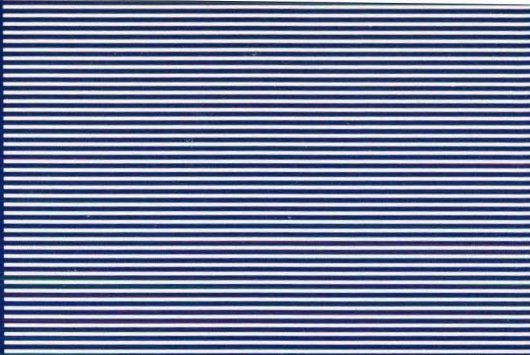
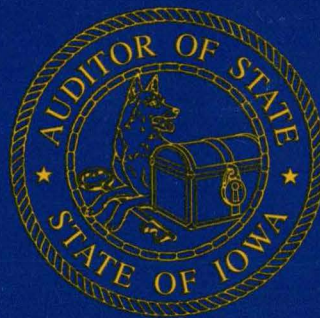


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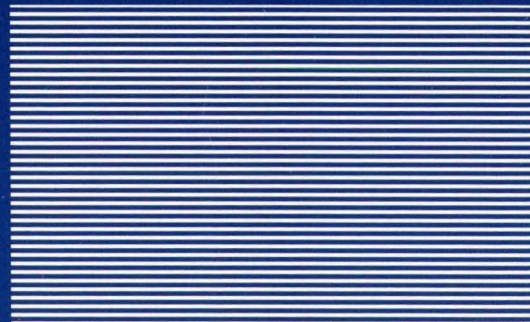


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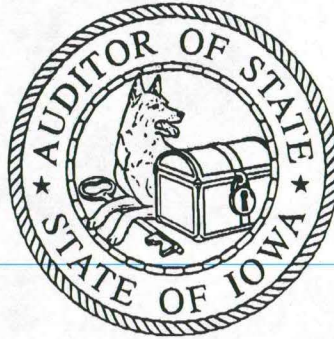
Richard D. Johnson, CPA  
Auditor of State



**COMBINED REPORT ON THE INSTITUTIONS UNDER THE  
CONTROL OF THE IOWA DEPARTMENT OF HUMAN SERVICES  
SCHEDULES  
FINDINGS AND RECOMMENDATIONS**

**JUNE 30, 1997**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa

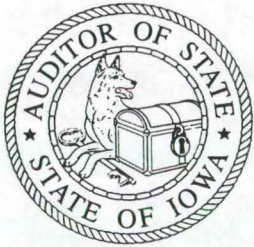


**Richard D. Johnson, CPA  
Auditor of State**

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OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134  
June 23, 1998

To the Council Members of the  
Iowa Department of Human Services:

The Institutions under the control of the Iowa Department of Human Services are a part of the State of Iowa and, as such, have been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 1997.

We have reviewed financial and other information at the Institutions under the control of the Iowa Department of Human Services for the five years ended June 30, 1997. Our review was conducted to report an average cost per resident at each Institution in accordance with Chapter 11.28 of the Code of Iowa.

The results of our review are included in the Overview and Schedules sections of this report. Certain reclassifications and changes have been made, as identified in the Overview section, to present comparable averages and other information between institutions. The Mental Health Institute - Cherokee provides significant outpatient services not performed by other institutions. Adequate statistical data on outpatient services, including the amount and cost of services provided by year, was not readily available. Accordingly, the cost per resident information at the Mental Health Institute - Cherokee is not comparable to other institutions and may not be comparable between years at the Mental Health Institute - Cherokee.

In conducting our audits, we became aware of certain aspects concerning the various Institution's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. The recommendations include those which pertain to the internal control, compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with applicable Institution personnel, and their responses to these recommendations are included in this report.

This report is intended for the information of the Iowa Department of Human Services, the Institutions under the control of the Iowa Department of Human Services, and the management of the State of Iowa. However, this report is a matter of public record and its distribution is not limited.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Institutions during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Institutions are listed on pages 30, 32, 33, 35, 37, 39, 40 and 42 and they are available to discuss these matters with you.

  
RICHARD D. JOHNSON, CPA  
Auditor of State

cc: Honorable Terry E. Branstad, Governor  
Robert L. Rafferty, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Fiscal Bureau

## Iowa Department of Human Services

### Overview

#### Background

In accordance with Chapter 218 of the Code of Iowa, the Iowa Department of Human Services has the authority to control, manage, direct and operate the following institutions:

Mental Health Institute - Clarinda - The Institute has been serving the citizens of Southwest Iowa since 1888. The function of this Institute is to promote good mental health practices and to provide high level care for persons with mental illness.

Mental Health Institute - Mount Pleasant - The Institute was established on February 2, 1861. Major goals and objectives of the Institute are to be responsive to the community-oriented patient care needs of the population it serves, without duplicating services already provided in the community.

Mental Health Institute - Cherokee - The Institute was founded in 1902. The Institute is responsible for furnishing psychiatric services to citizens of the Northwest Iowa counties to the extent that such services are not provided by other sources.

Mental Health Institute - Independence - The Institute was established on May 1, 1873. The Institute is a fully accredited psychiatric care hospital and provides treatment for mentally ill adults, adolescents and children.

Woodward State Hospital/School - The Hospital/School was established in 1917. The Institution is a residential facility for the mentally retarded, one of two such resource centers in the State of Iowa. The Institution provides treatment, training, instruction, care, habilitation and support of mentally retarded persons in the State.

Glenwood State Hospital/School - The Hospital/School was established on September 1, 1876. The Institution is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of mentally retarded persons in the State.

State Juvenile Home - Toledo - The State Juvenile Home - Toledo came into existence October 21, 1920. This Institution is a structure, non-secure co-ed facility serving juveniles under 17 who are residents of the State of Iowa in need of assistance. The residents are committed by the juvenile courts as dependent or neglected, or are committed voluntarily through application to the County Board of Supervisors and the Iowa Department of Human Services. The children become wards of the State to receive educational, medical, diagnostic treatment, and limited employment programs to help them attain productive and satisfying citizenship in a free society.

State Training School - Eldora - The Training School was established in 1868. The Institution is a minimum security Institution for boys between the ages of twelve and eighteen who have been adjudicated delinquent by the juvenile courts of the State of Iowa. Effective January 1, 1992, a diagnosis and evaluation center and other units were established to provide to juvenile delinquents a program which focuses upon appropriate developmental skills, treatment, placement and rehabilitation.

