

**REPORT OF THE
STATE AUDITOR of MINNESOTA**

**INTERNAL ACCOUNTING CONTROL, MANAGEMENT PRACTICES,
AND COMPLIANCE**

AND

**AUDITOR'S COMMENTS ON COMPLIANCE FOR CIRCULAR A-102,
ATTACHMENT P, AUDITS (SINGLE AUDIT)**

FOR

RAMSEY COUNTY

YEAR ENDED DECEMBER 31, 1984



ARNE H. CARLSON

State Auditor
St. Paul, Minnesota

**AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL, MANAGEMENT
PRACTICES, AND COMPLIANCE**

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AUDITS (SINGLE AUDIT)**

FOR

RAMSEY COUNTY

YEAR ENDED DECEMBER 31, 1984

**ARNE H. CARLSON
State Auditor
Saint Paul, Minnesota**



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 400

555 PARK STREET

SAINT PAUL 55103

ARNE H. CARLSON
STATE AUDITOR

296-2551

September 20, 1985

The Honorable Warren W. Schaber, Chairman
Board of County Commissioners
Room 316
Ramsey County Courthouse
St. Paul, Minnesota 55102

We have examined the financial statements of Ramsey County as of and for the year ended December 31, 1984, and have issued our opinion thereon dated May 15, 1985. This letter resulting from part of that examination is organized into sections on internal accounting control, management practices, compliance, and previously reported items resolved.

INTERNAL ACCOUNTING CONTROL

As part of our examination, we made a study and evaluation of the system of internal accounting control of Ramsey County to the extent we considered necessary to evaluate the system, as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

Revenues/Receipts/Receivables
Expenditures/Disbursements/Payables
Payroll
Property Taxes

Our study included all the above control categories. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on Ramsey County's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Ramsey County is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, management must make estimates and judgments that assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph will not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Ramsey County taken as a whole, or on any of the categories of controls identified in the second paragraph. However, our study and evaluation disclosed the following conditions that we believe could result in more than a relatively low risk that material errors or irregularities may occur and not be detected within a timely period. Material errors and irregularities in amounts are those that would materially affect the financial statements.

ITEMS ARISING THIS YEAR

A. Lake Owasso Residence

1. General Ledger

Lake Owasso's general ledger was not maintained throughout 1984. The last posting to the general ledger was in May 1984.

An entity's general ledger should be the basis for the preparation of various internal and external financial reports. Transactions should be posted to the general ledger on a timely basis to ensure complete and accurate financial records.

We recommend that Lake Owasso establish and maintain a general ledger which will satisfy:

- management information needs;
- the County's year-end financial statement reporting needs; and
- Minnesota Department of Human Services annual cost reporting requirements.

We also recommend that Lake Owasso provide the County's Budgeting and Accounting Office with the monthly trial balance of this general ledger.

ITEMS ARISING THIS YEAR

A. Lake Owasso Residence

1. General Ledger (Continued)

Client's Response

The Community Human Services Department recognizes the accounting problems cited by the State Auditor at Lake Owasso. A personnel change has been made and the Administrator at Lake Owasso has been instructed to modify their general ledger by incorporating the design and procedures of the Ramsey Nursing Home general ledger. The Lake Owasso Administrator will, in addition, submit monthly status reports to the Community Human Services Director. Modifications to the general ledger are expected to be completed by November 1985.

2. Subsidiary Accounts Receivable Records

Charges, adjustments and collections are not posted to the subsidiary accounts receivable records on a timely basis. As of March 27, 1985, transactions for 1985 had not been posted to the subsidiary records.

Transactions should be posted in the accounts receivable subsidiary records as soon as possible to ensure complete and accurate records. Further, a trial balance of the subsidiary records should be calculated at the end of each month and reconciled to the General Ledger receivable control account.

We recommend that charges, adjustments and collections be posted to the individual subsidiary accounts receivable records as they occur. We also recommend that a monthly trial balance and reconciliation to the General Ledger account be prepared to verify the accuracy of each month's postings.

Client's Response

The Community Human Services Department has indicated that the Lake Owasso Residence will post Accounts Receivable subsidiary records on a timely basis, and send monthly status reports to the Community Human Services Department Director. Also, reconciliations will be made on a timely basis starting September 1985.

3. Residents' Trust Account

a. Trust Account Trial Balance and Reconciliation

Trial balances of the residents' trust accounts are not prepared and reconciled monthly to the cash balance for the residents' trust fund recorded by the Revenue Division of the Department of Taxation and Records Administration. At the end of March 1985, the trial balance and the accompanying reconciliations had not been completed for December 31, 1984. Because of this delay, we did not review the residents' trust subsidiary records for the year 1984.

