Minnesota Veterans Home - Minneapolis

Full Scope Financial-Related Audit
For the Three Years Ended June 30, 1998

July 1999

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Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

99-33

Centennial Office Building, Saint Paul, MN 55155 ● 651/296-4708

SUMMARY

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Minnesota Veterans Home – Minneapolis

Full Scope Financial-Related Audit
For the Three Years Ended June 30, 1998

Public Release Date: July 2, 1999 No. 99-33

Background Information

The Minneapolis Veterans Home was founded in 1887 and is one of five veterans homes under the general direction of the Minnesota Veterans Home Board. The Minneapolis Veterans Home provides domiciliary care and skilled nursing care for veterans and their spouses who meet eligibility and admission requirements. Mr. Thomas Mullon, the home's administrator since November 1996, is responsible for the daily management of the home.

Audit Areas and Conclusions

Our audit scope included resident maintenance fees, federal per diem reimbursements, payroll, resident trust accounts, selected operational expenditures, and designated contribution receipts and disbursements. We designed our audit to provide reasonable assurance that the home complied with the provisions of laws and rules.

We noted that the home inaccurately calculated its cost of care for fiscal years 1997 and 1998, resulting in undercharges for a limited number of residents. The home properly determined, collected, safeguarded, deposited, and recorded resident maintenance fees and federal per diem reimbursements. However, the home did not reconcile deposits in the state depository account to transactions recorded on the state's accounting system. The home also adequately monitored and pursued its accounts receivable.

The home adequately supported, approved, and reported employee and resident payroll expenditures and operational expenditures for supplies, materials, equipment, and services. In addition, the home accurately recorded resident account financial activity and designated contribution receipts and disbursements in the accounting records. However, the home did not always receive designated contribution receipts in the cashier's office or deposit those receipts in a timely manner. Finally, the home has not conducted a complete physical inventory of its fixed assets for at least five years.

For the transactions tested, the home complied with bargaining unit agreements, applicable finance-related legal provisions, and resident authorizations.

The Minneapolis Veterans Home agreed with all findings and has implemented or will implement all recommendations except one. The home indicated that they donot have the authority to collect the additional maintenance fees of $4,380 and that it would not be cost effective to do so.

STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Stephen O'Connor, Chair
Minnesota Veterans Homes Board

Members of the Minnesota Veterans Homes Board

Mr. Thomas Mullon, Administrator
Minnesota Veterans Home – Minneapolis

We have audited the Minnesota Veterans Home – Minneapolis for the period July 1, 1995, through June 30, 1998, as further explained in Chapter 1. Our audit scope included resident maintenance fees, federal per diem reimbursements, payroll, resident trust accounts, selected operational expenditures, and designated contribution receipts and disbursements.

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 Minnesota Veterans Home – Minneapolis complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the Minnesota Veterans Home – Minneapolis is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Minnesota Veterans Home – Minneapolis. This restriction is not intended to limit the distribution of this report that was released as a public document on July 2, 1999.

James R. Nobles
James R. Nobles
Legislative Auditor

Claudia J. Gudvangen
Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 6, 1999

Report Signed On: June 28, 1999

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Audit Participation

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

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Thomas Donahue, CPA	Audit Manager
Susan Rumpca, CPA	Auditor-in-Charge
Charlie Gill	Auditor
Irene Hass	Auditor
Jason Stauffenecker	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following staff from the Minnesota Veterans Home Board and Veterans Home – Minneapolis on June 16, 1999:

Stephen O'Connor	Chair, Minnesota Veterans Homes Board
Stephen Musser	Executive Director
Thomas Mullon	Administrator, Minneapolis Veterans Home
Orrin Bakke	Business Manager, Minneapolis Veterans Home
Douglas Richabaugh	Financial Management Director, Board Office
Nancy Dahl	Human Resources Director, Board Office

Chapter 1. Introduction

The Minnesota Veterans Home – Minneapolis was founded in 1887 and is one of five veterans homes under the general direction of the Minnesota Veterans Home Board. The home provides domiciliary care and skilled nursing care for veterans and their spouses who meet eligibility and admission requirements. The home is a licensed care facility and has the capacity for approximately 350 skilled and 80 domiciliary beds. Mr. Thomas Mullon, the home's administrator since November 1996, is responsible for the daily management of the home. Mr. Donald Mills was the previous administrator.