## Iowa Department of Human Services

### Overview

#### **Scope and Methodology**

We have calculated an average cost per resident at each Institution for the five years ended June 30, 1997, based on their general fund expenditures. Certain reclassifications and changes have been made to these expenditures to provide comparable averages between Institutions. Therefore, expenditure amounts and cost per resident averages may differ from those used for statewide financial statement purposes. These classifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for the purposes of this report.
- (2) At the inception of a capital lease, total principal payments are recorded as expenditures and as other financing sources, for statewide purposes. For purposes of this report, we have included only the current year principal and interest payments as expenditures.
- (3) Canteen operations have been excluded from general fund expenditures, since the canteen is a self-supporting operation at each institution.
- (4) Non-cash assistance, consisting of USDA Commodities, has been excluded from general fund expenditures.

Median stay information was not calculated or presented in the accompanying average cost per resident schedule for the hospital/schools or juvenile facilities since the median stay tends to be for a much longer period.

Cost per stay was calculated for each of the Mental Health Institutes. This represents the average cost for the median stay of each patient that is admitted.

#### **Summary Observation**

The Mental Health Institute - Cherokee provides significant outpatient services not performed by other institutions. Adequate statistical data on outpatient services including the amount and cost of services provided by year, was not readily available. Accordingly, the cost per resident information at the Mental Health Institute - Cherokee is not comparable to other institutions and may not be comparable between years at the Mental Health Institute - Cherokee.

The average cost per resident ranged from \$49,858 at the State Training School - Eldora to \$125,614 at the Mental Health Institute - Independence, and \$194,919 at the Mental Health Institute - Cherokee for fiscal year 1997, and has generally increased over the past five years at each institution. While total general fund expenditures have decreased 4% from \$128,172,853 in 1993 to \$122,890,743 in 1997, the average number of residents has decreased 15% over the same period.

Median stay ranged from 13 days to 28 days at the four Mental Health Institutes for fiscal year 1997 and has generally remained constant or decreased over the past five years at each institution.

Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident - By Institution

For the Last Five Fiscal Years

	Year Ended June 30, 1993				
	Average Number of Residents	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	68	86,997	238.35	27	6,435
Mental Health Institute - Mount Pleasant	82	61,850	169.45	27	4,575
Mental Health Institute - Cherokee	124	121,932	334.06	22	7,349
Mental Health Institute - Independence	176	103,043	282.31	27	7,622
Woodward State Hospital/School	340	94,671	259.37	-	-
Glenwood State Hospital/School	488	77,657	212.76	-	-
State Juvenile Home - Toledo	92	54,955	150.56	-	-
State Training School - Eldora	174	50,514	138.39	-	-
<b>Total</b>	<b>1,544</b>	<b>83,014</b>	<b>227.44</b>	<b>-</b>	<b>-</b>

Year Ended June 30, 1994					Year Ended June 30, 1995				
Average Number of Residents	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay	Average Number of Residents	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
67	92,089	252.30	26	6,560	68	89,233	244.47	23	5,623
74	63,919	175.12	28	4,903	76	61,953	169.74	28	4,753
116	125,233	343.10	20	6,862	98	152,586	418.04	17	7,107
172	103,327	283.09	23	6,511	171	103,841	284.50	22	6,259
327	97,092	266.00	-	-	290	106,926	292.95	-	-
452	81,902	224.39	-	-	429	84,706	232.07	-	-
92	54,620	149.64	-	-	91	55,456	151.94	-	-
185	47,441	129.97	-	-	192	46,386	127.09	-	-
1,485	84,693	232.04	-	-	1,415	88,197	241.64	-	-



Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident - By Institution

For the Last Five Fiscal Years

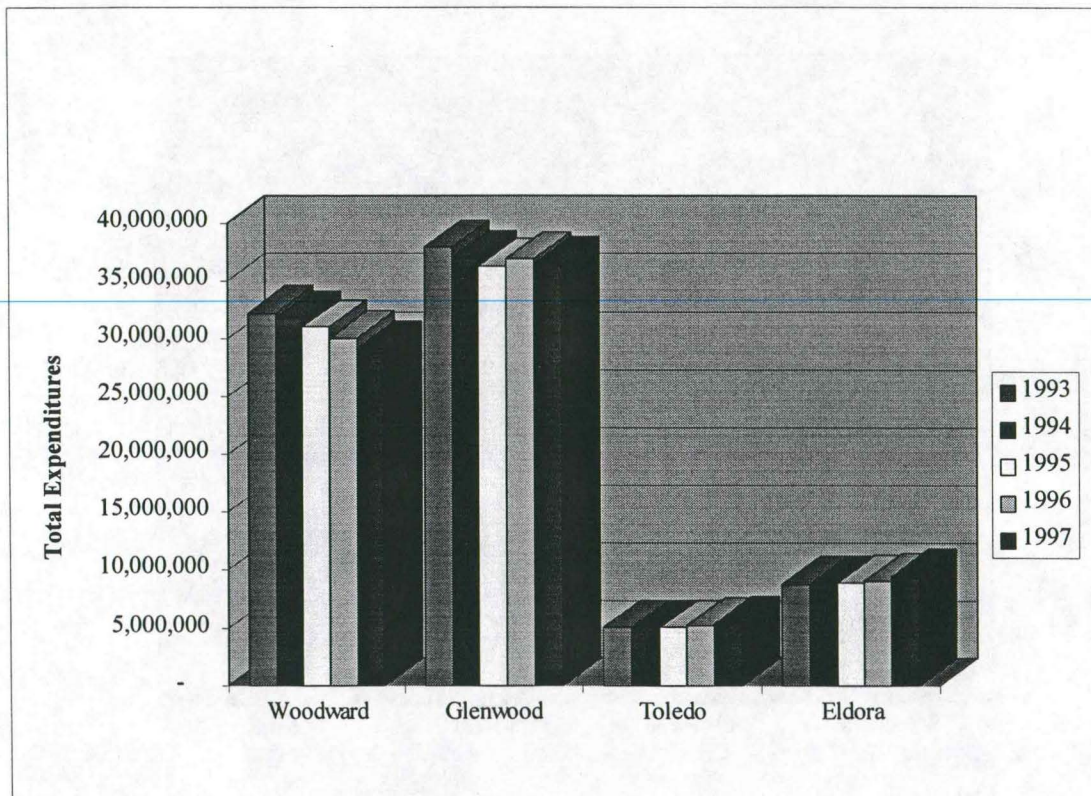
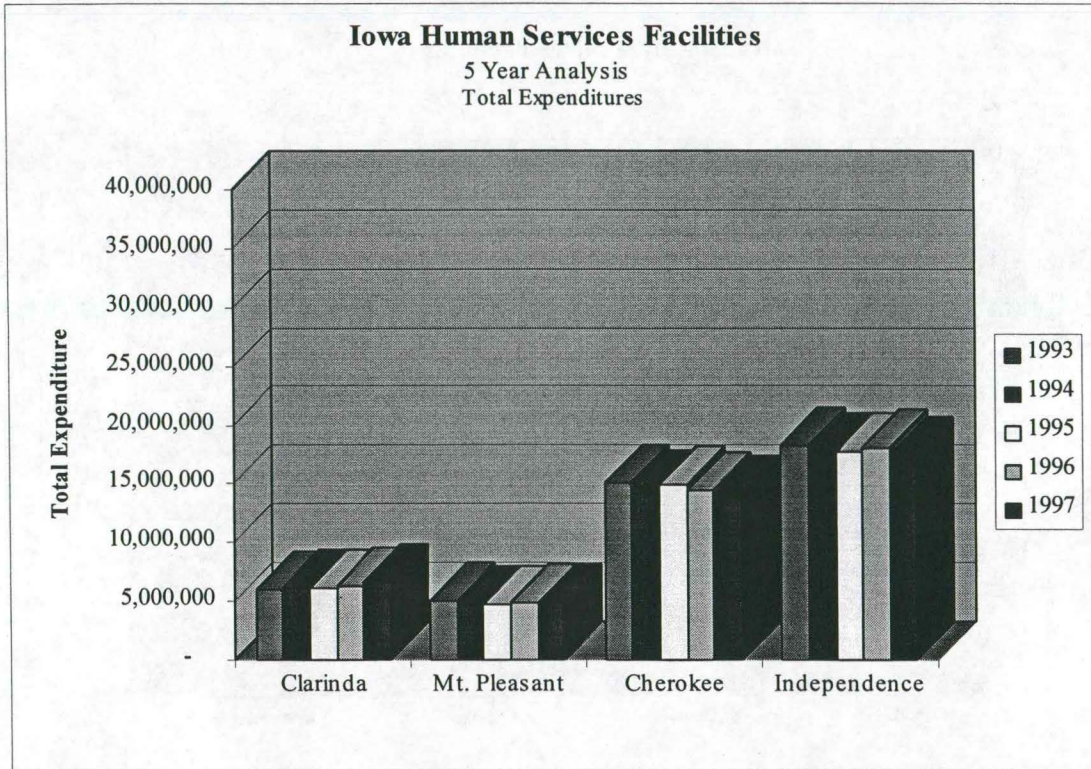
	Year Ended June 30, 1996				
	Average Number of Residents	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	69	90,127	246.92	19	4,691
Mental Health Institute - Mount Pleasant	70	69,588	190.65	28	5,338
Mental Health Institute - Cherokee	80	180,959	495.78	14	6,941
Mental Health Institute - Independence	153	117,496	321.91	23	7,404
Woodward State Hospital/School	277	108,537	297.36	-	-
Glenwood State Hospital/School	410	89,910	246.33	-	-
State Juvenile Home - Toledo	92	56,837	155.72	-	-
State Training School - Eldora	192	47,132	129.13	-	-
<b>Total</b>	<b>1,343</b>	<b>92,889</b>	<b>254.49</b>	<b>-</b>	<b>-</b>

Year Ended June 30, 1997					
Average Number of Residents	Average Number of Employees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
70	123	94,566	259.09	19	4,923
66	88	73,751	202.06	28	5,658
72	268	194,919	534.02	13	6,942
139	382	125,614	344.15	23	8,260
279	626	104,386	285.99	-	-
400	811	91,051	249.46	-	-
90	115	59,429	162.82	-	-
189	206	49,858	136.60	-	-
1,305	2,619	94,481	258.85	-	-

