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DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITAL FINANCIAL ADMINISTRATION

AUDIT REPORT  
OF  
THE LEGISLATIVE AUDITOR  
STATE OF MINNESOTA  
ST. PAUL

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Audit Report

DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITAL FINANCIAL ADMINISTRATION

Brainerd State Hospital  
Faribault State Hospital  
Fergus Falls State Hospital  
St. Peter State Hospital  
Willmar State Hospital

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

SEPTEMBER 1983



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR

Veterans Service Building, First Floor  
St. Paul, Minnesota 55155

~~XXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

and

Members of the Legislative Audit Commission

This report contains the results of our audits of selected Department of Public Welfare state hospitals for the year ended June 30, 1982. The five state hospitals audited were:

Brainerd State Hospital  
Faribault State Hospital  
Fergus Falls State Hospital  
St. Peter State Hospital  
Willmar State Hospital

For each hospital we have included a management letter with:

- findings and recommendations developed during our review of accounting procedures and controls;
- individual financial statements prepared by the auditors for general informational purposes only; and
- the hospital's response to the recommendations included in the current management letter.

A table of contents for each hospital is included in the individual sections.

We also reviewed the Department of Public Welfare (DPW) from the standpoint of its role in coordinating and guiding similar hospital activities within the various audit areas tested. A separate management letter discussing our findings from the review is included in this report with the department's response.

The recommendations included in this report have been discussed with the appropriate department and hospital personnel. During our next audit, we will review the progress toward implementing those recommendations.

*John Asmussen*  
John Asmussen, CPA  
Deputy Legislative Auditor

September 6, 1983

DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITAL FINANCIAL ADMINISTRATION

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Audit Report

DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITAL FINANCIAL ADMINISTRATION

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

AUGUST 1983



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR

Veterans Service Building, First Floor  
St. Paul, Minnesota 55155

~~XXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

Members of the Legislative Audit Commission,

and

Mr. Leonard Levine, Commissioner  
Department of Public Welfare

We have completed separate financial and compliance audits for five Minnesota state hospitals for the fiscal year ended June 30, 1982. They were:

Brainerd State Hospital  
Faribault State Hospital  
Fergus Falls State Hospital  
St. Peter State Hospital  
Willmar State Hospital

Our audits were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of these audits were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control was being maintained over revenues, expenditures, assets, and liabilities of the state hospitals; and
- verify that expenditures were made in accordance with applicable laws, regulations, and budget requirements.

We also reviewed DPW's role in coordinating and directing the hospitals' activities in the audit areas tested.



Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
and  
Mr. Leonard Levine, Commissioner  
Page 2

Our audit results for each of the hospitals are contained in separate audit reports. Specific situations relating to individual state hospitals have been directed only to them for resolution. In those instances where we found common problems in several hospitals (see Recommendations 2, 3, and 5), we have included a discussion of the issues in this management letter because we believe the same situations may exist at the other state hospitals which we did not visit, and we believe the central office has a role in developing appropriate procedures and administrative controls for all hospitals. Recommendations 1 and 4 are included only in this management letter because they relate directly to central office.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us and, accordingly, we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.

Handwritten signature of John Asmussen in cursive script.

John Asmussen, CPA  
Deputy Legislative Auditor

September 6, 1983

DEPARTMENT OF PUBLIC WELFARE

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Jim Riebe, Auditor-in-Charge  
Steve Pyan, Staff Auditor  
Darlya Ecklund, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Department of Public Welfare on August 22, 1983:

Margaret Sandberg, Assistant Commissioner  
Melvin J. Harris, Assistant Commissioner  
Jon Darling, Welfare Financial Director  
Jim Walker, Administrative Management Director  
Leo Steiner, Director Long-Term Care Rates  
Richard Archer, Welfare Audits Manager



## DEPARTMENT OF PUBLIC WELFARE

### CURRENT FINDINGS AND RECOMMENDATIONS

There is a need for improved coordination and review of the financial policies and procedures of the various state hospitals.

The Commissioner of Public Welfare is responsible for the general management of the state hospitals and the well-being of the residents. He has placed each hospital under the immediate supervision and control of a chief executive officer. While the Commissioner has promulgated various policies and guidelines regarding certain aspects of hospital operations and activities, the development of actual procedures for day-to-day operations is left up to the hospitals' chief executive officer.

As discussed in the following findings and recommendations, we noted several common weaknesses and certain inconsistencies between similar activities at the state hospitals we visited. The audit areas affected included the work activity program, cost of care, and the child nutrition program. In addition, in the last two years, serious financial irregularities have occurred with resident social welfare funds at two hospitals.

We believe the Commissioner of Public Welfare has a responsibility to establish certain uniform policies and procedures relating to financial administration of the state hospitals and to periodically review the hospital operations to ensure that the policies are followed. The department had established an Institutions Manual, the purpose of which was to provide a uniform policy for general administration of the state hospitals. The manual addressed both program administration and services provided as well as procedures for the fiscal operations of the hospitals. In recent years, however, the manual has not been revised and updated to reflect current policies and procedures. We believe the manual could serve as an effective means for development of appropriate procedures for hospital financial administration, including the issues raised in the following findings.

Another important control in the management process is the internal audit function. Internal auditors may assist management in reviewing the effectiveness of various operations and to determine compliance with established rules, policies, and procedures. DPW has not used any of their staff auditors to perform internal audit functions at the various state hospitals. We believe there is a need for periodic internal reviews of the hospitals' financial procedures and controls.

#### RECOMMENDATIONS:

1. DPW central office should increase its role in coordinating and monitoring the financial activities and procedures of the various state hospitals, in part through:
  - updating the Institutions Manual or other appropriate document to provide guidance to the state hospitals on the proper procedures for various fiscal operations; and



## DEPARTMENT OF PUBLIC WELFARE

- establishment of an internal audit function to periodically review the operations of the various hospitals to ensure compliance with established policies.

Uniform policies and procedures to direct the administration of the pre-vocational training programs at the hospitals have not been developed.

Pre-vocational training programs were established by the Commissioner of Public Welfare under the authority of Minn. Stat. Section 246.56. These programs provide therapeutic work activities for the mentally ill and mentally retarded residents of state institutions. The work activities include the manufacturing, processing, and repairing of goods, wares, and merchandise for public and private industries, and the sale of goods to the general public.

During our review of the pre-vocational training programs at the hospitals visited, we noted the following:

- Income contracts, where the training centers were receiving payment from non-state entities for services rendered, were not formalized by the hospitals, nor were they reviewed and approved by the Contract Management Division of the Department of Administration as required by Administration Policy and Procedure 188 (which implements Minn. Stat. Section 16.098).
- Formal inventory record keeping systems for raw materials and finished goods have not been established. Inventory record keeping systems are essential for effective inventory management.
- Patient and resident compensation for work performed is not administered consistently by the state hospitals. We found one hospital was simply not compensating patients or residents, while other hospitals were frequently not paying at least 25 percent of minimum wage as required by Minn. Stat. Section 246.151.
- Sales tax was not charged for products sold by the training centers. Sales tax regulation 411(E) states that all sales by non-profit organizations are subject to tax if more than two sales are held in any calendar year or if a sale is held for two or more consecutive days.
- The financial transactions of one training center are not accounted for on the Statewide Accounting System (SWA).

### RECOMMENDATIONS:

2. DPW should assist the hospitals in developing detailed written policies and procedures to provide administrative direction over the business aspects of the pre-vocational training programs.



DEPARTMENT OF PUBLIC WELFARE

3. DPW should request clarification from the Attorney General regarding legal requirements affecting the training programs, including the applicability of Minn. Stat. Section 246.151 establishing compensation for residents.

The inherent controls provided by a separation of functions in the cost of care reimbursement system have in some cases been bypassed when hospital reimbursement officers become involved in the collection function.

The primary function of the reimbursement office at each hospital is to determine the patient's ability to pay for the care provided, to identify sources of payment for such care, and to establish a daily cost of care charge for each source. This determination function is the basis for the billing function. The Reimbursement Division of DPW central office performs the billing function and DPW's central cashier receives the cost of care payments. While these responsibilities are outlined in DPW's Institution Manual, most reimbursement offices are receiving some cost of care payments. For example, one reimbursement office, in addition to determining cost of care charges, directly billed patients participating in the Resident Work Program and collected subsequent cash payments. In addition, in some cases, insurance companies or other parties may make payments directly to the hospital rather than transmitting them to central office.

The separation of duties between the determination, billing, and collection functions for cost of care is a prerequisite for a reliable internal control system. When an individual performs more than one of these functions, the control system is compromised.

RECOMMENDATION:

4. DPW should review the procedures for billing and collecting cost of care charges. If it is determined that situations exist where it would be appropriate for collections to be made at individual hospitals, DPW should develop a system which provides adequate controls and separation of the billing and collection functions.

State hospitals are not accurately completing child nutrition reimbursement claims and are not requesting the maximum reimbursement available.

The National School Breakfast and Lunch Programs assist states in making breakfasts and lunches available to all school children. The child nutrition section of the Department of Education is responsible for administering these federal programs.

The state hospitals request reimbursement from the child nutrition program for the costs of breakfasts and lunches served at the institutions. Reimbursement is initiated when a monthly payment voucher is completed by

## DEPARTMENT OF PUBLIC WELFARE

hospital personnel and submitted to the Department of Education for payment. In reviewing monthly payment vouchers, we found that certain hospitals were not reporting actual meals served as required by federal guidelines and Department of Education specifications. For example, one hospital was reporting average meals served; another hospital was using the total number of eligible residents in calculating the meals served even though residents were on temporary leave from the institution.

Our review of the program also disclosed that state hospitals are not requesting the maximum reimbursement available. The National School Breakfast program provides that when 40 percent or more of the breakfasts are provided free, or at a reduced price, a severe needs rate of 11.5¢ per meal over the regular reimbursement rate of 57¢ per meal can be requested. State hospitals not requesting the severe needs rate are losing an additional 11.5¢ reimbursement for each breakfast served. In addition, nasal gastrol meals are eligible for reimbursement according to program guidelines. However, at least one hospital was not requesting reimbursement.

Participants in the National School Breakfast and Lunch programs are required to complete periodic financial reports which provide information on child nutrition program costs. The financial information is used by the federal government in determining the rate at which participants will be reimbursed for the costs of breakfasts and lunches served to students at the institutions. At least one hospital was not reporting freight and transportation charges of food commodities which are legitimate program costs. Understating program costs may reduce the reimbursement rate calculated by the federal government.

### RECOMMENDATION:

5. DPW should develop written procedures for the child nutrition program which would ensure:
  - that information included on the monthly payment vouchers and financial reports is determined in accordance with program guidelines; and
  - that the hospitals request the maximum reimbursement they are entitled to receive from the program.



DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITALS

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF APPROPRIATIONS AND BUDGET REDUCTIONS  
Year Ended June 30, 1982

††

	Salaries	Current Expense	Repairs and Betterments	Special Equipment	Total
Appropriations: - Note 2					
1981 Laws, Chapter 360, Section 2	\$107,955,500	\$14,449,000	\$1,400,100	\$521,700	\$124,326,300
Budget Reduction:					
1981 Laws, Third Special Session, Chapter 2, Article 1	(944,052)	(885,000)			(1,829,052)
Net Appropriations	\$107,011,448	\$13,564,000	\$1,400,100	\$521,700	\$122,497,248
Net Transfers from Other Departments - Note 3	\$ 12,051,559				\$ 12,051,559
Transfers Between Appropriations	(58,641)	\$ 56,518	\$ 1,105	\$ 1,018	
Total Available	\$119,004,366	\$13,620,518	\$1,401,205	\$522,718	\$134,548,807
Transfers Made to Hospitals:					
Anoka	\$ (8,370,202)	\$(1,006,292)	\$ (52,840)	\$(36,430)	\$ (9,465,764)
Brainerd	(13,953,823)	(1,588,088)	(87,781)	(52,060)	(15,681,752)
Cambridge	(14,380,879)	(1,454,000)	(82,240)	(53,448)	(15,970,567)
Faribault	(20,230,465)	(2,386,670)	(109,710)	(132,630)	(22,859,475)
Fergus Falls	(12,592,643)	(1,456,235)	(120,894)	(55,090)	(14,224,862)
Moose Lake	(9,684,854)	(1,284,242)	(64,020)	(51,820)	(11,084,936)
Rochester	(7,521,135)	(703,112)	(85,400)	(3,500)	(8,313,147)
St. Peter	(14,222,052)	(1,633,272)	(93,770)	(81,350)	(16,030,444)
Willmar	(12,548,815)	(1,343,748)	(70,200)	(56,390)	(14,019,153)
Central Office	(215,660)	31,443			(184,217)
Total Transfers	\$(113,720,528)	\$(12,824,216)	\$(766,855)	\$(522,718)	\$(127,834,317)
Available Balance at June 30, 1982	\$ 5,283,838	\$ 796,302	\$ 634,350	\$ -0-	\$ 6,714,490

DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITALS  
UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

EXHIBIT B

SCHEDULE OF COST OF CARE EXPENDITURES  
Year Ended June 30, 1982

	ANOKA	BRAINERD	CAMBRIDGE	FARIBAULT	FERGUS FALLS	MOOSE LAKE	ROCHESTER	ST. PETER	WILLMAR	TOTAL
<u>Mental Illness Program</u>							- Note 6			
Expenditures - Note 4	\$ 7,960,549	\$ 1,977,123			\$ 3,447,130	\$ 3,998,960	\$ 6,213,756	\$ 4,348,516	\$ 7,784,880	\$ 35,730,914
Average Daily Population	217	69			106	159	80	152	292	1,075
Cost Per Resident	\$ 36,685	\$ 28,654			\$ 32,520	\$ 25,151	\$ 77,672	\$ 28,609	\$ 26,661	\$ 33,238
<u>Mental Retardation Program</u>										
Expenditures - Note 4	\$ 13,437,746	\$ 17,034,779	\$ 24,300,742	\$ 8,238,180	\$ 3,907,859	\$ 2,401,375	\$ 5,730,923	\$ 5,052,227	\$ 80,103,831	\$ 140,300,000
Average Daily Population	354	504	760	262	119	28	176	159	159	2,362
Cost Per Resident	\$ 37,960	\$ 33,799	\$ 31,975	\$ 31,443	\$ 32,839	\$ 85,763	\$ 32,562	\$ 31,775	\$ 31,775	\$ 33,914
<u>Chemical Dependency Program</u>										
Expenditures - Note 4	\$ 2,259,661	\$ 1,183,600			\$ 3,738,448	\$ 4,001,849		\$ 932,592	\$ 2,290,988	\$ 14,407,139
Average Daily Population	76	45			164	179		46	91	601
Cost Per Resident	\$ 29,732	\$ 26,302			\$ 22,795	\$ 22,357		\$ 20,274	\$ 25,176	\$ 23,972
<u>Other Programs - Note 5</u>										
Expenditures							\$ 539,675	\$ 6,464,067		\$ 7,003,742
Average Daily Population							10	186		196
Cost Per Resident							\$ 53,968	\$ 34,753		\$ 35,733
<u>Total Programs</u>										
Expenditures	\$ 10,220,210	\$ 16,598,469	\$ 17,034,779	\$ 24,300,742	\$ 15,423,758	\$ 11,908,668	\$ 9,154,806	\$ 17,476,098	\$ 15,128,095	\$ 137,245,625
Average Daily Population	293	468	504	760	532	457	118	560	542	4,234
Cost Per Resident	\$ 34,881	\$ 35,467	\$ 33,799	\$ 31,975	\$ 28,992	\$ 26,058	\$ 77,583	\$ 31,207	\$ 27,912	\$ 32,415



DEPARTMENT OF PUBLIC WELFARE  
STATE HOSPITALS  
UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

EXHIBIT C

SCHEDULE OF COST OF CARE CHARGES - NOTE 7  
Year Ended June 30, 1982

	ANOKA	BRAINERD	CAMBRIDGE	FARIBAULT	FERGUS FALLS	MOOSE LAKE	ROCHESTER	ST. PETER	WILLMAR	DECEASED RESIDENTS	TOTAL
<b>Mentally Ill</b>											
Medicaid Patient	\$ 469,427	\$ 184,972	\$ 10,818	\$ 5,111	\$ 1,281,504	\$ 1,826,489	\$ 774,400	\$ 888,040	\$ 3,281,869	\$ (16,972)	\$ 8,705,658
Insurance	283,360	48,578		254	121,971	238,737	134,689	488,987	329,886	(50,024)	1,596,438
Medicare	203,966	(11,778)		(81)	88,858	126,232	219,690	138,065	485,653	(8,185)	1,242,501
County	275,396	44,030			121,305	93,141	152,476	96,647	155,952	(21,975)	917,891
Other	71,001	104,264			81,222	42,464	47,591	79,979	80,015	(1,282)	505,254
				131	(70,428)		35,403		21	166,518	131,645
<b>Total Payor Charges DPW Absorbed Charges</b>	<b>1,304,150</b>	<b>370,066</b>	<b>10,818</b>	<b>5,284</b>	<b>1,694,991</b>	<b>2,327,063</b>	<b>1,258,418</b>	<b>1,727,121</b>	<b>4,333,396</b>	<b>68,080</b>	<b>13,099,367</b>
	<b>5,762,753</b>	<b>1,877,836</b>		<b>81</b>	<b>1,586,142</b>	<b>2,617,337</b>	<b>1,714,926</b>	<b>7,657,825</b>	<b>5,045,508</b>	<b>(227,360)</b>	<b>26,035,048</b>
<b>TOTAL CHARGES</b>	<b>\$ 7,066,903</b>	<b>\$ 2,247,902</b>	<b>\$ 10,818</b>	<b>\$ 5,365</b>	<b>\$ 3,281,133</b>	<b>\$ 4,944,400</b>	<b>\$ 2,973,344</b>	<b>\$ 9,384,946</b>	<b>\$ 9,378,904</b>	<b>\$ (159,280)</b>	<b>\$ 39,134,435</b>
<b>Mentally Retarded</b>											
Medicaid Patient	\$10,161,604	\$15,281,591	\$23,554,622	\$7,836,174	\$3,760,127	\$849,778	\$5,565,359	\$5,032,082	\$7,372	\$7,372	\$72,048,709
Insurance	308,077	648,956	1,054,264	262,901	187,891	22,571	295,760	162,959	162,959	(3,832)	2,939,547
Medicare	147,183	(10,340)	116,607	44,136	4,814	(4,209)	1,718	396	4,272	1,831	297,586
County	434	2,668	(408)	3,624	1,407	549					10,868
Other	10,420	22,218	8,489	11,117							58,472
	30	(2,794)									19,419
<b>Total Payor Charges DPW Absorbed Charges</b>	<b>10,627,748</b>	<b>15,945,093</b>	<b>24,730,780</b>	<b>8,157,952</b>	<b>3,954,239</b>	<b>868,689</b>	<b>5,862,837</b>	<b>5,199,709</b>	<b>27,554</b>	<b>27,554</b>	<b>75,374,601</b>
	<b>1,155,673</b>	<b>437,007</b>	<b>112,354</b>	<b>369,324</b>	<b>(2,061)</b>	<b>46,319</b>	<b>189,986</b>	<b>24,079</b>	<b>(1,695)</b>	<b>(1,695)</b>	<b>2,330,986</b>
<b>TOTAL CHARGES</b>	<b>\$11,783,421</b>	<b>\$16,382,100</b>	<b>\$24,843,134</b>	<b>\$8,527,276</b>	<b>\$3,952,178</b>	<b>\$915,008</b>	<b>\$6,052,823</b>	<b>\$5,223,788</b>	<b>\$25,859</b>	<b>\$25,859</b>	<b>\$77,705,587</b>
<b>Chemically Dependent</b>											
Medicaid Patient	\$ 15,840	\$ 105,473	\$ 2,497	\$ 610,478	\$ 229,365	\$ (3,002)	\$ 140,008	\$ 227,499	\$ 3,434	\$ (2,797)	\$ 1,325,361
Insurance	21,894	18,031	(2,439)	215,780	30,306	(35,547)	(17,120)	85,518	3,434	(27,939)	206,400
Medicare	60,626	12,587		479,341	145,060	(4,529)	138,246	49,783	85,518	15,292	932,141
County	(234)	18,604		98,655	55,591	(1,223)	15,867	22,708	49,783	(3,661)	233,382
Other	21,310	15,158		100,851	25,890	(366)	2,043		22,708	(38)	187,556
						55	93			70,897	71,045
<b>Total Payor Charges DPW Absorbed Charges</b>	<b>119,436</b>	<b>169,853</b>	<b>58</b>	<b>1,505,105</b>	<b>486,212</b>	<b>(44,612)</b>	<b>279,137</b>	<b>388,942</b>	<b>388,942</b>	<b>51,754</b>	<b>2,955,885</b>
	<b>2,283,867</b>	<b>1,404,195</b>		<b>3,947,757</b>	<b>4,988,078</b>	<b>(138,066)</b>	<b>1,186,815</b>	<b>2,523,379</b>	<b>(9,745)</b>	<b>(9,745)</b>	<b>16,186,280</b>
<b>TOTAL CHARGES</b>	<b>\$ 2,403,303</b>	<b>\$ 1,574,048</b>	<b>\$ 58</b>	<b>\$ 5,452,862</b>	<b>\$ 5,474,290</b>	<b>\$ (182,678)</b>	<b>\$ 1,465,952</b>	<b>\$ 2,912,321</b>	<b>\$ 2,912,321</b>	<b>\$ 42,009</b>	<b>\$ 19,142,165</b>
<b>Total Payor Charges DPW Absorbed Charges</b>	<b>\$ 1,423,586</b>	<b>\$11,167,667</b>	<b>\$15,955,969</b>	<b>\$24,736,064</b>	<b>\$ 6,767,514</b>	<b>\$ 2,082,495</b>	<b>\$ 7,869,095</b>	<b>\$ 9,922,047</b>	<b>\$ 9,922,047</b>	<b>\$ 147,388</b>	<b>\$ 91,429,873</b>
	<b>8,046,620</b>	<b>4,437,704</b>	<b>437,007</b>	<b>112,435</b>	<b>7,603,354</b>	<b>1,623,179</b>	<b>9,034,626</b>	<b>7,592,966</b>	<b>(238,800)</b>	<b>(238,800)</b>	<b>44,552,314</b>
<b>TOTAL CHARGES</b>	<b>\$ 9,470,206</b>	<b>\$15,605,371</b>	<b>\$16,392,976</b>	<b>\$24,848,499</b>	<b>\$14,370,868</b>	<b>\$ 3,705,674</b>	<b>\$16,903,721</b>	<b>\$17,515,013</b>	<b>\$17,515,013</b>	<b>\$ (91,412)</b>	<b>\$135,982,187</b>

DEPARTMENT OF PUBLIC WELFARE

STATE HOSPITALS

EXHIBIT D

NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Transfers from other departments is comprised of salary supplements, cost of living adjustments, insurance premiums, and monies for Teacher's Retirement Association contributions.
- NOTE 4: Expenditures include encumbrances and DPW central office administrative costs prorated by patient days.
- NOTE 5: Other programs include the medical program at Rochester and St. Peter's Security Hospital.
- NOTE 6: During fiscal year 1982, Rochester State Hospital was in the process of phasing out its' operations. According to 1981 Laws, Chapter 360, Section 2, the hospital was to close no later than June 30, 1982.
- NOTE 7: Cost of care charges represent that portion of cost of care for which the reimbursement officer has determined payor source responsibility.





