AUDIT REPORT

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER

From The Office Of State Auditor
Claire McCaskill

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June 3, 2002
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Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2002

YELLOW SHEET

The following areas of concern were discovered as a result of an audit conducted by our office of the Department of Mental Health, St. Louis Regional Center.

The St. Louis Regional Center (SLRC) is one of eleven regional centers established by the Department of Mental Health. The Department of Mental Health allocates portions of its department-wide appropriations to the St. Louis Regional Center to pay for the costs of services provided to Regional Center clients. The Regional Center purchases services for clients who live in personal residences and pays a portion of the costs for eligible clients who live in Community Placement facilities. Allocations are also used to fund specialized programs such as First Steps, Autism, and Choices for Families.

There is a lack of control over the spending of allocations. Regional Center management indicated they compare the total allocations to the total costs of authorized services on a monthly basis. Since the Regional Center overspent program allocations by more than $2 million during the years ended June 30, 2001 and 2000, it does not appear that adequate steps were taken to control spending.

The Choices for Families program provides financial assistance to eligible families so they can better met the special needs of any developmentally disabled individuals which reside within their home. During our review of Choices for Families expenditures, we noted numerous instances where clients' monies were inappropriately borrowed for Choices for Families expenditures. In addition, several families received funding in excess of the maximum amount allowed. Program guidelines clearly state that no family shall receive more than $3,600 annually, unless approved by the District Deputy Director. Furthermore, instances were noted where the costs of goods and services for the Choices for Families program were not bid.

Client monies, such as income and benefits, are received by Regional Center personnel and transmitted to personnel at the Bellefontaine Habilitation Center to be deposited into a fiduciary checking account. These monies are used to pay for such things as care, treatment, and personal items for Regional Center clients. Adequate steps are not always taken to safeguard client monies. Eighteen client accounts had negative balances, totaling $6,632, as of November 3, 2001. Additionally, inactive client accounts totaled more than $17,000, and numerous client accounts exceeded the maximum allowable balance, which can jeopardize future client benefits.

Procedures for documenting employees' actual time worked are inadequate. Employees do not always document time worked. There is a lack of supervisory review of time worked. Employees' supervisors do not sign attendance sheets in at least two of the five Regional Center buildings, and payroll and timekeeping personnel do not compare attendance sheets to exception sheets. The lack of this comparison has resulted in at least some errors.

(over)

Regional Center service coordinators provide Targeted Case Management (TCM) services to numerous clients. If eligible, the state's Medicaid program currently reimburses the Regional Center $6.36 for every unit, or five minutes, spent on TCM services. During the year ended June 30, 2001, the Regional Center received approximately $4.9 million in reimbursements from the state's Medicaid program for TCM services.

Ten clients were selected from TCM billings during the months of May and October 2001. On 30 percent of the invoices reviewed, the number of units billed did not agree to the amount of time spent providing TCM services to clients. After bringing the discrepancies to the attention of Regional Center personnel, a member of the Information Technology department determined that the discrepancies occurred due to an error in the computer billing system.

Regional Center management has placed most of the responsibility of monitoring the quality of services on its clients and their families. During the year ended June 30, 2001, the Regional Center contracted with approximately 379 different providers. Regional Center personnel do not review any documentation that supports the amounts billed for services provided to clients. Some vendors reviewed could not provide adequate documentation to support amounts billed on behalf of Regional Center clients. In two different instances, we noted that one vendor billed the Regional Center twice the actual cost of equipment purchased for clients.

Procedures for monitoring credit card purchases are inadequate. A credit card is assigned to each Regional Center vehicle to be used for fuel purchases and emergency repair costs. During the years ended June 30, 2001 and 2000, total credit card purchases totaled $13,531 and $8,539 respectively. We noted credit card receipt slips are not reconciled to the credit card invoice before payment is made. Additionally, all credit cards are not adequately safeguarded.

Regional Center management has not adopted a formal cellular telephone policy to address the usage and monitoring of cellular telephones. As of June 30, 2001, the Regional Center owned 17 cellular telephones with total cellular telephone expenditures of $11,550 and $9,521 for the years ended June 30, 2001 and 2000, respectively. Numerous cellular telephone invoices are not reviewed for personal calls and accounts payable personnel do not request reimbursement for personal calls in a timely manner. One employee used the cellular telephone 2,813 minutes, or more than 47 hours, during one month, and the invoice was paid without any review.

Also included in the audit are recommendations to improve policies and procedures regarding general fixed assets.

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER

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We have audited the Department of Mental Health, St. Louis Regional Center. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2001 and 2000. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.

2. Review the efficiency and effectiveness of certain management practices.

3. Review certain expenditures made by the St. Louis Regional Center.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility's expenditures, rules, regulations, and other pertinent procedures and documents, and interviewed facility personnel.

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As part of our audit, we assessed the facility's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and the Statewide Advantage for Missouri (SAM II) system and was not subjected to the procedures applied in the audit of the Department of Mental Health, St. Louis Regional Center.

The Department of Mental Health Region XI is a consolidation of the St. Louis Regional Center, St. Louis Developmental Disabilities Treatment Centers, and the Bellefontaine Habilitation Center. The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Regional Center. Separate audit reports will be issued for the St. Louis Developmental Disabilities Treatment Centers and the Bellefontaine Habilitation Center.

Claire McCaskill
State Auditor

January 18, 2002 (fieldwork completion date)

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Overspending of Allocations

The Department of Mental Health allocates portions of its department-wide appropriations to the St. Louis Regional Center to pay for the costs of services provided to Regional Center clients. The Regional Center purchases services for clients who live in personal residences and pays a portion of the costs for eligible clients who live in Community Placement facilities. Allocations are also used to fund specialized programs such as First Steps, Autism, and Choices for Families. The following table represents program allocations and expenditures for the Regional Center during the audit period:

Program Allocations and Expenditures

	Year Ended June 30, 2001	Year Ended June 30, 2000
Allocations	$36,047,631	31,599,163
Expenditures	38,447,205	33,649,881
Total Overspending	$(2,399,574)	(2,050,718)

Source: Regional Center records and SAMII data

There is a lack of control over the spending of allocations. Regional Center management indicated they compare the total allocations to the total costs of authorized services on a monthly basis. Since the Regional Center overspent program allocations by more than $2 million during the years ended June 30, 2001 and 2000, it does not appear that adequate steps were taken to control spending. Regional Center management indicated that they are aware of the overspending but that the health and welfare of each client must be addressed.