**Iowa Department of Human Services**

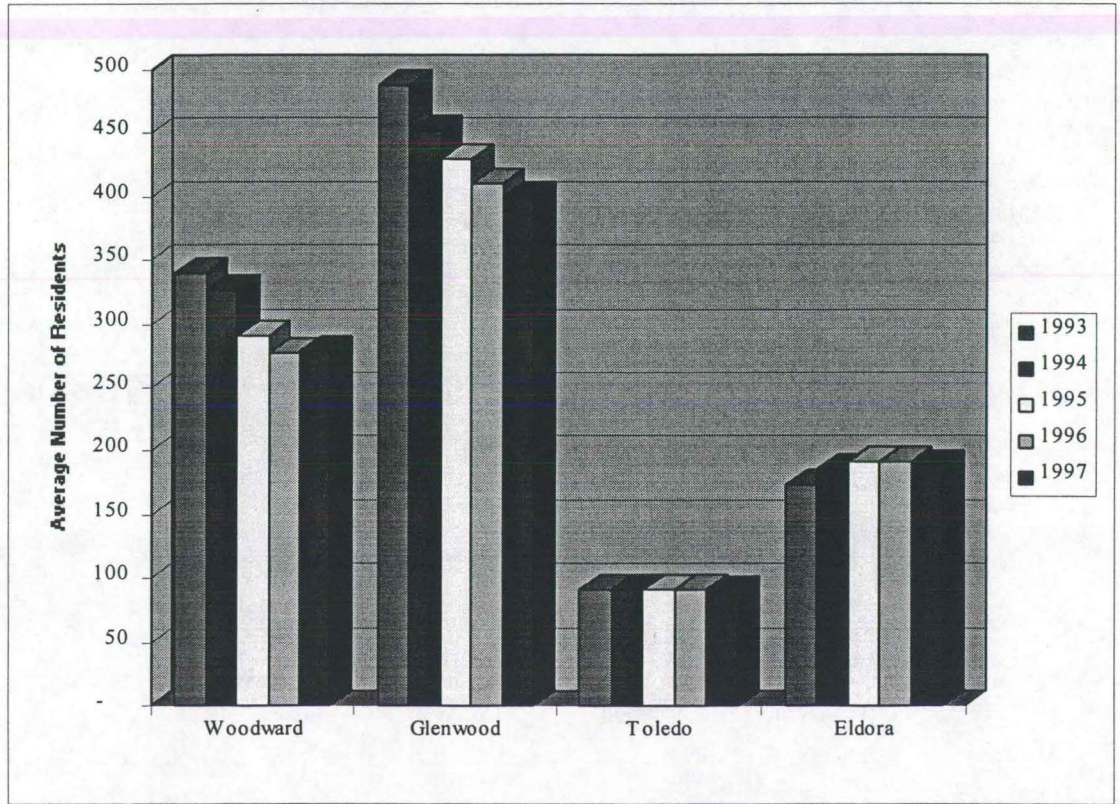
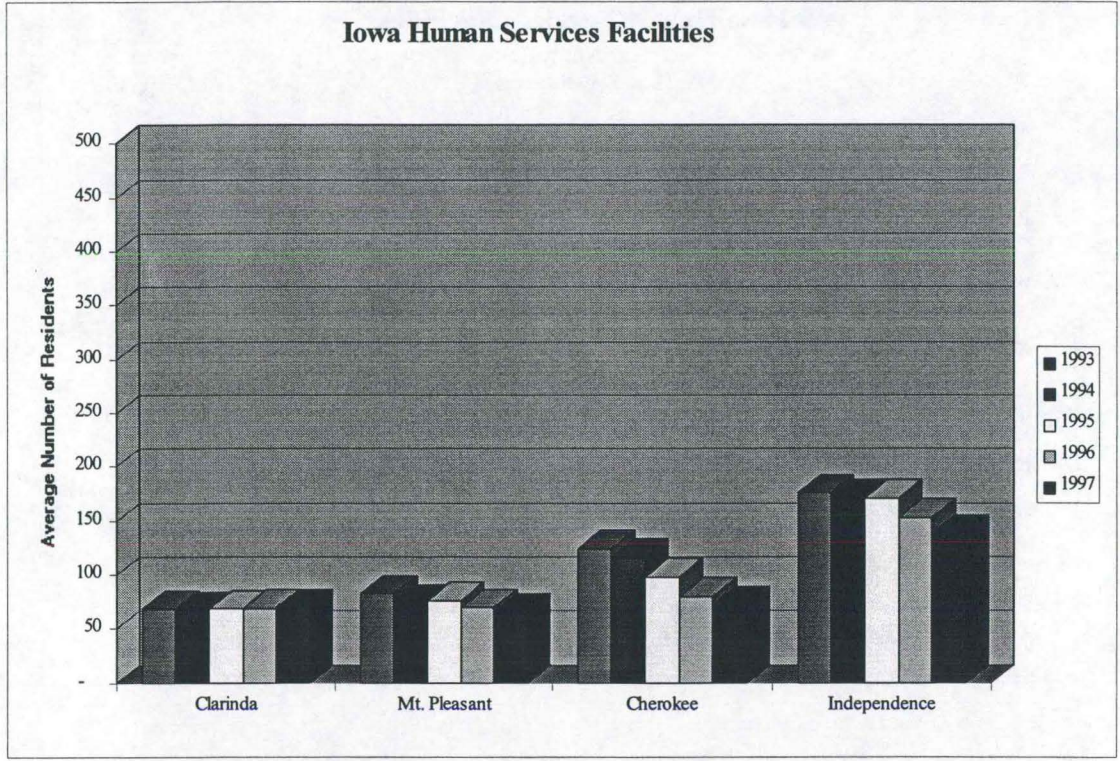
Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