During the audit period, the home started a campus-wide renovation project that it expects to complete by the year 2000. The home closed the domiciliary unit for a portion of the audit period. The State of Minnesota's Department of Administration, Division of Building Construction, received the funding for the renovation project and served as the project manager. We did not audit the construction activity since it is part of the Department of Administration's financial activity.

The home's major funding sources are state appropriations, resident maintenance fees, and federal per diem reimbursements. A state appropriation funds approximately 48 percent of the cost of the home's operations. Table 1-1 summarizes the home's financial activities for the operating account for budgetary fiscal years 1996 through 1998.

Table 1-1
Summary of Financial Activities – Operating Account
Budgetary Fiscal Years 1996, 1997, and 1998

	FY 1996	FY 1997	FY 1998
Source of Funds:			
Balance In	$ 87,400	$ 705,884	$ 1,544,257
State Appropriation	10,053,995	10,043,562	10,154,575
Maintenance Receipts	6,145,560	6,680,279	6,759,129
Federal Per Diem	4,606,662	4,817,762	4,677,166
Other	5,579	11,624	12,892
Total Funds Available	$20,899,196	$22,259,111	$23,148,019
Use of Funds:			
Personnel Services	$16,773,942	$16,864,036	$18,071,742
Operating Expenditures	3,160,682	3,583,634	3,015,141
Other Expenditures	258,688	267,184	446,887
Total Expenditures	$20,193,312	$20,714,854	$21,533,770
Balance Out	$ 705,884	$ 1,544,257	$ 1,614,249

Source: MAPS accounting system as of April 16, 1999.

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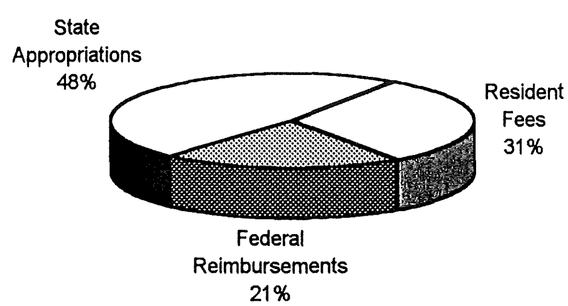
Chapter 2. Financing Sources

Chapter Conclusions

The Minneapolis Veterans Home inaccurately calculated the cost of care for fiscal years 1997 and 1998, resulting in undercharges for a limited number of residents. The home properly determined, collected, safeguarded, deposited, and recorded the resident maintenance fees and federal per diem reimbursements. However, the home did not reconcile deposits in the state depository account to transactions recorded on the state's accounting system. Finally, the home adequately monitored and pursued its accounts receivable.

The Minneapolis Veterans Home receives funding for its operations from resident maintenance fees, federal per diem reimbursements, and state appropriations. Figure 2-1 shows the financing sources for fiscal year 1998.

Figure 2-1
Financing Sources
Fiscal Year 1998



Source: MAPS accounting system.

Each year the home calculates a monthly cost of care for skilled nursing and domiciliary care for veteran and non-veteran residents. The home decreases the cost for veteran residents by the federal per diem rate. Residents pay either the monthly cost or a lesser fee based on their income and assets. Residents whose net worth exceeds $3,000 pay the monthly cost. Only about 14 percent of the home's residents pay the full monthly cost of care. The home charges a lesser fee to those residents whose net worth is below $3,000. The reduced fee equals the residents' income minus approved exclusions such as spousal maintenance and a $90 personal expense deduction. The home takes the income remaining after the calculation and multiplies it by 95 percent to calculate the adjusted maintenance fee. Table 2-1 shows the cost of care effective at the beginning of fiscal years 1996, 1997, and 1998.