The costs of these authorized services that caused the overspending were subsidized by unallocated or other available Department of Mental Health monies.

Effective fiscal management is necessary to ensure that Regional Center programs operate within the amounts budgeted. Furthermore, careful planning of expenditures helps to ensure all clients are receiving the most benefit from services.

WE RECOMMEND Regional Center management carefully monitor program allocations and expenditures and take appropriate actions to control spending. In addition, Regional Center management and Department of Mental Health personnel should work together to ensure that amounts allocated to the Regional Center are sufficient for authorized services.

AUDITEE'S REPONSE

The Division of Mental Retardation - Developmental Disabilities (DMRDD) agrees. The St. Louis Regional Center has implemented a Fiscal Plan to reduce expenditures in fiscal year 2002. The DMRDD has established a statewide utilization review process to increase fiscal accountability and ensure sufficient funds are available to support the authorized services.

2. Choices for Families

The Choices for Families program provides financial assistance to eligible families so they can better meet the special needs of any developmentally disabled individuals which reside within their home. The purpose of the program is to prevent or delay out-of-home placement. The program empowers families by allowing them to act as the primary decision makers for obtaining the goods and services needed by the individual. These monies are allocated by the Department of Mental Health from a department-wide appropriation. During our review of Choices for Families expenditures, we noted the following concerns:

A. Numerous instances were noted where clients' monies were inappropriately borrowed for Choices for Families expenditures. Choices for Families monies are drawn down and deposited into a fiduciary checking account that also accounts for clients' personal monies. The use of the funds in this account is directed by the Regional Center but the checking account is maintained by the Bellefontaine Habilitation Center. As monies are expended, Regional Center personnel request reimbursements to replenish the fund; however, reimbursements are not always requested in a timely manner. Furthermore, reimbursement checks are not immediately transmitted to the Bellefontaine Habilitation Center for deposit when received by Regional Center personnel. As a result, we noted negative balances in the Choices for Families fund within the checking account. These temporary negative balances in the fund are covered by personal funds of the clients. Two of the highest negative balances occurred during October 1999 and November 2001, with deficits of $220,853 and $211,794, respectively.

   Negative balances are corrected when reimbursements are received for Choices for Families expenditures and deposited to the account. However, because of the state's fiduciary responsibility for client funds, it is imperative that clients' monies are never borrowed or otherwise used to pay for Choices for Families expenditures.

B. Several families' Individual Habilitation Plans (IHP) included funding in excess of the maximum amount allowed. Program guidelines clearly state that no family shall receive more than $3,600 annually, unless approved by the District Deputy Director. Each family is required to submit an IHP which includes all needed goods and services. Ten (37 percent) of 27 client files reviewed contained plans with expected expenditures ranging from $3,750 to $16,245, which clearly exceeded the maximum allowable funding. These plans were not approved by the District Deputy Director.

C. Instances were noted where the costs of goods and services for the Choices for Families program were not bid. For example, the Regional Center paid $3,600 for fencing for one family and $10,150 for an elevator for another family. There was no documentation included in the clients' files to indicate that these purchases were bid.

Bidding is necessary to ensure that the best economical value is received for goods and services. Furthermore, Section 34.040, RSMo 2000, requires purchases greater than $3,000 to be competitively bid. When personnel ensure the lowest and best value is received on purchases, more monies are made available for the other clients' needs.

WE RECOMMEND Regional Center management:

A. Ensure that reimbursements to the Choices for Families fund are requested and transmitted to the Bellefontaine Habilitation Center, for deposit, in a timely manner to avoid deficit spending.

B. Require proper approval for Individual Habilitation Plans when planned expenditures exceed the maximum allowable funding.

C. Ensure that purchases are properly bid in accordance with state law.

AUDITEE'S REPONSE

A. The DMRDD agrees. The St. Louis Regional Center is investigating the use of wire transfers or other processes to expedite the reimbursements for the Choices for Families expenditures and increase the timeliness of the deposits. This recommendation will be implemented by June 1, 2002.

B. The DMRDD agrees. However, the District Deputy established a local process to delegate authority for the approval process to the Regional Center Directors for plans in excess of $3,600 annually. The appropriate Regional Center Director did approve these plans. The District Deputy Director will approve all future plans in excess of $3,600 annual limit.

C. The DMRDD agrees. The St. Louis Regional Center will obtain bids for these types of purchases.

3. Non-Appropriated Funds System Procedures

Client monies, such as income and benefits, are received by Regional Center personnel and transmitted to personnel at the Bellefontaine Habilitation Center to be deposited into a fiduciary checking account. These monies are used to pay for such things as care, treatment, and personal items for Regional Center clients. All client transactions and balances are recorded and maintained on the Non-Appropriated Funds System (NAFS). Our review of the Regional Centers responsibilities for the clients' monies noted:

A. Required procedures are not followed to adequately monitor client balances. Regional Center policy requires balances to be monitored on a monthly basis. During our review of this system, we noted the following concerns:

   1) Eighteen client accounts had negative balances, totaling $6,632, as of November 3, 2001. Overspending occurred because client balances were not adequately monitored to ensure sufficient balances existed before expenditures were made. As a result, expenditures for these eighteen clients were made using or borrowing other clients' monies.

      It is imperative that clients' balances and expenditures are closely monitored to ensure only a client's own funds are used for expenditures.

   2) Inactive client accounts totaled more than $17,000. A report of approximately 1,400 client balances, as of November 3, 2001, indicated that 227 accounts had been designated inactive in the NAFS. Regional Center personnel indicated that an account becomes inactive when it no longer receives benefits on the client's behalf or when a client dies. Personnel should investigate these accounts and determine the proper disposition of these monies.