STATE OF MINNESOTA  
DEPARTMENT OF PUBLIC WELFARE  
CENTENNIAL OFFICE BUILDING  
ST. PAUL, MINNESOTA 55155

OFFICE OF THE  
COMMISSIONER  
612/296-2701

GENERAL  
INFORMATION  
612/296-6117

September 6, 1983

PLEASE REPLY TO \_\_\_\_\_

Ms. Claudia Gudvangen, Audit Manager  
Office of the Legislative Auditor  
Veterans Service Building  
St. Paul, Mn. 55155

Dear Ms. Gudvangen:

Enclosed are the Department of Public Welfare responses to the draft audit report on State Hospital financial Administration. We understand that these responses will be published with your final report.

Sincerely,

Jon B. Darling  
Director  
Financial Management Division  
Department of Public Welfare

DEPARTMENT OF PUBLIC WELFARE  
RESPONSES TO LEGISLATIVE AUDIT COMMISSION  
REVIEW OF STATE HOSPITAL FINANCIAL ADMINISTRATION

Recommendation #1:

DPW central office should increase its role in coordinating and monitoring the financial activities and procedures of the various state hospitals, in part through:

updating the Institutions Manual or other appropriate document to provide guidance to the state hospitals on the proper procedures for various fiscal operations;  
and

establishment of the internal audit function to periodically review the operations of the various hospitals to ensure compliance with established policies.

Response:

The Department concurs with the "Institutions Manual" part of the recommendation and to the extent that resources are available, intends to revise and update the Institutions Manual. A major revision will be necessary since the manual has not been updated recently so it is difficult to project a completion date. The planned process is to convene work groups of Institution Accounting Officers and Business Managers for the various areas covered in the manual to discuss the procedures used by the various hospitals and to recommend uniform procedures to be included in the manual. The central office staff coordinating this process will be Mr. James Walker from the Mental Health Bureau and Mr. Thomas Sherwood from the Support Services Bureau.

We generally agree with the internal audit portion of this recommendation and as a matter of fact this audit function was planned in the Department's objectives outlined in the budget document for '83-'85. Although the time frame for this objective has slipped somewhat due to an increase in staff time needed to support nursing home legislation and rule revision (both 49 and 52), we fully intend to establish this audit function. For your information, the internal audit function will assume the much broader function of management/operational auditing. Included in the internal audit will be follow up of financial and compliance audits in accordance with OMB A-102 and program audits of the county welfare agencies. Mr. Richard Archer will be working with Department of Finance staff and others to establish the internal audit function in coordination with the implementation of the single audit concept.

Recommendation #2:

DPW should assist the hospitals in developing detailed written policies



and procedures to provide administrative direction over the business aspects of the prevocational training programs.

Response:

This recommendation is an extension of recommendation number one. The Department of Public Welfare concurs with the recommendation. Implementation will be achieved as a part of the process detailed above for the revision of the institution manual.

Recommendation #3:

DPW should request clarification from the Attorney General regarding legal requirements affecting the training programs, including the applicability of Minn. Stat. Section 246.151 establishing compensation for residents.

Response:

This clarification is currently being requested from the Attorney General and the response will be conveyed to the Institutions when received.

Recommendation #4:

DPW should review the procedures for billing and collecting cost of care charged. If it is determined that situations exist where it would be appropriate for collections to be made at individual hospitals, DPW should develop a system which provides adequate controls and separation of the billing and collection functions.

Response:

Collections occur at individual hospitals when patients are billed based on earnings from a hospital work program. In this situation, the reimbursement officer receives a copy of the hospital's Patient Paylist, develops a billing statement based on the patient's earnings, and gives the statement to the patient. The patient is also issued a Determination Order and Notice of Rate Based On Work Income. When the patient pays the reimbursement officer, the patient is given a numbered receipt and the payment is deposited with the hospital Business Office. The Business Office transfers the payment from the hospital to the cost of care account.

At all times, there is verification that the amount shown on the

patient's receipt is the amount deposited with the Business Office. The amount the patient is billed is based on the patient's work income and determined according to DPW Rule 27.

At the present time, we do not have the computer capability to generate billing statements for earnings based on hospital work programs. The time element involved is also prohibitive. Patients are billed as soon as possible in order to obtain payment.

We have an alternative suggestion to improve control until such time as we have computer capability. Numbered billing statements printed in duplicate could be issued to the reimbursement officers. A copy of the statement could be placed in the patient's file and the statements could be matched against the numbered receipts. If this suggestion is acceptable it will be implemented immediately by Mr. Duane Cooney of the Support Services Bureau.

Recommendation #5:

DPW should develop written procedures for the child nutrition program which would ensure:

·that information included on the monthly payment vouchers and financial reports is determined in accordance with program guidelines; and

that the hospitals request the maximum reimbursement they are entitled to receive from the program.

Response:

DPW is of the opinion that written procedures have been developed and issued to the Institutions by the Department of Education and that audits of the institution programs under these guidelines have been conducted with positive results. This point will be verified and in addition appropriate procedures will be reviewed (with the aspect of cost effectiveness in mind) for inclusion in the revised Institution Manual as part of the process described in response Number 1 above.



Audit Report

BRAINERD STATE HOSPITAL

Year Ended June 30, 1982

\*\*\*

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

JULY 1983



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR  
Veterans Service Building  
St. Paul, Minnesota 55155

~~XXXXXXXXXXXXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Leonard W. Levine, Commissioner  
Department of Public Welfare,

and

Harold S. Gillespie, Chief Executive Officer  
Brainerd State Hospital

We have made a financial and compliance audit of Brainerd State Hospital for the year ended June 30, 1982. The audit field work was completed on April 8, 1983. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the hospital; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.



Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
Leonard W. Levine, Commissioner  
and  
Harold S. Gillespie, Chief Executive Officer  
Page 2

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.



John Asmussen, CPA  
Deputy Legislative Auditor

July 21, 1983

# BRAINERD STATE HOSPITAL

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## AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Jim Riebe, Auditor-in-Charge  
Steve Pyan, Staff Auditor  
Brad Olson, Staff Auditor  
Tim Corrigan, Staff Auditor

## EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of Brainerd State Hospital on April 7, 1983:

Harold Gillespie, Chief Executive Officer  
Elmer Davis, Accounting Coordinator  
Norris Kowalke, Accounting Officer



# BRAINERD STATE HOSPITAL

## INTRODUCTION

Brainerd State Hospital (BSH) began operation in September 1958. As a multi-service institution, the hospital currently provides evaluation, treatment, residential and developmental services in order to meet the needs of individuals who are mentally retarded, multiple-handicapped, mentally ill or chemically dependent. Also, the educable retarded with behavior problems from the entire state are served by the Minnesota Learning Center of BSH. The hospital employs approximately 686 personnel to meet the needs of its population.

The average population at BSH has decreased from approximately 922 residents/patients in 1971-72 to an average of 486 during 1981-82. This reduction in population is the result of the state's commitment to facilitate community placement of individuals who are capable of coping with their disabilities and successfully functioning in society.

BSH is under the general management and control of the Commissioner of Public Welfare and the immediate supervision of a Chief Executive Officer appointed by the Commissioner. Harold S. Gillespie has held the position of Chief Executive Officer of BSH since his appointment which became effective January 1, 1974.

BSH and all state hospital operations are financed through General Fund appropriations made directly to the Department of Public Welfare (DPW). DPW is responsible for maintaining, controlling and transferring the necessary funds to the appropriate hospital accounts.

# BRAINERD STATE HOSPITAL

## CURRENT FINDINGS AND RECOMMENDATIONS

### Controls over the Work Activity Center sales and assets are inadequate.

The Commissioner of Public Welfare established the Work Activity Center pursuant to Minn. Stat. Section 246.56. The purpose of the center is to provide therapeutic work activities for the hospital's mentally retarded and mentally ill residents. The activities of the center include the manufacturing and sale of stuffed animals, assembling ballpoint pens for the State of Minnesota, repairing wooden crates, and various other activities.

During our audit of the Work Activity Center, we noted the following control weaknesses:

- prenumbered sales receipts were not used;
- cash receipts from sales were not deposited in total;
- cash receipts were used to purchase supplies;
- receipts were not deposited on a timely basis; and
- inventory records were not maintained for supplies, and inventory records for finished goods were not sufficient.

The issuance of prenumbered, multi-copy sales receipts can provide a degree of assurance that all cash collected is deposited. The amount deposited should be reconciled to the amount collected (as supported by copies of the sales receipts) by someone independent of the cash receipt process.

Minn. Stat. Section 16A.275 requires that deposits be made when cash receipts total \$250 or more. Although deposits were being made on a routine basis by the Work Activity Center, the deposit would not necessarily include the total receipts obtained from sales. The center staff uses the cash from sales to make minor purchases in order to continue production. As a result, total sales and operating costs are unknown, and not properly reflected in the accounting records.

When we informed the Business Office staff of the weaknesses in cash receipt procedures, they took corrective action immediately. Prenumbered sales receipts were issued at the point of sale and all receipts from sales were deposited on a daily basis. A petty cash fund will be established for minor purchases.

Based on the low dollar value, a basic inventory record keeping system should be established for the center's supplies and finished goods inventory. The system should accurately record the receipt and issuance of supplies and the completion, storage and sale of finished goods. Information on the sales of finished goods should be used to ensure that all receipts from sales are deposited.



BRAINERD STATE HOSPITAL

RECOMMENDATIONS:

1. The Business Office should monitor the Work Activity Center to ensure compliance with the recently established cash receipt procedures.
2. The Work Activity Center should establish an inventory record keeping system for supplies and finished goods in compliance with the Consumable Inventory Management Program Manual.

Agreements involving the Work Activity Center and non-state entities have not been formalized.

The Commissioner of the Department of Public Welfare is authorized to contract with public and private industries in order to provide therapeutic work activities for residents of state institutions (Minn. Stat. 246.56). These agreements--referred to as income contracts--are subject to review and approval by the Contract Management Division of the Department of Administration according to the scope paragraph of Administration Policy and Procedure 188.

The agreements between the Work Activity Center and the non-state entities have been informal; the rights and responsibilities of the contracting parties have not been formally documented or subjected to the required review and approval by Contract Management. BSH staff indicated that initially formal contracts had been executed but over the years a more informal arrangement evolved, in part because of the nature of the agreements and the limited type of work the residents or patients are able to perform.

Written contracts which specify the rights and responsibilities of the contracting parties, protect the interests of concerned parties and reduce the potential for misunderstandings. A primary consideration to be addressed regarding the Work Activity Center is the question of liability for injuries to handicapped residents or patient workers who are wards of the state and are performing services for non-state entities.

RECOMMENDATION:

3. The Work Activity Center should execute formal contracts in compliance with Contract Management policies and procedures governing income contracts with non-state entities.

BSH is not collecting sales tax on stuffed animals made by the residents working in the Work Activity Center and sold to hospital employees.

The Department of Revenue's Sales and Use Tax Division's, Sales Tax Newsletter No. 5 for January 1980, specifically states that no organization is

BRAINERD STATE HOSPITAL

exempt from collecting the tax on taxable retail sales. Taxable retail sales are defined by sales and use tax laws as all sales of tangible personal property.

Sales tax regulation 411(E) requires that all sales by nonprofit organizations are subject to tax if more than two sales are held in any calendar year, or if a sale is held for two or more consecutive days.

The Department of Finance's (DOF) Operating Policy and Procedure Number 06:06:12 instructs state agencies to deposit sales tax collections directly into the General Fund as non-dedicated receipts. State agencies are also instructed to prepare a monthly sales tax report which reconciles to deposits, and send it to the DOF's general accounting section.

RECOMMENDATION:

4. BSH should collect sales tax on the sale of finished goods and deposit it in accordance with the Department of Finance's Operating Policy and Procedure Number 06:06:12. The monthly sales tax reports should also be prepared and sent to DOF's general accounting section.

The residents participating in the Work Activity Center (WAC) Program are not compensated for the work performed in accordance with Minn. Stat. Section 246.151.

Minn. Stat. Section 246.151, Subd. 1 provides that,

"Notwithstanding any law to the contrary, the commissioner of public welfare is authorized to provide for the payment to patients or residents of state institutions under his management and control of such pecuniary compensation as he may deem proper, the amount of compensation to depend upon the quality and character of the work performed as determined by the commissioner and the chief executive officer, but in no case less than 25 percent of the minimum wage established pursuant to section 177.24."

The residents working in the center are receiving less than 25 percent of the minimum wage. Hospital staff have questioned whether the statutory provisions apply to the WAC which was established as a form of therapy.

RECOMMENDATION:

5. BSH should determine whether the provisions of Minn. Stat. Section 246.151, Subd. 1 apply to residents working in the WAC, and should revise the compensation procedures to comply with the section, if deemed applicable.



## BRAINERD STATE HOSPITAL

### Internal controls over BSH consumable inventories need to be strengthened.

The information needs and requirements of management change in relation to the type of inventory being controlled. The Consumable Inventory Management Division of the Department of Administration conducted an audit of the BSH Pharmacy inventory in July 1982. Consumable Inventory Management recommended that perpetual inventory records with economic order points (EOP) and economic order points quantities (EOQ) be established for all items comprising the Pharmacy inventory. In reviewing the status of this recommendation, we found that inventory records for certain Pharmacy items were not being maintained on a perpetual basis and that most inventory records did not contain EOP or EOQ. Currently, items not on a perpetual inventory system are recorded as being received, and then immediately recorded as being issued. All inventory items are reordered when the last supplies are put into use. By not establishing EOP and EOQ, the pharmacist must rely on his memory to place the order and on his knowledge of usage in order to determine the quantity to order.

The inventory record keeping system for the Pharmacy is critical. Stock outages would interrupt essential services by preventing the dispensation of prescribed medications. Establishing perpetual inventory records with EOP and EOQ for all items would control inventory levels and inventory costs. The economic order point (or reorder quantities) notifies management that action is necessary. The economic order quantity balances the cost of placing orders and the carrying costs associated with storage. We concur with the Consumable Inventory Management Division's recommendation that perpetual inventory records with EOP and EOQ for all Pharmacy inventory items would be the most systematic, effective and efficient method of managing the inventory.

Techniques should also be employed to monitor the difference between the quantity of inventory on hand as shown on the inventory record and the quantity actually on hand. This practice provides useful information on inventory record accuracy, system effectiveness and assists in the identification and elimination of surplus and obsolete inventory. The periodic physical inventory should be performed by someone independent of the custodial function. This separation of duties strengthens controls over record accuracy and system effectiveness, and also ensures that one person is not in the position to perpetrate and conceal errors or irregularities.

#### RECOMMENDATIONS:

6. A perpetual inventory system with economic order points and economic order quantities should be established for all Pharmacy inventory items.
7. Periodic physical inventories should be conducted in all consumable inventory areas by someone independent of the custodial function.



## BRAINERD STATE HOSPITAL

Child nutrition reimbursement claims are not accurately completed, and reimbursement amounts subsequently received are not verified.

BSH requests reimbursement from the child nutrition program for breakfasts and lunches served at the institution. During fiscal year 1982, \$64,303 in reimbursements for meals was received by the hospital. Reimbursement is initiated when a monthly payment voucher is completed by BSH personnel and submitted to the Department of Education for payment. Two of the factors used to calculate the child nutrition reimbursement amount are the total meals served to eligible individuals as reported by the hospital, and the reimbursement rate determined by the federal government.

Federal guidelines and the Department of Education specifications require that the total number of meals served be reported on an actual basis. However, during our audit we noted that BSH staff report the average total meals served to eligible individuals when completing the monthly payment voucher. This figure is computed by dividing the total monthly attendance by the number of days in the month, rounding to the lowest whole number, and then multiplying by the number of days in the month. The rounding procedure results in BSH reporting lower total meals served which reduces the amount of child nutrition funds received.

Once the Department of Education processes the monthly payment vouchers, it transfers the amount of the child nutrition reimbursement into a BSH account. Although the hospital staff do verify that a transfer of funds takes place, they have not verified the accuracy of the amount received. In our opinion, BSH staff should ensure that the Department of Education has accurately processed the monthly payment vouchers and that the correct amount of funds were transferred. Hospital staff should independently calculate the amount of reimbursement the hospital is entitled to receive by using the reimbursement rate provided to the hospital by the Department of Education and the total meals served to eligible individuals as reported on the monthly payment voucher.

Finally, we believe that written procedures should be developed to assist hospital staff in performing their duties related to the child nutrition program. Written procedures would help assure that federal and state guidelines are complied with, monthly payment vouchers are accurately completed and the correct reimbursement amount is received.

### RECOMMENDATIONS:

8. The actual number of meals served to eligible individuals should be reported on the monthly payment voucher when requesting reimbursement from the child nutrition program.
9. BSH staff should verify that the correct reimbursement amount was calculated by the Department of Education and transferred to a BSH account.
10. Written procedures should be established to assist BSH staff in performing their responsibilities associated with claims for reimbursement from the child nutrition program.



## BRAINERD STATE HOSPITAL

Business Office procedures regarding controls over mail receipts and disbursements from the contingent accounts could be improved.

Currently, the administrative secretary opens the mail and prepares a listing of all checks received. The checks are then delivered to the Business Office where an account clerk--at the time the bank deposit is prepared--restrictively endorses the checks "for deposit only."

The possibility exists that checks could be lost or stolen between the time they are received in the mail and when they are restrictively endorsed in the Business Office. Lost or stolen checks could be improperly negotiated if they have not been restrictively endorsed. The application of the restrictive endorsement when the mail is opened would insure the maximum security over the checks from the time of receipt to deposit.

BSH has three checking accounts: the Social Welfare Account (\$10,000), the Resident Payroll Account (\$8,000) and the Current Expense Account (\$500). In order to ensure the accuracy and propriety of all checks issued from these accounts, two signatures are required before the check is considered negotiable. In the case of each account, one of the two co-signers also reconciles the checking account balance to the bank statement balance at month end. An improved system of internal control would provide that someone without responsibility for the contingent accounts independently reconcile the accounts and review the transactions for accuracy and propriety.

### RECOMMENDATIONS:

11. Incoming checks received through the mail should be restrictively endorsed "for deposit only" promptly when the mail is opened.
12. Someone independent of disbursements made from the contingent accounts should reconcile those accounts and review transactions for accuracy and propriety.

The procedure for distributing social welfare cash to living unit directors for minor purchases made by residents should be redesigned.

The Business Office, once or twice per month, distributes social welfare cash to living unit directors so that residents have a nominal amount of cash available on the unit for purchases. During this process--referred to as the "cash canteen"--the living unit director receives a small amount of money (\$2 to \$3) for each resident of the unit in need of canteen cash. According to Hospital Regulation #7105, the living unit director is responsible for controlling the amount of canteen cash on hand and establishing controls to prevent theft, loss or misuse of these funds.

Presently, the resident's accounts clerk in the Business Office spends a significant amount of time physically segregating the social welfare cash being withdrawn for each resident into individual packets. The living unit director or designee acknowledges receipt of the social welfare cash from



## BRAINERD STATE HOSPITAL

the Business Office with a signature. The funds are then deposited for safekeeping at the living unit; the physical separation of each resident's funds is maintained, and each resident's receipts and disbursements are accounted for in individual ledgers. During our review of social welfare cash on the units, it was apparent that the living unit staff were not always verifying the individual amounts received from the Business Office.

In order to ensure that the correct amount of canteen cash for each resident has been received from the Business Office, living unit staff should count the individual amounts received before updating the accounting records. Implementation of this procedure would eliminate the need for the Business Office to initially segregate the individual canteen cash amounts and would concentrate the responsibility for the residents' cash held on the units with the living unit staff. In place of the current practice of segregating each resident's cash, the resident's accounts clerk should prepare the total of canteen cash requested for all residents of the living unit. The cash prepared should be of denominations that will allow the living unit staff to easily separate the funds of each resident. Then in order to verify that the residents' cash held on the units is adequately safeguarded and properly accounted for, a periodic review of the activity and a reconciliation of the resident's cash on hand to the supporting accounting records should be performed. Someone independent of the canteen cash receipt and disbursement process should be responsible for this reconciliation.

### RECOMMENDATIONS:

13. Each living unit director or designee should verify the amount of canteen cash received from the Business Office, physically separate each resident's funds, and maintain receipt and disbursement accounting records by individual resident.
14. An independent review of all canteen cash activity and a reconciliation of resident cash on hand to the supporting accounting records should be performed periodically.



BRAINERD STATE HOSPITAL

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES AND AVAILABLE BALANCE  
Fiscal Year Ended June 30, 1982

General Fund

State Appropriations - Note 2	\$15,681,752
Receipts - Exhibit B	2,089
Transfers In:	
Salary Supplements	27,239
Appropriation Cancellations	<u>(15,147)</u>
Total Available	<u>\$15,695,933</u>

Expenditures:

Personal Services	\$13,861,046
Rents and Leases	4,528
Advertising	223
Repair Services	16,537
Bonds and Insurance	770
Printing and Binding	3,535
Professional Technical Services	95,197
Purchased Services	9,202
Communications	66,418
Travel	5,639
Utility Services	279,260
Care of Persons	1,022
Freight and Express	(6)
Supplies, Materials, and Parts	1,265,494
Equipment	5,125
Grants and Subsidies	10,494
Claims, Awards, and Indemnities	3,834
Prepaid Expense	12
Other Expenditures	<u>115</u>

        Total Expenditures \$15,628,445

Available Balance - June 30, 1982 - Note 3 \$ 67,488

Special Revenue Fund

Available Balance - July 1, 1981	\$ 29,694
Receipts - Exhibit B	<u>26,712</u>
Total Available	<u>\$ 56,406</u>

BRAINERD STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Special Revenue Fund (con't)

Expenditures:	
Personal Services	\$ 7,522
Communications	492
Travel	1,602
Freight and Express	96
Supplies, Materials, and Parts	<u>11,785</u>
Total Expenditures	\$ <u>21,497</u>
Available Balance - June 30, 1982	\$ <u>34,909</u>

Federal Fund

Available Balance - July 1, 1981	\$ 48,524
Receipts - Exhibit B	124,759
Transfers from Education	<u>81,707</u>
Total Available	\$ <u>254,990</u>

Expenditures:	
Personal Services	\$ 70,427
Rents and Leases	83
Advertising	56
Repair Services	64,359
Professional Technical Services	900
Travel	4,748
Freight and Express	3,200
Supplies, Materials, and Parts	55,753
Equipment	<u>20,109</u>
Total Expenditures	\$ <u>219,635</u>
Available Balance - June 30, 1982	\$ <u>35,355</u>

Agency Fund

Available Balance - July 1, 1981	\$ 125,233
Receipts - Exhibit B	284,297
Interest Earnings	<u>13,169</u>
Total Available	\$ <u>422,699</u>

Expenditures:	
Care of Persons	\$ 267
Residents' Withdrawals	<u>297,819</u>
Total Expenditures	\$ <u>298,086</u>
Available Balance - June 30, 1982	\$ <u>124,613</u>



BRAINERD STATE HOSPITAL

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER  
Fiscal Year Ended June 30, 1982

General Fund

Sale of Usable Equipment	<u>\$ 2,089</u>
Total General Fund	<u><u>\$ 2,089</u></u>

Special Revenue Fund

Manufacturing	\$ 24,364
Other Earnings	<u>2,348</u>
Total Special Revenue Fund	<u><u>\$ 26,712</u></u>

Federal Fund

Child Nutrition Program	\$ 63,784
Energy Conservation	<u>60,975</u>
Total Federal Fund	<u><u>\$124,759</u></u>

Agency Fund

Residents' Deposits	\$284,219
Sales Tax	<u>78</u>
Total Agency Fund	<u><u>\$284,297</u></u>

NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The statewide accounting (SWA) reports through September 4, 1982 were used in preparing these statements with adjustments for activity occurring subsequent to that date. Consequently, this statement is not prepared using the accrual basis of accounting.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Available balance at June 30, 1982 includes \$67,038 appropriation balance carried forward to fiscal year 1983.