Table 2-1
Monthly Cost of Care (Rounded)
Fiscal Years 1996, 1997, and 1998

	July 1, 1995		July 1, 1996		July 1, 1997	
Type of Care	Veterans	Non-veterans	Veterans	Non-Veterans	Veterans	Non-Veterans
Domiciliary	$2,382	$2,842	$2,443	$2,909	$2,481	$2,971
Nursing	$3,135	$4,211	$3,291	$4,434	$3,399	$4,608

Source: Minneapolis Veterans Home records.

The home used the Melyx system to account for resident maintenance accounts and accounts receivables. The Melyx system crashed in March 1998. Since then, the home has used a spreadsheet to track accounts receivable. Although functional, the spreadsheet does not have the controls and reporting capabilities of a true accounts receivable system.

The United States Department of Veterans Affairs pays the home a per diem rate for eligible veterans. The home receives the federal per diem reimbursement after submitting to the department a monthly report identifying total veteran days of care. As of June 30, 1998, the federal per diem was $17.78 for domiciliary residents and $40 for nursing care residents.

The Veterans Home Board receives a state appropriation that it allocates to each of the Veterans homes. The state appropriation provided approximately 48 percent of the total operating revenues for the Minneapolis home during fiscal year 1998.

During fiscal years 1997 and 1998, the home closed its domiciliary residence due to the construction at the home. This resulted in a decrease in maintenance fees and federal per diem reimbursements for the home.

Audit Objectives and Methodology

Our audit of the home's resident maintenance fees and federal per diem reimbursements focused on the following questions:

- Did the home properly calculate the cost of care and determine the resident maintenance fees in accordance with Minnesota Rules, Chapter 9050, and Minn. Stat. Section 198.03?
- Did the home accurately request the federal per diem from the United States Department of Veterans Affairs?
- Did the home properly collect, safeguard, deposit, and record resident maintenance fees and federal per diem reimbursements?

Minnesota Veterans Home - Minneapolis

- Did the home adequately monitor and pursue its accounts receivable, adding interest charges when required by Minnesota Rules, Chapter 9050?

To answer these questions, we reviewed the home's cost of care calculations. For a sample of residents, we reviewed the calculation of maintenance fees to determine if the home appropriately determined the residents' ability to pay. We reviewed the process used to request the federal per diem to determine if the home requested the correct per diem amount for each veteran resident. We reviewed the process used to deposit and record maintenance revenue and per diem reimbursements to determine if the home adequately safeguarded receipts until the time of deposit. For a sample of residents, we determined if the home correctly posted maintenance receipts to residents' accounts. Finally, we reviewed the process the home used to monitor and pursue its accounts receivable.

Conclusion

The Minneapolis Veterans Home inaccurately calculated its cost of care for fiscal years 1997 and 1998, resulting in undercharges for a limited number of residents. This is explained further in Finding 1. The home properly determined, collected, safeguarded, deposited, and recorded the resident maintenance fees and federal per diem reimbursements. However, as explained in Finding 2, the home did not reconcile deposits in the state depository account to transactions recorded on the state's accounting system. Finally, the home adequately monitored and pursued its accounts receivable.

1. The home inaccurately calculated its cost of care for fiscal years 1997 and 1998.

The home did not calculate the cost of care for fiscal years 1997 and 1998 accurately. This resulted in undercharges for a limited number of residents for those years. The home used 366 days in its calculation for fiscal years 1996 and 1997 rather than 365 days as specified by Minn. Rules, Chapter 9050.0500, Subp. 3B. This resulted in the following daily undercharges:

	Fiscal Year 1997	Fiscal Year 1998
Domiciliary Care	$.26	$.11
Nursing Care	$.40	$.25

The calculation error impacted only those residents who were charged the maximum maintenance fee. As of June 1998, the home charged approximately 48 residents the full maintenance fee. For nursing care in fiscal year 1998, this resulted in an undercharge of approximately $4,380.

Employees indicated that they adjusted the formula to accommodate the 1996 leap year when calculating the fiscal year 1997 fees. The home used April 1996 through March 1997 financial data to calculate the fiscal year 1997 fees. However, Minnesota Rules do not address leap year in the calculation. In addition, employees indicated that they forgot to change the formula back to 365 days when calculating the fiscal year 1998 fees.