ITEMS ARISING THIS YEAR

A. Lake Owasso Residence

3. Residents' Trust Account

a. Trust Account Trial Balance and Reconciliation (Continued)

Transactions should be posted promptly to the individual trust account records to ensure complete and accurate records. A trial balance should be taken at the end of each month and reconciled to the Revenue Division's cash balance for the residents' trust fund.

We recommend that monthly trial balances be prepared and a reconciliation be performed between the trial balance and the Revenue Division's cash balance for the residents' trust fund.

Client's Response

The Community Human Services Department indicates that, as of June 1985, monthly trial balances are being prepared for residents' trust accounts. The trial balances are also being reconciled with the Department of Taxation & Records Administration-Revenue Division's cash balance.

b. Trust Account Outstanding Checks

The residents' trust checking account has outstanding checks over 18 months old.

Outstanding checks should be reviewed periodically and efforts be made to clear up noncurrent items. County Board Resolution 77-738 allows the Division of Budget and Accounting to cancel outstanding checks 18 months from their date of issuance.

We recommend that checks outstanding 18 months be cancelled and a determination be made as to whether the monies are to be returned to the residents' trust account, County funds or the State of Minnesota (unclaimed property, Minn. Stat. §§ 345.31-.60).

Client's Response

All outstanding checks over 18 months old were reviewed and a determination made of proper disposition. The Lake Owasso Residence Administrator will submit monthly status reports to the Community Human Services Director. All non-current items will be resolved by November 1985.

ITEMS ARISING THIS YEAR (Continued)

B. Sheriff's Department

Warrant Process Division

The Warrant Process Division collects money for the payment of warrants. Manually pre-numbered receipts are issued for cash collections only; otherwise, the cancelled check is the receipt. All collections are remitted to the Municipal Court Violations Bureau daily. The Warrant Process Division maintains a daily log of all warrants worked on during the day by warrant number, but no dollar amounts are recorded.

These practices create a deficiency in the accounting controls surrounding collections. No assurance can be given that all collections are accounted for.

We recommend that the Warrant Process Division maintain a daily ledger of all receipts showing: warrant number, amount paid, date paid, receipt number (if applicable), and the Municipal Court Violation Bureau's remittance amount. This will provide stronger internal control over the Warrant Process Division's collections.

Client's Response

The Sheriff's department indicates that, starting July 15, 1985, they will keep a record of all cash collected from warrants paid directly to their office. The Sergeant in charge of the Warrant Office will review the log daily to ensure proper and correct information is contained therein.

* * * * *

The above conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the December 31, 1984, financial statements, and this letter does not affect our opinion on those financial statements dated May 15, 1985.

MANAGEMENT PRACTICES

As part of our financial statement examination, we also reviewed certain management practices. Our review was not a detailed study of every system, procedure, and transaction. Accordingly, the items presented here may not be all-inclusive of areas where improvement may be needed.

ITEMS ARISING THIS YEAR

Cash Management

The Budgeting and Accounting Office has been reviewing and evaluating the necessity for checking accounts maintained outside the control of the Department of Taxation and Records Administration, Revenue Division. Some accounts have been closed and some have been converted to interest-bearing checking accounts.

ITEMS ARISING THIS YEAR

Cash Management (Continued)

Currently there are a number of checking accounts with large balances outside the control of the Revenue Division. These accounts are maintained by CHS, Municipal Court, Clerk of District Court, and Sheriff. As a result, they are not covered under FDIC, nor are they collateralized. Minn. Stat. §§ 118.005 and 118.01 require all public funds on deposit not covered by FDIC insurance be secured by collateral pledged by the financial institution. Prior to April 1985, FDIC coverage was extended to individual custodians of checking accounts in public entities. In April 1985, the FDIC Board reversed its endorsement of this procedure, and will only insure time and demand deposits of a state or local government up to \$100,000 each in a member bank regardless of the number of accounts held.

We recommend that the County continue its effort:

- to improve the accounting control over cash by developing centralized cash procedures in its Department of Taxation and Records Administration, Revenue Division, and
- to develop centralized procedures in the Revenue Division for the collateralization of all County funds on deposit in financial institutions.

Client's Response

The County will continue to review its cash management policies and study the feasibility of centralizing the cash procedures in the Department of Taxation & Records Administration-Revenue Division. Also, steps are being taken by the Department of Taxation & Records Administration-Revenue Division to ensure that all county funds are properly collateralized in accordance with state law.

