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MINNESOTA VETERANS HOME-MINNEAPOLIS  
FOLLOW-UP REVIEW OF REPORT ISSUED  
FOR THE YEAR ENDED JUNE 30, 1988

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MARCH 1990

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STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

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Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. James Sieben, Chair  
Minnesota Veterans Homes Board

Members of the Minnesota Veterans Homes Board

Mr. Jeffrey Smith, Administrator  
Minnesota Veterans Home - Minneapolis

We have completed a follow-up review of our financial audit on the Minnesota Veterans Home-Minneapolis for the year ended June 30, 1988. The original audit report contained fourteen audit findings and was released on September 5, 1989. To conduct this follow-up, we reviewed your response to the final audit report, interviewed several staff, and performed some limited testing. However, we have not conducted a complete financial audit of the home. Our objective was to assess the home's progress toward resolving the audit findings.

We found that the home has made progress toward resolving several audit findings, but it has not corrected some critical problems. In particular, we are concerned that the problems with the residents' accounts have persisted. On the positive side, the home fully resolved five findings and made some progress on five others. The following paragraphs discuss the financial activities where the audit report had cited problems.

1-2. COST OF CARE

First, we had found that the home lacked sufficient procedures to accurately determine and collect cost of care maintenance fees. The home did not have adequate authority in its rules to administer the fees. The home has now partially resolved this problem. It has written permanent rules to address the issues of reviewing resident spend-down activity, income tax returns, and a new discharge policy. However, the hearing process is not complete, and procedures implementing these rules have not been developed. Procedures should be developed for efficient implementation of the rules.

The second finding concerned the failure to write off uncollectible accounts. The home has resolved this finding. It has developed and implemented a new policy for more vigorously pursuing delinquent accounts receivable. Also, old uncollectible accounts have been written off pursuant to Minn. Stat. Section 10.12, Subd. 1.

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### 3. RESIDENTS' ACCOUNTS

The most significant problem cited in the audit report concerned the residents' accounts. We found that the home had not maintained adequate control over residents' accounts. Our audit report identified a \$5,000 shortage in the resident account balance. There had been significant differences between the two accounting systems dating back to fiscal year 1984. Despite the severity of this problem, we found that the home had not taken action to improve control over resident accounts. Specifically, the home was not reconciling the individual resident account balances to the statewide accounting system on a monthly basis.

The home finally completed the monthly reconciliations on February 1, 1990, after our follow-up began. The reconciliations covered the period from March 1988 to January 1990. The January 1990 reconciliation showed that a shortage of about \$4,300 remained in the account balance. The reconciliations attribute the shortage to two events. First, the September 1988 reconciliations identified a shortage of about \$5,600 which was termed an "interest transfer error". That shortage was reduced by \$2,300 in February 1989 by retaining some interest earned on the account. The remaining \$3,300 shortage has not been resolved. The other \$1,000 shortage is associated with a theft reported by the Home in September 1989. We have not verified the accuracy of the reconciliations.

We are concerned that the account has not been reconciled on a regular monthly basis and that the shortages remain unresolved. The home has a fiduciary responsibility to insure that resident money entrusted to the home is properly recorded. The accounting staff must reconcile the residents' account balances monthly. The accounting supervisor must review and approve the monthly reconciliations and ensure that all discrepancies are investigated and resolved.

### 4. UNCLAIMED RESIDENT PROPERTY

We had found that the home had not disposed of unclaimed property of former residents. The home resolved this finding. It held an auction of unclaimed property in December 1989.

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#### 5-6. DESIGNATED CONTRIBUTIONS

First, we were concerned that the designated contribution accounting records contained excessive errors. Based on records at that time, the account showed a shortage of \$6,000. The home reconciled the account and now maintains the account on the Statewide Accounting System. It attributed the shortage to posting errors, which have now been corrected.

Our other concern was that the home had not followed the proper state gift acceptance procedures. The home has partially resolved this finding. It now is using gift acceptance forms for all donations. However, a copy of the gift acceptance form is not sent to the donors, and not all gifts greater than \$500 are being approved by the Department of Finance. Also, the home is not keeping documentation from the donor to support the purpose of the donation and to ensure that it complies with any donor stipulations.

#### 7-9. CANTEEN

The audit findings cited various problems with the financial management of the canteen. In an effort to improve canteen operations, the home temporarily transferred the Shop-N-Round canteen operations to the Services for the Blind. If an outside vendor continues to operate the Shop-N-Round, then our audit findings become inapplicable. However, the transfer to the Services for the Blind has initiated other potential problems which the home needs to address. First, the home did not obtain the board's approval before initiating the transfer. We believe that the board must be consulted and asked to approve any permanent transfer of the canteen operations. Also, Minnesota statutes require that profits from the canteen go to the benefit of the residents. However, the agreement between the home and the Services for the Blind provide that Shop-N-Round profits go to the operator. This agreement conflicts with the statutes and needs to be resolved.

The home continues to operate the other part of the canteen, the coffee shop. However, the home has not prepared quarterly reports for the coffee shop as we recommended.

#### 10. RECEIPTS

We had found that the home was not reconciling receipts, nor depositing canteen receipts timely. The home has resolved this finding. It has developed and implemented new receipt reconciliation procedures. Coffee shop receipts have been deposited timely.

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#### 11. CONTRACT BILLINGS

We had several concerns about contract billings. The home has partially resolved our concerns. First, it was not monitoring the services provided by professional contractors. A nursing receptionist now records the times professional contractors are at the home. However, no one compares the receptionist's log to the actual billings. Without this review, the accuracy of the billings cannot be determined.

We also found that the home had not recovered \$3,000 in overpayments from an ambulance service. The home is in contact with the vendor and has a meeting planned to resolve the overpayments.

Finally, we were concerned that the home had not sought payment from residents who were reimbursed by Medicare for ambulance services. The home has developed a new procedure to address this problem.

#### 12. INTERNAL BUDGET REVIEWS

We had found that activity managers were not reviewing the status of their budgets with the accounting staff. As a result, some activities had incurred obligations beyond available funds. The accounting staff now provides activity managers with monthly budget reports and meets with the managers periodically. This review remains critical, because several activities are faced with tight budget constraints.

#### 13. FIXED ASSET INVENTORY

We had found that the home was not maintaining adequate fixed asset inventory records. The home has resolved most of this finding. It is in process of completing a physical inventory. However, a procedure for controlling sensitive assets must be developed.

#### 14. FOOD INVENTORY

We were concerned that the home needed to improve controls over its food inventory. The home has purchased a computer system to maintain the inventory. It plans to implement the system in the near future.

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We met with the home administrator, the board executive director, and several board members on February 16, 1990 to discuss our follow-up.

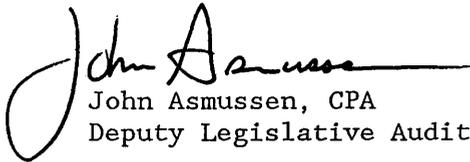
We encourage the board and the home to continue their efforts to resolve the remaining audit findings. We believe that these issues must be resolved as soon as possible.

This report is intended for the information of the Legislative Audit Commission, the Minnesota Veterans Homes Board, and the management of the Minnesota Veterans Home-Minneapolis. This restriction is not intended to limit the distribution of this letter, which will be released as a public document on March 2, 1990.



James R. Nobles  
Legislative Auditor

February 27, 1990



John Asmussen, CPA  
Deputy Legislative Auditor