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STATE OF MINNESOTA  
DEPARTMENT OF PUBLIC WELFARE  
BRAINERD STATE HOSPITAL  
BRAINERD, MINNESOTA  
56401

July 21, 1983

Ms. Claudia Gudvangen  
Audit Manager  
Office of the Legislative Audit  
Veterans Service Building  
St. Paul, MN 55155

Dear Ms. Gudvangen:

Mr. Gillespie, Chief Executive Officer, has asked that I respond to the draft audit report received with your letter of July 12, 1983: Asterisks indicate actions taken or planned in response to the recommendations.

Introduction:

Brainerd State Hospital received its first patients in June, 1958, rather than September, 1958, as stated in the report.

Recommendations:

1. "The Business Office should monitor the Work Activity Center to ensure compliance with the recently established cash receipt procedures."

There is some misunderstanding with regard to the use of pre numbered sales receipts. We did immediately begin requiring daily intact deposit of all funds received. The Business Office issues a pre numbered receipt to the Work Activity Center for these funds. Sales receipts which are not pre numbered have been in use.

- \* By September 1, 1983, the Accounting Office will initiate the use of pre numbered sales receipts in the Work Activity Center.
- \* The accounting officer will conduct periodic audits to monitor compliance with cash receipts procedures. Copies of receipts issued will be turned over to the Business Office with each deposit.
- \* We will establish a petty cash fund for minor purchases by 10/1/83 for the Work Activity Center which will be maintained according to generally accepted imprest cash fund procedures.



2. "The Work Activity Center should establish an inventory record keeping system for supplies and finished goods in compliance with the Consumable Inventory Management Program Manual."

\* The Director of the Work Activity Center has established an inventory system for supplies and finished goods as recommended. By 10/1/83 the accounting officer will review the system for compliance with the recommendations contained in the audit report.

These records will be maintained by Work Activity Center personnel. We hope to keep a simplified system which is not unduly cumbersome for a limited staff whose primary function is to train and supervise residents in productive activity.

3. "The Work Activity Center should execute formal contracts in compliance with contract management policies and procedures governing income contracts with non-state entities."

Our experience with processing consultant contracts has been that it is an extremely cumbersome and exacting procedure to get a contract through the necessary state offices. We have had the state attorneys challenge the right of individuals to sign for their organization and require a statement from an attorney that they are an authorized signature. That type of approach will make it difficult to obtain contracts.

\* The Director, Support Services Division will assist the Director of the Work Activity Center in establishing written contracts for ongoing current projects by 11/1/83, and any new contracts established thereafter will be in compliance with contract management policies. We request that the procedures be kept as simple as possible so that it does not unnecessarily hamper the securing of contracts or cause the loss of existing contracts.

4. "Brainerd State Hospital should collect sales tax on the sale of finished goods and deposit it in accordance with the Department of Finance's operating policy and procedures number 06:06:12, the monthly sales tax reports should also be prepared and sent to Department of Finance's general accounting section."

It appears to us that at the very most this will generate about \$140 in revenue annually, at a cost of at least that much in personnel time completing the necessary reports, computing the tax on individual sales, etc.

\* By 10/1/83, unless an exemption can be obtained, the Director of the Work Activity Center will begin collecting sales tax on the sale of finished goods not for resale and the Accounting Office will initiate the necessary procedures for depositing and reporting sales tax collections.

5. "Brainerd State Hospital should determine whether the provisions of Minnesota Statutes, Section 246.151, Subd. 1, apply to residents working in the Work Activity Center and should revise the compensation procedures to comply with the section, if deemed applicable."



Minnesota Statutes 246.56, Subd. 2, states in part: "The activities within this program shall conform to the rules and regulations relating to work activity centers promulgated by the United States Department of Labor." The rules and regulations of the U. S. Department of Labor permit the payment of wages according to productivity with no established minimum. Subd. 2(c) grants the Commissioner the authority to "use the revenue from the operation of said programs to pay wages to patients and residents according to their productivity." It would be impossible because of the low productivity of the clients to operate a work activity center if there were a requirement that all clients be paid 25 per cent of minimum wage.

\* By copy of this letter, we request that the Department of Public Welfare obtain a determination in this matter. In the meantime, we shall continue our present compensation procedures.

6. "A perpetual inventory system with economic order points and economic order quantities should be established for all pharmacy inventory items."

\* This system has been set up in the pharmacy and is now being maintained on a current basis. The EOQ's and EOP's are being recomputed based on the new contract prices which became effective on May 31, 1983.

7. "Periodic physical inventories should be conducted in all consumable inventory areas by someone independent of the custodial function."

\* By 10/1/83, the Accounting Officer will expand present physical inventory procedures to include spot checking those areas not presently being checked by persons independent of the custodial function. It would not be possible with our present Business Office staff to take complete physical inventories annually in all areas, particularly the pharmacy.

8. "The actual number of meals served to eligible individuals should be reported on the monthly payment voucher when requesting reimbursement from the Child Nutrition Program."

\* The Accounting Officer will initiate procedures so that, beginning with the August payment voucher, actual meals served will be reported.

9. "Brainerd State Hospital staff should verify that the correct reimbursement amount was calculated by the Department of Education and transferred to a BSH account."

\* The Accounting Officer will initiate procedures for verification of reimbursement amounts by 8/1/83.

10. "Written procedures should be established to assist Brainerd State Hospital staff in performing their responsibilities associated with claims for reimbursement from the Child Nutrition Program."

\* The Director, Support Services Division will prepare a Hospital Regulation on this subject for publication by 10/1/83, with the assistance of the Accounting Officer.



11. "Incoming checks received through the mail should be restrictively endorsed 'for deposit only' promptly when the mail is opened."

\* This has been initiated at the administrative secretary's desk and at the receptionist desk. The Accounting Officer has ordered restrictive endorsement stamps which will be in use by 9/1/83 at the Minnesota Learning Center and the Work Activity Center which are the two remaining locations where checks are received in the mail.

12. "Someone independent of disbursements made from the contingent accounts should reconcile these accounts and review transactions for accuracy and propriety."

\* With one exception (current expense contingent fund), contingent fund accounts are reconciled by an employee other than the individual who prepares the checks and maintains supporting records. Effective 8/1/83 the current expense contingent fund will also be reconciled by someone other than the one who prepares the checks and maintains supporting records.

It would be virtually impossible to exclude all persons who are authorized signatures from reconciliation of the accounts. In order to have two authorized signatures present at all times, it is necessary to have several persons with signature authority for each account. We could not reassign duties enough to handle this. Secondly, we prefer to have reconciliation done by persons at supervisory level and also to have checks signed by persons at supervisory level.

13. "Each living unit director or designee should verify the amount of canteen cash received from the Business Office, physically separate each resident's funds, and maintain receipt and disbursement accounting records by individual account."

\* Individual receipt and disbursement records of resident money are presently being maintained in each building. Beginning 8/1/83, canteen cash for each building will be issued by the Accounting Officer or designee in lump sum and verified and separated into individual amounts by building director or designee. The Accounting Officer will initiate this procedure.

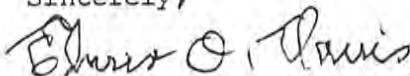
14. "An independent review of all canteen cash activity and a reconciliation of resident cash on hand to the supporting accounting records should be performed periodically."

\* By 8/1/83, each program director will be instructed to initiate procedures for independent review and reconciliation of resident cash on hand. It should be recognized that these accounts rarely exceed \$5.00 per person.

We wish to thank you for the thorough review and for the courtesy of the staff who conducted the review.

Please inform me if there are any questions relative to this response to the draft audit report.

Sincerely,



Elmer O. Davis, Ass't. Institution Administrator  
Director, Support Services Division



Audit Report

FARIBAULT STATE HOSPITAL

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

JULY 1983



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR  
Veterans Service Building  
St. Paul, Minnesota 55155

~~XXXXXXXXXXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Leonard W. Levine, Commissioner  
Department of Public Welfare,

and

Charles V. Turnbull, Chief Executive Officer  
Faribault State Hospital

\*\*\*

We have made a financial and compliance audit of Faribault State Hospital for the year ended June 30, 1982. The audit field work was completed on April 1, 1983. Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the hospital; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.


The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.



Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
Leonard W. Levine, Commissioner  
and  
Charles V. Turnbull, Chief Executive Officer  
Page 2

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.



John Asmussen, CPA  
Deputy Legislative Auditor

July 21, 1983

# FARIBAULT STATE HOSPITAL

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## AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Ken Vandermeer, CPA, Auditor-in-Charge  
Darlya Ecklund, Staff Auditor  
Mario Cocchiarella, Staff Auditor

## EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of Faribault State Hospital on April 1, 1983:

Charles V. Turnbull, Chief Executive Officer  
Arnold A. Madow, Assistant Administrator, Program  
    Services  
Dick Fick, Accounting Supervisor  
Marilyn Carstensen, Residents' Accounts  
Spencer Wilkes, Purchasing  
Alice Gute, Chief Dietician



# FARIBAULT STATE HOSPITAL

## INTRODUCTION

Faribault State Hospital (FSH) was established in 1881. FSH is an intermediate care facility for the mentally retarded and provides specialized services to individuals who cannot properly be provided services or care in the home or community. The hospital employs approximately 1,300 personnel to meet the needs of its population.

The average population at FSH has decreased from approximately 1,539 resident/patients in 1971-72 to an average of 750 during 1981-82. FSH is under the general management and control of the Commissioner of Public Welfare. Charles V. Turnbull has held the position of Chief Executive Officer of FSH since his appointment by the Commissioner on January 23, 1974.

FSH and all state hospital operations are financed through General Fund appropriations made directly to the Department of Public Welfare (DPW). DPW is responsible for maintaining, controlling and transferring the necessary funds to the appropriate hospital accounts.

# FARIBAULT STATE HOSPITAL

## CURRENT FINDINGS AND RECOMMENDATIONS

There are no uniform written procedures to safeguard patient funds on the wards at Faribault State Hospital.

During our review of cash withdrawal procedures, we noted the following control weaknesses:

- Physical controls over patient funds kept on hand in the ward areas were inadequate to prevent unauthorized access to cash. The wards visited had no centralized control over cash withdrawals. Keys to doors, desks, and strong boxes or safes were not issued in a restrictive capacity to authorized personnel. FSH employees interviewed cited thefts which have occurred in recent years.
- Accounting records documenting withdrawals of patient funds from cash on hand were not sufficiently prepared to record expenditures made by or on behalf of specific residents.
- Records are not maintained by the business office to record cash on hand at the residence buildings. This prohibits the reconciliation of cash balances between the business office and each building where cash is disbursed.
- Records are not maintained which integrate the expenditure of patient funds at the residences and through the activity centers. Day Activity Program (DAP) leaders can provide no documentation as to the nature of expenditures made by them on behalf of residents. This failure to coordinate expenditures between general living and activity functions not only inhibits the ability to control expenditures, but it also makes it difficult to properly budget individual patient funds so as to meet all of the social and personal needs of the residents.
- Employee access to patient funds permits unauthorized commingling of the personal assets of employees with resident funds. Instances were noted during this review where employees were inappropriately commingling patient funds with their own personal cash. Another case was cited where a DAP leader was acting as a co-signer on a resident's private bank account.

These weaknesses have the combined effect of attributing to the inability of the hospital employees to properly safeguard patient funds on the ward level. The weakness areas cited result in part from the lack of uniform written procedures regarding the proper maintenance of patient funds which could be enforced in the residence and activity centers alike. To alleviate these problems and achieve proper control over this area, the following recommendations should be implemented.



## FARIBAULT STATE HOSPITAL

### RECOMMENDATIONS:

1. Physical access to cash on the ward level should be more restrictive in nature. Assignments of keys and combinations to cash control areas should be made to authorized personnel only, with documentation to support the delegation of duties and procedures in this area.
2. Records should be maintained by the FSH business office which document the funds withdrawn from resident accounts by authorized personnel. Periodic reconciliations between business office records and disbursement ledgers maintained on the ward level should be completed.
3. The accounting function should be extended to buildings outside the residence so as to coordinate the expenditure of patient funds. Withdrawals of patient funds from the business office should be more centralized and coordinated between residence buildings and activity centers. DAP leaders must improve their ability to account for expenditures made on behalf of residents.
4. Formalized, uniform, written procedures which address the problem areas cited here should be developed and implemented by the FSH administration.

Duties relating to the Social Welfare Fund are inadequately segregated.

Presently, only one employee at Faribault State Hospital is involved in processing the Social Welfare Fund receipts and disbursements. That person opens mail containing cash, receives currency from over-the-counter transactions, prepares receipts, originates deposit slips, controls the disbursement functions, prepares and posts entries to the resident account records, and reconciles the entire Social Welfare Fund.

A system of good internal controls over cash receipts and disbursements requires that no one person should perform all functions necessary to complete an entire accounting process. Interaction of personnel is necessary to discover unintentional mistakes and errors and to safeguard assets.

### RECOMMENDATION:

5. FSH should segregate the duties relating to the Social Welfare Fund so that no one person has complete control over related functions. Periodic internal audits of the Social Welfare Fund should be performed by the Accounting Supervisor.

## FARIBAULT STATE HOSPITAL

Social Welfare Fund receipts are not properly reconciled to Statewide Accounting deposit reports.

Receipts collected and deposited to the FSH Social Welfare Fund are not properly reconciled to the Statewide Accounting (SWA) Receipts by Deposit and/or Receipts by Appropriation reports. Currently, the FSH business office utilizes computer inquiry data as the basis for reconciling Social Welfare receipts and can provide no documented evidence that receipts are reconciled on a monthly basis.

The concept of utilizing computer inquiries to reconcile receipts inherently contains two basic flaws. First, detailed receipt transactions are not provided through the terminal inquiry process, which prohibits the actual identification of reconciling items between SWA and FSH social welfare receipt amounts. Secondly, transactions entered to SWA before and after the actual terminal inquiry can inappropriately distort monthly reconciliation totals. Reconciliation to the monthly receipt reports will enable FSH to identify all receipt transactions affecting the Social Welfare Fund.

### RECOMMENDATION:

6. Social Welfare Fund receipt totals should be reconciled monthly to either the Statewide Accounting Receipt by Deposit or Receipt by Appropriation reports. All deposit discrepancies should be corrected through these reports and actual reconciliations should be verifiable through appropriate documentation.

Controls over the Social Welfare Fund prenumbered receipt documents are inadequate to ensure that all documents are properly accounted for.

Business office employees are required to issue prenumbered receipts to those persons making deposits to the Social Welfare Fund. The original receipt is given to the depositor as a proof of payment to the fund. The duplicate is retained by the business office as supporting documentation for the transmittal of funds to the appropriate state depository.

During our review, we found that two separate sequences of prenumbered receipt documents could not be found. Receipts are issued and batched for deposit without any attempt to determine if all receipts can be accounted for in their numerical sequence. The effect of this weakness is that it is impossible to determine if all funds received have been properly documented and deposited.

### RECOMMENDATION:

7. The FSH business office should account for and explain any differences or sequential breaks in prenumbered receipts issued.



## FARIBAULT STATE HOSPITAL

Procedures for posting inactive accounts to the Social Welfare Suspense Ledger are inadequate.

The Social Welfare Suspense Ledger is used to record funds which are placed in an inactive status due to the death of a hospital resident. Presently, the FSH business office is informed of a resident's death by the social worker responsible for the administration of the household in which the deceased patient previously resided. Upon notification, the business office employee in charge of resident accounts simply removes the appropriate account card from the active ledger file and places it to the back of the file. That card will remain there indefinitely until the disposition of the remaining account balance is determined by the social worker.

Under these conditions, the simple removal of the resident's card from the active file not only hinders the ability to appropriately monitor the status of these accounts, it also enhances the possibility that inactive cards may be erroneously activated and/or manipulated without any viable audit trail.

Proper internal control guidelines dictate that posting should be performed on a regular ongoing basis. In this case, posting to the suspense account immediately upon the death of a resident would provide supporting documentation for all inactive resident accounts and would decrease the possibility of erroneous manipulation of these funds.

### RECOMMENDATIONS:

8. FSH personnel should post inactive accounts to the suspense ledger immediately upon the death of a resident. Journal vouchers, approved by authorized personnel, should support all transfers between resident accounts and the suspense ledger.
9. Separate documentation concerning the death of a resident should be forwarded directly to the accounting supervisor, who should periodically compare a list of deceased residents to the suspense ledger in order to monitor the disposition of inactive accounts.

Sales revenue collected through the FSH greenhouse is not properly supported and deposited on a daily basis. Sales tax is not assessed on sales of finished goods.

FSH residents may participate in a variety of general gardening and agricultural activities through the hospital's greenhouse. Through this Work Study Development Program (WSDP), residents grow plants and sell them to the hospital staff and the general public. Sales revenue is used to help finance future purchases of gardening tools and agricultural items, and to generally sustain the operation of the greenhouse as a whole.



## FARIBAULT STATE HOSPITAL

During our review of this program, we noted the following weaknesses:

- Sales are entered into a daily log book. However, prenumbered receipts are not prepared and given to customers to provide evidence of a sale. Therefore, there is no audit trail to ensure that all sales transactions are recorded.
- Deposits of sales receipts collected through the greenhouse are not turned in to the business office on a daily basis.
- Sales tax is not collected on greenhouse sales.

The accounting controls over sales revenue at the greenhouse are inadequate to ensure that all cash collections are properly accounted for, safeguarded, and deposited.

The Department of Revenue's Sales and Use Tax Division's, Sales Tax Newsletter No. 5 for January 1980, specifically states that no organization is exempt from collecting the tax on taxable retail sales. Taxable retail sales are defined by sales and use tax laws as all sales of tangible personal property. Sales tax regulation 411(E) requires that all sales by nonprofit organizations are subject to tax if more than two sales are held in any calendar year, or if a sale is held for two or more consecutive days.

The Department of Finance's (DOF) Operating Policy and Procedure Number 06:06:12 instructs state agencies to deposit sales tax collections directly into the General Fund as non-dedicated receipts. State agencies are also instructed to prepare a monthly sales tax report which reconciles to deposits, and send it to the DOF's general accounting section.

### RECOMMENDATIONS:

10. The FSH greenhouse should issue prenumbered receipts for all sales and retain a duplicate copy to support its sales and subsequent business office deposits.
11. The greenhouse should take its sales receipts each day to the business office for deposit.
12. FSH should collect sales tax on the sale of finished goods and deposit it in accordance with the Department of Finance's Operating Policy and Procedure Number 06:06:12. The monthly sales tax reports should also be prepared and sent to DOF's general accounting section.

Duties performed by business office personnel are not properly assigned during employee absences.

Presently, there are no written procedures in existence which provide for the assignment of duties to other business office personnel in the event of an employee's absence. During a review of basic business office procedures, it was determined that deposit and accounting functions performed in



FARIBAULT STATE HOSPITAL

the resident accounts area were left incomplete. This was due to the failure of business office supervisory personnel to properly assign these duties to other staff employees. The failure to perform these functions, in this case, resulted in poor control over cash items left undeposited for an unspecified period of time.

Internal control guidelines provide that written policies be prepared which address the issue of the proper assumption of duties during employee absences. Detailed procedures help to standardize the methods utilized to perform certain accounting functions, while formalizing the specific duties needed to be performed daily by assigned personnel.

RECOMMENDATION:

13. Written procedures which formally provide for the assumption of duties in the event of employee absences should be developed. Employees to whom these additional duties will be assigned should be familiar with the functions they are to assume.

The resident pay files do not contain the documentation required by DPW Policy #11.

The Department of Public Welfare's Policy #11 concerning the resident pay program requires that each resident file contain the following:

- a referral to the resident work for pay program;
- a medical approval prior to placement;
- a description of the resident's disability;
- a general description of the resident's job;
- the productivity level of the resident and rate of pay;
- an authorization for those residents working more than 20 hours per week; and
- quarterly evaluations.

During our review of 38 resident files, we noted several instances of noncompliance with the above listed requirements. For example, referrals and medical approvals were missing in two cases, while job descriptions were missing from nine files and quarterly evaluations were missing from 26 files. FSH staff indicated that during most of fiscal year 1982, there was a staff shortage which contributed to the noncompliance.

RECOMMENDATION:

14. FSH should update all resident files so that the documentation required by DPW Policy #11 is on file for each resident worker.



## FARIBAULT STATE HOSPITAL

Financial reports and monthly payment vouchers for the National School Lunch/Breakfast Program do not fairly present actual program costs and meals served.

Prior to October of 1982, financial reports were required on a monthly basis for the National School Lunch/Breakfast Program. These reports were used to accumulate various cost information on the program and were sent to the Child Nutrition Division of the Department of Education. These financial reports are currently being required on an annual basis at the end of each school year.

The food service department at FSH has only been able to report estimated salary costs on their financial reports in past years. Since the personnel department at FSH has not been able to furnish food service with a breakdown of salaries by department, this has been acceptable. However, a new computer was recently purchased for which a program could be developed to supply the necessary information.

Also, food service has not been including the freight and transportation costs of the food commodities on the financial report. These costs should be shown on the financial reports, as the total program cost information is required to properly present the financial information.

A payment voucher is submitted monthly by the food service at FSH to the Department of Education. This voucher is used to request federal reimbursement for the actual number of breakfast and lunch meals served to eligible residents. To be eligible, a resident must be school age (under 21 years) and meet the necessary income requirements.

Currently, the food service department receives a report from medical records at the end of each month summarizing the daily attendance and enrollment of the eligible residents. This report is used by the food service department only to report the average daily figures, and not to report the actual number of meals served. Food service reports the number of meals served based on a memo received from the Director of Social Services. This memo is a list of all eligible residents, and did not agree with the figures reported by medical records for the period tested. There are also no written procedures to establish the information needed in the report received from medical records.

By using the eligible residents memo to report from, the food service is assuming that all residents had eaten their meals at FSH, which is not always the case. Also, the food service does not include meals served to nasal gastrol residents, which are in fact eligible meals per child nutrition guidelines. As a result of these procedures, the number of reimbursable meals on the monthly payment vouchers has been misstated.

### RECOMMENDATIONS:

15. Freight and transportation costs should be reported on the annual financial reports.
16. Actual salary costs should be obtained from the personnel department and reported on the annual financial reports.



## FARIBAULT STATE HOSPITAL

17. Meals served to nasal gastrol residents should be included as reimbursable on the monthly payment vouchers.
18. Written procedures should be established to enable medical records to report the child nutrition data to the food service area correctly and promptly on a daily basis.
19. Only the actual number of meals served should be reported on the monthly payment voucher, based on daily attendance figures reported by medical records.

### Internal controls over the pharmacy area are weak.

The pharmacy is currently staffed with three pharmacists and one technician who performs the secretarial duties. The chief pharmacist determines the various types and quantities of supplies that are needed on a day by day basis. This determination is based on past usage and the amount of supplies currently on hand. After making this determination, the chief pharmacist then instructs the secretary to place the order.

Supplies are received centrally at the warehouse and then delivered unopened to the pharmacy. The secretary receives the supplies, posts to the inventory records, and then stocks the supplies in their respective storage areas. The secretary also posts the supplies ordered and the daily usage of the various drugs to the inventory records. An inventory is taken quarterly by the chief pharmacist. However, there are no written records to document the procedures that are followed during this process. The chief pharmacist also approves all billings before they are paid, although the secretary is the one who initials the invoice to signify that payment should be made.