A. Community Human Services Department

1. Social Welfare Fund

Within the social welfare area there are three different books which account for the transactions of the Social Welfare Fund (SWF) checking and savings accounts. First, there is a computerized trial balance entitled "Representative Payee List," which lists both checking and savings balances by client and in total. Second, a SWF control ledger is maintained for both checking and savings accounts. Both the trial balance and control ledger are maintained in the SWF division of the CHS Controller's Office. The third book, the SWF cashbook, accounts for the SWF checking account, and is maintained by the cashier's division of the CHS Controller's Office.

- The trial balance (Representative Payee List) totals for checking and savings do not balance to the SWF control ledger totals. This problem has existed since the SWF was computerized.

ITEMS ARISING THIS YEAR

Cash Management

A. Community Human Services Department

1. Social Welfare Fund (Continued)

- Although the cashbook is reconciled monthly to the SWF control ledger, there are many adjustments in the reconciliation that have been carried forward. These items are over a year old.

The three books--trial balance (Representative Payee List), SWF Control Ledger and the cashier's cash book--should all balance to one another with a minimum number of adjustments due to timing differences.

We recommend that the CHS department make the appropriate adjusting entries to the SWF books and/or to social welfare client accounts in order to clear up the balancing differences, and balance monthly.

Client's Response

The Social Welfare Fund was changed from a manual system to a computerized system in early 1981. During conversion, a series of problems were identified in the manual system, which hampered a smooth change-over. A majority of these problems dealt with inactive or inaccurate case numbers and client name changes. In one situation, bank account numbers were incorrect. Although most problems were identified and corrected, reconciling items have remained. After repeated efforts and attempts to resolve these items with the bank, it is the Community Human Services Department's recommendation that adjusting entries be made to bring the Social Welfare Fund back into balance. Given approval for the adjustments, they expect this problem to be corrected by November 1985. The Community Human Services Controller will provide the Community Human Services Director with monthly status reports regarding the progress made in this area.

2. Outstanding Checks

In the CHS cashier division in the Controller's Office, the three current checking accounts (Cash Receipts, Social Welfare, and Imprest) have a number of outstanding checks, some of which date back to 1980. CHS follows a policy of cancelling checks over five years old.

Currently, Ramsey County Budgeting and Accounting follows County Board Resolution 77-738 for cancelling outstanding checks. This resolution allows county departments to cancel checks that are over 18 months old.

We encourage that the CHS Department follow County Board Resolution 77-738 and current policy for canceling outstanding checks. This would reduce the work load and make the bank reconciliation process much more efficient.

ITEMS ARISING THIS YEAR

Cash Management

A. Community Human Services Department

2. Outstanding Checks (Continued)

Client's Response

The Community Human Services Department indicates that most checks issued by their department are to clients and, in some circumstances (GA), they are required to hold unclaimed checks beyond 18 months. They have decided, therefore, to hold unclaimed checks for the maximum period allowed (5 years), per Minnesota Uniform Disposition of Unclaimed Property Act. Their present policy is as follows:

- a. An attempt is made to locate the payee.
- b. If there is no response or the payee cannot be found after five years, these checks are included in their unclaimed property report to the State of Minnesota.
- c. The State of Minnesota attempts to locate the payee by publishing this information in the newspaper.
- d. If the payee is found at that time, a replacement check is issued to the payee and, if the payee is not found, the funds are turned over to the State of Minnesota.

The Community Human Services Department will review the County's policy that allows for the cancellation of checks that are in excess of 18 months old to determine whether the Community Human Services' policy should be modified. Any changes to the present policy will be completed by October 1985. The Controller will provide the Community Human Services Director with status reports.

3. Dormant Checking Accounts

a. Cash Receipts

The CHS Department maintains a cash receipts checking account which serves as a clearing account for monies received by CHS that are later transferred to the Department of Taxation and Records Administration, Revenue Division's checking account. The cash receipts "fund" is actually made up of two checking accounts. One checking account is used to account for current transactions, while the second has been dormant for several years. Its balance, which has remained the same since 1983, consists of old outstanding checks.

ITEMS ARISING THIS YEAR

Cash Management

A. Community Human Services Department

3. Dormant Checking Accounts

a. Cash Receipts (Continued)

We recommend that the CHS Department close the dormant checking account and cancel the outstanding checks.

b. Social Welfare Fund

The Social Welfare Fund also maintains a checking account to conduct transactions for social welfare clients. Two checking accounts are used, one which is current and one which is dormant. The balance of the dormant account is largely made up of outstanding checks which date back to 1982 and the remaining balance is unidentified as to which client it belongs to.