   3) Numerous client accounts exceeded the maximum allowable balance. Regional Center policy requires action to be taken when a client's balance exceeds $500 so that client benefits are not jeopardized. When requested, a monthly report of all client balances exceeding $500 is generated and given to Regional Center reimbursement officers. A report dated October 15, 2001, indicated that 139 (9 percent) of the 1,400 client balances reached or exceeded the maximum balance. Of these accounts, 37 exceeded $1,000. In addition, there was no documentation to support that any actions were taken to reduce client balances. Reimbursement officers did not receive a report for November 2001; therefore, it appears that balances are not monitored on a monthly basis as required.

B. Adequate steps are not always taken to safeguard client monies. Client income and benefits are received by Regional Center reimbursement officers and transmitted to personnel at the Bellefontaine Habilitation Center. We noted the following concerns relating to client receipts and disbursements:

1) Regional Center personnel do not verify that receipts are properly applied to client accounts. Reimbursement officers maintain a log of all amounts received on behalf of clients. However, after monies are transmitted, reimbursement officers do not ensure the monies are properly posted to the correct client's account. In addition, reimbursement officers do not obtain receipt slips from personnel within the NAFS office at the Bellefontaine Habilitation Center to indicate the transmitted monies were received.

2) Reimbursement officers do not restrictively endorse checks before transmitting to the Bellefontaine Habilitation Center. Because checks are not stamped "for deposit only" before they are transmitted to other locations, they are more susceptible to loss or theft. In addition, monies are kept in an unlocked desk drawer until transmitted.

3) Actual documentation of client expenditures is not retained. Service coordinators prepare requests, approved by their supervisor, to withdraw client monies and submit these requests to personnel at the Bellefontaine Habilitation Center. The purpose of the expenditure is written on the request form; however, service coordinators are not required to submit actual receipts to support the purchases.

   In September 2001, representatives from the Social Security Administration performed a review of the Regional Center that included expenditures of client monies. A report was issued to Regional Center management concluding, in part, that no receipts were available to support expenditures. In addition, the reviewers stated that large amounts of client monies were routinely requested from clients' personal funds, but the reviewers could not determine what amount of these monies were actually spent.

Regional Center management has the fiduciary responsibility to ensure its clients' monies are properly receipted and disbursed. Without oversight, management cannot be assured that client monies are handled in a prudent and appropriate manner.

<u>WE RECOMMEND</u> Regional Center management:

A.1. Ensure expenditures are not made in excess of clients' balances.

2. Ensure that each inactive account is investigated to determine the proper disposition of the account balance.

3. Require monitoring of client account balances on a timely basis and ensure proper action is taken to reduce the balances when necessary.

B.1. Ensure reimbursement officers verify that amounts received are properly applied to clients' accounts.

2. Require all checks be restrictively endorsed and maintained in a secure location prior to transmitting to the Bellefontaine Habilitation Center for deposit.

3. Require actual supporting documentation of purchases made with clients' monies be placed in the clients' files.

AUDITEE'S REPONSE

A.1. The DMRDD agrees. Monitoring procedures for the NAFS accounts have been implemented and actions taken to ensure sufficient funds are available before expenditures are made.

2. The DMRDD agrees. The DMRDD will dispose of inactive client funds according to RSMo 630.320. This recommendation will be phased in and completed by July 1, 2002.

3. The DMRDD agrees. Monitoring procedures for the NAFS accounts have been implemented to identify client account balances in excess of $500 and develop a process to reduce client account balances to ensure client benefits are not jeopardized.

B.1. The DMRDD agrees. Monitoring procedures for the NAFS accounts have been implemented to verify receipts are properly applied to client accounts.

2. The DMRDD agrees. Checks shall be restrictively endorsed and maintained in a secure location prior to transmitting to the Bellefontaine Habilitation Center.

3. The DMRDD agrees. Supporting documentation for all client fund expenditures shall be maintained in the client file.

4. Targeted Case Management

Regional Center service coordinators provide Targeted Case Management (TCM) services to numerous clients. These clients must be eligible for the state's Medicaid program and must also meet the eligibility requirements for receiving services from the Division of Mental Retardation and Developmental Disabilities (MRDD). TCM services are defined as activities that assist individuals in gaining access to care and services; they may be provided in or out of the presence of the client. Examples of TCM services include making contacts with applicable parties, making client assessments, planning for the client, and documenting client information.

Each time a service coordinator provides TCM services, they are required to log the duration and description of the services into the computer system. The number of TCM hours is converted to units and billed to the Medicaid program each month. Medicaid currently reimburses the Regional Center $6.36 for every unit, or five minutes, spent on TCM services. During the year ended June 30, 2001, the Regional Center received approximately $4.9 million in reimbursements from the state's Medicaid program for TCM services.

We selected 10 clients from TCM billings during the months of May and October 2001. Our test was performed to determine if the service coordinators' case notes fully documented the TCM services provided and if the time spent on each client agreed to the number of units billed to Medicaid. Since the state's Medicaid program would determine the extent that these costs were reimbursable, we did not attempt to determine if services provided were billable services under Medicaid guidelines.

The number of units billed were not always supported by service coordinators' case notes. On 3 (30 percent) of the 10 invoices reviewed, the number of units billed did not agree to the amount of time spent providing TCM services to clients. The following table illustrates the discrepancies:

Comparison of units billed to units provided

Units Provided per Case Notes	Units Billed to Medicaid	Units Overbilled or (Underbilled)
90	144	54
108	60	(48)
6	10	4

Source: Regional Center Remittance Advices and Service Coordinators' case notes.

After bringing the discrepancies to the attention of Regional Center personnel, a member of the Information Technology department determined that the discrepancies occurred due to an error in the computer billing system. We contacted personnel within the Department of Mental Health's Information Technology department and found that a programming change was made to the billing system between one and one-half and two years ago which caused the billing errors. When service coordinators make changes to the amount of units billed for TCM, both the original number of units recorded and the corrected number of units recorded are billed to Medicaid, resulting in an overbilling to the state's Medicaid program. As of February 2002, personnel within the Department of Mental Health's Information Technology department had not yet estimated the total amount of overbilling to Medicaid or determined how the errors would be corrected.