In order to provide strong internal controls, various duties must be separated to provide an independent check on the process. Duties such as ordering, receiving, posting, taking inventory, and authorizing payment should ideally be performed by separate personnel. However, due to the size of the staff involved, this is not practical. An alternative means of control would be to provide an independent check on the controls by an outside source.

Two other desirable control procedures would be to incorporate written procedures for the quarterly inventory process and to use economic order quantities (EOQ's) for the ordering of supplies. Written procedures are needed to establish the method followed so that the process can be clearly presented. EOQ's are required by the Department of Administration's Consumable Inventory Management to efficiently monitor the levels of the supplies that are being maintained.

### RECOMMENDATIONS:

20. Duties should be separated at a minimum as follows:

## FARIBAULT STATE HOSPITAL

- the warehouse should send a copy of the receiving report or packing slip to the business office to compare against the original purchase order; and
  - the chief pharmacist should initial the billing invoice to authorize payment.
21. Written procedures should be established for the process of taking inventory.
  22. EOQ's should be used to order supplies.

### Controls over food service inventories need strengthening.

The dietary department at FSH is responsible for serving meals to approximately 750 residents each day. Residents eat their meals in their respective buildings, since there is no central cafeteria at FSH. The majority of food supplies are kept in the kitchen storerooms and freezers. However, some commodities are located in the central warehouse.

The chief cook and chief dietician perform the duties of ordering, receiving, and taking a monthly inventory of the various types of supplies. Supplies are used each day as they are needed. There is no requisition form for obtaining the supplies from the storerooms, freezers, or warehouse. At the end of each month, an inventory is taken of most areas. However, the person taking the inventory does not sign off on the inventory sheets.

Strong internal controls require a segregation of duties to be effective. A requisition form for removing supplies, as required by Consumable Inventory Management, is another form of control. A third type of control is the signing of the inventory sheets, which is also required by Consumable Inventory Management.

### RECOMMENDATIONS:

23. Duties should be separated at a minimum as follows:
  - the persons ordering and receiving supplies should be separate;
  - the persons removing supplies from storerooms should be separate from those approving the requisition sheets; and
  - the persons authorizing requisition sheets should be separate from those taking inventory.



## FARIBAULT STATE HOSPITAL

24. Requisition sheets should be used to record the removal of all supplies from storerooms, freezers, or the warehouse so that all supplies used can be properly accounted for.
25. Inventory sheets should be signed by the person taking the inventory to properly establish responsibility.

Disbursements are not reconciled to SWA on a timely basis.

FSH processes and inputs disbursement transactions into the Statewide Accounting (SWA) system. The Department of Finance generates the warrants to pay the vendors. The disbursements should then be reconciled at the hospital level to ensure that proper payment was made.

Faribault State Hospital indicated they did not have enough staff to properly reconcile disbursements. However, if disbursements were incorrectly input into SWA, the error may be overlooked.

### RECOMMENDATION:

26. Disbursements should be reconciled to SWA on a monthly basis.

There is no verification of workers' compensation billings.

The Department of Labor and Industry bills Faribault State Hospital for workers' compensation payments made on behalf of FSH employees. It is the personnel office's responsibility to verify that the billing includes FSH employees who have filed the proper injury report.

When duties were rotated in the personnel office, the responsibility was not properly transferred and subsequently not done. Payments during fiscal year ending June 30, 1982 amounted to \$529,000 for workers' compensation billings.

If the billings are not properly verified, FSH may be paying for other hospitals' employees.

### RECOMMENDATION:

27. Each detailed billing for workers' compensation payments should be verified by FSH to assure the validity of the payment.

FARIBAULT STATE HOSPITAL

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES AND AVAILABLE BALANCE  
Fiscal Year Ended June 30, 1982

General Fund

State Appropriations - Note 2	\$22,859,475
Transfers In:	
Salary Supplements	25,102
Appropriation Cancellations	<u>(9,204)</u>
Total Available	<u>\$22,875,373</u>

Expenditures:

Personal Services	\$20,095,389
Rents and Leases	44,028
Repair Services	33,172
Bonds and Insurance	2,360
Printing and Binding	7,928
Professional Technical Services	65,778
EDP Systems Service	14,801
Purchased Services	47,119
Communications	75,524
Travel	5,432
Utility Services	233,231
Care of Persons	5,398
Freight and Express	790
Supplies, Materials, and Parts	2,093,466
Equipment	60,699
Claims, Awards, and Indemnities	2,609
Other Expenditures	<u>1,802</u>
Total Expenditures	<u>\$22,789,526</u>

Available Balance - June 30, 1982 - Note 3	<u>\$ 85,847</u>
--	------------------

Special Revenue Fund

Available Balance - July 1, 1981	\$ 8,161
Receipts - Exhibit B	<u>18,199</u>
Total Available	<u>\$ 26,360</u>



FARIBAULT STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Special Revenue Fund (con't)

Expenditures:

Personal Services	\$ 12,987
Purchased Services	1,771
Travel	411
Care of Persons	1,366
Freight and Express	476
Supplies, Materials, and Parts	441
Equipment	95
Other Expenditures	35

Total Expenditures \$ 17,582

Available Balance - June 30, 1982 \$ 8,778

Federal Fund

Available Balance - July 1, 1981	\$ 24,426
Receipts - Exhibit B	<u>53,265</u>

Total Available \$ 77,691

Expenditures:

Repair Services	\$ 511
Professional Technical Services	530
Travel	195
Freight and Express	4,167
Supplies, Materials, and Parts	19,228
Equipment	<u>10,582</u>

Total Expenditures \$ 35,213

Available Balance - June 30, 1982 \$ 42,478

Agency Fund

Available Balance - July 1, 1981	\$ 319,773
Receipts - Exhibit B	425,852
Interest Earnings	<u>31,620</u>

Total Available \$ 777,245

FARIBAULT STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Agency Fund (con't)

Expenditures:

Rents and Leases	\$ 3,748
Purchased Services	919
Travel	680
Supplies, Materials, and Parts	6,355
Equipment	322
Residents' Withdrawals	442,138
Other Expenditures	<u>470</u>

Total Expenditures \$ 454,632

Available Balance - June 30, 1982 \$ 322,613

Gifts and Deposits Fund

Available Balance - July 1, 1981 \$ 3,330

\*\*\* Total Available \$ 3,330

Expenditures:

Advertising	\$ 25
Printing and Binding	25
Travel	75
Care of Persons	51
Supplies, Materials, and Parts	<u>113</u>

Total Expenditures \$ 289

Available Balance - June 30, 1982 \$ 3,041



FARIBAULT STATE HOSPITAL

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER  
Fiscal Year Ended June 30, 1982

Special Revenue Fund

Manufacturing	<u>\$ 18,199</u>
Total Special Revenue Fund	<u>\$ 18,199</u>

Federal Fund

Child Nutrition Program	<u>\$ 53,265</u>
Total Federal Fund	<u>\$ 53,265</u>

Agency Fund

Residents' Deposits	\$420,001
Gifts and Donations	380
Service Charges	5,422
Other Receipts	<u>49</u>
Total Agency Fund	<u>\$425,852</u>

NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The statewide accounting (SWA) reports through September 4, 1982 were used in preparing these statements with adjustments for activity occurring subsequent to that date. Consequently, this statement is not prepared using the accrual basis of accounting.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Available balance at June 30, 1982 includes \$85,348 appropriation balance carried forward to fiscal year 1983.





STATE OF MINNESOTA  
DEPARTMENT OF PUBLIC WELFARE  
FARIBAULT STATE HOSPITAL  
FARIBAULT, MINNESOTA 55021

(507) XXXXXX  
332-3000

July 21, 1983

Claudia Gudvangen, Audit Manager  
Office of the Legislative Auditor  
Veterans Service Building  
St. Paul, Mn 55155

Dear Ms. Gudvangen:

The draft of the audit report for Faribault State Hospital has been reviewed by me and the recommendations have been considered by the appropriate staff.

As requested in your memo of July 8, 1983, each recommendation has a response which includes any written comments, the name of the person responsible for the implementation and the projected completion date.

Recommendations 1 thru 4.

Responsible person: Susan Lukas

Action: these recommendations will be dealt with by a representative committee chaired by Susan Lukas.

Date: November 1, 1983.

Recommendation 5.

Responsible person: Richard Fick

Action: responsibilities will be re-distributed to comply with a better distribution of the social welfare fund activities. Audits will be completed by the accounting supervisor.

Date: October 1, 1983

Recommendation 6.

Responsible person: Richard Fick

Action: this recommendation will be effected as stated.

Date: immediately.

Recommendation 7.

Responsible person: Richard Fick

Action: the Faribault State Hospital business office has implemented a written log to record sequential usage of receipts.

Date: August 1, 1983.

Recommendation 8.

Responsible person: Richard Fick

Action: the recommendation will be effected as stated.

Date: August 15, 1983

AN EQUAL OPPORTUNITY EMPLOYER

Recommendation 9:

Responsible person: Richard Fick

Action: the recommendation will be effected as stated.

Date: August 15, 1983

Recommendation 10. See attached.

Recommendation 11. See attached.

Recommendation 12. See attached.

Recommendation 13.

Responsible person: Richard Fisk

Action: procedures will be written and back-up assignments and training on these procedures will be given.

Date: December 1, 1983

Recommendation 14. See attached.

Recommendation 15. See attached.

Recommendation 16. See attached.

Recommendation 17. See attached.

Recommendation 18. See attached.

Recommendation 19. See attached.

Recommendation 20.

Responsible person: Ron Clausen

Action: the responsibility will be effected as stated.

Date: immediately.

Recommendation 21. See attached.

Recommendation 22. See attached.

Recommendation 23. See attached.

Recommendation 24. See attached.

Recommendation 25. See attached.

Recommendation 26.

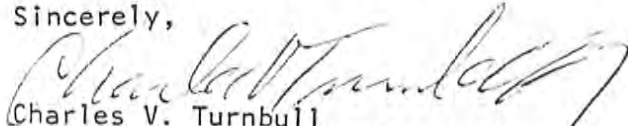
Responsible person: Richard Fick

Action: disbursements will be reconciled.

Date: August 15, 1983

If you have questions or need additional information on our responses to your recommendations, please contact Susan Lukas or me.

Sincerely,

  
Charles V. Turnbull  
Chief Executive Officer



STATE OF MINNESOTA

## Office Memorandum

DEPARTMENT PS-HTRS



TO : Susan Lukas, Director  
Administrative Services

DATE: July 18, 1983

FROM : Orv Berg, Director  
Habilitation Therapy Resource Services

PHONE: 271

SUBJECT: 1983 Legislative Audit-Written Responses for FSH Greenhouse &  
Resident Work for Pay Program Files

The purpose of this memorandum is to comply with the memorandum dated July 8, 1983 from Claudia Gudvangen, Audit Manager.

The following action will be taken to implement corrective measures in the Greenhouse Program:

10 Present Problem: Sales are entered into a daily log book. However, prenumbered receipts are not prepared and given to customers to provide evidence of a sale. Therefore, there is no audit trail to ensure that all sales transactions are recorded.

Corrective Action: A system whereby a Portable Steel Register with file compartment will be purchased. This will utilize prenumbered receipts to be completed in triplicate. One copy will be given to customer to provide evidence of purchase. One copy will be forwarded to Business Office with cash deposit and the third copy will be retained for the Daily, Monthly and Annual Greenhouse Sales Record.

11 Present Problem: Deposits of sales receipts collected through the Greenhouse are not turned in to the business office on a daily basis.

Corrective Action: The receipt for each sale will accompany the cash deposited to the Business Office on a daily basis.

12 Present Problem: Sales tax is not collected on Greenhouse sales.

Corrective Action: In accordance with Minnesota Department of Finance Operating Procedure number 06:06:12, sales tax will be collected on each sale and documented by daily sales receipts. The F.S.H. Business Office Accounting Supervisor will prepare and forward a monthly sales report which reconciles to deposits, and forwards same to the Department of Finance General Accounting Section.

Mr. Esam Aal the Horticulture Program Director will be responsible for implementation and issuance of a Prenumbered Receipt System for all sales, and subsequent deposits to business Office. Mr. Richard Fick, Accounting Supervisor, FSH Business Office will compile and forward the Monthly Sales Tax Report to DOF's General Accounting Section.

We will place order for the sales invoice equipment and materials and as soon as received the system can be operational. It is anticipated that this will not be received before August 15, 1983.

The following discrepancies were noted in the FSH Vocational Program resident pay files.

Problems: The Department of Public Welfare's Policy #11 concerning the resident pay program requires that each resident file contain the following:

- a referral to the resident work for pay program;
- a medical approval prior to placement;
- a description of the resident's disability;
- a general description of the resident's job;
- the productivity level of the resident and rate of pay;
- an authorization for those residents working more than 20 hours per week; and
- quarterly evaluations.

Corrective Action: As of this date, July 18, 1983, all Resident Worker files have been updated to comply with DPW-RFD Policy #11 requirements relative to referral, medical approval, resident job description, and quarterly evaluations requirements.

The majority of these deficiencies occurred due to a temporary staffing shortage which has been corrected. The responsible Resident On Campus Work Program implementation and compliance person is Mr. Jerome Czarnowski. Mr. Leo Charlton is the over-all Vocational Program Supervisor.

We are certain that the measures taken in the Greenhouse meet all of your compliance expectations to ensure accounting control over all cash sales (accounted for, safeguarded and deposited). The Vocational matters were acted upon promptly following audit and where appropriate documentation placed in files. Since audit compliance has been at the 100% level. All required documentation is on file for each resident worker.

/mv

CC: Mr. Arnold Madow, Assistant Administrator, Prog. Svcs.  
Mr. Leo Charlton, Vocational Programs Coordinator  
Mr. Jerome Czarnowski, On Campus Work Compliance  
Mr. Esam Aal, Director Horticulture Education  
Mrs. Barbara Handahl, Horticulture Education Programmer



DEPARTMENT Faribault State Hospital

*Office Memorandum*

TO : Susan Lukas

DATE: July 21, 1983

FROM : Alice Gute

PHONE: Ext. 316

SUBJECT: Legislative Draft Audit Report

Statement by Auditors:

Financial reports and monthly payment vouchers for the National School Lunch/Breakfast Program do not fairly present actual program costs and meals served.

Recommendations:

15. Freight and transportation costs should be reported on the annual financial reports.

Responsible Person: Alice Gute, Chief Dietitian

This item will be included in the annual Child Nutrition Report for Fiscal Year 3, which must be completed by August 15, 1983.

16. Actual salary <sup>\*\*\*</sup> costs should be obtained from the personnel department and reported on the annual financial reports.

Responsible Person: Alice Gute, Chief Dietitian

The hourly salary rate per employee is now available on a monthly basis to Dietary. Records will have to be kept manually on a daily basis as to who worked the shifts covering the breakfast and lunch meals, which are the only meals claimed.

After determining salary costs for the two meals per day, we have always prorated the labor costs by the percentage of residents who are eligible for reimbursement. The percentage of eligible residents is under 10% of the population. In finalizing the labor costs for each month, the percentage of eligible residents to non-eligible is determined on a monthly basis, and that percentage of the labor costs is used in the report.

Therefore, there would never be a personnel report of labor cost which would coincide with the report sent to Child Nutrition, because their reports would be based on total meal service (3 meals per day) for all residents.

Actual salary per hour figures will be used in the reporting of labor costs. This will be done starting with the Fiscal Year 3 annual report, due to Child Nutrition by August 15, 1983.

17. Meals served to nasal gastric residents should be included as reimbursable on the monthly payment vouchers.

Responsible Person: Alice Gute, Chief Dietitian



This has been done in the past. Fiscal Year 3 is the only year in which they have not been included. This change was due to discussing with other state hospitals how they were reporting. Child Nutrition has given varied information on this area of reporting, so that it seemed more prudent to not claim these residents than to claim residents who might later be termed not eligible. Since this has been clarified with Child Nutrition through the Legislative auditors, Faribault State Hospital is now claiming these meals.

18. Written procedures should be established to enable medical records to report the child nutrition data to the food service area correctly and promptly on a daily basis.

Responsible Persons: Alice Gute, Chief Dietitian  
T.R. Opitz, Medical Records

Written procedures shall be available by September 15, 1983.

Reports from Medical Records on a daily basis does not seem necessary, however. The report received each month has data for each day listed - both number eligible for each day of the month and the number of eligible on campus each day.

The Child Nutrition monthly payment voucher asks for enrollment and for average daily attendance. Medical Records has averaged the enrollment for the entire month, based on the daily enrollment which is listed by day for the report to Dietary, as our enrollment varies due to residents becoming 21 during a month, eligible residents being placed in community homes, etc. The average attendance and average enrollment are separate figures listed below the daily figures on the Medical Records report.

The error needing correction may be to avoid using those averages to figure total meals served. Totaling the daily attendance figures, which are available, would give the appropriate information.

19. Only the actual number of meals served should be reported on the Monthly Payment Voucher, based on daily attendance figures reported by Medical Records.

Responsible Person: Alice Gute, Chief Dietitian

To be corrected by the August, 1983, Monthly Payment Voucher, due to Child Nutrition September 8, 1983.

Statement by Auditors:

Controls over food service inventories need strengthening.

23. Duties should be separated at a minimum as follows:

- The persons ordering and receiving supplies should be separate;
- The persons removing supplies from storerooms should be separate from those approving the requisition sheets;
- The persons authorizing requisition sheets should be separate from those taking inventory.



Responsible Persons: Alice Gute, Chief Dietitian  
Edith Roell, Chief Cook  
Stephen Lucht, Trayline Dietitian

To be corrected by October 15, 1983, in all areas of the kitchen.

24. Requisition sheets should be used to record the removal of all supplies from storerooms, freezers, or the warehouse so that all supplies used can be properly accounted for.

Responsible Persons: Alice Gute, Chief Dietitian  
Edith Roell, Chief Cook  
Stephen Lucht, Trayline Dietitian

Correction to be completed by October 15, 1983.

25. Inventory sheets should be signed by the person taking the inventory to properly establish responsibility.

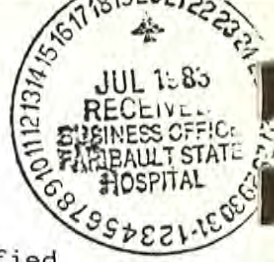
Responsible Persons: Alice Gute, Chief Dietitian  
Edith Roell, Chief Cook  
Stephen Lucht, Trayline Dietitian

To be corrected by October 15, 1983.

\*\*\*

AG:gh

FARIBAULT STATE HOSPITAL  
PHARMACY QUARTERLY INVENTORY AND INVENTORY CONTROL PROCEDURE



- A. The inventory will be executed by the Chief Pharmacist or his qualified designee.
- B. The medication in the Pharmacy working area, excluding the storeroom and storage refrigerator, will be physically inventoried every two years at the end of the fiscal year. The last inventory was on March 31, 1983.
  - 1. The quantity of medications in this area is constant.
  - 2. The value of the medications in this area vary minimally.
  - 3. This figure will be used for inventory purposes for two years.
- C. The medication in the Pharmacy storeroom and in the storage refrigerator will be physically tabulated at the end of each quarter. The last inventory was completed July 12, 1983.
  - 1. The current cost will be affixed to the shelf area of each item.
- D. A record of the inventory will be sent to the assistant administrator in charge of hospital services and a copy will be on file in the Pharmacy.
- E. All items in the Pharmacy have an individual inventory card which notes:
  - 1. The quantity remaining in the storeroom.
  - 2. The minimum quantity to be used as a flag for reordering.
  - 3. The quantity to be ordered when the minimum is reached.
- F. All medications are ordered in quantities to maintain a three-month supply or in quantities designated by the supplier as minimum shipping quantities, whichever is larger.
  - 1. The chief pharmacist:
    - a. Designates the medications and quantities to be ordered.
    - b. Approves all billings prior to payment.
    - c. Initials the invoice to signify payment should be made.
    - d. Will be responsible for implementation of this procedure and the effective date will be August 1, 1983.
  - 2. The pharmacy technician (secretary):
    - a. Places the order
    - b. Receives the supplies
    - c. Post all the necessary information on inventory cards
    - d. Transfers the medication to the proper area in the storage area

22

/can  
7-83




*Office Memorandum*

DEPARTMENT Personnel

TO : Dick Fick  
Business Office

DATE: July 21, 1983

FROM : Donald E. Nellis, Personnel Director 

PHONE:

SUBJECT: Legislative Audit Recommendations

#27

The responsibility for review and verification of the Workers Compensation billing has been assigned to Ann Ranslow, Payroll Clerk. This procedure is already in place and billings have been verified.

DEN:sv

\*\*\*

Audit Report

FERGUS FALLS STATE HOSPITAL

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

JULY 1983





STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR  
Veterans Service Building  
St. Paul, Minnesota 55155

~~XXXXXXXXXXXXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,  
  
Members of the Legislative Audit Commission,  
  
Leonard W. Levine, Commissioner  
Department of Public Welfare,  
  
and  
  
Robert F. Hoffmann, Chief Executive Officer  
Fergus Falls State Hospital

We have made a financial and compliance audit of Fergus Falls State Hospital for the year ended June 30, 1982. The audit field work was completed on April 8, 1983. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the hospital; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
Leonard W. Levine, Commissioner  
and  
Robert F. Hoffmann, Chief Executive Officer  
Page 2

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.

Sincerely,



John Asmussen, CPA  
Deputy Legislative Auditor

July 22, 1983

...



FERGUS FALLS STATE HOSPITAL

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Judith Hunt, CPA, Auditor-in-Charge  
Carl Otto, Staff Auditor  
Brad White, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of Fergus Falls State Hospital on April 7, 1983:

Robert F. Hoffmann, Chief Executive Officer  
O. John Bloom, Assistant Institution Administrator  
Charles Johnson, Program Director, MR Unit  
Philip C. Megorden, Educational Director, Evaluation  
                    and Training Center  
Vernie McClure, Personnel Officer  
Linda A. Wright, Acting Business Manager  
Dennis Zilmer, Senior Accounting Supervisor  
Keith Lange, Senior Reimbursement Officer  
Cora Somers, Office Services Supervisor of Patients'  
                    Accounts and Canteen  
Gerald Drews, Office Services Supervisor of Supply

# FERGUS FALLS STATE HOSPITAL

## INTRODUCTION

Fergus Falls State Hospital (FFSH) serves a 17-county area in northwestern and west-central Minnesota. It is the third oldest of Minnesota's state hospitals with the first residents to enter the hospital's psychiatric treatment program in July 1890.

In 1969, FFSH became a multi-purpose treatment campus. In addition to its psychiatric services, the hospital opened treatment programs to help individuals with chemical dependency problems and those with developmental disabilities caused by mental retardation. All of FFSH's treatment programs are fully accredited by the Joint Commission on Accreditation of Hospitals.

During fiscal year 1982, the hospital's average population was 547 residents/patients. For the past ten years, the average population has remained relatively constant. To meet the needs of its residents, the hospital employs approximately 623 personnel.

FFSH is under the general management and control of the Commissioner of Public Welfare and the immediate supervision of a chief executive officer appointed by the Commissioner. Robert F. Hoffmann, the present Chief Executive Officer, was appointed effective January 1, 1962.

FFSH and all state hospital operations are financed through General Fund appropriations made directly to the Department of Public Welfare (DPW). DPW is responsible for maintaining, controlling and transferring the necessary funds to the appropriate hospital accounts.