For the Last Five Fiscal Years



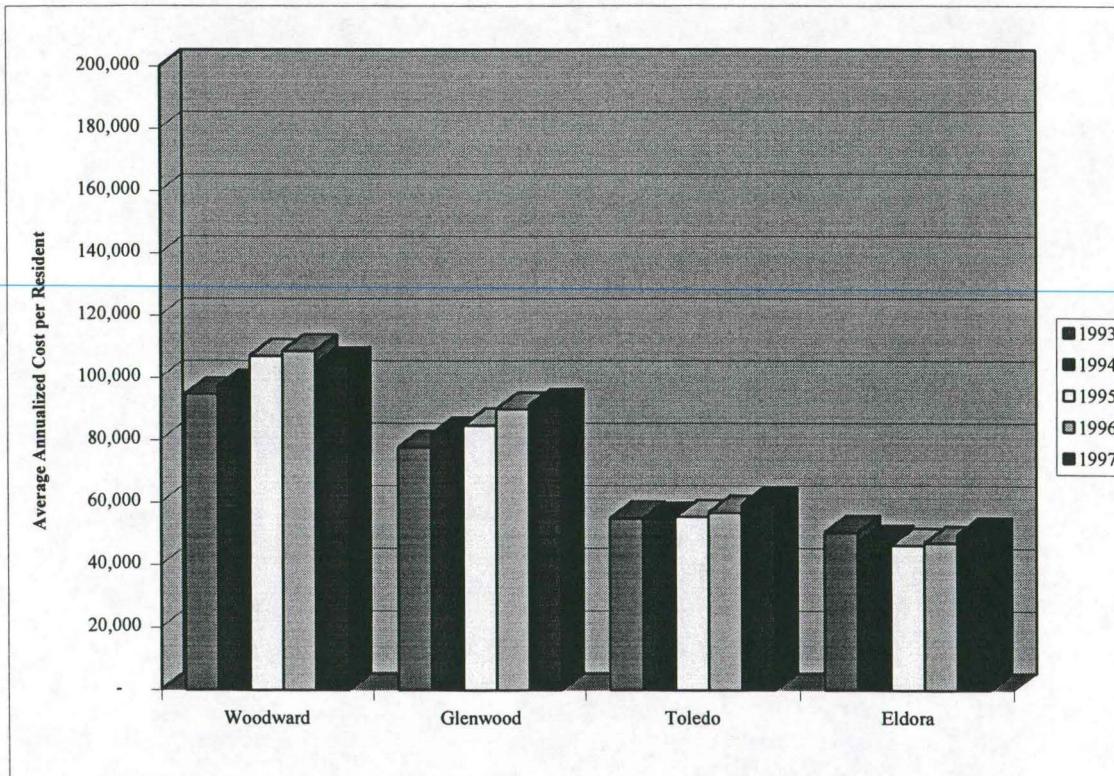
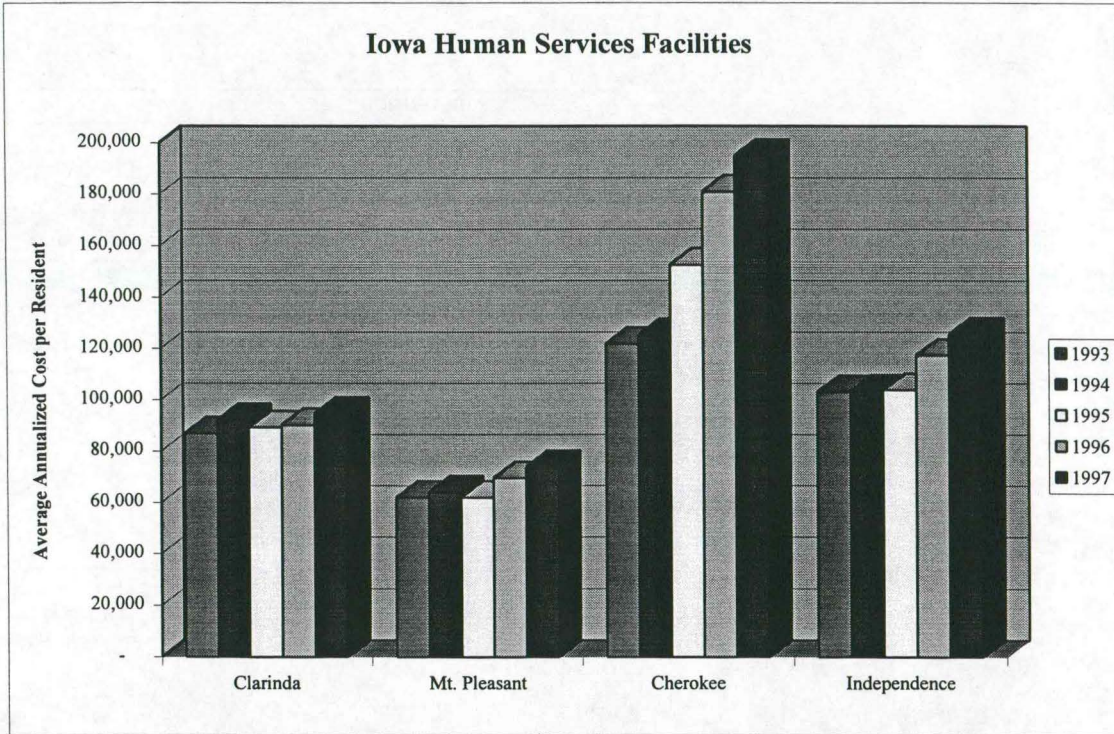
Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1993

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,319,417	3,641,954	12,557,444	15,525,595
Travel	6,815	7,456	36,975	47,703
Supplies and materials	288,784	91,303	764,930	775,741
Contractual services	260,523	871,437	1,205,851	1,426,185
Capital outlay	40,222	435,604	534,137	355,159
Claims and miscellaneous	-	710	3,753	3,935
Licenses, permits, and refunds	36	-	16,533	1,180
Aid to individuals	-	23,247	-	-
<b>Total</b>	<b>\$ 5,915,797</b>	<b>5,071,711</b>	<b>15,119,623</b>	<b>18,135,498</b>

Institution			
Woodward State Hospital/ School	Glenwood State Hospital/ School	State Juvenile Home - Toledo	State Training School - Eldora
27,897,670	32,832,458	4,191,091	7,078,039
142,666	141,586	13,287	65,604
2,149,602	2,148,535	270,688	616,262
1,593,585	2,205,340	345,555	994,303
400,443	239,289	191,105	20,918
3,831	329,584	43,963	13,164
385	-	175	1,096
-	-	-	-
32,188,182	37,896,792	5,055,864	8,789,386



Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1994

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,502,126	3,831,343	12,580,843	15,621,401
Travel	5,851	10,924	62,135	43,592
Supplies and materials	327,572	58,605	651,804	735,171
Contractual services	266,451	667,144	1,043,010	1,290,801
Capital outlay	65,331	140,225	185,509	76,336
Claims and miscellaneous	263	-	3,224	759
Licenses, permits, and refunds	2,380	-	463	4,158
Aid to individuals	-	21,767	-	-
<b>Total</b>	<b>\$ 6,169,974</b>	<b>4,730,008</b>	<b>14,526,988</b>	<b>17,772,218</b>

Institution			
Woodward State Hospital/ School	Glenwood State Hospital/ School	State Juvenile Home - Toledo	State Training School - Eldora
27,695,299	31,781,363	4,291,609	7,170,155
148,736	156,989	9,138	67,073
1,871,789	2,191,702	253,435	547,114
1,775,714	2,135,623	354,454	904,198
252,776	377,440	76,021	74,001
4,732	376,496	40,204	12,980
10	-	190	999
-	-	-	-
31,749,056	37,019,613	5,025,051	8,776,520

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1995

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,125,754	3,926,691	12,666,913	15,238,733
Travel	13,203	12,966	61,143	44,576
Supplies and materials	494,627	16,155	815,040	610,203
Contractual services	377,331	670,366	1,146,630	1,730,142
Capital outlay	56,472	61,310	262,091	127,441
Claims and miscellaneous	461	-	1,649	5,253
Licenses, permits, and refunds	-	-	-	491
Aid to individuals	-	20,976	-	-
Total	\$ 6,067,848	4,708,464	14,953,466	17,756,839

Institution			
Woodward State Hospital/ School	Glenwood State Hospital/ School	State Juvenile Home - Toledo	State Training School - Eldora
26,900,856	31,085,316	4,276,340	7,268,594
156,210	163,400	149	25,529
1,926,119	2,251,926	277,481	571,042
1,642,764	2,142,070	398,921	919,262
378,649	282,572	55,604	118,297
3,950	413,737	37,669	14,863
10	-	370	1,098
-	-	-	-
31,008,558	36,339,021	5,046,534	8,918,684

