RDL:pas