# FERGUS FALLS STATE HOSPITAL

## CURRENT FINDINGS AND RECOMMENDATIONS

An agreement between the Evaluation and Training Center of Fergus Falls State Hospital and Medallion Kitchens, Inc. should be formalized.

The Evaluation and Training Center (ETC) at FFSH provides pre-vocational and vocational training to mentally retarded residents of the facility. The program is intended to teach assemblylike activities to these residents and prepare them to be productive employees of day activity centers and sheltered workshops within a community. To provide this training, Minn. Stat. Section 246.56, Subd. 2(b) authorizes the Commissioner of Public Welfare to contract with public and private industries.

Currently, two to four FFSH residents working in the ETC are involved in a project for Medallion Kitchens, Inc., a local cabinet company. Project activities include:

- cutting spline to be placed on the back of kitchen cabinets;
- cutting salvaged wood pieces into small glue blocks; and
- cutting and sanding valances.

The ETC received \$3,370, comprising over 20 percent of its total revenue, for services provided to Medallion Kitchens, Inc. during fiscal year 1982. ETC personnel used these funds to pay for materials consumed in the production process and to reward residents for their work.

Any contract between a state agency and a non-state entity where terms provide for payment to the state agency for services it rendered is an income contract. Department of Administration Policy and Procedure Statement 188 requires that the department's Contract Management Division review and approve all income contracts.

Throughout fiscal year 1982, the ETC operated under an informal oral agreement with Medallion Kitchens, Inc. rather than entering into a written contract. We believe the agreement should be formalized to include such items as:

- specific work to be performed by residents;
- method and basis for compensation;
- responsibility for resident supervision; and
- liability in the event of injury.

Following our review, the director of the ETC drafted a letter of agreement with Medallion Kitchens, Inc. on April 4, 1983. However, the draft has not been subjected to the required review and approval by Contract Management. Such a review is necessary to ensure that the contract specifies the rights and responsibilities of the contracting parties, protects the interests of all concerned parties and reduces the potential for misunderstandings.

## FERGUS FALLS STATE HOSPITAL

### RECOMMENDATION:

1. The Evaluation and Training Center should execute a formal contract with Medallion Kitchens, Inc. in compliance with Contract Management polices and procedures governing income contracts.

Detailed policies and procedures for various accounting activities of the ETC are not in writing.

Detailed written accounting policies and procedures standardize how various accounting activities are to be performed. They provide a means of assessing performance and assuring that the tasks performed comply with state requirements and serve as a valuable tool for training new employees, especially in cases where only one person is familiar with operations.

During fiscal year 1982, the ETC staff performed the following activities without the guidance of written policies and procedures:

- recording consignment sales;
- determining and paying monetary rewards for residents' work;
- recording donations of cash, utility meters, and lumber;
- purchasing hardware and other supplies; and
- maintaining formal, accurate inventory records.

The development of accounting policies and procedures should be the responsibility of the FFSH business office with input from the ETC.

### RECOMMENDATION:

2. The FFSH business office should develop detailed written policies and procedures for the various accounting activities performed by the ETC.

Internal controls over inventories of the FFSH's ETC need to be strengthened.

FFSH's ETC maintains the following inventories in the workshop and two storage areas:

- raw materials, including lumber;
- work in process; and
- finished goods, including lawn chairs, plant stands, and magazine racks.



## FERGUS FALLS STATE HOSPITAL

However, there are no formal inventory records of these items. The ETC education director informed us that he took a count of the finished goods in early March 1983, but did not make a record of it.

The Department of Administration's Inventory Management Division requires that all state agencies using or possessing consumable property implement and utilize the inventory management techniques and system criteria defined in its Consumable Inventory Management Program Manual.

Specifically, the manual requires an inventory system be established to systematically record and accumulate inventory information to aid in the effective management of inventory. Furthermore, to enhance record accuracy, an inventory system with good internal controls requires periodic physical counts of the inventory and comparison of these counts to the amounts recorded in the system. Having someone independent of the custodial function take periodic physical inventories is necessary to ensure that no one person is in a position to perpetrate and to conceal errors or irregularities.

### RECOMMENDATIONS:

3. FFSH's ETC personnel should establish an inventory record keeping system in compliance with criteria specified in the Department of Administration's Consumable Inventory Management Program Manual.
4. Once established, the system should be periodically compared to the results of a physical inventory taken by someone (preferably from the business office) independent of the custodial and record keeping functions.

The financial activity of the ETC is not recorded on the Statewide Accounting (SWA) system.

Currently, the institution community relations coordinator of the FFSH Volunteer Services Department maintains the financial records and one checking account for the following funds outside of SWA;

- Administration Fund;
- Adult School Fund;
- Chaplaincy Fund;
- Drug Dependency Rehabilitation Center Fund;
- Psychiatric Division Fund;
- State Regional Residential Center Fund; and
- Volunteer Services Fund.

The coordinator records the financial activity of the ETC in a sub-account in the Adult School Fund ledger. ETC receipts and disbursements for fiscal year 1982 totalled \$15,898 and \$13,964, respectively. Department of Finance officials indicated that the center's financial activity should be

## FERGUS FALLS STATE HOSPITAL

reported on the SWA system since the ETC is operated by state employees. Depositing receipts in the State Treasury and recording financial activity on SWA would subject the program to the accounting controls inherent in the centralized system.

### RECOMMENDATION:

5. The financial operations of the ETC should be recorded in the SWA system as follows:
  - all receipts should be deposited in a local state depository;
  - a determination should be made whether an imprest cash account is necessary for certain ETC purchases and if so, approval for establishment of an account should be obtained from the Department of Finance; and
  - expenditures should be made through SWA, or through the imprest cash account and subsequently reimbursed through SWA.

Evaluation and Training Center personnel purchased tools from the center for their personal use, in violation of Minn. Stat. Section 15.054.

Minn. Stat. Section 15.054 forbids public employees to purchase merchandise from government agencies other than government property sold to the general public in the normal course of business, at a public auction, or by sealed bid process.

During November and December 1982, the educational director and instructors of the ETC purchased \$369 of tools from the center as a matter of convenience. Employees purchasing tools in this manner effectively avoid paying sales tax. The educational director informed us that he and other staff members were unaware of the provisions of this statute and gave their assurance there would be no future occurrences.

### RECOMMENDATION:

6. FFSH management should inform all hospital personnel of the following provisions of Minn. Stat. Section 15.054:
  - state officers and employees are forbidden to purchase merchandise from government agencies except for government property sold to the general public in the normal course of business, at a public auction, or by sealed bid process; and
  - a person violating the provisions of this section is guilty of a misdemeanor.



## FERGUS FALLS STATE HOSPITAL

FFSH personnel are not collecting sales tax on the items made by residents working in the ETC and sold to the general public.

The Department of Revenue's Sales and Use Tax Division's, Sales Tax Newsletter No. 5 for January 1980, specifically states that no organization is exempt from collecting the tax on taxable retail sales. Taxable retail sales are defined by sales and use tax laws as all sales of tangible personal property.

Sales tax regulation 411(E) requires that all sales by nonprofit organizations are subject to tax if more than two sales are held in any calendar year, or if a sale is held for two or more consecutive days.

The sales of lawn furniture, plant stands, magazine racks, and other items made by residents working in the ETC are open to the general public on a year-round basis. However, FFSH personnel informed us that the facility does not have a sales tax permit nor does its staff collect and remit tax on these sales to the Department of Revenue. For fiscal year 1982, sales of the wood products totalled approximately \$7,600.

The Department of Finance's (DOF) Operating Policy and Procedure Number 06:06:12 instructs state agencies to deposit sales tax collections directly into the General Fund as non-dedicated receipts. State agencies are also instructed to prepare a monthly sales tax report which reconciles to deposits, and send it to the DOF's general accounting section.

### RECOMMENDATION:

7. FFSH should collect sales tax on the sale of finished goods and deposit it in accordance with the Department of Finance's Operating Policy and Procedure Number 06:06:12. The monthly sales tax reports should also be prepared and sent to DOF's general accounting section.

Hospital residents and unit supervisors are not turning in retail store charge slips to Sugar Bowl personnel for proper reduction to the residents' social welfare account balances.

Residents with social welfare accounts at the FFSH Sugar Bowl (the resident canteen) may, on their own or with assistance from an authorized hospital employee, make charge purchases for clothing and other personal effects in retail stores. Current hospital procedures require that each resident or authorized staff member immediately turn in the charge slip, which the retail store issued to the purchaser, to Sugar Bowl personnel. From the retail store charge slips, Sugar Bowl personnel type up vouchers, post the charges to the residents' accounts and pay the retail store.

To review the adequacy of internal control, we tested a sample of 85 disbursements made on the resident's behalf. Of the 85 tested, eight payments to vendors were not supported with the original retail store charge slip. However, in six of these eight instances, Sugar Bowl personnel requested and obtained a photocopy of the charge slip from the retail store.



## FERGUS FALLS STATE HOSPITAL

Without a charge slip, Sugar Bowl personnel cannot post a purchase to a resident's account. As a result, the resident's account balance is overstated by the amount of the charge purchase.

FFSH business office personnel informed us that the resident banking program for their new computer system should resolve this problem. It is designed to put a hold on the funds in a resident's account for the amount authorized for a charge purchase. When a charge slip is turned in, Sugar Bowl personnel will then release the amount held and reduce the resident's account balance for the actual amount of the purchase. Prompt receipt of charge slips will still be necessary so that the hold amounts may be released and current resident balances recorded.

### RECOMMENDATION:

8. All payments to vendors for residents' charge purchases should be supported with retail store charge slips.

FFSH business office personnel do not reconcile imprest cash funds on a timely basis.

The purpose of a reconciliation is to support a specific amount and to tie an amount recorded in one set of records to another source of information. It is an essential element of internal accounting control. When prepared properly, it provides assurance that an error or irregularity will be detected and corrected within a timely period.

During our examination of the current expense, resident pay, and social welfare imprest cash accounts, we found that the January and February 1983 reconciliations of these funds to their authorized levels were not completed until after March 23, 1983. In addition, January and February 1983 reconciliations of the current expense and resident pay contingent fund checking account balances to their bank statement balances were not completed until we prepared them on March 22, 1983. The accounting supervisor, responsible for performing these reconciliations, informed us that the delay was primarily due to his implementing a new computer system.

The failure to reconcile monthly creates a major weakness in internal accounting controls over these funds. Moneys could be lost or stolen and the hospital would not be aware of the loss. Receipts could be deposited in the wrong account or used for a purpose other than the one intended.

### RECOMMENDATION:

9. To strengthen internal accounting controls over the current expense, resident pay, and social welfare imprest cash funds, business office personnel should reconcile these funds to their authorized levels and to bank balances on a monthly basis.



FERGUS FALLS STATE HOSPITAL

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES AND AVAILABLE BALANCE  
Fiscal Year Ended June 30, 1982

General Fund

State Appropriations - Note 2	\$14,224,862
Transfers In:	
Salary Supplements	29,800
Appropriation Cancellations	<u>(7,297)</u>
Total Available	<u>\$14,247,365</u>

Expenditures:

Personal Services	\$12,519,613
Rents and Leases	1,491
Advertising	1,101
Repairs Services	12,321
Bonds and Insurance	1,320
Printing and Binding	10,941
Professional Technical Services	77,678
EDP Systems Service	3,950
Purchased Services	27,603
Communications	67,595
Travel	16,784
Utility Services	123,553
Care of Persons	9,032
Freight and Express	4,465
Supplies, Materials, and Parts	1,212,974
Equipment	20,949
Claims, Awards, and Indemnities	1,180
Taxes and Assessments	48,439
Other Expenditures	<u>4,216</u>

        Total Expenditures \$14,165,205

Available Balance - June 30, 1982 - Note 3 \$ 82,160

Special Revenue Fund

Available Balance - July 1, 1981 \$ 1,070

        Total Available \$ 1,070

Expenditures:

    Supplies, Materials, and Parts \$ 33

        Total Expenditures \$ 33

Available Balance - June 30, 1982 \$ 1,037

FERGUS FALLS STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Federal Fund

Available Balance - July 1, 1981	\$ 62,113
Receipts - Exhibit B	47,968
Transfers In:	
Reimbursement Drug Treatment Program	<u>57,285</u>
Total Available	<u>\$ 167,366</u>

Expenditures:

Personal Services	\$ 62,974
Advertising	29
Professional Technical Services	800
Freight and Express	369
Supplies, Materials, and Parts	7,419
Equipment	<u>32,428</u>

Total Expenditures \$ 104,019

Available Balance - June 30, 1982 \$ 63,347

Agency Fund \*\*\*

Available Balance - July 1, 1981	\$ 302,330
Receipts - Exhibit B	299,837
Interest Earnings	<u>31,228</u>

Total Available \$ 633,395

Expenditures:

Repair Services	\$ 616
Purchased Services	450
Care of Persons	1,029
Supplies, Materials, and Parts	107,323
Equipment	1,391
Residents' Withdrawals	<u>176,968</u>

Total Expenditures \$ 287,777

Available Balance - June 30, 1982 \$ 345,618

Gifts and Deposits Fund

Available Balance - July 1, 1981 \$ 1,783

Available Balance - June 30, 1982 \$ 1,783



FERGUS FALLS STATE HOSPITAL

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER  
Fiscal Year Ended June 30, 1982

Federal Fund

Child Nutrition Program	\$ 43,465
Psychotropic Drugs	<u>4,503</u>
Total Federal Fund	<u>\$ 47,968</u>

Agency Fund

Residents' Deposits	\$207,286
Sale of Supplies	89,865
Sales Tax	1,527
Sale of Usable Equipment	750
Sale of Salvage and Scrap	15
Other Receipts	<u>394</u>
Total Agency Fund	<u>\$299,837</u>

NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The statewide accounting (SWA) reports through September 4, 1982 were used in preparing these statements with adjustments for activity occurring subsequent to that date. Consequently, this statement is not prepared using the accrual basis of accounting.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Available balance at June 30, 1982 includes \$76,575 appropriation balance carried forward to fiscal year 1983.

\*\*\*



# Fergus Falls State Hospital

ROBERT F. HOFFMANN  
Chief Executive Officer

Box 157  
FERGUS FALLS, MN 56537  
Ph. (218) 739-7200

July 22, 1983

Ms Claudia Gudvangen  
Audit Manager  
Legislative Audit Commission  
Veterans Service Building  
St. Paul, MN. 55155

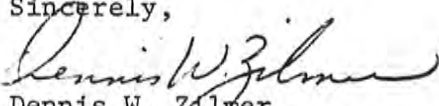
Dear Ms Gudvangen:

Enclosed is our comments and responses to the Draft Audit Report on Fergus Falls State Hospital for the year ended June 30, 1982.

I hope this contains the information you requested in your letter of July 8, 1983.

I would like to thank the Audit Commission and you for this opportunity to comment on the Draft Audit Report.

Sincerely,

  
Dennis W. Zilmer  
Business Manager

enc.

# Fergus Falls State Hospital

ROBERT F. HOFFMANN  
Chief Executive Officer

Box 157  
FERGUS FALLS, MN 56537  
Ph. (218) 739-7200

July 22, 1983

John Asmussen, Deputy Legislative Auditor  
Financial Audit Division  
Legislative Audit Commission  
Veteran's Service Bldg  
St. Paul, MN 55155

SUBJECT: Draft Audit Report, Fergus Falls State Hospital

Dear Mr. Asmussen:

I would like to thank the Audit Commission and you, Mr. Asmussen, for this opportunity to comment on the preliminary draft report of the Legislative Audit Commission document on Fergus Falls State Hospital. I appreciate the opportunity for having my comments and responses to your recommendations included as part of the report. I would like to add to the second paragraph of the Introduction. The last sentence should include, ". . . are fully accredited by the Joint Commission on Accreditation of Hospitals and AC MR/DD."

I would refer the reader to the Current Findings & Recommendations for the balance of my comments, and I will comment on each Recommendation listed in the Draft Audit Report.

#### RECOMMENDATION:

1. The Evaluation and Training Center should execute a formal contract with Medallion Kitchens, Inc. in compliance with Contract Management policies and procedures governing income contracts.

#### RESPONSE:

We agree with this recommendation and a Formal Income Contract in compliance with Contract Management policies and procedures governing such contracts will be submitted for approval and processing no later than August 15, 1983 by Dennis W. Zilmer, Business Manager.

During the audit it was brought to our attention that we did not have the appropriate work center certificate covering the ETC work program. As of April 22, 1983 we do have the required Sheltered Workshop certificate; a copy is enclosed with this letter along with the purpose and philosophy of the Work Activity Center.



## RECOMMENDATION:

2. The FFSH Business Office should develop detailed written policies and procedures for the various accounting activities performed by the ETC.

## RESPONSE:

We will comply with the above recommendation. The Business Office will develop, in detail, written policies and procedures concerning all financial activities involving the ETC. The writing and implementation of the above will be accomplished by August 31, 1983 under the direction of Dennis W. Zilmer, Business Manager.

## RECOMMENDATION:

3. FFSH's ETC personnel should establish an inventory record keeping system in compliance with criteria specified in the Department of Administration's Consumable Inventory Management Program Manual.

## RESPONSE:

Recommendation # 3 will be accomplished by August 1, 1983 by ETC staff with direction and assistance from the Materials Control Center supervised by Gerry Drews. The inventory system will be in full compliance with the Materials Management Policies and Regulations; also this inventory will now be included in all of their inventory audits.

## RECOMMENDATION:

4. Once established, the system should be periodically compared to the results of a physical inventory taken by someone (preferably from the Business Office) independent of the custodial and record keeping functions.

## RESPONSE:

Recommendation # 4 will be performed by the Materials Control Center staff under the supervision of Gerry Drews. A complete physical inventory will be taken prior to August 1, 1983. Thereafter, a minimum of once a year.

## RECOMMENDATION:

5. The financial operations of the ETC should be recorded in the SWA system as follows:
  - all receipts should be deposited in a local state depository;
  - a determination should be made whether an imprest cash account is necessary for certain ETC purchases and if so, approval for establishment of an account should be obtained from the Department of Finance; and
  - expenditures should be made through SWA, or through the imprest cash account and subsequently reimbursed through SWA.

July 22, 1983

## RESPONSE:

All funds of the ETC will be deposited in SWA on August 1, 1983. The annual budget and allotments are on SWA now and encumbrances will be accomplished after August 1st. Approval for an imprest cash fund has been requested and will be implemented when approved. All transactions will be handled through SWA as in all of our other appropriation accounts. This is the responsibility of the Business Manager, Dennis W. Zilmer.

## RECOMMENDATION:

6. FFSH management should inform all hospital personnel of the following provisions of Minn. Stat. Section 15.054:
  - state officers and employees are forbidden to purchase merchandise from government agencies except for government property sold to the general public in the normal course of business, at a public auction, or by sealed bid process; and
  - a person violating the provisions of this section is guilty of a misdemeanor.

## RESPONSE:

On April 11, 1983, the Manager of the State Regional Residential Center informed the ETC Supervisor, in a memo, of the provisions of MS Section 15.054.

ETC staff were informed of MS Section 15.054 on May 4, 1983 in Policy Letter # 13.

The above-mentioned memos are enclosed.

## RECOMMENDATION:

7. FFSH should collect sales tax on the sale of finished goods and deposit in accordance with the Department of Finance's Operating Policy and Procedure Number 06:06:12. The monthly sales tax reports should also be prepared and sent to DOF's general accounting section.

## RESPONSE:

The comments state, ". . . the facility does not have a sales tax permit nor does its staff collect and remit tax . . ."

FFSH does have a sales tax permit and we will be collecting sales tax on ETC sales starting August 1, 1983. We will be handling this similar to our Canteen operation; and, of course, this includes all required reports. This will be the responsibility of Dennis W. Zilmer, Business Manager.



July 22, 1983

RECOMMENDATION:

8. All payments to vendors for residents' charge purchases should be supported with retail store charge slips.

RESPONSE:

The Resident Bank has new policies and procedures which will go into effect September 1, 1983 and will alleviate this problem. Also, currently better communication with the appropriate Unit Directors and Assistant Directors has greatly decreased this problem. September 1st is the target date for transferring over to the DPW Resident Banking System program on our TI 990 mini computer. This, along with our new policies and procedures and better communication with Unit supervisors should take care of this problem.

RECOMMENDATION:

9. To strengthen internal accounting controls over the current expense, resident pay, and social welfare imprest cash funds, business office personnel should reconcile these funds to their authorized levels and to bank balances on a monthly basis.

RESPONSE:

On April 15, 1983, there was some major shifting of assigned duties within the Business Office and different personnel were assigned each imprest cash fund for reconciliation to bank statements and authorized level. This is being accomplished on a monthly basis. This was implemented by Dennis W. Zilmer, Business Manager.

Again, I thank you for the opportunity to respond to the items above-listed in the Draft Audit Report.

Sincerely,



Robert F. Hoffmann  
Chief Executive Officer

encs.

# STATE REGIONAL RESIDENTIAL CENTER

FERGUS FALLS STATE HOSPITAL

## MEMORANDUM

To: Robert F. Hoffmann

From: Charles E. Johnson

Date: May 26, 1983

Subject: Work Activity Center Certificate

We have now received from the U.S. Department of Labor the appropriate work center certificate covering the SRRC work program.

I have attached a copy of the certificate and a statement of the purpose and philosophy of the work activity center and the regulations.

Now that we have the certificate, we will be working on making certain that our policies and procedures are in accord with the regulations and that the financial activity is performed as required by the State Auditor's requirements.

Phil has developed a bid and a proposed agreement with Medallion Kitchens which is also enclosed as well as an agreement with Otter Tail Power. He has also issued to employees an operational policy covering the issues raised by the State Auditor.

I ask that you review these documents and inform me if you feel we can now proceed with the work activity center as outlined. Phil and I will meet with you if you have questions or concerns that we need to discuss.

CEJ:bn

Attachments

cc: Phil Megorden



**SHELTERED WORKSHOP CERTIFICATE**

*This certificate, issued pursuant to Regulations, Part 525 (29 CFR 525), is applicable under the Fair Labor Standards Act, the Walsh-Healey Public Contracts Act, and on contracts of \$2500 or less under the Service Contract Act. It does not apply to work performed on contracts in excess of \$2500 under the Service Contract Act unless such authorization is specifically spelled out herein.*

Fergus Falls State Hospital  
Work Activity Center  
Box 157  
Fergus Falls, MN 56537

DURATION OF CERTIFICATE:  
EFFECTIVE: 4-22-83  
EXPIRES: 4-30-84

NAME OF WORKSHOP UNIT, PROGRAM OR WORKER	LEARNING, EVALUATION OR TRAINING PERIOD		SHOP RATE	INDIVIDUAL WORKER RATE
	DURATION (show hours or months)	MINIMUM WAGE PER HOUR (if applicable)	MINIMUM WAGE PER HOUR FOLLOWING LEARNING, EVALUATION AND/OR TRAINING	MINIMUM WAGE PER HOUR
Work Activity Center			Commensurate wages must be paid	

AUTHORIZED REPRESENTATIVE OF ADMINISTRATOR  
OFFICE OF FAIR LABOR STANDARDS

*Betty A. Hirsick*

## The Purpose and Philosophy of the Work Activity Center

1. The Work Activity Center is certified by the US Department of Labor and does Meet the Standards as described in Regulation, Part 525, 529 and 516 of the Code of Federal Regulations, 1938. (FLSA)
2. The purpose of the Activity Center is to provide the residents of this facility an opportunity to learn some very basic pre-vocational skills and to participate in work related activities.
3. To provide work activity to residents whose physical and mental impairment is so severe as to make their productivity inconsequential, but yet to provide training based on each individual's abilities.
4. To provide the Interdisciplinary Team members with some very basic Vocational assessment to assist in the overall program development of each residents participating in the Work Activity Center.
5. To pay a Commensurate wage to those individuals assigned to projects which are generally of interstate character. Each individual's capacity is so severely impaired as to make them incapable of earning minimum wage, but will be paid at least 25% of minimum wage under section 6 of the FLSA, 1938.
6. A program planned and designed exclusively to provide therapeutic activities for handicapped Residents. The work activity is part of a recorded plan of therapy directed by the Interdisciplinary Team and is a part of the resident's over all developmental plan.
7. There is no minimum guaranteed wage under the Work Activity Center Certificate, but residents who are on the commensurate wage will receive at least 25% of minimum wage and the other residents assigned to the center will be given a monetary reinforcement to be determined by the Instructor. A piece-rate guide is used to determine the amount of reinforcement along with the approval of the Interdisciplinary Team
8. The residents assigned to the Work Activity Center do not become employees if engaged in such activities as making craft products, or other itmes . If the product is sold and the money is divided among the residents participating in the program, or the money is used to purchase materials consumed in the center the program meets the standards under the handicapp rule.
9. Residents are selected for the Work Activity Center by referrals from the Interdisciplinary Team and the results of the current vocational assessment.
10. Records are kept in accordance with Part 516 of the Fair Labor Standard Act.