WE RECOMMEND Regional Center management work with the Department of Mental Health, Central Office to thoroughly investigate differences between actual units provided and billed to the state's Medicaid program. If it is determined that Medicaid has been overbilled, Regional Center management should determine the amount that has been overbilled and work with Medicaid officials to refund that amount. In addition, Regional Center management should develop procedures that allow differences to be discovered prior to billing Medicaid.

AUDITEE'S REPONSE

The DMRDD agrees. Central Office and the Office of Information System have investigated this issue and identified additional Medicaid claims that were billed as a result of a programming problem. These claims will be adjusted in the next billing of Targeted Case Management services. The programming problem has been corrected.

5. Quality Control and Monitoring Procedures

A. Regional Center management has placed most of the responsibility of monitoring the quality of services on its clients and their families. While the Regional Center currently has a quality control team consisting of a quality control supervisor, a specialist, four nurses and an investigator, most of the team's time is spent investigating or following-up on abuse and neglect allegations. Other team responsibilities include consulting with providers regarding the Medicaid Waiver program, handling conflicts between clients and facilities, and licensing foster homes. According to the quality control supervisor, there are not enough resources to pro-actively monitor facilities.

The Regional Center contracts with approximately 89 Community Placement facilities which house and provide services to clients. Regional Center service coordinators are required to meet monthly with Medicaid Waiver clients in these facilities. The main focus of the meeting is to review the client's Individual Habilitation Plan to ensure the provided services are meeting their needs. Documentation of these visits indicate that service coordinators ensure the clients' basic safety needs are met and that the clients' rights are observed by allowing them to make personal choices while living in these homes. However, there is no review conducted to ensure the facilities are complying with their contracts with the Regional Center. Such a review could include verifying documentation of purchases made with client monies and ensuring that facility personnel properly monitor client balances to ensure benefits are not jeopardized.

The Regional Center's purpose is to connect clients with service providers that can offer the best services for the clients' specific needs. However, after clients are placed with providers, the Regional Center personnel cannot ignore issues that could affect the propriety and quality of the services provided. Therefore, it appears that Regional Center personnel should take a more pro-active approach in ensuring that clients receive the best services possible.

B. Regional Center personnel do not review any documentation that supports the amounts billed for services provided to clients. During the year ended June 30, 2001, the Regional Center contracted with approximately 379 different service providers or vendors. Providers are setup to bill either the state's Medicaid program or the Regional Center for services provided to clients through the Department of Mental Health's computer system. The computer system only allows a provider to bill up to a maximum authorized amount that is determined by Regional Center personnel. When billing information is received by Regional Center personnel, it is only scanned for unusual items before it is sent to the Department of Mental Health for processing. Furthermore, no documentation is maintained to support follow-up on unusual items.

While it does not appear feasible to obtain support from vendors for each amount billed on behalf of each client, periodic reviews of documentation could help ensure Regional Center management that amounts billed are only for actual services provided. This type of periodic review could include randomly selecting some individuals from several providers' billings and requesting supporting documentation for the billed services. For example, Regional Center personnel could request a detailed time sheet for a therapist which shows the amount of hours spent with a specific client or an invoice for an item purchased for a client.

We visited 10 service vendors to review support for the amounts billed for, or on behalf of, 21 different Regional Center clients. We noted the following problems:

1) Four vendors were unable to provide adequate documentation to support amounts billed for five different clients. The following illustrates a few examples of a lack of documentation:

   a) One vendor submitted a document to the Regional Center indicating a client's need for two hearing aids. The document stated that the vendor could purchase the hearing aides for $2,430 each. The Regional Center approved the purchase and subsequently paid the vendor $4,860. We obtained the actual invoice and found that the purchase price was only $1,215 for each hearing aid. Therefore, the vendor doubled the purchase price of each hearing aid when submitting documentation to the Regional Center. We noted that a billing for another client was handled the same way; the vendor indicated that cost for a hearing aid was $2,280, while the actual invoice showed the cost was $1,140.

      When questioning the vendor's management about the doubling of the cost of the hearing aids, we were told that the costs of setting up the hearing aids for the clients were included in the billed costs. However, the vendor could provide no supporting documentation for the additional amounts billed.

   b) The Regional Center paid another vendor $630 for speech services provided to a client during October 2001. However, we noted that the vendor overbilled the Regional Center for 16 units of service, or $168, during the month. We noted one instance where the vendor billed for services, while the therapist's progress notes indicated that the client was not at the facility.

c) The Regional Center paid another vendor $384, during October 2001, to transport a client. While reviewing the vendor's transportation logs, we noted support for 1,106 miles; the vendor billed the Regional Center for 1,240 miles. Vendor personnel indicated that a keying error caused the overbilling of 134 miles.

2) Department of Mental Health guidelines clearly state that only those services included on each client's Individual Habilitation Plan will be provided to the client. However, we noted that services provided to 5 (23 percent) of the 21 clients reviewed did not agree to the client's plan. These discrepancies were a result of the service coordinator increasing the amount of units the vendor was authorized to bill under First Steps contracts to the Regional Center without updating the client's plan. Service coordinators indicated that they are not required to obtain approval before changing First Steps authorizations because of the frequency of needed changes. Increasing authorized units affects Regional Center spending. If Regional Center personnel are not allowed to approve increases in services and fiscal managers are not aware of these changes, internal controls over spending are further weakened.

3) There was no documentation in 3 (14 percent) of 21 clients files to indicate that the client was seen by their service coordinator as required by Department of Mental Health and Regional Center guidelines. As a result, these clients' Individual Habilitations Plans were not reviewed or updated.

WE RECOMMEND Regional Center management:

A. Periodically conduct quality control reviews at community placement facilities to ensure Regional Center clients are receiving quality services and that the facility is in compliance with contract provisions.

B.1. Perform periodic tests of vendor invoices to ensure adequate documentation exists to support amounts billed on behalf of Regional Center clients. In addition, Regional Center management should investigate the discrepancies we noted and determine if monies should be recouped.

2. Require changes to First Steps authorizations be approved by the appropriate management. In addition, Regional Center management should ensure that each client's individual habilitation plan accurately reflects all services to be provided to the client.

3. Ensure that all clients are seen by their respective service coordinators as required by departmental guidelines.

AUDITEE'S REPONSE

A. The DMRDD agrees. The St. Louis Regional Center has developed a process to pro-actively monitor quality of care and services provided by community placement providers on a periodic basis.