We recommend that the CHS Department close the SWF dormant account and cancel the outstanding checks. The balance will then have to be analyzed to determine whether a social welfare client account is to be adjusted or funds are to be turned over to the State per Minn. Stat. §§ 345.31-.60.

c. Imprest Fund

The imprest fund is made up of three checking accounts. One is used for recording current transactions and is the only checking account recorded in the cashier's cash book. The other two dormant accounts had bank balances at year-end of approximately \$41,000. Of this amount, \$9,700 represents outstanding checks and the remaining \$31,300 is unidentified.

We recommend that the CHS Department close the two dormant accounts and cancel the outstanding checks. The unidentified remaining balances and the amounts from the cancelled checks should be analyzed to determine their proper disposition per Minn. Stat. §§ 345.31-.60.

Client's Response

Consistent with the Community Human Services Department's policy to hold funds pertaining to unclaimed checks for a period of five years, small balances remain in two inactive Imprest accounts. All of the dormant checking accounts will now be examined and a determination will be made as to the appropriate disposition of the balances. The Community Human Services Controller will monitor the status of these old accounts and report back to the Community Human Services Director by November 1985.

ITEMS ARISING THIS YEAR

Cash Management

A. Community Human Services Department (Continued)

4. Imprest Checking Account Reconciliations

The CHS Department maintains an imprest fund which is primarily used for paying categorical aids and IV-D recoveries to clients. This fund was established with a \$300,000 balance and as checks are written, CHS requests reimbursement from the County.

Currently, CHS receives a computerized list of outstanding checks from the bank and prepares a bank reconciliation each month. At the same time the imprest fund is also balanced out to the \$300,000 allocation. During our audit we noted that the December 31, 1984, bank reconciliation was not prepared until April 1985. Also, the reconciliation did not balance and the reconciliations have not balanced since July 1984. When the fund was balanced to the \$300,000 at year-end, the book balance of the current imprest checking account was added to the reimbursement requests and the outstanding checks from only one of the two dormant accounts.

Bank reconciliations (reconciling book balance to bank balance) should be prepared on a monthly basis or more frequently if an account has a greater volume of activity and is receiving computerized reports from the bank. Also, when an imprest fund is balanced to the total allocated amount, the book balance plus any requests for reimbursement should tie to the total allocation. Apparently, based upon the proper method of balancing, the CHS imprest fund actually has more than the \$300,000 allocated to it.

We recommend that the imprest fund be reconciled promptly whenever a list of outstanding checks is received from the bank. We also recommend that the imprest fund be balanced at the same time to the fund amount authorized by the County Board.

Client's Response

The Community Human Services Department indicates that the timeliness of the reconciliation of the Imprest checking account has been hampered by inaccurate data received from the bank. The department has been working with the bank to resolve these concerns. The problem in reconciling the checking accounts and the authorized fund amount will be resolved when the dormant checking accounts are closed. The Community Human Services Controller will monitor the timeliness of the bank and fund reconciliations.

ITEMS ARISING THIS YEAR

Cash Management (Continued)

B. Sheriff's Department and Department of Taxation and Records Administration - Revenue Division

Delinquent Mobile Home Taxes

Currently, the Sheriff's Department collects all delinquent mobile home taxes. The collections are held in a checking account for delinquent mobile home taxes until the checks presumably have cleared the bank. A check is then issued to the Director of Taxation and Records Administration for all the taxes which were collected. This results in two to four weeks' delay in the receipt of taxes between the Sheriff's Department and the Department of Taxation and Records Administration.

For stronger internal control over cash management, we recommend that the delinquent mobile home taxes be paid and receipted directly by the Taxation and Records Administration Department. This would eliminate the delay in receipting taxes and posting to the tax records.

Client's Response

The Sheriff's Department and the Department of Taxation & Records Administration concur with the State Auditor's recommendation to deposit the mobile home taxes directly with the Treasurer's office. This recommendation will be implemented starting in 1986 for both delinquent and personal property taxes.

COMPLIANCE

We reviewed compliance with certain statutes, bylaws, administrative rules, and state grant regulations and contracts that we deemed necessary. This review did not include all possible regulatory provisions which may be applicable, and was not intended to provide assurance of full compliance with all regulatory provisions. However, we noted the instance presented below of noncompliance with the provisions reviewed.