Philip Megorden  
Educational Supervisor

April 23, 1983



The Purpose and Philosophy of the Work Activity Center

1. The Work Activity Center is certified by the US Department of Labor, Certificate number 05-27-0 and does subscribe and follow the requirements as

# STATE REGIONAL RESIDENTIAL CENTER

FERGUS FALLS STATE HOSPITAL

## MEMORANDUM

To: Phil Megorden

From: Charles Johnson  
Subject: Auditor's Report

Date April 11, 1983

In response to the recommendations of the State Auditor's staff, there are several actions which I feel should be taken to bring the procedures of the workshop in accordance with required practice. We discussed several of these last week but I want to specify my directions to you so that my expectations for you are clear.

- 1) I want you to consult with Dennis Zilmer and determine with his assistance appropriate accounting practices for the workshop operation. Procedures should then be written and staff trained so that all receipts and disbursements are carried out appropriately and a report of the shop's operation can be provided at the end of the fiscal year and annually thereafter.
- 2) Consult with Dennis and others to develop a method to establish a resident wage program for resident work in the shop. There are guidelines, as I understand it, for Work Activity Centers in community vocational programs. A source of information would be Leo Charlton, the Vocational Supervisor at Faribault State Hospital. Leo was on the State Advisory Board that developed these standards. Procedures should be written to account for the wage determination and the maintenance of supporting documents.
- 3) You shall direct staff by memo and policy that no employee shall purchase any equipment or supplies from the shop. All materials and supplies are state property and cannot be sold. No private purchase can be made in conjunction with a state purchase. I suggest you provide staff with a copy of the Code of Ethics which governs state employees. The Code is specific to this issue. A copy can be obtained from the Personnel Office.
- 4) All contracts for work with private concerns shall be discontinued. Medallion Kitchens and Ottertail Power should be informed in writing. Contracting would be prohibited until such time that we establish a Work Activity Center and are able to meet all requirements for sub-minimum wage and bidding.
- 5) Within a months time, I want you to visit the Work Activity Programs at Faribault State Hospital and St. Peter. The purpose being to obtain information and ideas. Faribault has a shop appropriately licensed for contract work. St. Peter's shop is only a product manufacturing operation. I do not know at this point which direction is appropriate here. I want you to evaluate these operations and recommend what course you feel we should take. In your visit you should seek information on product ideas, staffing, space utilization, vocational assessment, training programs, accounting practices, standards and required procedures for operation. The contact at Faribault is Orv Berg, Director of Day Program Services and at St. Peter, Ed Loewe, Director of Structured Program Services. I suggest that Gary also accompany you and visit their day activity programs.

Accredited by Accreditation Council For Services For Mentally Retarded And Other Developmentally Disabled Persons - An Equal Opportunity Employer



I want to be kept informed of progress made on the above. I wish to review policies and procedures prior to implementation. I will be available to assist you in anyway I can as you proceed.

CJ:bn

cc: Robert F. Hoffmann

## Fergus Falls State Hospital

## MEMORANDUM

To: All ETC Instructors

FROM: Philip C. Megorden *PCM*  
Educational Director

Date May 4, 1983

Subject: Policy letter # 13

Operational policy - Evaluation and Training Center and DAC

1. No officer, instructor or employee of the State of Minnesota or any political subdivision shall sell or procure for sale, or have in his possession or control for sale to any other employee of the State or Subdivision, as appropriate, any property or materials owned by the State except pursuant to conditions provided in the Statutes, Section 15. This does not apply to items produced for sale in the ETC or the Activity Center of the Adult School.
2. No financial transactions shall be permitted using the ETC or Activity funds, such as cashing checks for cash for either residents or staff. Checks will be taken in payment of goods purchased. Third party checks will not be accepted. Materials and goods received will be paid for through the business office only, so proper documentation is maintained.
3. Items manufactured by the Adult School Programs may be co-signed to customers using the prescribed procedures authorized by the Business Office. Arrangements will be made at time of co-signing as to the date of payment. A signature will be obtained from the customer on the bottom of the sale receipt as to the date payment is due.
4. Residents who are receiving their training at the ETC may receive a small monetary reward for their activities. This money will be in accordance with the guidelines set down by the Wage and Hour Regulations, U.S. Department of Labor.
5. Purchases of new equipment will be as prescribed by the Business Office.
6. An annual inventory shall be taken. This is to determine the money value of items made and not sold, the value of lumber and other material and the total amount in the money account.
7. Sales and receipts of goods sold in the ETC will be in accordance with policies prescribed by the Business Office.
8. Prices of items manufactured in the ETC will be determined by the cost of labor and materials. A small additional amount will be added to pay for the replacement of bandsaw blades and small hand tools.
9. Residents working in the DAC are divided into two groups, the DAC clients who will receive commensurate pay as prescribed by the Fair Labor Standard Act of 1938. The other group will be long term evaluation and training clients who will be receiving training which is designed exclusively to provide work activities for residents whose physical and mental impairment is so severe as to render their productive capacity inconsequential. Under this part of our program the residents are incapable of earning commensurate pay and are participating in the program as a part of a planned therapy as directed by the Interdisciplinary Team.
10. Residents are admitted to the DAC and the Training Center by the recommendation of the Interdisciplinary Team. Clients will receive a passing score on the San Francisco Vocational Scale and the Work Adjustment Vocational Assessment.



Audit Report

ST. PETER STATE HOSPITAL

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

JULY 1983



STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR  
Veterans Service Building  
St. Paul, Minnesota 55155

~~XXXXXXXXXXXXXXXXXXXX~~  
Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Leonard W. Levine, Commissioner  
Department of Public Welfare,

and

Joseph W. Solien, Chief Executive Officer  
St. Peter State Hospital

We have made a financial and compliance audit of St. Peter State Hospital for the year ended June 30, 1982. The audit field work was completed on April 8, 1983. Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the hospital; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.



Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
Leonard W. Levine, Commissioner  
and  
Joseph W. Solien, Chief Executive Officer  
Page 2

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.



John Asmussen, CPA  
Deputy Legislative Auditor

July 26, 1983

ST. PETER STATE HOSPITAL

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Charlie Gill, Auditor-in-Charge  
Mike Hassing, Staff Auditor  
Dave Poliseno, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of St. Peter State Hospital on April 1, 1983:

Joseph W. Solien, Chief Executive Officer  
Jim Littig, Assistant Administrator  
Tom Bolstad, Business Manager



# ST. PETER STATE HOSPITAL

## INTRODUCTION

The St. Peter State Hospital (SPSH) was opened in 1866. It was the first institution for the mentally ill in the State of Minnesota. It has at various times received patients from all counties in Minnesota.

In 1911, the Minnesota Security Hospital was established on the SPSH campus to house the mentally ill and dangerous men. In 1978, the Legislature appropriated \$8.7 million to construct a new 165-bed unit that accepts on a statewide basis both men and women whose mental, emotional, and behavioral problems require a secure setting while examination and/or treatment takes place.

In 1967, the Legislature directed that a unit for the mentally retarded be established at St. Peter. The Minnesota Valley Social Adaptation Center came into existence in August 1968. The Center is a state-operated residential facility serving the needs of mentally retarded citizens in south-central Minnesota.

A chemical dependency unit was established at St. Peter State Hospital in 1970.

The average total population of the St. Peter campus during 1981-82 was 576. The hospital employs approximately 685 personnel to meet the needs of its population.

St. Peter State Hospital, Minnesota Security Hospital, and Minnesota Valley Social Adaptation Center are under the general management and control of the Commissioner of Public Welfare. The Commissioner appoints an administrator to provide immediate supervision of the institution. Joseph W. Solien has served as Chief Executive Officer since July 16, 1979.

## ST. PETER STATE HOSPITAL

SPSH and all state hospital operations are financed through General Fund appropriations made directly to the Department of Public Welfare (DPW). DPW is responsible for maintaining, controlling and transferring the necessary funds to the appropriate hospital accounts.



ST. PETER STATE HOSPITAL

CURRENT FINDINGS AND RECOMMENDATIONS

No accounting system has been developed to control and account for the purchases, inventory, and the estimated \$20,000 in sales of items produced by the Jobs Unlimited Program during calendar year 1983.

The Jobs Unlimited Program is established as therapy for the mentally retarded. The residents manufacture articles such as pottery and wood items for sale to the general public. The sales are for cash. They are not receipted and there is no other record keeping system for monitoring the inventory and sale of these items. This is a significant internal control weakness. There are no safeguards for the assets of this program.

The financial information concerning the program is not based on an accounting system. Therefore, the managerial decisions concerning the financial aspects of the program must be based on estimates.

RECOMMENDATIONS:

1. SPSH should set up an accounting system to monitor and control the purchase, inventory, and sale of the items produced by the Jobs Unlimited Program.
2. Prenumbered sales receipts should be issued at the point of sale.

The residents participating in the Jobs Unlimited Program (JUP) are not compensated for the work performed on items manufactured for sale.

Minn. Stat. Section 246.151, Subd. 1 provides that,

"Notwithstanding any law to the contrary, the commissioner of public welfare is authorized to provide for the payment to patients or residents of state institutions under his management and control of such pecuniary compensation as he may deem proper, the amount of compensation to depend upon the quality and character of the work performed as determined by the commissioner and the chief executive officer, but in no case less than 25 percent of the minimum wage established pursuant to section 177.24."

The patients on the JUP are not paid for the work they do. SPSH is benefiting monetarily from this program because it is self-supporting. SPSH considers this program as therapeutic, therefore exempting them from the minimum wage payments.

RECOMMENDATION:

3. SPSH should request a clarification of the exclusion of the JUP from the provisions of Minn. Stat. Section 246.151, Subd. 1.

ST. PETER STATE HOSPITAL

SPSH is not collecting sales tax on crafts made by the residents participating in the Jobs Unlimited Program (JUP) and sold to the general public.

The Department of Revenue's Sales and Use Tax Division's, Sales Tax Newsletter No. 5 for January 1980 specifically states that no organization is exempt from collecting the tax on taxable retail sales. Taxable retail sales are defined by sales and use tax laws as all sales of tangible personal property.

Sales tax regulation 411(E) requires that all sales by nonprofit organizations are subject to tax if more than two sales are held in any calendar year, or if a sale is held for two or more consecutive days.

Proceeds from the cash sale of JUP crafts deposited during calendar year 1982 totaled \$15,078. The sales are open to the general public on a year-round basis.

The Department of Finance's (DOF) Operating Policy and Procedure Number 06:06:12 instructs state agencies to deposit sales tax collections directly into the General Fund as non-dedicated receipts. State agencies are also instructed to prepare a monthly sales tax report which reconciles to deposits, and send it to the DOF's general accounting section.

RECOMMENDATION:

4. SPSH should collect sales tax on the sale of finished goods and deposit it in accordance with the Department of Finance's Operating Policy and Procedure Number 06:06:12. The monthly sales tax reports should also be prepared and sent to DOF's general accounting section.

A significant number of patient files reviewed lacked documentation of the proper approvals necessary for participation in the resident work program.

DPW Policy #11 on Patient/Resident Work for Pay provides that each institution shall maintain records relating to the program. Among the required records are a medical approval and an appropriate referral to the program.

Out of 15 patient files tested, 14 lacked the medical approval and 8 lacked the referral. In order to ensure that only approved residents are participating in the resident work program, proper authorization must be on file.

RECOMMENDATION:

5. Documentation of the approvals to participate in the resident pay program should be maintained pursuant to the requirements set forth in the Department of Public Welfare's Policy #11.



## ST. PETER STATE HOSPITAL

The residents participating in the Resident Pay Program are not required to sign their time reports.

The supervisor keeps track of the resident's time and forwards the time reports to the timekeeper. The residents never sign the time report.

Proper controls and accountability over payroll require that employees sign their time report. The employee's signature on a time report indicates that the employee is in agreement with the number of hours worked and that the claim is just and correct.

### RECOMMENDATION:

6. The patients participating in the Resident Pay Program should be required to sign their time reports.

All transactions processed by the resident bank should have accurate supporting documentation.

SPSH maintains a computerized system, called the resident bank, responsible for the control and processing of resident social welfare transactions and special accounts. Our review of resident bank transactions identified a situation in which the actual processed transaction did not have accurate source documentation. A patient requested cash in excess of his available balance. A system check identified the transaction and processed it only to the available balance. Consequently, the monthly statement showed the actual transaction processed, while the source card still showed the original requested amount.

To assure the validity of a transaction, it should be supported with accurate source documentation. The source documents provide an audit trail for verifying the actual transaction that was processed. Without accurate source documents, the audit trail is lost. Without a complete audit trail, there is a greater risk in assuring that processed transactions are valid.

### RECOMMENDATION:

7. To assure the validity of transactions, the audit trail should be completed by:
  - printing the error listing from the cash indicator test identifying transactions where the request exceeds the balance; and
  - identifying the source cards that were only partially processed with a stamp or color code so they could be traced to the error listing.



## ST. PETER STATE HOSPITAL

The interest distribution to the social welfare accounts at SPSH is incorrect.

All accounts within the social welfare fund at St. Peter State Hospital (SPSH) receive interest. The interest is generated from investment of excess cash in the fund by the State Board of Investment.

The interest calculation is based on a set of criteria which uses ending balances for each of six months to arrive at an average monthly balance (provided the account is active on the last day of the earning period). The interest rate is determined by dividing the earned interest by the sum of the average monthly balances for all accounts. The rate multiplied by the average monthly balance yields the interest distribution for each account. The earned interest should be distributed to the individual accounts through a calculation using the same base months as those for which the interest was earned.

Our examination of the interest distribution indicated that a six-month base period was used in the calculation. However, this was not the same six months in which the interest was earned. The interest was earned from September-February and March-August, but was distributed on ending balances from August-January and February-July. This discrepancy causes errors in the rate, the average monthly balances, and in determining eligible accounts based on the established criteria. The calculation does not always follow the written criteria when determining eligible accounts, especially when patients are admitted or discharged during a month. The criteria as written, could potentially cause material inequities in the distribution of interest.

### RECOMMENDATIONS:

8. SPSH should revise procedures for the calculation of interest amounts so that the base period used in the calculation is the same as the time period during which the interest is earned. SPSH should also consider some spot-checks of the interest output to verify the validity of the report.

Interest allocated to the suspense account is transferred to the amusement account without waiting the required five-year holding period.

The suspense account is made up of account balances from individuals who have died or left the hospital and no legal heir to the money can be located. The funds must stay in suspense for five years, at which point they can be transferred to the amusement account. Like individual accounts, the suspense account earns interest based on the month-end balances.

SPSH has followed a policy of immediately transferring the interest to the amusement account. Prorating the interest to the individual balances would create a more accurate accounting of the funds until transferred. This would also provide a record of balances plus interest if an heir to the money is found so that the proper distribution could promptly be made.



ST. PETER STATE HOSPITAL

RECOMMENDATION:

9. Interest distributed to the suspense account should be prorated to the individual accounts and only transferred to the amusement account with the original balance after the five-year holding period has expired.

Cash disbursements made to residents from the social welfare account did not always follow prescribed policy.

Written procedures have been established by St. Peter State Hospital for the disbursement of patient money through the Resident's Bank. All transactions must be supported with a properly authorized transaction card to be processed.

Specific policies establish a \$15 daily limit on cash withdrawals from the bank's imprest funds, and provide that the balance in a patient's account cannot go below zero, except in certain unusual circumstances. Our examination of resident transactions included two transactions that did not follow these prescribed policies. The first case related to a patient exceeding the \$15 maximum daily withdrawal, while the second resident was allowed cash disbursements in excess of his available balance.

The resident bank clerk verifies the patient balance on the daily account status report before disbursing funds. By establishing a perpetual recording system on the report, controls would be improved to assure that transactions adhere to established policies.

RECOMMENDATION:

10. The resident bank clerk should establish a perpetual recording system on the daily account status report identifying current deposits/withdrawals, while continuing to verify the report for available balance prior to disbursing funds.

The trial balance report supporting the social welfare month-end reconciliation is not retained for audit purposes.

The month-end computer generated trial balance report, detailing the individual account balances within the social welfare account, is one of the significant documents supporting the month-end reconciliation. SPSH produces a computerized trial balance listing each month, but the report is discarded after the reconciliation is completed. Without the trial balance report, the month-end reconciliation is substantially unsupported. It would be necessary to regenerate the information from the month-end individual statements in order to arrive at the balance supporting the reconciliation. The trial balance report is a document that ties together all the month-end statements.

ST. PETER STATE HOSPITAL

RECOMMENDATION:

11. The trial balance report supporting the social welfare month-end reconciliation should be retained.

SPSH is not consistently phoning in to the State Treasurer's Office (STO) the daily amount deposited at the depository bank.

The Department of Finance's Operating Procedure No. 06:06:01, Step 12 requires that:

"Whenever making a deposit over \$1,000.00 to a depository bank, the depositing department should notify the Treasurer by phone on the day making the deposit and stamp "Advise by Phone" on the Fi-00223."

This procedure enables the state to draw down the idle cash in depositories and benefit from the interest derived from the investment of the state's total idle cash.

We reviewed the deposits phoned in during June 1982 and March 1983. Six deposited in June totaling \$17,229 and four deposits in March totaling \$16,213 were not phoned in as required by the policy. If the deposits are not phoned in, it may take a week or more for the receipt documentation to reach the STO enabling the funds to be drawn down.

RECOMMENDATION:

12. SPSH should notify the State Treasurer's Office by phone when deposits exceed \$1,000.

SPSH does not have the means to properly verify that the quality of meat and produce goods received is in accordance with the contract specifications.

SPSH purchases the majority of its meats and produce from a private vendor under a contract entered into by the Procurement Division of the Department of Administration. In order to properly verify the quality of goods received, it is necessary to be in possession of the contract specifications. SPSH is not routinely given a copy of the master contract containing quality requirements. Therefore, they have no means of verifying the contract specifications. This is a significant internal control weakness. SPSH purchased in excess of \$364,485 of produce from the vendor during fiscal year 1982.

RECOMMENDATION:

13. SPSH should obtain a copy of the meat and produce contracts and verify that the quality of goods received is in agreement with the contract specifications.



ST. PETER STATE HOSPITAL

There are no procedures for verifying that produce credits are received.

We tried to verify that a \$44.00 credit for produce on one of our disbursement sample items was in fact received. The credit was not deducted from the invoice to which it pertained. It could not be established from documentation at the business office that it was subsequently received.

The nature of ordering and receiving produce is such that many credit memos are generated. Without established procedures for monitoring or reconciling the credit memos, it cannot be established that all credits due, are in fact received.

RECOMMENDATION:

14. Procedures should be established to verify that all produce credits are taken.

There is an inadequate separation of duties in the maintenance of inventories for the supplies, food service, and pharmacy areas.

Good internal controls over inventories require that a periodic physical count be done by persons other than the custodian of the inventory. The inventory counts at SPSH are overseen by the custodians of the given inventory. This practice invalidates the independence of a periodic inventory count.

RECOMMENDATION:

15. Periodic physical counts of supplies, food service and pharmacy inventories should be taken by someone independent of the custody of these inventories.

Payment discounts were not taken on a material number of disbursement transactions sampled.

On seven out of 125 or 5.6 percent of the payments randomly sampled, the allowable discount had not been taken. The seven payments represented .83 percent of the total sample dollar value. The discounts not taken totaled \$135.23, the largest being \$51.82. Two of the seven non-discounted payments were made within the discount period.

RECOMMENDATION:

16. The payment of all invoices containing discounts should be expedited so that they are made within the discount period. All invoices should be reviewed for discounts and the discounts taken.

## ST. PETER STATE HOSPITAL

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES AND AVAILABLE BALANCE  
Fiscal Year Ended June 30, 1982General Fund

State Appropriations - See Note 2	\$16,030,444
Receipts - Exhibit B	6,009
Transfers In:	
Salary Supplements	30,434
Appropriation Cancellations	<u>(13,441)</u>
Total Available	<u>\$16,053,446</u>

## Expenditures:

Personal Services	\$13,975,969
Rents and Leases	8,784
Advertising	637
Repair Services	54,075
Bonds and Insurance	1,400
Printing and Binding	10,211
Professional Technical Services	194,254
EDP Systems Service	27,729
Purchased Services	40,433
Communications	74,543
Travel	9,562
Utility Service	192,450
Care of Persons	12,568
Freight and Express	3,264
Supplies, Materials, and Parts	1,353,766
Equipment	45,454
Claims, Awards, and Indemnities	1,183
Prepaid Expenses	4,000
Other Expenditures	<u>256</u>

## Total Expenditures

\$16,010,538

Available Balance - June 30, 1982 - Note 3

\$ 42,908Special Revenue Fund

Available Balance - July 1, 1981

\$ 3,630

Available Balance - June 30, 1982

\$ 3,630



## ST. PETER STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Federal Fund

Available Balance - July 1, 1981	\$ 14,143
Receipts - Exhibit B	16,217
Transfers from Economic Security	<u>5,498</u>
Total Available	<u>\$ 35,858</u>

## Expenditures:

Personal Services	\$ 5,498
Repair Services	393
Purchased Services	415
Freight and Express	563
Supplies, Materials, and Parts	<u>10,863</u>

Total Expenditures	<u>\$ 17,732</u>
--------------------	------------------

Available Balance - June 30, 1982	<u>\$ 18,126</u>
-----------------------------------	------------------

Agency Fund

Available Balance - July 1, 1981	\$ 148,982
Receipts - Exhibit B	453,767
Interest Earnings	<u>14,995</u>

Total Available	<u>\$ 617,744</u>
-----------------	-------------------

## Expenditures:

Supplies, Materials, and Parts	\$ 5,600
Equipment	389
Resident and Other Withdrawals	<u>470,145</u>

Total Expenditures	<u>\$ 476,134</u>
--------------------	-------------------

Available Balance - June 30, 1982	<u>\$ 141,610</u>
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ST. PETER STATE HOSPITAL

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER  
Fiscal Year Ended June 30, 1982

General Fund

Sale of Usable Equipment	\$ 6,009
Total General Fund	<u>\$ 6,009</u>

Federal Fund

Child Nutrition Program	\$ 16,217
Total Federal Fund	<u>\$ 16,217</u>

Agency Fund

Residents' Deposits	\$310,489
Other Receipts	<u>143,278</u>
Total Agency Fund	<u>\$453,767</u>



NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The statewide accounting (SWA) reports through September 4, 1982 were used in preparing these statements with adjustments for activity occurring subsequent to that date. Consequently, this statement is not prepared using the accrual basis of accounting.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Available balance at June 30, 1982 includes \$42,908 appropriation balance carried forward to fiscal year 1983.