B.1. The DMRDD agrees. The St. Louis Regional Center has developed a monitoring tool to conduct billing reviews on a periodic basis and recoup monies, when appropriate.

2. The DMRDD agrees. The appropriate management approval shall be obtained and habilitation plans shall accurately reflect all services to be provided.

3. The DMRDD agrees. Clients must be seen by their service coordinator in compliance with state guidelines. St. Louis Regional Center will implement a policy by May 1, 2002, to periodically monitor client visits by service coordinators.

6. Payroll Procedures

A. Procedures for documenting employees' actual time worked are inadequate. A weekly attendance sheet with each employee's name is maintained at each Regional Center building. Employees are required to record their daily arrival and departure times on the weekly attendance sheet; this sheet must be signed at the end of the week. We noted the following concerns relating to attendance sheets:

1) Employees do not always document time worked. Three employees did not record arrival or departure times for a total of ten days during the month of August 2001, and these employees did not use leave for these days. The Regional Center assumed these employees were working on those days and were fully compensated. One day, we noted that some employees were at work but did not record their arrival time on the attendance sheet. Also, we reviewed an attendance sheet at 10:30 a.m. one morning and noted that one employee had already recorded a departure time of 2:00 p.m. for that day.

2) There is a lack of supervisory review of time worked. Attendance sheets were not signed by employees' supervisors in at least two of the five Regional Center buildings.

Accurate documentation of time worked and a supervisory review of this documentation are necessary to ensure time worked is adequately supported and employees are paid correctly.

B. Procedures for tracking employees' leave balances are inadequate and do not allow personnel to detect errors. Employees are required to submit a time and attendance input record, or exception sheet, to the timekeeper when using annual, sick, or other types of leave. The timekeeper records the exception information to the state's accounting system, which updates employees' leave balances. If no exceptions are keyed, the system will generate a regular payroll check for each employee. During our review of leave balances, we noted:

1) Payroll and timekeeping personnel do not compare attendance sheets to exception sheets. The lack of this comparison has resulted in at least some errors. For example, two employees recorded "vacation" on the attendance sheet for one day in March 2001 and August 2001. However, neither employee completed an exception sheet. As a result, these hours were not deducted from the employees' leave balances, and no one noted the errors.

2) We noted inaccuracies with leave balances on 6 (60 percent) of 10 employee files reviewed. In these cases, we either could not determine how leave balances were calculated, based upon documentation in the file and the leave accrual policy, or the employee took leave and it was not deducted from their balance.

C. Procedures for monitoring and controlling the accrual and use of compensatory time are inadequate. Employees record compensatory time earned and used on the exception sheets that are submitted to the timekeeper. The information is then recorded to the state's accounting system where compensatory balances are maintained. We noted the following concerns relating to compensatory time:

1) Compensatory balances are not adequately monitored. There is no written policy regarding compensatory time. Payroll personnel indicated that employees should not accrue more than a total of 80 hours. However, a report of compensatory balances, dated April 2001, indicated that seven employees' balances exceeded the maximum; the highest balance was 374 hours.

2) Compensatory time is accrued without prior approval. Employees accrue compensatory time at their discretion by submitting an exception sheet to the timekeeper indicating the hours earned. Employees are not required to get supervisory approval prior to accruing these hours. The following illustrates examples where compensatory time was accrued:

   a) One employee submitted an exception sheet indicating that she arrived to work at 6:40 a.m. each morning for several days. Twenty minutes of compensatory time was accrued each of these days.

b) During one day, another employee used 4 hours of compensatory time from 8:00 a.m. until noon, worked from 1:00 p.m. until 5:30 p.m., and accrued 30 minutes of compensatory time for working later than 5:00 p.m.

A report dated April 2001, indicated that the balance of all employees' compensatory time totaled more than 3,900 hours. This balance appears excessive, and its accumulation is likely a result of the unreasonable accrual of compensatory time as noted above.

WE RECOMMEND Regional Center management:

A.1. Ensure all employees accurately document actual time worked.

2. Perform a documented review of weekly attendance sheets.

B.1. Require timekeepers to compare attendance and exception sheets. In addition, Regional Center management should ensure that discrepancies noted in employees' leave balances are corrected.

2. Ensure timekeeping personnel properly account for and adjust individual leave balances as necessary.

C.1. Monitor compensatory balances and appropriately reduce those employee balances exceeding the maximum allowable hours.

2. Develop a formal policy to outline procedures for the proper accrual and use of compensatory time.

AUDITEE'S REPONSE

A. The DMRDD agrees. The St. Louis Regional Center has implemented procedures to document actual work time and perform a weekly review of the attendance sheets.

B. The DMRDD agrees. The St. Louis Regional Center has developed procedures for timekeepers to compare attendance and exception sheets and reconcile individual leave balances.

C. The DMRDD agrees. The St. Louis Regional Center Human Resources will monitor compensatory balances to ensure the balances do not exceed the maximum allowable hours. They have developed and implemented a formal policy for the accrual and use of compensatory time.

7. Credit Card Procedures

Procedures for monitoring credit card purchases are inadequate. A credit card is assigned to each Regional Center vehicle to be used for fuel purchases and emergency repair costs. During the years ended June 30, 2001 and 2000, total credit card purchases totaled $13,531 and $8,539, respectively. During our review of credit cards, we noted the following concerns:

A. Credit card receipt slips are not reconciled to the credit card invoice before payment is made. When employees use the state vehicles, they obtain a packet that contains the vehicle key, log, and credit card. Employees are asked to place all credit card receipts in this packet upon their return. However, the receipt slips are never forwarded to the accounts payable department so that personnel can match them to the credit card invoice. As a result, personnel cannot be assured that credit cards are only used for reasonable and proper purchases. For example, we reviewed a credit card invoice for February 2000, totaling $1,008, and identified the following examples of possible misuse:

1) One credit card was used to purchase 23.7 gallons of diesel fuel. Several days later, this same card was used to purchase 19.7 gallons of unleaded fuel. Credit cards are assigned to specific vehicles, and a single vehicle cannot use both types of fuel. Furthermore, management stated that no Regional Center vehicles use diesel fuel. No explanation could be given for the purchase.