Recommendations

- *The home should determine those residents who had the ability to pay for their cost of care during fiscal years 1997 and 1998 and recover the additional maintenance fees.*

- *The home should revise Minn. Rules, Chapter 9050.0500, Subd. 3B, to accommodate a leap year.*

2. The home did not perform monthly reconciliations of the maintenance fees and other receipts collected and recorded on its internal records to the revenues recorded on the state's accounting system (MAPS).

The home did not perform monthly reconciliations of the maintenance fees and other receipts collected and recorded on its internal records to the revenues recorded on the MAPS accounting system. As a result, we noted several errors on both the home's internal records and the MAPS accounting system. For instance, the home miscoded deposits on both systems and made math errors on its internal records. In addition, the home recorded one deposit on its records but did not record the deposit on the MAPS accounting system until two weeks later. By performing a monthly reconciliation, the home would detect these errors on a timely basis. Reconciliations provide a critical process for detecting transactions that the home did not consistently record on the two systems.

Recommendation

- *The home should perform monthly reconciliations of the maintenance fees and other receipts recorded on its internal records to the revenues recorded on the MAPS accounting system to ensure the accuracy of the accounting records.*

Chapter 3. Payroll

Chapter Conclusions

The Minneapolis Veterans Home designed and implemented internal controls to provide reasonable assurance that employee and resident payroll expenditures were adequately supported and approved and accurately reported in the accounting records. In addition, for the items tested, the home processed payroll and personnel transactions in accordance with bargaining unit agreements and applicable state policies and procedures.

Payroll expenditures at the home during the audit period were approximately $51.7 million. Payroll expenditures comprised about 83 percent of the home's operating account expenditures. The home employs approximately 500 employees and has staff on hand 24 hours a day, seven days a week. In addition, approximately 15 residents work part-time through the resident employment program. During the audit period, the home experienced staffing shortages in several departments. This caused unusually high overtime expenditures.

The home used two different computer systems to process payroll during the audit period. During the first half of fiscal year 1996, the home used the state's Personnel and Payroll System (PPS). The home began using the state's new payroll system, called SEMA4, in December 1995.

Audit Objectives and Methodology

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

- Did the home design and implement internal controls to provide reasonable assurance that employee and resident payroll expenditures were adequately supported and approved and accurately reported in the accounting records?

- Did the home process payroll and personnel transactions in accordance with bargaining unit agreements and applicable state policies and procedures?

To answer these questions, we interviewed employees to gain an understanding of the internal control structure and processes for employee and resident payroll and personnel transactions. We performed analytical procedures and reviewed system access and security. We also reviewed a sample of payroll and personnel transactions to determine if the home properly authorized, processed, and recorded payroll expenditures and complied with applicable bargaining unit agreements and state policies and procedures.

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Conclusions

The Minneapolis Veterans Home designed and implemented internal controls to provide reasonable assurance that employee and resident payroll expenditures were adequately supported and approved and accurately reported in the accounting records. In addition, for the items tested, the home processed payroll and personnel transactions in accordance with bargaining unit agreements and applicable state policies and procedures.

Chapter 4. Resident Trust Accounts

Chapter Conclusions

The Minneapolis Veterans Home designed and implemented internal controls to provide reasonable assurance that resident account financial activity was promptly and accurately recorded in MAPS and the home's accounting records and that transactions were initiated in accordance with the residents' authorizations. In addition, for the items tested, the home complied with finance-related legal provisions.

The Minneapolis Veterans Home operates a resident trust account for the benefit of its residents. The residents of the home deposit personal funds with the home's cashier and withdraw those funds as needed. The home deposits residents' money into a separate investment account in the state treasury, which earns interest. However, individual residents do not earn interest on their funds. Minn. Stat. Section 198.265 requires that interest earnings on individual accounts be deposited to the designated contributions account established for the direct benefit of all residents.