ITEM ARISING THIS YEAR

Department of Taxation and Records Administration - Revenue Division

Pledged Collateral

During 1984 we noticed one instance where adequate collateral was not pledged by one bank where County funds were deposited. Minn. Stat. § 118.01, subd. 1, requires that the total amount of collateral computed at market value be at least 10 percent more than the amount deposited, in excess of any insured portion.

ITEM ARISING THIS YEAR

Department of Taxation and Records Administration - Revenue Division

Pledged Collateral (Continued)

We recommend that the Revenue Division regularly review each bank to ensure that all banks have adequate collateral to cover County funds on deposit.

Currently the Revenue Division is developing a computerized investment/collateral program which will provide day-to-day information on investments and collateral maturity. The program should be operational in July 1985.

Client's Response

The Department of Taxation & Records Administration is sending a letter to each department in Ramsey County requesting a list of all accounts held by that department. They will also ask for the average balances, high and low balances, if the account balances are seasonal, and notification of any changes in existing accounts, and establishment of any new accounts. When the list of all accounts is completed, they will determine which banks do not have sufficient collateral pledged to secure deposits. The banks in question will be contacted to arrange for additional collateral. The Department of Taxation & Records Administration expects to monitor the accounts on a regular basis to make sure that all Ramsey County departmental bank accounts are fully collateralized.

PREVIOUSLY REPORTED ITEMS RESOLVED

The following items included in our previous report, dated October 18, 1984, have been resolved.

<u>Recommendation</u>	<u>Resolution</u>
1. In order to improve controls over fixed assets of the Lake Owasso Residence a detailed record-keeping system should be established. A detailed list of fixed assets should be prepared by year of acquisition. This list should show the cost and accumulated depreciation of each asset, and should include revenue to the County-Wide Fixed Asset Identification System.	By March 1985 Lake Owasso had submitted its fixed asset inventory for inclusion into the County-Wide Fixed Asset Identification System.

PREVIOUSLY REPORTED ITEMS RESOLVED

Recommendation

Resolution

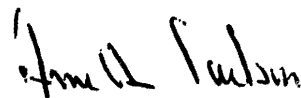
2. The County should review the Public Health Department's computerized accounts receivable system and consider making some modifications to improve the reliability and accuracy of the information produced. The system should include an edit routine to identify posting errors and should have the capability to adjust for uncollectible balances.

The County has installed an edit routine in the receipts recording procedures that has eliminated many errors. The County also has established procedures to routinely identify uncollectible accounts and write them off according to standard County procedures.

* * * * *

Finally, we wish to express our appreciation for the courtesy and cooperation that County employees extended to us during the examination, with special thanks to the Budgeting and Accounting Office, and the Community Human Services Department Controller's Office.

We are available throughout the year to assist you in implementing any of the recommendations.



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296-2551

September 20, 1985

AUDITOR'S COMMENTS ON COMPLIANCE FOR
CIRCULAR A-102, ATTACHMENT P AUDITS

The Honorable Warren W. Schaber, Chairman
Board of County Commissioners
Room 316
Ramsey County Courthouse
St. Paul, Minnesota 55102

We have examined the combined financial statements of Ramsey County for the year ended December 31, 1984, and have issued our report thereon dated May 15, 1985. Our examination was made in accordance with generally accepted auditing standards; the provisions of Standards for Audit of Governmental Organizations, Programs, Activities and Functions, promulgated by the U.S. Comptroller General, as they pertain to financial and compliance audits; the provisions of the Office of Management and Budget's (OMB) Compliance Supplement--Uniform Requirements for Grants to State and Local Governments (January 1983); and the provisions of Circular A-102, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments, Attachment P, Audit Requirements. Accordingly, the examination included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the examination referred to above, a representative number of charges to federal awards were selected to determine if federal funds are being expended in accordance with the terms of applicable agreements and the provisions of federal law or regulations that could have a material effect on the financial statements or on the awards tested. The results of our tests indicate that, for the items tested, Ramsey County complied with the material terms and conditions of the federal award agreements, except as described in this letter. Further, for the items not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that Ramsey County had not complied with the significant compliance terms and conditions of the awards tested.



ITEMS ARISING THIS YEAR

Community Human Services Department (CHS)

1. Financial Reports to State of Minnesota for Federal Programs

Monthly/quarterly requests for advances and reimbursement reports are not being reconciled to the records that are used to prepare the County's annual financial report.