2) Another credit card was used to make a non-fuel purchase of $83. Accounts payable personnel stated that purchase was “probably” for a tire; however, there was no supporting documentation for this purchase.

3) One credit card was used to purchase 12.1, 11.0, and 11.2 gallons of fuel in the St. Louis area within three consecutive days in February 2000. There were other similar consecutive purchases made in the St. Louis area on the same invoice. Management could not provide vehicle logs for February 2000, so we could not determine the location or purpose of each trip or the employee who made the credit card purchases. While it is possible that the vehicles were used for long trips, these types of purchases should be noted and questioned by the individuals reviewing the invoices to ensure the credit cards are only used to fuel state-owned vehicles.

In the instances noted above, accounts payable personnel processed these payments without questioning any of these unusual purchases.

B All credit cards are not adequately safeguarded. At one Regional Center location, the packets containing credit cards are placed on a shelf immediately inside the doorway of a public entrance. At a second location, the credit cards are placed on a table that is accessible to anyone who enters the Regional Center.

Credit cards should not be kept in a location that is easily accessible. Management should keep the credit cards in a secure location until a vehicle is checked-out by an employee.

WE RECOMMEND Regional Center management:

A. Ensure that credit card receipt slips are reconciled to the credit card invoice before payment is made. In addition, Regional Center management should ensure that purchases are scanned and any unusual purchases are investigated prior to payment.

B. Maintain all credit cards in a secure location. Consideration should be given to assigning the responsibility for securing credit cards to a specific employee at each location.

AUDITEE'S REPONSE

A. The DMRDD agrees. The St. Louis Regional Center implemented a process to reconcile gasoline credit card invoices to the credit card monthly statement and investigate unusual purchases as of March 15, 2002.

B. The DMRDD agrees. The St. Louis Regional Center is maintaining all gasoline credit cards in a secure location as of March 15, 2002.

8. Cellular Telephone Policies and Procedures

Regional Center management has not adopted a formal cellular telephone policy to address the usage and monitoring of cellular telephones. As of June 30, 2001, the Regional Center owned 17 cellular telephones. Total cellular telephone expenditures were $11,550 and $9,521 for the years ended June 30, 2001 and 2000, respectively. We noted the following concerns relating to cellular telephones:

A. Numerous cellular telephone invoices are not reviewed for personal calls. Normally, accounts payable personnel copy cellular invoices and send them to the individual users so that personal calls can be identified. However, we noted the following inconsistencies with this procedure:

1) One employee often did not review or return her cellular telephone invoice to the accounts payable department. During a review of the invoices for this telephone, we noted that during one month this employee used her cellular telephone a total of 2,813 minutes, or 47 hours. This invoice was paid without any review.

2) Another employee verbally indicated to accounts payable staff that her cellular telephone is never used for personal calls. Therefore, accounts payable personnel do not send invoices to this employee for review. These invoices are simply paid each month without review.

3) Three cellular telephones are pool telephones that are used by numerous employees. No one is responsible for reviewing these invoices for personal telephone calls before they are paid.

Also, we noted that accounts payable personnel do not request reimbursement for personal calls in a timely manner. In many cases, personal telephone charges were allowed to accumulate for as much as eight months before the employee was required to submit payment.

Effective and thorough reviews of telephone charges are necessary to control costs and to eliminate waste and inappropriate use of state funds.

B. Employees' cellular telephone packages are not periodically reviewed. Regional Center management has made changes when they were notified of obvious problems with the package, but usage is not monitored on a continual basis. When reviewing six cellular telephone invoices, we noted five users exceeded the minutes provided by their cellular package, incurring additional costs for each minute used. For example, one user's monthly package cost was $28; however, because package minutes were exceeded, the total invoice was $328.

A periodic review of cellular telephone usage is necessary to ensure that the Regional Center is receiving the best economical value. In addition, unusual usage patterns could help management detect personal, unreasonable or unnecessary use of cellular telephones.

C. Discrepancies were noted on the listings of cellular telephone users. Accounts payable personnel maintain a listing of individual cellular telephone users so that copies of the invoices can be sent for review. We noted instances where the employee names on this listing did not agree to the listing which management maintains. In addition, it appears that all names and cellular telephone numbers were not included on the accounts payable department's listing.

A complete and accurate listing of all cellular telephones is necessary to ensure proper control over state property.

The Department of Mental Health updated its policy, DOR 1.125, on use of cellular telephones. The updated policy, made effective on October 1, 2001, establishes specific requirements for all departments within the agency. The Regional Center should comply with this policy.

WE RECOMMEND Regional Center management fully comply with the departmental cellular telephone policy. Particular emphasis should be given to ensuring that changes are made in the areas of effectively and thoroughly reviewing cellular telephone charges and usage, as well as ensuring accurate and complete records are maintained of all cellular telephone users and equipment.

AUDITEE'S REPONSE

The DMRDD agrees. The St. Louis Regional Center implemented the Department-wide policy DOR 1.125 on use of cellular telephones. The policy went into effect October 1, 2001.

9. General Fixed Asset Policies and Procedures

A. Proper vehicle information is not adequately maintained at all Regional Center locations. The Regional Center owns 18 vehicles that are used by employees for business travel and providing assistance to clients. These vehicles are located at four different Regional Center locations. During our review of vehicles, we noted the following concerns:

1) Vehicles usage logs were not always complete. Regional Center policy requires employees to document information such as date, odometer reading, time, name, purpose, and location for each trip in a state vehicle. However, actual logs did not always indicate the operator's name or the purpose of the trip.

   In addition, at one location vehicle usage logs are not maintained for two state vehicles. These vehicles are assigned to two employees at that location; however, the vehicles can also be used by other employees.

   Vehicle logs are necessary to ensure that state vehicles are properly used for business purposes.

2) Vehicle fixed asset records contained discrepancies and errors. A listing of all state vehicles, including the description and location of each vehicle, is maintained by personnel. The location of two state vehicles was incorrectly recorded on this record. In addition, the recorded license plate number of one vehicle did not match the actual vehicle's license plate. It appears this was a recording error.