The home maintains an imprest cash account of $25,000 to satisfy withdrawal requests from residents who have funds in the Resident Trust Account. The home retained some cash on hand and has a local checking account to meet resident withdrawal requests. The home requests reimbursement of the imprest cash account from the funds on deposit in the state treasury. The home reconciles the imprest cash checking account bank balance to the balance in the check register each month.

The home used a software package to track resident balances. Employees post deposit and withdrawal transactions made by individual residents. Each month the home compares the ending balances on the system to the balances in the state's accounting system to ensure the accuracy of the accounting records. Table 4-1 summarizes the financial activity of the resident trust accounts for fiscal years 1996 through 1998.

Table 4-1
Summary of Resident Trust Account Financial Activity
Fiscal Years 1996 through 1998

	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998
Balance at July 1	$162,856	$ 174,068	$178,151
Deposits	711,141	930,100	618,047
Interest Earned	7,942	12,056	9,806
Total Available	$881,939	$1,116,224	$806,004
Expenditures	$698,126	$ 926,095	$627,406
Transfers Out (1)	9,745	11,978	10,534
Balance at June 30	$174,068	$ 178,151	$168,064

Note (1): Transfers out represent the portion of interest earned on the account that was transferred to the designated contribution account.

Source: Derived from the state's accounting system (MAPS).

Audit Objectives and Methodology

Our audit of the home's resident trust accounts focused on the following questions:

- Did the home design and implement internal controls to provide reasonable assurance that resident account financial activity was promptly and accurately recorded in MAPS and the home's accounting records and that transactions were initiated in accordance with the residents' authorizations?
- Did the home comply with finance-related legal provisions?

To answer these questions, we reviewed transactions to determine whether the home deposited resident funds to the correct account. We interviewed employees to understand the process used by residents to deposit and withdraw funds. We reviewed the process to record activity in the residents' accounts and to ensure the accuracy of the accounting records. For a sample of resident account activity, we determined if residents authorized the transactions and if the home properly posted the transactions to the residents' accounts. We also reviewed a sample of the resident account and bank account reconciliations. Finally, we compared the interest earned on the account to the interest transferred to the designated contribution account.

Conclusions

The Minneapolis Veterans Home designed and implemented internal controls to provide reasonable assurance that resident account financial activity was promptly and accurately recorded in MAPS and the home's accounting records and that transactions were initiated in accordance with the residents' authorizations. In addition, for the items tested, the home complied with finance-related legal provisions.

Chapter 5. Selected Operational Expenditures

Chapter Conclusions

The Minneapolis Veterans Home accurately recorded operational expenditures for supplies, materials, equipment, and services in the state's accounting records. In addition, for the items tested, the home followed appropriate purchasing policies and procedures and met prompt payment requirements. However, the home has not conducted a complete physical inventory of its fixed assets for at least five years.

The Minneapolis Veterans Home purchased $9.4 million in supplies, materials, equipment, and services during the audit period. These purchases included repairs, medical and dental services, network services, office supplies, medical supplies, food, pharmaceuticals, equipment, and other services. The home also spent about $1 million for utilities such as electricity, gas, and water during this period.

The Minneapolis Veterans Home has a purchasing department that buys supplies, materials, equipment, and services for the home. During the audit period, the home's department managers completed an expenditure request form, which they forwarded to the purchasing department. The purchasing department reviewed the department's budget to ensure that there were sufficient funds for the purchase. The buyers would then select the vendors and complete the purchase orders.

The home operates a warehouse which stores consumable goods purchased on a regular basis. Various departments of the home request goods from the warehouse and the warehouse bills the department for the goods purchased. The warehouse received most goods purchased, except for pharmacy and food services, which receive goods directly. Warehouse employees reviewed the packing slips and purchase orders for accuracy. The purchasing department then matched the invoice to the purchase order and the packing slip before submitting the documentation to the accounts payable section for payment processing.

Audit Objectives and Methodology

Our audit of the home's purchases of supplies, materials, equipment, and services focused on the following questions:

- Did the home accurately record operational expenditures for supplies, materials, equipment, and services in the accounting records?

- Did the home adequately safeguard purchased goods?