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1996

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,164,251	3,970,886	11,836,575	15,340,116
Travel	26,818	12,474	38,565	100,847
Supplies and materials	451,753	97,207	1,045,694	609,452
Contractual services	466,619	747,802	1,281,378	1,880,086
Capital outlay	108,527	22,215	271,002	42,552
Claims and miscellaneous	783	-	3,252	2,978
Licenses, permits, and refunds	-	-	260	867
Aid to individuals	-	20,601	-	-
Total	\$ 6,218,751	4,871,185	14,476,726	17,976,898

Institution			
Woodward State Hospital/ School	Glenwood State Hospital/ School	State Juvenile Home - Toledo	State Training School - Eldora
25,468,791	30,942,467	4,228,680	7,345,564
125,124	134,470	9,048	30,936
2,070,560	2,467,903	290,634	597,931
1,941,631	2,442,200	526,467	913,801
455,269	477,673	142,363	145,982
3,406	398,137	31,815	13,742
10	-	-	1,405
-	-	-	-
30,064,791	36,862,850	5,229,007	9,049,361

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1997

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,446,790	3,938,092	10,534,204	15,068,470
Travel	24,900	9,207	39,104	70,629
Supplies and materials	534,466	118,728	1,263,698	511,683
Contractual services	581,114	740,248	1,494,984	1,733,512
Capital outlay	31,413	41,113	689,607	71,674
Claims and miscellaneous	694	-	12,134	3,951
Licenses, permits, and refunds	245	-	413	416
Aid to individuals	-	20,165	-	-
<b>Total</b>	<b>\$ 6,619,622</b>	<b>4,867,553</b>	<b>14,034,144</b>	<b>17,460,335</b>

Institution			
Woodward State Hospital/ School	Glenwood State Hospital/ School	State Juvenile Home - Toledo	State Training School - Eldora
24,485,373	30,633,167	4,366,818	7,458,540
116,738	251,086	12,783	32,343
1,942,478	2,561,586	261,802	596,746
2,153,004	2,113,970	563,476	1,161,929
421,048	469,606	112,548	157,801
5,134	391,159	31,210	15,123
-	-	-	590
-	-	-	-
29,123,775	36,420,574	5,348,637	9,423,072



Institutions Under the Control of the Iowa Department of Human Services

Resident Population Statistics  
(Unaudited)

Year ended June 30, 1997

	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee
Population beginning of year	68	65	70
Admissions:			
First admissions	105	700	493
Readmissions	87	252	385
Returns:			
Home visits	-	-	-
Limited leaves	-	16	-
Temporary medical transfers	-	-	-
Unauthorized departures	-	-	-
Total admissions	192	968	878
Released:			
Discharges	200	926	875
Deaths	-	-	-
Home visits	-	-	-
Limited leaves	-	-	-
Temporary medical transfers	5	40	-
Unauthorized departures	-	-	-
Other	-	-	-
Total released	205	966	875
Population end of year	55	67	73
Daily average resident population	70	66	72

Mental Health Institute - Independence	Woodward State Hospital/School	Glenwood State Hospital/School	State Juvenile Home - Toledo	State Training School - Eldora
143	280	399	87	213
495	19	23	149	209
491	9	12	-	67
571	-	-	-	-
98	-	154	-	-
75	-	-	-	-
9	-	-	-	-
1,739	28	189	149	276
770	-	19	146	92
1	3	3	-	-
567	-	-	-	-
316	6	173	-	-
89	-	-	-	-
17	-	-	-	-
-	19	-	-	193
1,760	28	195	146	285
122	280	393	90	204
139	279	400	90	189

Institutions Under the Control of the Iowa Department of Human Services

Matrix of Findings and Recommendations

Year ended June 30, 1997

Institution		
Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee

**Findings Reported in the  
State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

Cellular phone usage			X
Overpayment on Doctor's contract			X
Rent revenue			
Payroll and employee leave records			
Fixed assets			
Internal control - warehouse inventory			
Patient funds and possessions			

**Findings Related to Statutory  
Requirements and Other Matters:**

Supply Inventories	X		
Rental policies and procedures			
Pharmacy supply inventory			
Holiday compensated hours			

	Woodward	Institution Glenwood	State	State
Mental Health	State	State	Juvenile	Training
Institute -	Hospital/	Hospital/	Home -	School -
Independence	School	School	Toledo	Eldora

X

X

X

X

X

X

X

X

Findings and Recommendations for Mental Health Institute - Clarinda

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

**Finding Related to Statutory Requirements and Other Matters:**

Supply Inventories - Chapter 218.48 of the Code of Iowa, requires the Mental Health Institute to provide an accurate listing of all pharmacy and supply inventories on hand at June 30. Our observation of the inventory counts and records for June 30, 1997 identified several items incorrectly reported on the inventory listing.

Recommendation - The Mental Health Institute should implement procedures to ensure the accuracy of the materials and supply inventory counts and records of the inventory on hand at year end.

Response - At the time of June 30, 1997, the pharmacy was in the start up phase of a new pharmacy software program which includes inventory control. The pharmacy staff now has over a year of experience with the new inventory software and are feeling much more comfortable with the procedures to count and track the quantities and costs of the supplies on hand. All invoices are kept in the pharmacy for cost input and verification before submitting to the Business Office.

Conclusion - Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Mohan R. Solomon, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Beth A. Loughren, Staff Auditor  
Shelly A. Schaefer, Assistant Auditor  
Terri L. Lake, Assistant Auditor  
Anthony M. Rosich, Staff Auditor

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

- (1) Cellular Phone Usage - GTE Mobilnet provides the cellular phone service to Mount Pleasant Mental Health Institute. The Institute has one cellular phone contract for three different phone lines. There are two different instances, totaling \$75.96, where the Institute overpaid its phone bill.
  - (a) The Institute contract with GTE Mobilnet states that all three lines would receive 100 free minutes for the first three months. The Institute did not receive any free minutes for one of its phone lines, resulting in an overpayment of \$20.37.
  - (b) The Institute was charged for custom calling features that were not used, resulting in an overpayment of \$55.59.

Additionally, phone calls appear to have been made on the cellular phones for non-state related purposes which are being paid by the Institute and were not reimbursed by the employee. The Institute provides Dr. James R. Brooks a cellular phone to use for state related purposes only. There were several occasions where Dr. Brooks used his cellular phone to make personal phone calls. The total charges for non-state related phone calls made by Dr. Brooks totaled \$345.24.