B. The general fixed asset listing contained inaccuracies. Currently, this listing is maintained by an employee at the Bellefontaine Habilitation Center. However, for several years prior to May 2001, the listing was maintained by personnel within the Regional Center’s payroll department. We noted the following concerns relating to general fixed assets:

1) Some items on the general fixed asset listing could not be found at the Regional Center. These items included an executive chair and a computer. After two days of searching, Regional Center personnel located the chair at another Regional Center location and the computer in an attic at the Bellefontaine Habilitation Center.

2) Physical inventories of general fixed assets are not performed. State regulation 15 CSR 40-2.031 indicates that an annual physical inventory of all fixed assets should be performed and reconciled to the general fixed asset listing. According to Regional Center management, a physical inventory of the Regional Center's fixed assets was not performed for the year ended June 30, 2001.

3) General fixed asset records do not properly indicate the date of acquisition. While an acquisition date is recorded, it represents the date when the items were recorded to the computer system. For example, an acquisition date of May 2001 was recorded for one computer, but personnel indicated the computer was at least five years old.

Adequate general fixed asset records are necessary to secure better internal controls over property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with taxpayer monies are properly utilized.

WE RECOMMEND Regional Center management:

A.1. Ensure vehicle usage logs are accurately completed for all vehicles in accordance with Regional Center policy.

2. Ensure an accurate and up-to-date listing of all state vehicles is maintained.

B.1. Ensure that the general fixed asset listing includes accurate information for all Regional Center assets.

2. Perform an annual physical inventory of assets in accordance with State regulation.

3. Ensure the actual acquisition date be included on the general fixed asset listing. In addition, Regional Center management should ensure that procedures are in place to add new assets to the general fixed asset listing in a timely manner.

AUDITEE'S REPONSE

A.1. The DMRDD agrees. The St. Louis Regional Center implemented the use of vehicle logs in accordance with the Regional Center policy.

2. *The DMRDD agrees. The St. Louis Regional Center is maintaining an accurate listing of all their state vehicles.*

B.1. *The DMRDD agrees. The St. Louis Regional Center general fixed asset listing shall include accurate information for all Regional Center assets.*

2. *The DMRDD agrees. The St. Louis Regional Center shall conduct an annual physical inventory in accordance with State regulation.*

3. *The DMRDD agrees. The St. Louis Regional Center shall develop a process to ensure the actual acquisition date is included on the general fixed asset listing and new assets are entered into the general fixed asset listing in a timely manner. This will be phased in and completed by July 31, 2002.*

This report is intended for the information of the management of the St. Louis Regional Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

The St. Louis Regional Center (SLRC) is one of eleven regional centers established by the Department of Mental Health. The objective of the facility is to provide, procure, or purchase comprehensive services for the mentally retarded, cerebral palsied, epileptic, autistic, and learning disabled residents of St. Louis City, St. Louis County, Jefferson County, and St. Charles County. The facility's operations began on May 14, 1973. Office spaces are leased at 211 North Lindbergh, 59th & Arsenal, and 220 South Jefferson. Satellite offices are maintained in the cities of St. Charles and Festus.

The facility serves as the entry and exit point for securing comprehensive mental retardation and developmentally disabled services for clients of the Department of Mental Health whose parents or guardians reside in the region identified above.

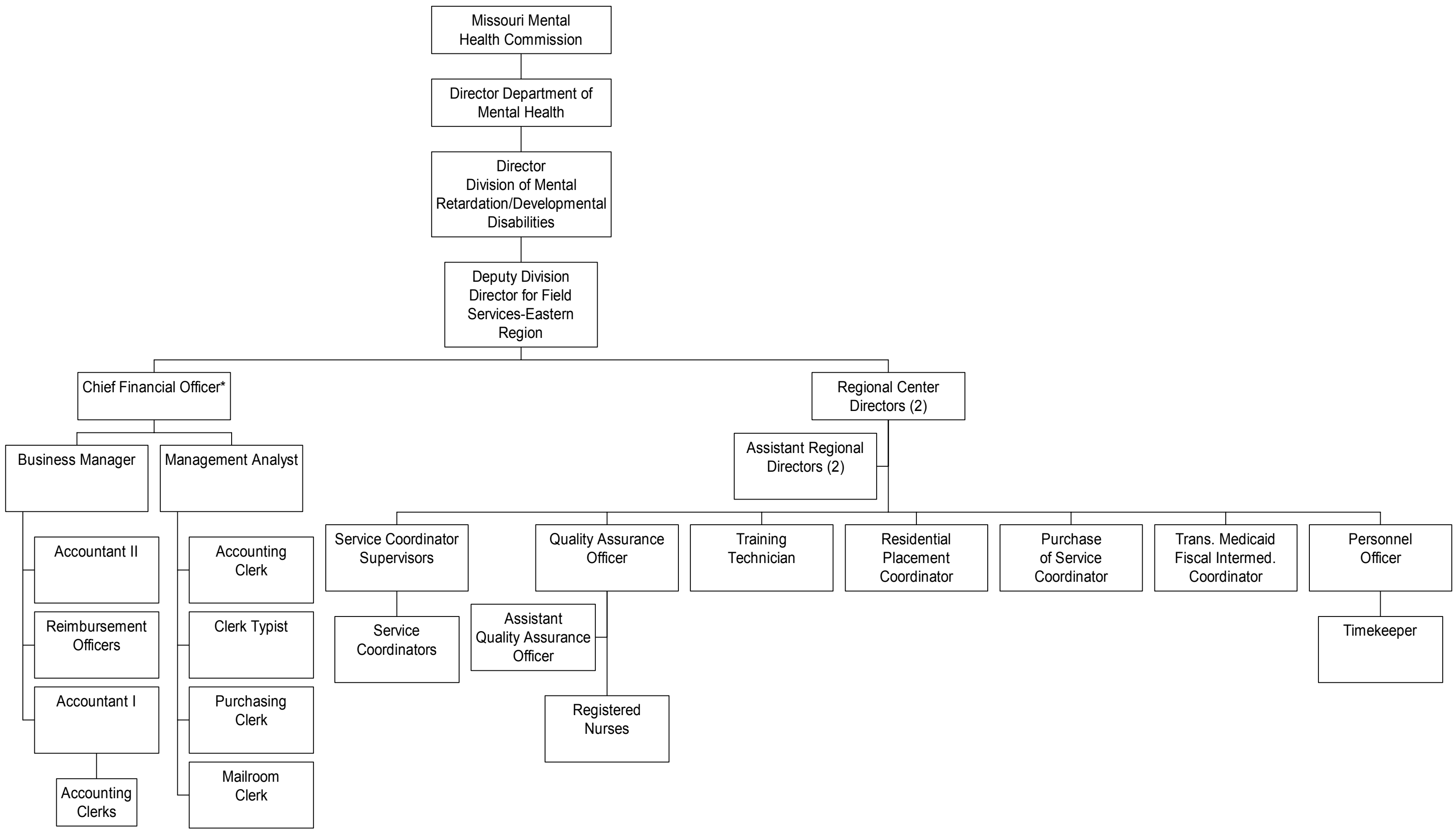
The facility is a focal point from which a developmentally disabled individual and family are directed to all essential services required to meet the needs of the client. The facility's staff, working in cooperation with the family, area organizations, state-operated habilitation centers, community placement facilities, and other service vendors, plans and provides for lifetime services to meet the needs of the clients. As of June 30, 2001, the facility had an active caseload of approximately 10,059 clients and employed approximately 265 personnel assigned to various administrative, service, and support sections.