- Did the home follow appropriate purchasing policies and procedures and meet prompt payment requirements?

To answer these questions, we interviewed employees to gain an understanding of the purchasing, fixed asset management, and invoice payment processes. We performed analytical procedures. We also tested a sample of supplies, materials, equipment, and services purchased to determine if the home complied with state purchasing requirements, accurately recorded transactions in the accounting records, and promptly paid the vendor invoices.

Conclusions

The Minneapolis Veterans Home accurately recorded operational expenditures for supplies, materials, equipment, and services in the state's accounting records. In addition, for the items tested, the home followed appropriate purchasing policies and procedures and met prompt payment requirements. However, as discussed in Finding 3, the home has not conducted a complete physical inventory of its fixed assets for at least five years.

3. The home has not conducted a complete physical inventory of its fixed assets.

The home had not performed a complete physical inventory count for at least five years. During this time, the home had not routinely performed spot-checks of fixed assets either.

In order to adequately account for and safeguard the fixed assets inventory, a physical count of fixed assets needs to be taken periodically and compared to the inventory records. In addition, spot-checks provide assurances that fixed asset inventory is properly safeguarded and identified in the inventory records. Currently, the home is tagging new fixed assets with a cost over $2,000 and recording these assets in its inventory system. However, the home has not compared actual fixed assets to those assets recorded on the fixed asset system. We were told that the home's MIS and grounds departments are currently conducting fixed asset inventory counts.

Recommendation

- *The home should perform a complete physical inventory of its fixed assets and update its inventory records. To maintain the accuracy of the inventory records, the home should periodically perform spot- checks of fixed assets and reconcile them to the inventory records.*

Chapter 6. Designated Contribution Receipts and Disbursements

Chapter Conclusions

The Minneapolis Veterans Home accurately recorded designated contribution receipts and disbursements in the appropriate fund accounts in the state's accounting system. However, the home did not always receive designated contribution receipts in the cashier's office or deposit those receipts in a timely manner. For the items tested, the home spent the designated contributions according to the conditions of the gift.

The Minneapolis Veterans Home received designated contributions from a variety of donors. Donors gave funds for specific or general purposes. The home established separate accounts in the state's accounting system to track the contributions and the disbursement of these funds. The home set up a designated contribution committee that met monthly to review activity and determine how to spend the funds. During the audit period, the home received $390,000 and expended $444,000 in designated contributions.

Audit Objectives and Methodology

Our audit of the home's designated contributions focused on the following questions:

- Did the home accurately record designated contribution receipts and disbursements in the state's accounting system?
- Did the home adequately safeguard designated contributions and deposit the funds in a separate account in the state treasury, as specified by Minn. Stat. Section 198.161?
- Did the home comply with material finance-related legal provisions related to prompt depositing and prompt payment?
- Did the home spend the designated contribution in accordance with the conditions of the gift?

To answer these questions, we interviewed employees to gain an understanding of the process used to receive, deposit, and record contributions. For a sample of gift receipts, we determined if the home promptly deposited the gifts in a separate fund and recorded the gifts in the accounting records based on the conditions specified by the donor. For a sample of disbursements, we determined if the home used the funds in accordance with the conditions of the gift. We also verified that the home paid the obligations promptly and recorded the transaction properly in the accounting system.

Minnesota Veterans Home - Minneapolis

Conclusions

The Minneapolis Veterans Home accurately recorded designated contribution receipts and disbursements in the state's accounting system. However, as discussed in Finding 4, the home did not always receive designated contribution receipts in the cashier's office or deposit those receipts in a timely manner. For the disbursement items tested, the home spent the designated contribution according to the conditions of the gift.

4. The home needs to improve controls over designated contribution receipts.

The home needs to improve controls over designated contribution receipts in two ways. First, the home received contributions in multiple locations during the audit period. The home transferred receipts between two locations but did not ensure that all checks received were ultimately deposited. The risk of loss or theft increases with the number of people handling the receipts. Therefore, whenever possible, receipt collections should be centralized. For the home, we believe the cashier should receive all collections.