Also, the Institute has not developed any written policies or procedures regarding cellular phone usage.

Recommendation - The Mount Pleasant Mental Health Institute should carefully review the terms of the contract, and the monthly bills for each of the cellular phones before payment is made to ensure that charges are accurate.

The Institute should seek reimbursement from Dr. James R. Brooks for \$345.24 for personal phone calls made on his cellular phone.

In addition, the Institute should develop policies and procedures to ensure proper cellular phone usage. These policies should include statements regarding the allowance personal use of the cellular phones.

Response - GTE has been notified of the overpayment of the cellular phone bill. A credit is being issued. All GTE cellular phone bills are being reviewed for accuracy.

The Institute reviewed fiscal year 1997 and 1998 to date and found other phone calls as well as paid time during these calls that needed to be addressed. As a result, Dr. Brooks has agreed to reimburse the Institute \$1,918.66 (deducted from payroll ending 4/2/98) representing salary costs and \$1,067.46 representing cell phone charges for personal calls.

The Iowa Department of Human Services policy has been received and reviewed. A campus policy on the use of cellular phones has been developed and put into place. It does address personal use of state-owned cellular telephones.

Conclusion - Response accepted.

Findings and Recommendations for Mental Health Institute - Mount Pleasant

June 30, 1997

- (2) Overpayment on Doctor's Contract - Dr. Prasad Mikkilineni, a contracted employee working at the Mount Pleasant Mental Health Institute, is paid based on the number of hours recorded on his bi-weekly timesheet. Our review of these timesheets, noted that the doctor submitted the same timesheet twice. Payment was made twice for the pay period 2/7/97 to 2/20/97, which resulted in an overpayment of \$5,616.

Recommendation - The Institute should carefully review contracted employee timesheets to ensure that employees are only paid once for time actually worked. In addition, the Institute needs to take steps to recover the amount overpaid to Dr. Prasad Mikkilineni.

Response - The error in payment was reviewed with Dr. Mikkilineni who agreed with the findings. As a result \$5,616 was deducted from his pay on the 4/2/98 payroll. The Institute will review future timesheets to assure there are no duplicate payments.

Conclusion - Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Tamera S. Kusian, CPA, Director  
Steven O. Fuqua, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Selina V. Johnson, Staff Auditor  
Carolyn M. Nurre, CPA, Staff Auditor  
Darren J. Sickerson, Assistant Auditor  
Michelle L. Tosel, Assistant Auditor

Findings and Recommendations for Mental Health Institute - Cherokee

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager  
Brian R. Brustkern, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Melissa K. Bechtel, Staff Auditor  
Nicholas A. Freymann, CGFM, Staff Auditor  
Stephanie J. Baccam, CPA, Assistant Auditor



June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Finding Related to Internal Control:**

Rent Revenue - Rental units, including rooms, houses and storage space, are made available to Institution employees and certain other individuals. Tenants may also obtain prior approval from the Institute to make an improvement on a rental unit of which the cost of the improvement would be used as an offset against future rent payments due.

Instances were noted in which insufficient documentation was maintained to support the rent income activity and the balance owed by individual tenants.

Also, instances were noted in which rental agreements did not exist.

Recommendation - The Institute should maintain records sufficient to document rent payments owed and subsequent collections of these payments. The Institute should also prepare monthly reconciliations of rent payments received and those still owed. The Institute should also ensure that rental agreements are entered into with all tenants.

Response - The Institute concurs with the recommendation and will move the responsibility of documentation, record keeping, payment and collection under the auspices of the business office.

Conclusion - Response accepted.

**Finding Related to Statutory Requirements and Other Matters:**

Rental Policies and Procedures - Institutions under the Iowa Department of Human Services (DHS) are required by the Code of Iowa Chapter 218.14 to base rental rates on the fair market value for all State-owned dwellings rented to employees.

The Department of Human Services rental policy number XXIV-C-5 states that the fair market value of the rent charged should be evaluated at least once every two years. The last fair market value evaluation made by the Institute on its rental property was during fiscal year 1993.

During fiscal year 1993 the Institute had the rental property appraised by a local appraiser as required by DHS. The rent actually charged by the Institute as of June 30, 1997 was, on average, approximately 30% lower than the fair market rental value determined by the appraiser. The Institute did not document in writing how it determined the reduced amounts.

Recommendation - The Institute should develop and comply with policies set forth by DHS policy number XXIV-C-5 and Chapter 218.14 of the Code of Iowa.

Response - Mental Health Institute - Independence rental properties charges are based on appraisal rates adjusted for environmental, economical and internal business perspectives. The appraisal rates are currently being reviewed by a local real estate broker in compliance with the Department of Human Services policy number XXIV-C-5 that will be adjusted by the following perspectives to arrive at a fair market value pursuant to the Code of Iowa chapter 218.14.

Findings and Recommendations for Mental Health Institute - Independence

June 30, 1997

1. Safety Risk: Rental properties on the campuses of psychiatric hospitals is less appealing than similar properties in the community. Patients housed in open units have the freedom to move throughout the campuses. Along with the potential of patient elopements, there is an increased risk of negative contact between patients and renters. This risk has a negative impact on the rental value of the units.
2. Physical condition: Maintenance staff of this hospital are responsible for the physical upkeep of the rental properties. Maintenance needs of the rental properties are addressed only after the needs of the hospital are met while the maintenance needs of like units out in the community are a priority to the landlord. This practice has a negative impact on the rental value of the units.
3. Rental unit utilization: The supply of units exceeds the demand for them. Currently about half of the units are rented.
4. Staff availability: The housing affords the institution a pool of trained staff readily available in emergency situations that effect the safety and well being of patients and property.

Conclusion - Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Steven M. Nottger, CPA, Manager  
Lori J. Cranston, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Deborah J. Chapman, CPA, Staff Auditor  
Julie A. Totten, CPA, Staff Auditor  
Jayna L. Eichholz, Staff Auditor  
Elizabeth M. Leverich, CPA, Assistant Auditor

Findings and Recommendations for Woodward State Hospital/School

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

(1) Payroll and Employee Leave Records - The Hospital/School's payroll records are maintained on the State's centralized payroll accounting system. The system records hours worked and leave time earned, used and remaining balances, based on the information entered by the Hospital/School personnel. The information is based upon employee's approved timecards or authorized leave forms submitted on a biweekly basis. For the sixty payroll transactions selected for testing the following findings were noted:

- (a) An employee timecard and approved leave form reported 40 hours of vacation taken. However, the hours were not recorded as used on the centralized payroll system.
- (b) An employee approved leave form did not support the total amount of vacation leave used and recorded.
- (c) An employee timecard supported a certain number of hours worked which were understated when totaled for recording on the centralized payroll system.

