

Ombudsman for Mental Health and Mental Retardation

Financial Audit

For the Period July 1, 1995, through June 30, 1997

September 1997

*This document can be made available in
alternative formats, such as large print,
Braille, or audio tape, by calling 296-1727.*

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

97-52



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Deanna Wiener, Chair
Legislative Audit Commission


Members of the Legislative Audit Commission

Ms. Roberta Opheim, Ombudsman
Office of the Ombudsman for Mental Health and Mental Retardation

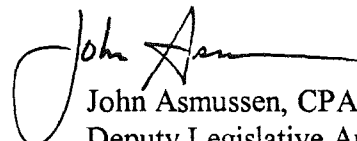
We have audited the Office of the Ombudsman for Mental Health and Mental Retardation for the period July 1, 1995, through June 30, 1997, as further explained in Chapter 1. Our audit scope included payroll and other administrative expenditures. The following Summary highlights the audit objectives and conclusions. We discuss these areas more fully in the individual chapters of this report.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards also require that we design the audit to provide reasonable assurance that the office complied with provisions of laws, regulations, and contracts that are significant to the audit. The office's management is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, and contracts.

This report is intended for the information of the Legislative Audit Commission and management of the Office of the Ombudsman for Mental Health and Mental Retardation. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 17, 1997.



James R. Nobles
Legislative Auditor



John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: August 4, 1997

Report Signed On: September 10, 1997

SUMMARY

State of Minnesota
Office of the Legislative Auditor
1st Floor Centennial Building
658 Cedar Street • St. Paul, MN 55155
(612)296-1727 • FAX (612)296-4712
TDD Relay: 1-800-627-3529
email: auditor@state.mn.us
URL: <http://www.auditor.leg.state.mn.us>

Office of the Ombudsman for Mental Health and Mental Retardation

Financial Audit

For the Period July 1, 1995, through June 30, 1997

Public Release Date: September 17, 1997

No. 97-52

Agency Background

The Office of the Ombudsman for Mental Health and Mental Retardation has a broad mandate to "promote the highest attainable standards of treatment, competence, efficiency, and justice for all people receiving care and treatment for mental illness, mental retardation, chemical dependency, or emotional disturbance." The office consists of a central office in St. Paul and regional offices located in each of the state regional treatment centers. The office's operations are financed through General Fund appropriations. The fiscal year 1996 and 1997 appropriations were each approximately \$1 million. Roberta Opheim was the Ombudsman during the audit period.

Our audit scope included payroll expenditures and other administrative expenditures for the period from July 1, 1995, through June 30, 1997.

Conclusions

We concluded that, in all material respects, the office accurately reported payroll and other administrative expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, we noted certain separation of duties issues resulting from the office's small staff. The office did not adequately separate duties both in the payroll and personnel function and in the purchasing and disbursing function. We also found that the office did not justify compensatory time earned by certain employees, as required by the applicable bargaining agreements.

The office has agreed to implement changes to address the issues included in the report. The response details action plans for each of the report's findings.

Office of the Ombudsman for Mental Health and Mental Retardation

Table of Contents

	Page
Chapter 1. Introduction	1
Chapter 2. Payroll Expenditures	3
Chapter 3. Other Administrative Expenditures	7
Agency Response	9

Audit Participation

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

John Asmussen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA	Audit Manager
Laura Peterson	Auditor-in-Charge

Exit Conference

We discussed the findings and recommendations with the following staff of the Office of the Ombudsman for Mental Health and Mental Retardation at an exit conference held on August 26, 1997:

Roberta Opheim	Ombudsman
Jean Koonce	Office Manager

Chapter 1. Introduction

The 1987 Minnesota Legislature created the Office of the Ombudsman for Mental Health and Mental Retardation. Roberta Opheim was the Ombudsman during our audit scope. The Office has a broad mandate to "promote the highest attainable standards of treatment, competence, efficiency, and justice for all people receiving care and treatment for mental illness, mental retardation, chemical dependency, or emotional disturbance."