The St. Louis Regional Center, St. Louis Developmental Disabilities Treatment Centers, and the Bellefontaine Habilitation Center make up the Department of Mental Health Region XI. The consolidation of these facilities was initiated in fiscal year 1989 to enhance efficiency among the data processing, accounting, and record keeping departments. This audit reports only on the management practices and operations of the St. Louis Regional Center. Separate audit reports will be issued for the remaining two facilities.

In December 2000, Dr. Ann Deaton became the Director of the Division of Mental Retardation and Developmentally Disabilities. At June 30, 2001, Dr. Ralph J. Sneed serves as Deputy Division Director for Field Services, Eastern Region, and is responsible for supervising and coordinating operations of the three facilities. Jennifer Wooldridge and Suzanne Wells serve as St. Louis Regional Center Directors.

An organization chart and statistical data follow:

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
JUNE 30, 2001



*The Chief Financial Officer was hired in November 2001

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
STATISTICAL DATA

	Year Ended June 30,	
	2001	2000
Service Coordinators	173	140
Clients	10,059	9,150
Ratio of Service Coordinators		
To Clients	1:58	1:65
Providers:		
Community Placement	89	91
Purchase of Service	163	154
Medicaid Waiver	127	120
Total Providers	379	365

Appendix A

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES (See Note)

		Year Ended June 30,					
		2001			2000		
		Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE							
Personal Service and/or Expense and Equipment	$	3,769,718	3,736,127	33,591	3,950,102	3,925,877	24,225
Expense and Equipment		372,521	372,521	0	0	0	0
Total General Revenue Fund - State	$	4,142,239	4,108,648	33,591	3,950,102	3,925,877	24,225

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the State Treasurer, as fund custodian, and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. During 2000, only one appropriation was made for Personal Service, Expense, and Equipment. During 2001, separate appropriations were made to the St. Louis Regional Center. This schedule does not represent all expenditures of the facility. Some expenditures relating to state facilities are charged to department-wide appropriations and are not identified by facility. Expenditures charged to department-wide appropriations that are identified to St. Louis Regional Center are noted in Appendix B.

Appendix B

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
		2001		2000	
		Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For SLRC	Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For SLRC
Personal Service	$	3,736,127	3,660,397	3,498,746	2,990,068
Travel and Vehicle Expenditures		53,598	194,730	60,604	155,922
Institutional Supplies		133,546	189,349	158,985	98,872
Professional Services		86,965	167,968	93,033	39,478
Office and Communication Equipment		92,670	79,239	59,190	5,963
Building and Equipment Lease Payments		2,028	882,762	32,337	855,284
Program Expenditures		1,238	38,447,205	0	33,649,881
Miscellaneous Expenditures		2,476	203	22,981	37,132
Total General Revenue Fund - State	$	4,108,648	43,621,852	3,925,877	37,832,600

Appendix C

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
COMPARATIVE STATEMENT OF CLIENT RECEIPTS, DISBURSEMENTS, AND CASH BALANCES (FROM NON-APPROPRIATED FUNDS)(See Note)

	Year Ended June 30,	
	2001	2000
CASH BALANCE, JULY 1	$ 771,277	868,486
RECEIPTS	8,608,992	7,572,934
DISBURSEMENTS	8,617,328	7,670,143
CASH BALANCE, JUNE 30	$ 762,941	771,277

Note: The receipts and disbursements presented in this schedule include client benefits, Choices for Families, and Family Directed Service monies. Choices for Families and Family Directed Service monies are department-wide appropriations but are accounted for in the Non-Appropriated Funds System with client monies. At June 30, 2000, the Choices for Families fund owed $71,422 to client funds. The balance presented at June 30, 2001, includes Choices for Families monies totaling $125,477.

Appendix D

DEPARTMENT OF MENTAL HEALTH
ST. LOUIS REGIONAL CENTER
COMPARATIVE STATEMENT OF MENTAL HEALTH TRUST FUND RECEIPTS,
DISBURSEMENTS, AND CASH BALANCES (FROM SENATE BILL 40 TAX)

	Year Ended June 30,	
	2001	2000
CASH BALANCE, JULY 1	$ 531,478	470,851
RECEIPTS	1,159,417	965,541
DISBURSEMENTS	1,593,887	904,914
CASH BALANCE, JUNE 30	$ 97,008	531,478

Note: Vendors of the St. Louis Regional Center provide services to numerous clients who are also affiliated with the St. Charles County and Jefferson County Senate Bill 40 Boards. The costs of these services are initially paid by the state's Medicaid program. The receipts in the schedule above represent reimbursements made by the two Senate Bill 40 Boards for a percentage of the costs. The disbursements represent the St. Louis Regional Center's match which is paid to the state's Medicaid program.

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