In addition, the home did not promptly deposit designated contribution receipts in accordance with Minn. Stat. Section 16A.275. The home received various contributions and held these receipts until it received similar contributions. However, the statute specifies daily depositing when receipts total $250 or more. This safeguards the assets from theft and loss.

Recommendations

- *The home should establish a process to ensure that all designated contributions go directly to the cashier's office. Those receipts should remain in the cashier's office until deposited.*

- *The home should deposit designated contributions when they accumulate to $250.*

Status of Prior Audit Issues
As of April 6, 1999

Most Recent Audit

Legislative Audit Report 95-35, issued August 1995 covered the two fiscal years ended June 30, 1994. The audit scope included financing sources, social welfare accounts, payroll, and drug and medicine purchases. The report contained two findings. The home implemented both recommendations. The first finding discussed the untimely reconciliations of the home's social welfare imprest cash account. The second finding dealt with monitoring of alternate holiday leave balances.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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STATE OF MINNESOTA
VETERANS HOMES BOARD

Minnesota Veterans Home - Mpls
5101 Minnehaha Av S
Minneapolis, MN 55417-1699
(612) 721-0600

June 28, 1999

Mr. James Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
St. Paul, MN. 55155

Dear Mr. Nobles:

We have received the draft audit report for the Veterans Home at Minneapolis. This is in response to the audit and the exit interview held at the St. Paul office on Wednesday, June 16, 1999.

Listed below is our responses which indicate the actions we have or will be taking to implement your recommendations.

Finding # 1. The Home inaccurately calculated its cost of care for fiscal years 1997 and 1998.

Recommendation: The Home should determine those residents who had the ability to pay for their cost of care during fiscal years 1997 and 1998 and recover the additional maintenance fees.

Response: Board Rules do not allow or permit for the additional collection of maintenance fees. We feel the amount is very minimal considering the receipts collected for fiscal year 1998 for the Nursing maintenance fees of $6,754,000. The employee time involved in computing how much each of the 48 residents owed, and attempting to collect this amount, would not be cost effective to pursue this recommendation.

Recommendation: The Home should revise Minn. Rules, Chapter 9050.0500, Subd. 3B, to accommodate a leap year.

Response: The Minneapolis Home will work with the Veterans Homes Board to resolve this issue.

Finding # 2. The Home did not perform monthly reconciliations of the maintenance fees and other receipts collected and recorded on the state's accounting system (MAPS).

Recommendation: The Home should perform monthly reconciliations of the maintenance fees and other receipts recorded on its internal records to the revenues recorded on the MAPS accounting system to ensure the accuracy of the accounting records.

Response: This recommendation has been implemented. The Home is reconciling its' receipts at the end of each month.

Finding # 3. The Home has not conducted a complete physical inventory of its fixed assets.

Recommendation: The Home should perform a complete physical inventory of its fixed assets and update its inventory records. To maintain the accuracy of the inventory records, the Home should periodically perform spot-checks of fixed assets and reconcile them to the inventory records.

Response: The Home has implemented this recommendation. We have established a schedule, for a complete physical inventory and this will be completed by September 1st. In addition, spot-checks of inventory will be also conducted periodically to maintain the accuracy of our fixed assets and records.

Finding # 4. The Home needs to improve controls over designated contribution receipts.

Recommendation: The Home should establish a process to ensure that all designated contributions go directly to the cashier's office. Those receipts should remain in the cashier's office until deposited.

Response: This recommendation has been implemented and all designated contribution receipts are being secured in the cashier's office.

Recommendation: The Home should deposit designated contributions when they accumulate to $250.

Response: The Home has implemented this part of the recommendation, and designated contribution funds are being deposited as soon as they are identified by the cashier, as individual entries on separate deposit forms even before they accumulate to $250.

Our thanks to your audit team for their courtesy and professionalism during the audit. The feedback we get is always helpful and reassuring. If you have further questions on the responses, please contact Orrin Bakke, Business Manager.

Sincerely,

Tom Mullon
Administrator

cc: Stephen O'Connor, Chair
Stephen Musser, Executive Director

TM:OB:kp