The Ombudsman has statutory authority to:

- prescribe the methods by which complaints to the office are made, reviewed, and acted upon;
- mediate or advocate on behalf of the clients and investigate the quality of services provided to clients;
- determine the extent to which quality assurance mechanisms work to promote the health, safety, and welfare of clients;
- gather information about and analyze the actions of an agency, facility, or program and enter and view the premises of an agency, facility, or program;
- examine records of an agency, facility, or program on behalf of a client;
- assess the health or serious injury of a client;
- subpoena a person to appear, give testimony, or produce documents relevant to a matter under inquiry; and
- attend Department of Human Services Review Board and Special Review Board proceedings.

The Office of the Ombudsman for Mental Health and Mental Retardation consists of a central office in St. Paul and regional offices throughout the state. The regional offices, located in the Regional Treatment Centers in Anoka, Brainerd, Cambridge, Faribault, Fergus Falls, Moose Lake, St. Peter, and Willmar, each has a client advocate available to assist clients and others.

General Fund appropriations provide the funding for operations. Table 1-1 shows the sources and uses of those funds.

Office of the Ombudsman for Mental Health and Mental Retardation

Table 1-1
Sources and Uses of Funds
Budget Fiscal Years 1996 and 1997

	<u>1996</u>	<u>1997</u>
Sources:		
Appropriation	\$1,132,000	\$1,097,000
Transfers In	<u>23,399</u>	<u>43,336</u>
Total Receipts	<u>\$1,155,399</u>	<u>\$1,140,336</u>
Balance Forward In	\$ 0	\$ 103,990
Total Sources	<u>\$1,155,399</u>	<u>\$1,244,326</u>
Uses:		
Payroll	\$ 897,514	\$ 939,664
Other Administrative	<u>153,895</u>	<u>193,326</u>
Total Expenditures	<u>\$1,051,409</u>	<u>\$1,132,990</u> (1)
Balance Forward Out	\$ 103,990	\$ 0
Total Uses	<u>\$1,155,399</u>	<u>\$1,132,990</u>
Encumbered	\$ 0	\$ 85,085 (2)
Uncommitted	\$ 0	\$ 26,251

Note: (1) Represents liquidations as of June 30, 1997.

(2) Obligations for the last payroll in fiscal year 1997 and for computer equipment and services make up the majority of the \$85,085 encumbrance.

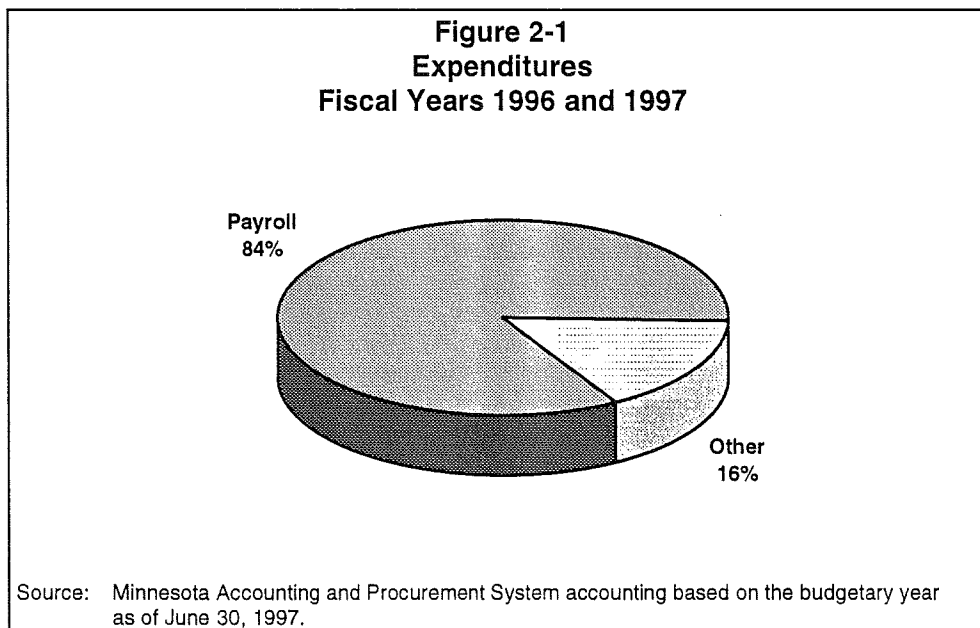
Source: Minnesota Accounting and Procurement System accounting based on the budgetary year as of June 30, 1997.