STATE OF MINNESOTA  
DEPARTMENT OF PUBLIC WELFARE  
ST. PETER STATE HOSPITAL  
MINNESOTA SECURITY HOSPITAL  
MINNESOTA VALLEY SOCIAL ADAPTATION CENTER  
ST. PETER, MINNESOTA 56082

July 26, 1983

Office of the Legislative Audit  
Veteran's Service Building  
St. Paul, Minnesota 55155

Attention: Claudia Gudvangen  
Audit Manager

RE: Your letter of July 8, 1983

Dear Ms. Gudvangen

Thank you for providing us with an opportunity to respond to the recommendations contained in the draft copy of your audit report for the years ending June 30, 1982.

Before proceeding I would like to point out that the St. Peter Regional Treatment Center consists of three (3) separate hospitals; Minnesota Security Hospital (MSH), Minnesota Valley Social Adaptation Center (MVSAC), and the St. Peter State Hospital (SPSH). Each hospital operates independently of the other two and each has its own Medical Director and/or Program Director.

Internally each hospital is referred to as a Division. The General Support Division (GS) serves all three hospitals (Divisions). Mr. Joseph W. Solien is the Chief Executive Officer of the entire complex.

The response to each recommendation will be prefaced with an indication of which Divisions are affected.



RESPONSE TO YOUR RECOMMENDATIONSRecommendationRESPONSE

1

MVSAC  
Since April 11, 1983 MVSAC has been inventoring all items for sale. Rehabilitation Counselor Supervisor 2 in charge of the Jobs Unlimited Program has been maintaining an inventory of stock on hand as well as the weekly amount of each item sold. Regarding the purchase of production materials, we will maintain a yearly inventory system which accounts for stock on hand. In addition to this, all purchases will be routed through the Residents Bank and a log book of these purchases will be maintained.

2

MVSAC  
MVSAC will place this recommendation into effect on August 1, 1983.

3

MVSAC  
Administrative personnel at MVSAC maintain that this provision does not apply to a Day Activity Center (DAC) such as the one at Green Acres. A clarification will be requested from the Attorney General's Office. A copy of our request for clarification, and a copy of the response we receive will be sent to your office. We will institute corrective procedures (if changes are needed) and will notify your office.

4

MSH, MVSAC, & SPSH  
Arrangements have been made with the Treatment Center's Business Office to implement the collection of Sales Tax. This collection of sales tax will commence beginning Monday, August 15, 1983, and a monthly report containing the amount of taxes will be submitted to the Business Office from all craft areas. In turn the Business Office will then forward the amount of sales tax collected to the Department of Finance.

RESPONSE TO YOUR RECOMMENDATIONS (cont.)RecommendationRESPONSE

- 5 MSH, MVSAC, & SPSH  
On July 25, 1983, you furnished the names of the 14 patients whose charts were not in order. That information has been shared with the appropriate Division Director. A copy of the internal forms used in developing I.T. assignments are attached. The Division Directors have been notified of this discrepancy and been told that proper documentation must be done for all I.T. assignments.
- 6 MSH, MVSAC, & SHSH  
The form used to report the time spent by patients in Industrial Therapy assignments is signed by the immediate supervisor. This form will be modified to provide an area where the patient workers can also sign before it is submitted for processing. Some of our mentally retarded residents will have to "make their mark" since not all of these individuals can sign their name. We will begin using the new form on August 17, 1983.
- 7 GS  
A monthly printout indicating all transactions processed for amounts other than original request will be generated by our Data Center and filed with the transactions until audited. Original transaction cards not able to be processed for amount on card will be duplicated indicating amount actually processed. Original card will be stamped as such and retained as a part of our audit trail.
- 8 GS  
To correct this inequity, the last interest payment was distributed on a 7 month period. This has brought us on line with earnings and distribution over the same time period.
- 9 GS  
Interest will be manually calculated for all Suspense Accounts and will not be transferred to Amusement Account until a 5-year period expires.



RESPONSE TO YOUR RECOMMENDATIONS (cont.)

<u>Recommendation</u>	<u>RESPONSE</u>
10	<p>GS</p> <p>In one case, the \$15.00 daily limit was deliberately exceeded because the resident was being discharged and it was not practical to issue \$15.00 on a stat basis and the minimal remainder mailed via check.</p> <p>Ordinarily, the only time a residents' account can be overdrawn is during processing the reimbursement of Imprest Accounts. In these instances, the funds have already been spent. Staff responsible for individual residents' funds must make appropriate deposit so account is back in balance.</p>
11	<p>GS</p> <p>The trial balance (BNK4C) for the last business day of each month will be retained for audit purposes.</p>
12	<p>GS</p> <p>This was an oversight by Business Office staff during two long term medical leaves and training of temporary help. Deposits in excess of \$1,000.00 are now being phoned in daily.</p>
13	<p>GS</p> <p>A copy of the specifications for contract provisions has been received and is being used by our Dietitian and Chief Cook. We will continue visual review for appropriate inspection stamps. We lack the capability for laboratory examination of various foodstuffs. The present provision contract vendor has been cooperative in replacing provisions we feel do not meet standards.</p>
14	<p>GS</p> <p>A procedure has been established between the Receiving Department and the Business Office whereby all credits can be verified. Credits may not be received from contract vendor for a period of 4-6 weeks after delivery. Payment of original invoice is made on a timely basis and credits taken on future invoices.</p>

RESPONSE TO YOUR RECOMMENDATIONS (cont.)

<u>Recommendation</u>	<u>RESPONSE</u>
15	<p>GS            Procedures have been established, and are being used as regards inventory control. Your staff have not questioned the accuracy of those inventories or the frequency of checking done by personnel in the inventory area. However we will make arrangements to have personnel from other departments make unannounced spot checks a minimum of three (3) times a year.</p>
16	<p>GS            These instances occurred during the time period when the Department of Finance was delaying the mailing of State warrants due to State cash flow. It was not practical to take discounts, only to have the vendor rebill us for the discount taken but not allowed. We then had to make payment of these discount amounts which were denied by the vendor. Processing of each invoice twice did not seem to be in the best interest of the State.</p>
...	

Copies of the written response received from each Division are being held for review by the next team of auditors.

The staff at MVSAC have asked that we provide the following additional information as regards recommendation #1 and #2:

In clarification of some of the statements made by the Auditor in the body of their report, I would like to make the following response. The Auditors state "No accounting system has been developed to control and account for the purchases, inventory and the estimated \$20,000.00 in sales of items produced by the Jobs Unlimited program during the calendar year 1983." In addition the auditors go on to say "The residents participating in the Jobs Unlimited Program are not compensated for the work performed on items manufactured for sale." Rehabilitation Counselor Supervisor 2 in charge of the Jobs Unlimited Program has been maintaining an accounting system for his own internal purposes which lists the purchases he has made, the gross amount of sales, and the income which was turned back to the residents in the form of pay. He has been keeping these records since at least 1979.



We appreciate the excellent job done by your field audit staff and the suggestions they made. I hope you are able to schedule us for one audit each biennium.

If you have questions on any of these responses please give me a call. Ny North Star Network Number is 114-117.

Yours truly,

St. Peter Regional Treatment  
Center



James H. Wittig  
Assistant Hospital Administrator

cc: Mr. James Walker - DPW  
Division Directors  
Legislative Audit Folder

Enc: 2

JHL:sks

REFERRAL  
REHABILITATION SERVICES  
St. Peter State Hospital

OT: \_\_\_\_\_  
IT: \_\_\_\_\_  
Service: WADE: \_\_\_\_\_  
RT: \_\_\_\_\_  
OTHER: \_\_\_\_\_

TO BE COMPLETED BY THE TEAM:

Patient's Name: \_\_\_\_\_ #: \_\_\_\_\_ Unit: \_\_\_\_\_  
Age: \_\_\_\_\_ Referral date: \_\_\_\_\_ Unit Contact Person: \_\_\_\_\_  
Medical and Special concerns (medication, physical health, seizures, elopement risk, etc)  
\_\_\_\_\_  
Problem #: \_\_\_\_\_ Problem being treated: \_\_\_\_\_  
\_\_\_\_\_  
Long Term Goal: \_\_\_\_\_  
\_\_\_\_\_

TO BE COMPLETED BY THE PHYSICIAN FOR PHYSICAL CLEARANCE FOR WORK PROGRAM:

\_\_\_\_\_ Patient may work with no restrictions.  
\_\_\_\_\_ Patient may work with the following restrictions and physical limitations:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Patient is not to work.

\_\_\_\_\_  
Physician's signature  
\_\_\_\_\_  
(date)

TO BE COMPLETED BY THE REHABILITATION SERVICE:

1. Date(s) of interview and/or assessment: \_\_\_\_\_ Total time: \_\_\_\_\_  
2. Assessment/observation outcome: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



MINNESOTA VALLEY SOCIAL ADAPTATION CENTER  
WORK ACTIVITY CLEARANCE  
VOCATIONAL PROGRAM SERVICES

This form is required prior to resident being admitted to Vocational programs.

NAME	CENTER #	DATE OF BIRTH	DATE
_____	_____	_____	_____

The above resident has had a physical examination, and the following disabilities were noted:

\_\_\_\_\_ None      \_\_\_\_\_ Diabetic      \_\_\_\_\_ Asthma      \_\_\_\_\_ Visual      \_\_\_\_\_ Hearing  
\_\_\_\_\_ Epileptic      \_\_\_\_\_ Cardiac      \_\_\_\_\_ Emphysema      \_\_\_\_\_ Allergy

Other: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PRECAUTIONS OR LIMITATIONS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

RESIDENT MAY PARTICIPATE IN THE FOLLOWING DEGREE OF PHYSICAL WORK ACTIVITY:  
\_\_\_\_\_ Strenuous      \_\_\_\_\_ Moderate      \_\_\_\_\_ Mild

NOTE OTHER PERTINENT INFORMATION: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PHYSICIAN SIGNATURE: \_\_\_\_\_

RW:br  
7/81

Audit Report

WILLMAR STATE HOSPITAL

Year Ended June 30, 1982

Operating Under Minn. Stat.  
Chapters 246, 252-254, and 256

OFFICE OF THE LEGISLATIVE AUDITOR  
FINANCIAL AUDIT DIVISION

JULY 1983





STATE OF MINNESOTA  
OFFICE OF THE LEGISLATIVE AUDITOR

Veterans Service Building  
St. Paul, Minnesota 55155

~~XXXXXXXXXXXXXXXXXXXX~~

Legislative Auditor

(612) 296-4708

Representative Dick Welch, Chairman  
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Leonard W. Levine, Commissioner  
Department of Public Welfare,

and

Lester Johnson, Chief Executive Officer  
Willmar State Hospital

We have made a financial and compliance audit of Willmar State Hospital for the year ended June 30, 1982. The audit field work was completed on April 1, 1983. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- evaluate the controls over resident social welfare funds;
- evaluate the procedures and controls for operation of the various resident work programs;
- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the hospital; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

Representative Dick Welch, Chairman  
Members of the Legislative Audit Commission,  
Leonard W. Levine, Commissioner  
and  
Lester Johnson, Chief Executive Officer  
Page 2

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.



John Asmussen, CPA  
Deputy Legislative Auditor

July 29, 1983



WILLMAR STATE HOSPITAL

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor  
Claudia Gudvangen, CPA, Audit Manager  
Tom Donahue, MBA, Audit Coordinator  
Cecile Ebacher, CPA, Auditor-in-Charge  
Denise Eller, Staff Auditor  
Lori Lowe, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of Willmar State Hospital on April 1, 1983:

Lester Johnson, Chief Executive Officer  
Greg Spartz, Assistant Chief Executive Officer  
Mae Forstrom, Business Officer  
Sharon Squires, Personnel Supervisor

# WILLMAR STATE HOSPITAL

## INTRODUCTION

Willmar State Hospital (WSH) was established in 1907 as a hospital farm for the treatment of alcoholics. It has since evolved into an institution providing evaluation, care and treatment services to mentally ill, mentally retarded, and chemically dependent individuals within Minnesota's 23 southwestern counties. WSH is unique from other multi-service state hospitals since it operates the only statewide treatment program for mentally ill adolescents, including a pilot program called "The Protective Component Unit." This unit provides a controlled environment for the treatment of a small group of severely disturbed adolescent boys.

During fiscal year 1982, WSH employed approximately 640 personnel to meet the needs of its 562 residents.

WSH is under the general management and control of the Commissioner of Public Welfare and the immediate supervision of the Chief Executive Officer appointed by the commissioner. The current Chief Executive Officer is Lester Johnson, who has served since 1961.

WSH and all state hospital operations are financed through General Fund appropriations made directly to the Department of Public Welfare (DPW). DPW is responsible for maintaining, controlling and transferring the necessary funds to the appropriate hospital accounts.



## WILLMAR STATE HOSPITAL

### CURRENT FINDINGS AND RECOMMENDATIONS

Internal control over the withdrawal of residents' money is inadequate.

Each state hospital has a social welfare account which consists of residents' money to be used at the residents' discretion. All deposits and withdrawals must be supported by the proper authorized forms submitted to the business office. Many residents conduct their own business at the patient "bank" located in the business office.

In certain circumstances, staff working in the living areas may withdraw money from the residents' accounts on behalf of the residents. To do this, they submit a list to the business office with the individual residents' names, the amount to be withdrawn from each account, and the signature of the employee requesting the money. After the business office processes the transactions and credits the appropriate residents' accounts, someone from the residence picks up the money and signs for it. This may be the same individual who requested the funds.

The money is then taken back and distributed to the residents. Each resident is to sign the cash request list as recognition of receipt of the money. The business office requests that the cash lists be returned to them as evidence that the money has been properly distributed. All the cash lists, however, are not returned to the business office by the staff. There is no follow up on those lists that are not returned.

Since many patients are not fully aware of their financial status, it would be possible for a staff member to withdraw residents' money for unauthorized purposes under the present system.

#### RECOMMENDATIONS:

1. The cash list request form should be revised to require two signatures to authorize the request for the withdrawal of residents' money. One of these signatures should be that of a supervisor. The business office should have a listing of the supervisors authorized to approve withdrawal of residents' money.
2. A record should be kept by the business office of all the cash lists processed. When a completed cash list is returned to the business office, it should be checked off. The business office should follow up on any list outstanding for an unreasonable length of time.

## WILLMAR STATE HOSPITAL

### Employees' personal checks are cashed using petty cash funds.

The WSH business office maintains a social welfare cash fund of \$50. The fund is used to provide patients with money for smaller purchases, such as postage stamps, which would be too costly and time-consuming to make by check. The fund custodian disburses the funds as needed and maintains documentation supporting each payment.

Hospital employees are allowed to cash personal checks from this petty cash fund. Before any check is cashed, approval must be obtained from the Accounting Officer, Assistant Chief Executive Officer or Chief Executive Officer.

The social welfare petty cash fund should only be used for authorized purposes in accordance with Department of Finance directives. There is no authority to use this fund for cashing employee checks.

#### RECOMMENDATION:

3. The business office should discontinue the practice of cashing employee checks from petty cash funds.

### Dietary employees receive free meals on a regular basis.

WSH operates<sup>\*\*\*</sup> a cafeteria for the primary purpose of providing meals for residents of the hospital. Meal tickets may be purchased by hospital staff and visitors for \$2.20 each. Minn. Stat. Section 246.014 states that state hospitals are to serve "a single standard of food for patients and employees alike, which is nutritious and palatable . . ." In order to monitor the quality of meals being served, the dietary supervisor allows dietary employees to each have one free meal a day. Dietary personnel are supposed to prepare evaluations of the meals which are used to determine menu or food preparation changes. Hospital administrators were not aware of this meal evaluation program.

During our audit, we found that approximately 20 dietary employees received a free meal each day. Also, no meal evaluations are being prepared. Any feedback to the dietary supervisor concerning the quality of the food is verbal and undocumented. This practice provides a benefit to WSH's dietary employees to which other state employees are not entitled and it does not meet the objective of evaluating the meals prepared.

#### RECOMMENDATIONS:

4. The current practice of providing free meals to dietary employees should be discontinued.



## WILLMAR STATE HOSPITAL

### Internal controls over food inventories are not adequate.

The dietary staff at WSH prepare weekly menus showing the various items to be served and the quantity of each ingredient needed to prepare those items. The menu acts as a requisition for the ingredients. The dietary staff also conduct a weekly inventory of food on hand. This inventory along with the menu for the next week's meals is used to determine the food to be ordered weekly from WSH's supplier.

During our audit, we found that the actual food used, as determined by the weekly food inventory, is not reconciled to the amount requisitioned on the menu. Since all of the dietary personnel have access to the food storage areas, the possibility for pilferage exists. This would result in increased food costs to WSH.

#### RECOMMENDATION:

5. The actual food usage, determined through weekly inventories, should be reconciled to the amounts requisitioned on the week's menu. Any discrepancies should be investigated and documented. The reconciliation should be performed by someone who is independent of food ordering and usage.

### \*\*\* Employee time sheets are not adequately reviewed and authorized.

WSH employees are required to comply with the state's positive time reporting policy, which specifies that each employee complete and sign a time sheet for each two-week pay period. Employees submit these time sheets to their supervisors who review them and authorize payment by signing the time sheet. At WSH, a cover sheet is prepared for each unit which summarizes the hours for each employee in that unit and requires the signature of the department head or program director.

We found that approximately 21 percent of the time sheets tested were not properly authorized for payment by the employees' supervisors. All but 8 of the 127 unauthorized time sheets were from the nursing services unit. In addition, we found instances where the employee had signed their own time sheet as the supervisor, or where the employee signature was missing. One supervisor we spoke with said that there are times when he will fill out and sign a time sheet for an employee. He said that this usually occurs when night shift employees neglect to turn in their time sheets.

Unless time sheets are properly prepared and authorized, there is no evidence that payments are being made only for hours actually worked or for authorized absences.

#### RECOMMENDATION:

6. Time sheets should be prepared and signed by each employee, and reviewed and authorized for payment by the employee's supervisor.

## WILLMAR STATE HOSPITAL

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES AND AVAILABLE BALANCE  
Fiscal Year Ended June 30, 1982General Fund

State Appropriations - Note 2	\$14,019,153
Receipts - Exhibit B	730
Transfers In:	
Salary Supplements	43,191
Appropriation Cancellations	<u>(6,556)</u>
Total Available	<u>\$14,056,518</u>

## Expenditures:

Personal Services	\$12,432,737
Rents and Leases	12,991
Repair Services	24,233
Printing and Binding	17,573
Professional Technical Services	135,457
Other Services	19,031
Communications	54,535
Travel	12,293
Utility Services	63,803
Care of Persons	12,602
Freight and Express	4,512
Supplies, Materials, and Parts	1,185,120
Equipment	48,665
Claims, Awards, and Indemnities	4,197
Other Expenditures	<u>1,843</u>

Total Expenditures	<u>\$14,029,592</u>
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Available Balance - June 30, 1982 - Note 3	<u>\$ 26,926</u>
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Special Revenue Fund

Available Balance - July 1, 1981	<u>\$ 107</u>
Available Balance - June 30, 1982	<u>\$ 107</u>

Federal Fund

Available Balance - July 1, 1981	\$ 100,361
Receipts - Exhibit B	<u>51,472</u>
Total Available	<u>\$ 151,833</u>



## WILLMAR STATE HOSPITAL

EXHIBIT A  
(con't)

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

Federal Fund (con't)

## Expenditures:

Freight and Express	\$	1,086
Supplies, Materials and Parts		1,039
Equipment		1,038
Building Improvements		<u>17,811</u>

Total Expenditures	\$	<u>20,974</u>
--------------------	----	---------------

Available Balance - June 30, 1982	\$	<u><u>130,859</u></u>
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Agency Fund

Available Balance - July 1, 1981	\$	219,541
Receipts - Exhibit B		517,773
Interest Earnings		<u>20,348</u>

Total Available	\$	<u>757,662</u>
-----------------	----	----------------

## Expenditures:

Educational and Recreational Activities	\$	10,502
Repair Services		1,067
Purchased Services		1,349
Supplies, Materials, and Parts		145,344
Equipment		7,124
Residents' Withdrawals		374,466
Other Expenditures		<u>74</u>

Total Expenditures	\$	<u>539,926</u>
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Available Balance - June 30, 1982	\$	<u><u>217,736</u></u>
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## WILLMAR STATE HOSPITAL

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER  
Fiscal Year Ended June 30, 1982General Fund

Sale of Usable Equipment	\$ 730
Total General Fund	<u>\$ 730</u>

Federal Fund

Child Nutrition Program	\$ 31,772
Energy Conservation Program	<u>19,700</u>
Total Federal Fund	<u>\$ 51,472</u>

Agency Fund

Residents' Deposits	\$346,445
Canteen Sales	169,020
Sales Tax	1,975
Other Receipts	<u>333</u>
Total Agency Fund	<u>\$517,773</u>



NOTES TO THE FINANCIAL STATEMENTS

- NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The statewide accounting (SWA) reports through September 4, 1982 were used in preparing these statements with adjustments for activity occurring subsequent to that date. Consequently, this statement is not prepared using the accrual basis of accounting.
- NOTE 2: Appropriations are made directly to the Department of Public Welfare and subsequently allocated to the individual hospitals as DPW determines necessary.
- NOTE 3: Available balance at June 30, 1982 includes \$26,926 appropriation balance carried forward to fiscal year 1983.

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**WILLMAR STATE HOSPITAL**  
WILLMAR, MINNESOTA

July 29, 1983

TELEPHONE: 612-231-5100

Ms. Claudia Gudvangen  
Audit Manager  
Office of the Legislative Auditor  
Veterans Service Building  
St. Paul, Minnesota 55155

Dear Ms. Gudvangen:

I have reviewed the Draft Audit Report prepared by your office as a result of a financial compliance audit of Willmar State Hospital in April. For the most part, the audit results and recommendations were discussed with appropriate department heads on the campus at the conclusion of the audit and immediate corrective action was taken.

The Draft Audit Report contains five recommendations to improve hospital financial and compliance activities. You will find listed below our responses to the five recommendations following the same order they were presented in your Draft Audit Report of July 8, 1983.

Recommendations 1 and 2: Cash List Request Forms and Business Office Records

A revised cash list request form was sent out to the cottages on May 17, 1983.

The form requires two signatures, the cottage director/supervisor and one other ward staff member, when requesting the withdrawal of funds.

At the time the ward staff person picks up the money at the Business Office, he/she signs the form; and if a patient is unable to sign for his own funds, the employee distributing the funds signs opposite the patient's name.

The form is prepared in duplicate. One copy remains in the Business Office until the original signed copy is returned. The cottages are called and/or sent memos if the signed forms are not returned by the end of the month.

The foregoing procedure(s) have been included in the Hospital Policy and Procedures Manual -- Policy No. 7012.

Persons responsible: Mae Forstrom, Accounting Supervisor  
Carol Arends, Account Clerk

See attached form.



Recommendation 3: Cashing Employee Checks

The Business Office has discontinued cashing personal checks effective July 12, 1983.

Person Responsible: Mae Forstrom, Accounting Supervisor

Recommendation 4: Meals to Dietary Employees

A memorandum dated 4-5-83 (see attachment) was posted in a conspicuous location on the Dietary Department bulletin board. Copies were given to all Dietary employees for reinforcement.