Recommendation - The Hospital/School should review control procedures to ensure there is proper supervisory review to minimize recording errors.

Response - The affected supervisors have received reminders on payroll procedures to make sure they approve/audit all time used and leave slips submitted to Human Resources.

Conclusion - Response acknowledged. We will review that corrections have been made at the time of the next audit.

(2) Fixed Assets - Several items of furniture, fixtures and equipment purchased during fiscal year 1997 totaling approximately \$142,000 were not included as fixed asset additions on the Hospital/School's fixed asset listing for June 30 or reported for the Hospital/School's GAAP reporting package.

Recommendation - The fixed asset listing should be maintained on a current basis, and all additions should be properly reported on the Hospital/School/s GAAP reporting package.

Response - The GAAP reporting package was corrected and re-submitted 10/17/97.

Conclusion - Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.

Findings and Recommendations for Woodward State Hospital/School

June 30, 1997

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Mary J. Buchman, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Timothy D. Houlette, CPA, Staff Auditor  
Denise A. Walter, CPA, Staff Auditor  
Julie A. Totten, CPA, Staff Auditor  
James A. Nelson, CPA, Staff Auditor  
Daniel M. Cassady, Assistant Auditor  
Scott M. Thompson, Assistant Auditor

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

- (1) Internal Control - Warehouse Inventory - An important aspect of internal control is a segregation of duties between the custody of assets and recordkeeping. The following item was noted:

The Institution has three employees who perform inventory duties in the warehouse. Each employee receives inventory, updates records for receiving and disbursing information, and performs inventory counts.

Recommendation - The Institution should review control procedures to ensure that an appropriate segregation of duties exist over the warehouse inventory.

Response - At least quarterly disinterested staff, individual(s) not assigned to work in the storeroom, will select five items to be physically inventoried and verified with the computerized inventory record. A written record will be made to document the results of the physical inventory. Any discrepancies between the physical count and the inventory records will be investigated and explained. As a part of the monitoring of storeroom records the staff performing the physical inventory will also review the records in connection with receipt and distribution of the same items that were inventoried. Here again, a written record will be made of the results of the review with corrective action taken as necessary. The Director of Administrative Services will be responsible for assuring these procedures are followed.

Conclusion - Response accepted.

- (2) Patient Funds and Possessions - The Institution has established policies regarding the accounting and safeguarding of patient accounts and patient personal possessions. The personal possessions of a patient, with the exception of disposable items, are to be marked for specific identification and listed on the individual's personal belongings sheet. Personal possessions are to be inventoried each month and any disposals are to be noted with the appropriate reason.

Our review identified the following conditions:

- Four of the twenty-five items tested were not marked as the client's and three of the items were not on the client's personal belongings sheet.
- Monthly inventories were not performed for seven of the twenty-five clients tested.

Recommendation - The Institution should increase efforts to enforce its policies regarding the proper accounting and safeguarding of patient possessions.

Response - We will increase to include at least a review of 75% of our client personal possessions yearly. Procedures have been changed to require only those items that originally cost \$25.00 or more to be on the personal possession inventory list.

Conclusion - Response accepted.

Findings and Recommendations for Glenwood State Hospital/School

June 30, 1997

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager  
Steven O. Fuqua, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Timothy D. Houlette, CPA, Staff Auditor  
Randi J. Rowedder, Staff Auditor  
Danette L. Rohne, CPA, Assistant Auditor  
Scott M. Thompson, Assistant Auditor

Findings and Recommendations for State Juvenile Home - Toledo

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Juli A. Ochs, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Richard C. Brown, CGFM, Staff Auditor  
Kathy A. French, Staff Auditor  
Melanie A. Haack, Assistant Auditor

Findings and Recommendations for State Training School - Eldora

June 30, 1997

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

**Findings Related to Statutory Requirements and Other Matters:**

- (1) Pharmacy Supply Inventory - In accordance with Chapter 7A.30 of the Code of Iowa, a complete, up-to-date, and detailed inventory listing is required. The School's pharmaceutical supply inventory was incomplete resulting in an understatement of the balance at June 30, 1997.

Recommendation - The School should implement policies and procedures to ensure that a complete and accurate inventory listing is prepared and maintained for the Pharmacy.

Response - The Institution has a professional service contract with the local pharmacy requiring a year end inventory be completed. Business office and medical staff will meet with the pharmacy contractor to ensure that they understand the proper procedure and expectations concerning counting and recording of pharmacy inventory.

Conclusion - Response accepted.

- (2) Holiday Compensated Hours - School employees who work holidays may choose to receive monetary compensation for the additional hours or receive time off at a later date. If a time off decision is made, the hours are recorded as a part of the School's payroll system with the balance decreased when used.

The Collective Bargaining Agreement in effect for this fiscal year requires that such hours earned be used within twelve months from the time earned. Payroll test results indicated several employees whose holiday compensation hours were carried forward beyond the twelve month period which is in violation of the Collective Bargaining Agreement.

Recommendation - The School should implement procedure to ensure that holiday compensated hours are used and recorded in accordance with the requirements of the Collective Bargaining Agreement.

Response - The carryover of employee holiday compensation hours carried forward beyond the twelve month period occurred on a limited basis. Supervisors and staff were informed that this practice will be discontinued. Employees have been informed that alternate holiday hours must be used no later than May 28, 1998. Payroll staff will now monitor time keeping records and notify both supervisor and staff when alternate holiday hours are to be utilized within the twelve month period.

Conclusion - Response accepted.



Findings and Recommendations for State Training School - Eldora

June 30, 1997

**Staff:**

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager  
Mary J. Buchman, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Deborah J. Chapman, CPA, Staff Auditor  
Timothy D. Houlette, CPA, Staff Auditor  
Elizabeth M. Leverich, CPA, Assistant Auditor

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