Chapter 2. Payroll Expenditures

Chapter Conclusions

In all material respects, the Office of the Ombudsman for Mental Health and Mental Retardation accurately reported payroll expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, we noted certain separation of duties issues resulting from the office's small staff. The office did not adequately separate the personnel and payroll functions. Also, the office did not justify compensatory time earned by certain employees, as required by applicable bargaining agreements.

Payroll was the Office of the Ombudsman for Mental Health and Mental Retardation's largest expenditure. The office's payroll expenditure for fiscal year 1996 was \$897,514 and for fiscal year 1997 was \$939,664. Figure 2-1 shows payroll expenditures as a percentage of total expenditures.



During fiscal years 1996 and 1997, the office employed 31 staff belonging to various compensation plans, including the American Federation of State and County Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), the

Office of the Ombudsman for Mental Health and Mental Retardation

Middle Management Association (MMA), the Managerial Plan, the Commissioner's Plan, and the Minnesota Nurses Association (MNA).

Until November 1995, the office used the state's personnel/payroll system (PPS) to process payroll information. The Department of Employee Relations recorded the personnel information in PPS based on Employee Action Forms prepared by the agency. The office entered the biweekly payroll information. During November 1995, the office began processing all payroll information in the state's new Statewide Employee Management System (SEMA4). With the implementation of SEMA4, the office became responsible for recording both the personnel and payroll information.

Audit Objectives and Methodology

The primary objectives of our review were to answer the following:

- Did the office accurately report payroll expenditures in the accounting records in all material respects?
- Did the office comply with applicable legal provisions and management's authorization in all material respects?

To answer these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes, analyzed payroll data to determine unusual trends, and reviewed source documents.

Conclusions

In all material respects, the Office of the Ombudsman for Mental Health and Mental Retardation accurately reported payroll expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, we noted certain separation of duties issues resulting from the office's small staff. The office did not adequately separate the personnel and payroll functions. Also, the office did not justify compensatory time earned by certain employees, as required by applicable bargaining agreements.

1. The office had inadequate separation of duties over the personnel and payroll functions.

The office manager had complete control over the personnel and payroll functions at the office. The office manager had access to and routinely entered both personnel and payroll transactions into SEMA4. The office manager entered employee appointments, salary increases, and other personnel information into the system. The office manager also reviewed the biweekly timesheets and entered the payroll into SEMA4. A separate person did not verify the accuracy of the personnel or payroll information entered into SEMA4.

Office of the Ombudsman for Mental Health and Mental Retardation

To prevent and detect errors or irregularities, the personnel and payroll functions should each be maintained by a separate person. One person should not be solely responsible for both entering employees' personnel data onto the system and processing their biweekly pay. In a small agency, such as the Office of the Ombudsman for Mental Health and Mental Retardation, it may not be possible to maintain a complete separation of duties. However, at minimum, a separate person should review SEMA4 personnel and payroll reports to verify their accuracy.

Recommendation

- *The office should separate the personnel and payroll functions, including restricting SEMA4 user access, or have separate staff review SEMA4 reports for accuracy.*

2. The office did not justify compensatory time earned by certain employees.

The office could not justify compensatory time earned by MAPE and MMA employees. We could not determine whether employees had been assigned to special projects approved by their supervisors in advance, as required by the applicable bargaining agreements.