Person Responsible: Joyce Knott, Supervisor, Dietary Department

Completion Date: Effective April 5, 1983, by memo. Verbally conveyed to all Dietary staff at 10:30 a.m., April 4, 1983.

Recommendation 5: Internal Controls/Food Inventories

Dietary is in the process of initiating the following procedures:

1. Access to coolers will be restricted to limited numbers of authorized personnel in the food production area only.
2. Outstanding keys will be recalled and re-issued to a limited number of appropriate personnel.
3. Coolers, freezers, and other storage areas will remain locked at all times.
4. Daily menu work sheets will be modified to include more specific information regarding actual amounts of supplies or ingredients used to prepare menu items, amounts of leftovers, and/or shortages of the prepared items, as well as the amounts ordered to be used. This will be reconciled with the weekly inventory. Differences will be investigated including written reports.
5. Amounts of produce will be specified by pounds rather than by case(s).
6. Investigations and research will be conducted to determine the feasibility of an Ingredient Control Room and the personnel and physical space required to set the plan in operation.
7. The attached memo indicates the initiation of Steps 1 - 3.

Person Responsible: Joyce Knott, Supervisor, Dietary Department

Completion Date: October 1, 1983

Att: 1

Recommendation 6: Time Sheet Authorizations

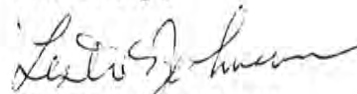
1. On April 7, 1983, the Personnel Office published a memo to all employees, timekeepers, supervisors and department heads detailing who is to sign the master timesheets and who is to sign the employee biweekly time sheet.
2. On April 29, 1983, a notice was placed in the hospital newsletter, "The Hi-Lites," as a reinforcement that signatures on time sheets and timebooks had been greatly improved.
3. Hospital Policy No. 3004 was revised effective July 22, 1983, to comply with the memo sent on April 7, 1983.
4. The payroll clerk continues to monitor signatures. If there are missing signatures, the payroll clerk returns the timesheets for proper signatures.

Person Responsible: Sharon Squires, Acting Personnel Director

Att: 3

If you have any questions concerning our responses to the audit recommendations, please feel free to contact me at your convenience. Once again, I would like to express my appreciation to the members of your audit team who worked with our staff in compiling the audit information and the resultant recommendations. We appreciate their efforts and we believe that the recommendations submitted and the resultant changes and practices on campus will strengthen our hospital's efficiency and effectiveness.

Sincerely,



Lester E. Johnson  
Administrator

LEJ:ne

cc: Leonard W. Levine, DPW Commissioner  
James Walker, DPW Residential Facilities Div.



TO: PATIENTS ACCOUNTS OFFICE

FROM: \_\_\_\_\_ COTTAGE # \_\_\_\_\_ DATE \_\_\_\_\_

\_\_\_\_\_ WARD PERSONNEL

\_\_\_\_\_ DIRECTOR/SUPERVISOR

RECEIVED - PATIENTS SIGNATURE  
 or Employee Signature if Resident  
 is unable to sign

PATIENTS NAME

AMOUNT

PATIENTS NAME	AMOUNT	RECEIVED - PATIENTS SIGNATURE or Employee Signature if Resident is unable to sign

RECEIVED BY \_\_\_\_\_

MUST BE RETURNED TO PATIENTS' ACCOUNT OFFICE AFTER CASH HAS BEEN DISTRIBUTED

Dietary

All Dietary Employees

4/5/63

J. Knott, Dietitian

414

## Hospital Food

In an effort to control rising food costs, to encourage the production of more accurate quantities of foods, and to comply with sanitation regulations, I must remind each of you to observe the following statements concerning the eating of hospital food:

- 1 If wishing to eat a hospital meal, a Dietary employee must purchase a meal ticket for that meal.
- 2 Dietary employees in the Service Building should eat their meals in the Staff Dining Room, not in food preparation or food serving areas. Meals may be a bag lunch from home or a purchased hospital meal.
- 3 Dietary employees should not allow persons from other departments to eat or sample any dietary supplies at any time. They also must purchase a meal ticket when wishing a hospital meal and must eat in the staff dining room.
- 4 All unauthorized personnel should be discouraged from all dietary areas at all times.
- 5 Reasonable tasting is allowed for Food Production Staff only. Remember tasting does not mean eating a whole portion. Tasting should be done in an acceptable, sanitary manner.
- 6 Regardless of whether food is going to be stored as a leftover or disposed of, it is still considered state property. Therefore, anyone taking unauthorized food from the dietary area may be disciplined for stealing.
- 7 Supervisors, Coordinators, or "charge" persons are responsible for enforcing the above statements in their area of authority.

bb

cc Rose Axness ✓  
Dorcen Wise  
Cleve Bailey



STATE OF MINNESOTA

*Office Memorandum*DEPARTMENT Dietary

TO : All Dietary Employees

DATE: 7/28/83

FROM : Cleve Bailey, Food Manager *CB*PHONE: 415

SUBJECT: Limiting Access to the Kitchen Storage Coolers and Freezers.

In compliance with the legislative auditors suggestions, I am initiating the following procedures.

- 1 Personnel authorized to have keys to the coolers are Food Production employees, Dining Hall Coordinators or Dining Hall Charge Person in the absence of the Dining Hall Coordinators. All other keys to the coolers will be turned in.
- 2 All storage coolers will be locked at all times. In the event coolers must be entered, the above authorized personnel will be contacted.
- 3 Authorized personnel will be responsible for getting all food items out of the coolers as needed for Food Service Workers when requested.

bb

cc Rose Axness  
Joyce Knott ✓  
Karen Grefe

WILLMAR STATE HOSPITAL  
POLICY AND PROCEDURES MANUAL

3004

Reference: Department of Employee Relations, State Statutes;  
Bargaining Unit Agreements

Supersedes: Policy 3004 dated 11/1/83

Effective Date: July 29, 1983

Recommender: Maria L. Liguora Acting Personnel Director 7-22-83  
(Signature & Title) (Date)C.E.O./Appointing Authority: Henry J. Wood (Act. Adm.) 7-22-83  
(Signature & Title) (Date)

Service and/or Department: Personnel Services

Subject: Time and Leave Reporting/Paycheck Information

\*\*\*\*\*

PURPOSE: To establish a uniform procedure for reporting hours of work and/or leave, and paycheck information including distribution of payroll.DEFINITIONS: Positive Time Reporting - procedure to record hours of work for payroll purposes.Employee Bi-weekly Time Report - book in which employees record time worked or leave taken on a daily basis.Timekeeper's Bi-weekly Timesheet - a daily record kept by designated timekeepers of all hours worked by area.Payroll Warrant - bi-weekly paycheck and stub. Warrants are distributed 10 days after pay period ends.Pay Period - 2-week interval beginning on a Wednesday and ending on a Tuesday. There are 26 pay periods per calendar year.POLICY: Willmar State Hospital shall compensate employees for working based upon a positive time reporting system.PROCEDURES:

## I. Positive Time Reporting

## A. Employee Bi-weekly Time Report Instructions:

1. Enter Name and Social Security Number. Check box in upper right hand corner if less than full-time.
2. Enter your work area in Department/Agency space.



Subject: Time and Leave Reporting/Paycheck Information

3. Enter the dates of the pay period, and also enter the date under each day.
4. Regular Hours Worked: Enter all hours worked, on a daily basis including holiday hours, and total.
5. Shift Differential Hours Worked: Record shift differential hours on this line. Enter the total shift differential hours at the far right.
6. Vacation Leave: Enter annual leave hours taken, and total. (Eligible employees must work 6 months before using annual leave. Hours worked as a temporary employee do not count.)
7. Sick Leave: Enter sick leave hours taken, and total. State reason for using sick leave in remarks section.
8. Other Authorized Leave: Enter hours of jury duty, military, education, overt patient action, holidays not worked, etc. State reason in remarks section.
9. Leave Without Pay: Usually used when an employee does not have vacation or sick leave to cover time off work. Enter hours and total.
10. Total all hours worked, and all paid leave hours, and enter all totals in pay period total column.
11. If overtime is worked, enter the actual hours worked on the compensatory overtime worked line, and total. If overtime is worked as a continuation of a shift where shift differential is earned, then shift differential is also earned for the overtime hours. Shift differential overtime hours are totaled and entered at the right side. Enter reason for all overtime in the remarks section.
12. If a holiday is worked, also enter on the Compensatory Overtime line. The hours are also included in the total.
13. Balances: Enter appropriate hours, and balances. Cash overtime column will not be used at this time.
14. Recheck all entries for accuracy.
15. To prorate holiday and leave accruals, use the tables in the appropriate contracts.
16. Employee's Signature: Sign your timebook.
17. Supervisor's Signature: Have supervisor sign timebook. When supervisor is unavailable, the Department Head or designee must review and sign the timebook.

Subject: Time and Leave Reporting/Paycheck Information

18. Remove the first two copies of the Employee Bi-weekly Time Report and submit to your timekeeper by Tuesday morning at the end of each pay period.
  19. Bring all leave balances forward, and complete the top portion of the new bi-weekly timebook.
- B. Timekeeper Instructions for Bi-weekly Timesheet
1. Record daily for all employees.
  2. Reason for overtime must be given on back of timesheet.
  3. Vacation leave cannot be used during first six months of employment.
  4. Sick Leave is used for sick leave reasons only.
  5. Shift Differential hours are circled in red. When the scheduled shift is a shift differential shift, overtime hours are also included for shift differential. If the scheduled shift is not a shift differential shift, then overtime hours are not counted as shift differential. (Consult Bargaining Unit contracts.)
  6. Holiday and overtime shift differential is not included in the total column for the overtime portion. Record only the actual hours worked.
  7. Designated Holiday: Please refer to appropriate Bargaining Unit Agreement.
  8. The day in which the majority of hours in the shift falls is considered the holiday.
  9. Employee must be in payroll status the scheduled work day before and after the holiday in order to receive holiday pay.
  10. Total all hours for each line entry.
  11. Compare matertimesheet entries with each Employee Bi-Weekly Timesheet, to verify that both records agree, that totals are correct, and that the required justifications and signatures are on both records.
  12. Sign as timekeeper. If timekeeper is unavailable to sign, a designated timekeeper must complete Items 10 and 11 above, and sign as timekeeper.
  13. The department head or designee will review all records for accuracy and compliance and sign the timesheet.



Subject: Time and Leave Reporting/Paycheck Information

14. Submit the master timesheet and Employee Bi-Weekly Timesheets (in alphabetical order) to Personnel no later than noon on Tuesday, end of pay period.

II. Paycheck Information

A. Check Stub Information: The check stub provides valuable information and should be retained for future reference. The check stub is divided into 4 sections -- a heading and three boxes.

1. Heading

Employee I.D. No. - This is your social security number.

Pay Period End - Last day of 2-week pay period for which check is being issued.

Warrant No. - This is not currently used. You may want to fill this in. It is the check number listed on the check.

Tax Codes - Indicates the number of State and Federal exemptions you are claiming. Example: M 01 means married, 1 exemption; and S 00 means single, zero exemptions. M indicates married, S indicates single, and the number following indicates number of claimed exemptions.

Hours Available - This space is not currently being used by the Department of Public Welfare. Please ignore any entries in this column.

2. First Box, Left Hand Side

Type of Pay - Identifies type of hours worked.

Hours - Indicates number of hours worked in each category.

Gross Pay - Hourly rate times number of regular hours worked. Occasionally back pay hours will also be included in this figure.

Gross Pay and FICA TAX GR - Total compensation for all hours worked.

Taxes - This is Federal and State withholding tax and FICA (social security tax).

Deductions - Total of all other deduction items (State retirement, United Fund, Credit Union, Savings Bonds, Union Dues, and optional insurances).

Net Pay - Gross pay minus taxes and deductions equals take home pay or net pay.

Subject: Time and Leave Reporting/Paycheck Information

3. Middle Box

Type of Deduction and Amount - This section shows the dollar amount of each itemized deduction for the current 2-week pay period. Occasionally the entry "other" is used. This is necessary when there isn't enough room on the stub to list all deduction entries, and the remainder are lumped into one.

Total Deductions - This is the total of all itemized deductions.

4. Third Box, Right Hand Side

Year to Date - This is an accumulated calendar year total for all gross pay and deductions. The exception is State Retirement which is on the State Fiscal Year (July to July or the closest pay period.)

B. Paycheck Distribution

1. Paychecks are distributed to Department Heads on Friday payday at 8:30 a.m. for distribution to employees in their respective areas. Department Heads will inform Personnel of a designated supervisor to be responsible for the check in the event the Department Head is unavailable.
2. Paychecks not distributed will be returned to the Personnel Office by 4:15 p.m. on Friday payday. The one exception is staff working night watch shift starting on Friday p.m. may have their checks retained on the unit.
3. The only early release of paychecks will be for persons working Thursday p.m. nightwatch. Nightwatch staff may pick up their checks in Personnel beginning at 7:00 a.m. on Friday payday. The nightwatch supervisor will furnish Personnel with a list of employees on duty on that shift. Only those employees may pick up their check in the Personnel Office.
4. No paycheck will be released to anyone other than the employee without a written note from that employee.
5. The Personnel Office will, upon request by an employee planning an extended vacation, send the vacationing employee's paycheck to their bank. A deposit slip signed by the employee must be presented to Personnel in a stamped, self-addressed envelope, for each paycheck that is to be deposited.



Subject: Time and Leave Reporting/Paycheck Information

III. Deductions

The Personnel Office does not directly control deductions. In some cases, deduction forms are available to initiate agency deductions from your paycheck. Forms are available in the Personnel Office for Savings Bonds, United Fund, insurance, changing number of exemptions, and Deferred Compensation. All other deduction changes are handled directly with the agency representatives.

A. Mandatory

- Federal Withholding (Income Tax)
- State Withholding (Income Tax)
- FICA (Social Security)
- MSRS (State Retirement)
- Union Fair Share Dues
- Insurance

B. Voluntary

- Union membership dues
- Savings Bonds
- State Capitol Credit Union
- United Fund
- Optional Insurance coverages
- Deferred Compensation

Date Reviewed:

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WILLMAR STATE HOSPITAL

HI-LITES (April 29, 1983)

Staff Development News

HUMAN DEVELOPMENT - May 12, 17, 26, June 9, 14, 23, 28 and July 7 in Room 305 is closed to registration.

C.P.R. RECERTIFICATION - May 18 from 9:00 - 11:00 a.m. and 1:00 - 3:00 p.m. in Room 305. Brian Relay and Jim Schwarz are the instructors.

GOAL PLANNING - May 18 from 12:30 - 4:30 p.m. in the Annex. Dennis Reiland is the instructor.

MENTAL ILLNESS II - May 18, 25, June 15 and 22 from 1:00 - 4:00 p.m. in the Dr. On-Call's Office. Larry Nickles is the instructor. Class is limited to 12 persons.

SIGN LANGUAGE - May 18, 25 from 2:30 - 3:30 p.m. in the Main Floor Conference Room. Karen Ochsendorf and Richard King are the instructors.

MEDICATION UPDATE - May 25 from 1:00 - 3:00 p.m. in Room 306. Dr. Rex Lott is the instructor.

PROFESSIONAL CODEPENDENCY: FAMILY ISSUES IN THE TREATMENT OF MENTALLY ILL/MENTALLY RETARDED - May 25 from 9:00 - 12:00 noon with registration at 8:30 a.m. Cost of this workshop is free to WSH employees. Cost of morning coffee and rolls is \$.50. Registration deadline is May 16, 1983. Please register using the Class Registration Form and indicate whether or not you wish coffee and rolls.

PERCEPTUAL SKILLS - May 27 from 10:00 - 12:00 noon in Room 306. Jan Egerman is the instructor.

ASSESSMENTS - May 27 from 1:00 - 3:00 p.m. in Room 306. Jan Egerman is the instructor.

Do not forget to sign up for the VULNERABLE ADULT training sessions - this is a mandatory course for all employees.

Answer--Question Corner

At present, Karen Campbell is unable to approve my request for a window washing crew because of the projected salary budget deficit. However, there is a possibility of hiring people for this purpose under the Governor's Job Bill should it pass. At this time the hiring of a window washing crew seems unlikely. --Gerald Fischer, Executive Housekeeper

Personnel News

Resignation: Donna Holwerda Luck, HSS, Nuring Service

DOER Examination Announcements were received and posted this week.

Career Opportunities (anyone may apply)

Mason - apply by May 9, 1983. Applications will only be accepted from candidates indicating an interest in working in Apple Valley.

Occupational Therapist, Senior - open until further notice. Applications will be accepted only from persons interested in employment in Faribault.

Rehab Therapies Director - apply by May 9, 1983. Applications accepted only from persons interested in employment in St. Peter.

Timebooks and Timesheets. The signatures on time sheets and timebooks has greatly improved, and this is appreciated. Just a reminder that when an employee is unable to sign the timebook and the supervisor so indicates, that employee must report to Personnel and sign the timebook as soon as possible.



Willmar State Hospital  
Office Memorandum

Department: Personnel Office

TO: Employee/Timekeeper/Supervisor/Department Head      Date: April 7, 1963  
 FROM: Karen A. Campbell, *Karen A. Campbell, SS* Personnel Services Director      Phone: 106-444  
 RE: Signatures on Employee's Bi-Weekly Time Report and Master Timesheets

As part of the Legislative Auditor's review of Payroll Timesheets, the auditors have noted timesheets with missing or inappropriate signatures. Your cooperation is requested to see that appropriate signatures are on all employee payroll time reports and master timesheets. All master timesheets must be signed by the timekeeper and the Department Head or designee and employee Bi-Weekly Time Reports must be signed by the employee and the supervisor to authorize payment on the bi-weekly payroll.

MASTER TIMESHEETS (signed by timekeeper and Department Head or designee)

When the timekeeper is not available to sign, the designated timekeeper must review and sign the master time sheet. The department head or designee must review and sign the master timesheet.

EMPLOYEE BI-WEEKLY TIMESHEET (signed by the employee and supervisor)

The employee and his/her supervisor must review and sign the Employee Bi-Weekly Time Sheet. When the supervisor is not available, the supervisor's department head or designee must review and sign the Employee Bi-Weekly Timesheet.

All timesheets submitted to Personnel for processing on Tuesdays (the end of the payroll period) must be properly reviewed and signed.

If you have any questions, please call my office.

ss

cc: Lester E. Johnson  
Gregory G. Spartz

OFFICE OF THE LEGISLATIVE AUDITOR

Department of Public Welfare  
State Hospital Administration

REPORT SUMMARY  
September 1983

The Office of the Legislative Auditor has released an audit report on five Department of Public Welfare state hospitals covering the fiscal year ended June 30, 1982. The report includes a section on central office administration of state hospitals as well as separate sections on the audits of the Brainerd, Faribault, Fergus Falls, St. Peter, and Willmar State Hospitals. During our individual audits of the state hospitals, we reviewed the revenue and expenditure systems for state appropriated funds, federal grants, resident social welfare funds, and resident work programs. We also reviewed the Department of Public Welfare central office's role in coordinating and directing the hospitals' activities in the audit areas tested.

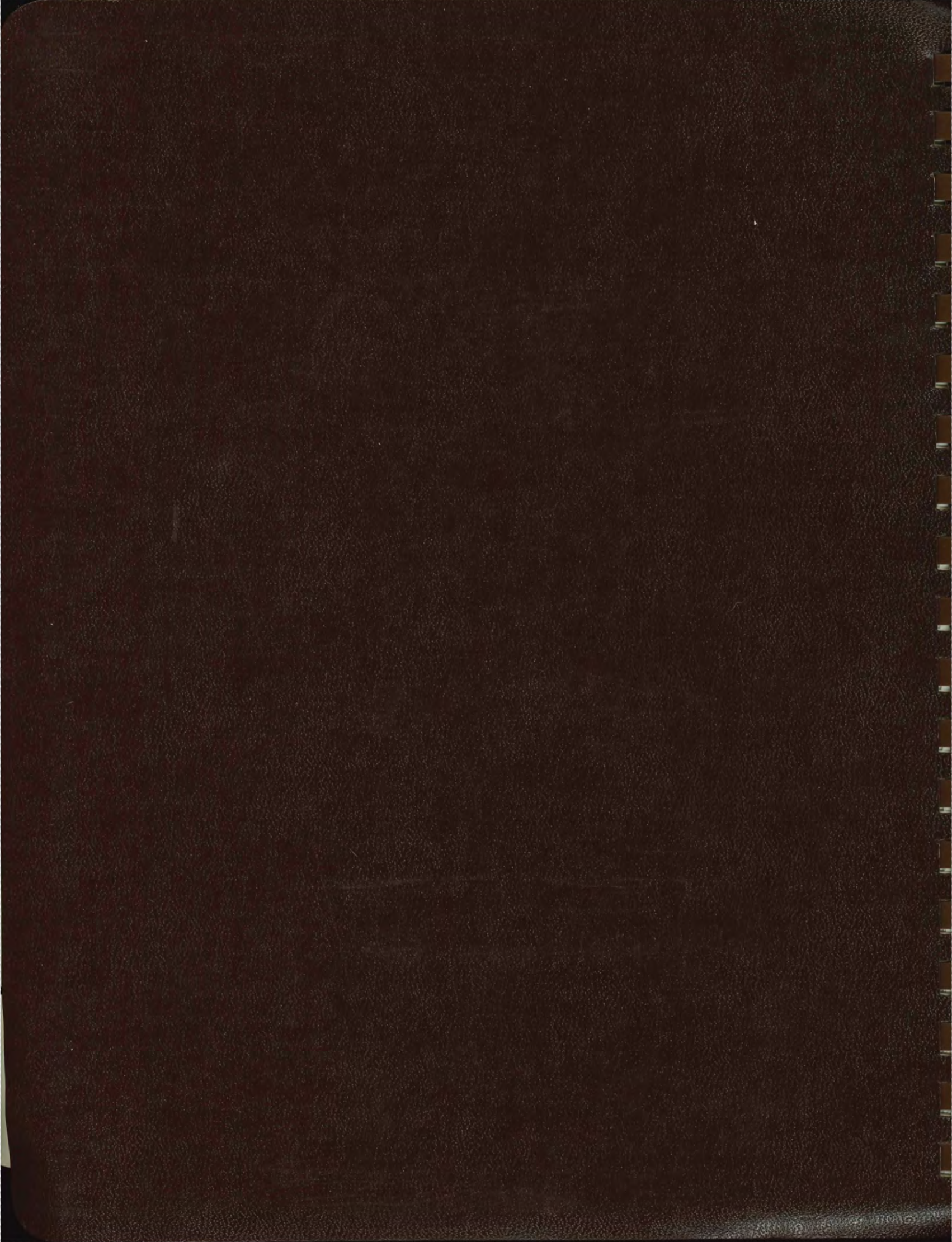
Our audit tests indicated that the Department of Public Welfare is in compliance with basic statutory requirements. However, we recommended the department request clarification regarding the applicability of certain legal requirements to the resident training programs. In addition, we recommended that the department increase its role in coordinating and monitoring the financial activities and procedures of the various state hospitals, including developing procedures for fiscal operations of various activities such as the vocational training programs and establishing an internal audit function to periodically review the hospital operations. The findings and recommendations in the individual hospital reports primarily addressed the need for improved internal controls over inventories and revenues and expenditures for work programs and resident social welfare funds. The departmental and individual hospital responses to our reports indicated general agreement with the various findings and recommendations. Implementation of many of the recommendations has taken place or is in progress.

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FINANCIAL AUDIT DIVISION  
612/296-1730

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