- Requests for advances and reimbursement reports are based on CHS grant payment abstracts.
- The County's annual financial report is based on the official records maintained by the Budgeting and Accounting Office.

One of the general requirements of Circular A-102, Attachment P, is that requests for advances and reimbursements be supported by the books and records from which the basic financial statements are prepared.

We recommend that the Community Human Services Department Comptroller's Office prepare and maintain monthly/quarterly reconciliations on public aid assistance programs, in order to account for the differences between the requests for advances and reimbursements, and the official records maintained by the Budgeting and Accounting Office.

Client's Response

The Community Human Services Department has indicated that, as of June 1985, reconciliation between financial reports submitted to the State and the Budgeting & Accounting records are being made on a monthly basis. The Community Human Services Controller will monitor the status of these reconciliations.

2. Approval of CHS Cost Allocation Plan

The County's Public Aid Assistance administrative cost allocation plan, used in 1984 to calculate administrative reimbursement (federal financial participation) for administering federal programs, has not been approved by the Department of Health and Human Services, Division of Cost Allocation (DHHS-DCA)

Reimbursements received based on the unapproved plan could result in disallowable costs when the plan is audited by DHHS-DCA.

Client's Response

The Community Human Services Department indicates that every possible step to successfully secure a federally approved Public Aid Assistance Cost Allocation Plan has been taken. The plan was submitted to the State Department of Human Services in 1981. The Minnesota Department of Human Services approved the plan and forwarded it to the Federal Division of Cost

ITEMS ARISING THIS YEAR

Community Human Services Department (CHS)

2. Approval of CHS Cost Allocation Plan

Client's Response (Continued)

Allocation, Department of Health & Human Services, for their approval. In 1984, representatives from the Federal Cost Allocation Agency visited with the department and reviewed the County's plan. Additional information was requested and submitted to the federal agency. The County plan is part of the total State plan. Until the State plan is approved, the County plan will not be approved.

3. CHS Cost Allocation Plan Requirements

Review of the CHS administrative cost allocation plan revealed that the following requirement of the Code of Federal Regulations (CFR) 45-95.507 was not incorporated as part of CHS' current unapproved plan.

A certification by a duly authorized official of the County stating:

- That the information contained in the proposed cost allocation plan was prepared in conformance with Federal Office of Management and Budget's Circular A-87.
- That the costs are accorded consistent treatment through the application of generally accepted accounting principles appropriate to the circumstances.
- That an adequate accounting and statistical system exists to support claims that will be made under the cost allocation plan.
- That whenever costs are claimed for services provided by an organizational unit outside the CHS Department, they will be supported by written agreement; and
- That the information provided in support of the proposed plan is accurate.

We recommend that Community Human Services Department incorporate the above item in its cost allocation plan to conform to federal requirements.

ITEMS ARISING THIS YEAR

Community Human Services Department (CHS)

3. Cost Allocation Plan Requirements (Continued)

Client's Response

The Community Human Services Department indicates the certification of the Cost Allocation Plan will be prepared. The certification will include recommended statements and be completed by September 1985. The Community Human Services Controller will provide the Community Human Services Director with a copy of the certification.

PREVIOUSLY REPORTED ITEMS RESOLVED

The following items included in our previous report, dated October 18, 1984, have been resolved.

1. Comprehensive Employment and Training Act Title IV YETP, CFDA NO. 17232

One of ten participant case files examined did not contain documentation of a 30-day review.

Resolution:

Client has implemented procedures to correct the problem. An audit of Ramsey County Job Training programs dated January 21, 1985, did not find any discrepancies of this nature.

2. Environmental Protection Agency Grant - Lake Phalen Clean Lakes Project
S-005678-01, CFDA NO. 66.435

The County submits yearly progress reports to the EPA project officer but does not submit quarterly progress reports, which are a requirement of the grant agreement.

Resolution:

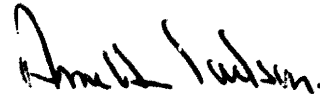
The Lake Phalen Clean Lakes Project was completed as of December 31, 1984; therefore, there is no further need for quarterly reports on this grant.

* * * * *

This report is intended solely for the use of Ramsey County, the cognizant audit agency, and other federal audit agencies, and should not be used for any other purpose.

Finally, we wish to express our appreciation for the courtesy and cooperation that employees extended to us during the examination, with special thanks to the Budgeting and Accounting Office, and the Community Human Services Department Controller's Office.

We are available throughout the year to assist you in implementing any of the recommendations.



ARNE H. CARLSON
State Auditor