The MAPE agreement states, "Employees may receive overtime at the rate of straight-time *when assigned to a special work assignment* which is in addition to their normal job duties and upon *having received advanced approval from their Appointing Authority.*" (Emphasis added.) The MMA agreement has different overtime provisions for employees depending on their type of position and salary range. Some MMA employees earn overtime when assigned to a special project that is in addition to an employee's normal work duties and upon receiving advanced approval. One office employee qualifies for this provision.

The office did not document that employees were working on special projects eligible for compensatory time. The only documentation to support the compensatory time earned was timesheets and leave slips. We found that seven out of ten timesheets did not document the reason for the compensatory time. Of the three timesheets that included documented reasons, we were unable to determine if the overtime related to a special work assignment. The office did not have written guidelines defining "special work assignment" or "special projects" which clarify the types of projects eligible for overtime.

The office also did not document that the projects had been approved in advance. Nine out of ten leave slips showing compensatory time earned did not show the date the supervisor approved the overtime.

Recommendations

- *The office should develop overtime policies and procedures for MAPE and MMA, including clarification of special work assignment and special projects.*
- *Employees should document the projects or assignments responsible for the overtime, and supervisors should show their prior approval by dating the leave slips.*

Office of the Ombudsman for Mental Health and Mental Retardation

This page intentionally left blank.

Chapter 3. Other Administrative Expenditures

Chapter Conclusions

In all material respects, the Office of the Ombudsman for Mental Health and Mental Retardation accurately reported its non-payroll administrative expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, we noted certain separation of duties issues resulting from the office's small staff. The office did not adequately separate its purchasing and disbursing functions.

Approximately 16 percent of the Office of Ombudsman for Mental Health and Mental Retardation expenditures are non-payroll administrative expenditures. Table 3-1 gives details of these other administrative expenditures.

Table 3-1
Other Administrative Expenditures
Budget Fiscal Years 1996 and 1997

	<u>1996</u>	<u>1997</u>	<u>Total</u>
Rent	\$36,330	\$37,832	\$74,162
Services	44,485	56,099	100,584
Travel	31,205	33,588	64,793
Supplies	32,076	55,090	87,166
Equipment	7,836	10,026	17,862
Other	<u>1,963</u>	<u>691</u>	<u>2,654</u>
Total	<u>\$153,895</u>	<u>\$193,326</u>	<u>\$347,221</u>

Source: Minnesota Accounting and Procurement System accounting based on the budgetary year as of June 30, 1997.

Audit Objectives and Methodology

The primary objectives of our review were to answer the following:

- Did the office accurately report other administrative expenditures in the accounting records in all material respects?
- Did the office comply with applicable legal provisions and management's authorization in all material respects?

Office of the Ombudsman for Mental Health and Mental Retardation

To answer these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over the purchasing, receiving, paying and approving processes, analyzed other administrative data to determine unusual trends, and reviewed source documents.

Conclusions

In all material respects, the Office of the Ombudsman for Mental Health and Mental Retardation accurately reported other administrative expenditures in the accounting records and complied with applicable legal provisions and management's authorization. However, we noted certain separation of duties issues resulting from the office's small staff. The office did not adequately separate the purchasing, receiving, paying, and approving functions.

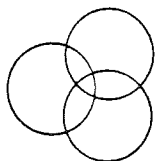
3. The office did not adequately separate its purchasing and disbursing functions.

The office manager had complete control over the non-payroll administrative expenditures, including setting up the purchase orders in the Minnesota Accounting and Procurement System (MAPS), verifying received goods, approving purchases for payment, and processing MAPS payment vouchers. No one other than the office manager verified the accuracy of the other administrative expenditures processed in MAPS.

To prevent and detect errors or irregularities, the duties relating to purchasing, receiving goods, and approving invoices for payment should be separated. One person should not be solely responsible for these functions. In a small agency, it may not be possible to maintain complete separation of duties. However, at minimum, a separate person should review and approve all MAPS payments.

Recommendation

- *The office should properly separate incompatible duties relating to its purchasing and disbursing functions.*



STATE OF MINNESOTA
**OFFICE OF THE OMBUDSMAN FOR
MENTAL HEALTH AND MENTAL RETARDATION**

121 7th Place E. Ste 420, Metro Square Building, St. Paul, MN 55101-2117

612-296-3848 or Toll Free 1-800-657-3506

TTY/TDD - Minnesota Relay Service 612-297-5353 or 1-800-627-3529

August 26, 1997

James R Nobles, Legislative Auditor
State of Minnesota
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Mr. Nobles:

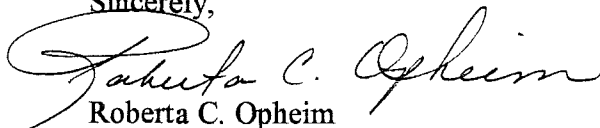
I have reviewed the report that summarizes your agency's financial audit of the Office of Ombudsman for Mental Health and Mental Retardation for the period July 1, 1995 through June 30, 1997. This office has discussed the contents of the report with staff from your agency. Attached is a copy of our response to the issues raised in your report along with actions this agency has or will take to address those issues.

I would like to thank the staff of your agency, especially Jeanine Leifeld, Audit Manager, and Laura Peterson, Auditor-in-Charge, for the professional way this audit was handled. This was the first audit conducted since I became Ombudsman and I found it to be a helpful learning experience. I regard the recommendations as a way for our agency to improve upon the procedures that are currently in place.

As discussed at the exit interview, I ask that this report be viewed in context of the limitations of staff and resources within small agencies. Accordingly, we view this audit process as a resource to assist us in our efforts to understand and comply with state policies.

Please do not hesitate to contact me if you or members of your agency have further questions.

Sincerely,


Roberta C. Opheim
Ombudsman

Enclosure



Office of the Ombudsman for Mental Health and Mental Retardation

Official Response

To the Legislative Auditor's Financial Audit For the Period July 1, 1995, through June 30, 1997

Chapter 2: Payroll Expenditures

In this chapter there were two issues raised; the issues will be addressed separately.

ISSUE 1. The office had inadequate separation of duties over the personnel and payroll functions.

Background: The agency has always recognized that in a small agency many related tasks are assigned to one person because there is neither sufficient support staff nor resources to hire additional staff. This agency recognizes the inherent risk of this practice. The Ombudsman and the Office Manager have discussed potential ways to deal with this issue. During the audit period, the agency had an average of 3 FTEs to perform all administrative support functions for the agency. These functions include purchasing, vendor payments, personnel matters, payroll functions, reception, clerical support, safety officer, health and wellness coordination, EEOC, ADA and union issue coordination, budget development and management, as well as other tasks. Due to the high turnover usually seen in support positions, as well as the complex learning process for some of the state systems, it has been difficult to have back up for, or separation of, functions.

Response to Recommendation: Prior to the auditor raising the issue, this agency developed a plan to address this and other issues, including redesigning positions by taking advantage of vacancies and determining how a new position would be able to address some of these concerns. A plan was developed and the documents in place to provide for training new staff in order to provide for some division of labor. Those documents were shown to the auditor in charge at the time the issue was raised. Additional barriers to be considered are the state payroll system is in Windows 3.1 format and all but one of the agency's computers are in Windows 95 format. When DOER upgrades their system to Windows 95, that barrier should be eliminated. Another barrier is that while current budget and staffing accommodate some separation of duties, future budget vagaries may diminish this flexibility. The training request has gone forward and the agency will implement its' plan.

Action Plan:

- The office manager will retain the personnel function and duties.
- Separate clerical staff will receive training and do payroll entry.
- The Director of Administration will review and initial the pay registry.

The person responsible for developing the agency policy and the implementation is Paul Doyle, Director of Administration. The full implementation date, subject to the availability of training, is December 1997.

ISSUE 2. The office did not justify compensatory time earned by certain employees.

Background: The agency policy in existence at the time of the audit was written to reflect the agency's understanding of the applicable union contracts regarding the accrual and use of compensatory time. The agency's work hour policy, presented to the auditor, was written to address that the work of the agency does not fit a routine work schedule if the agency is to properly serve our legislatively mandated clients. In addition, the nature of the work includes crisis issues that occur at times when the ability to secure prior approval is difficult. A degree of discretion for the advocates is necessary without prior approval by a supervisor.

Minn. Stat. §245.91-.97, which governs the agency, specifies that the agency must maintain an advocate at each regional treatment center. This provision requires MAPE employees to work in large geographic areas of the state. The positions require they often drive long distances, spending many hours on the road to deal with a client issue. Including drive time, it is easy for an advocate to exceed the hours of the normal workday.

The needs of the clients and agency do not always allow for the professional to adjust or flex their workloads to accommodate the excess hours within a two-week time period. Each advocate has a large number of routine tasks they may be called upon to perform their job. Accordingly, it may be difficult to clarify what is a special project and what is considered a normal task within the job description. The policy was written to provide what is an approved special project and to serve to provide that prior authorization. The agency has always had good communication between the manager of this area and the employees affected by this provision and have monitored the situation to prevent abuse.

Response to Recommendation: The agency believes that the language in the collective bargaining unit agreements is poorly written and does not meet the unique circumstances that the professional employees of this agency work under. It is our belief that this agency has met what we believe to be the spirit and intent of the language in the agreements. We believe that intent to be that professional employees need to have protection against abuse of management demands on their time and the no overtime provision. And the state needs protection against employees who may not be judicious in the use of their regular time as well as the accrual of compensatory time. To the extent that our current policy may not meet expectations of state policy, this agency is willing to redevelop our policy and the documentation procedures. A preliminary redraft was done and shown to the auditor-in-charge, however, since that time the agency has discussed additional refinement issues.

Action Plan:

- The agency will redraft its policy regarding work hours to more clearly reflect what is a special project and the required procedure for approval. In addition the agency will outline procedural requirements for addressing and documenting time when a crisis or critical incident occurs.
- The agency will train staff on the new policy.
- The agency will monitor for compliance and documentation.

The person who will be responsible for the development of the policy, training of agency staff and monitoring compliance will be Brian Relay, Director of Client Service. This plan will be implemented by 10/31/97 with the exception of the monitoring which will be ongoing.

Chapter 3: Other Administrative Expenditures

ISSUE: The office had inadequate separation of duties regarding purchasing and disbursement functions.

Background: This issue directly relates to the background issues raised in the response to Chapter 2, Issue 1 regarding the lack of flexibility when a small agency has very few administrative support personnel. The risk identified is of concern and not only makes the agency vulnerable but puts the employee charged with all of that responsibility at risk of being unfairly accused when a problem occurs. One factor that minimizes that risk is the fact that the agency budget is relatively small which would cause irregularities of any size to surface early.

Response to Recommendation: The Office Manager and the Ombudsman had discussed in the past, ways to shift some of her duties to other staff. To the extent that the recommendation supports the need to do that, this agency will take the necessary steps to implement change.

Action Plan:

- The office manager will retain the disbursement duties.
- Separate clerical staff will receive training and perform the purchasing function. (This clerical staff person will not be the same one that will be performing the payroll entry function).
- Agency policy will be redrafted to reflect the separation of these tasks.

The person responsible will for developing the agency policy and the implementation will be Jean Koonce, Office Manger. The full implementation date is scheduled for as soon as possible but no later than October 31, 1997.