



October 29, 2008

To Interested Parties:

In January 2008, the Department of Finance Office of State Audits and Evaluations (OSAE) released the report entitled, "Department of Mental Health- Internal Control Review." Attached is the Department of Mental Health's (DMH) 2008 update to the Internal Control corrective action plan. These updates reflect DMH's continued commitment to tracking and implementing the corrective actions.

For the first time in our corrective action plan documentation, DMH is reporting on specific, individual Hospital and Psychiatric program progress. These reports are in attachments B-H.

DMH has also successfully completed many corrective actions, including:

- The DMH Administration and Fiscal Division has completed a desk manual for the following specific accounting areas: Accounts payable, accounts receivable, federal grants, travel, encumbrances, special projects, claims schedules and contracts. **(Headquarter Observation 2A-2C)**
- DMH upgraded the Information Security Officer position to a Systems Software Specialist III, emphasizing the importance of the role, and revised the reporting structure to provide Directorate accessibility and reporting. **(Headquarter Observation 3A)**
- Information access to consultants/contractors is given upon supervisor approval; forms MH3269 and MH3004 are required to be submitted upon entrance and exit, respectively. **(Headquarter Observation 3F)**
- The DMH Contracts and Procurement Section instituted a standardized process in March 2008 to ensure the objectivity of bid ranking. Upon submission of any contract request, the Contracts and Procurement Section will convene a panel of the appropriate parties. It has been determined that evaluation panels are required during all Request for Proposals (RFP). All major contracting is centralized at headquarters. The Contracts and Procurement Section will direct all evaluations, conduct solicitations and contacts. **(Headquarter Observation 5C)**

Attachment A: DMH Headquarters Internal Control Review Corrective Action Plan (October 2008)

Attachment B: Atascadero Internal Control Review Corrective Action Plan

Attachment C: Coalinga Internal Control Review Corrective Action Plan

Attachment D: Metropolitan Internal Control Review Corrective Action Plan

Attachment E: Napa Internal Control Review Corrective Action Plan

Attachment F: Patton Internal Control Review Corrective Action Plan

Attachment G: Salinas Valley Internal Control Review Corrective Action Plan

Attachment H: Vacaville Internal Control Review Corrective Action Plan

- Separation of duties has been implemented for the safeguarding of the DMH Headquarters check signing machine and the signature plate. The machine and signature plate have been placed in a locked room with restricted access to specific individuals. Policies and procedures have been implemented and are outlined in specific reference desk manuals and the general Financial Management and Accounting section. **(Headquarter Observation 6B)**
- The DMH Fiscal Management and Accounting Section distributed to all deputy directors, division managers and section chiefs the annual year-end financial statements workplan outlining the schedule of expenditures and liabilities deadlines. The plan incorporates accrual and encumbrance's validation of all transactions, as well as all pertinent disclosures related to the financial transactions and established protocol. **(Headquarter Observation 7)**
- A standardized rental agreement has been developed for the four state hospitals with state-owned housing (SOH) that was implemented March 13, 2008. These rental agreements contain 44 elements (terms), including rent and utility rates. State hospitals will ensure that appropriate rent and utilities are charged and all rental agreement terms are enforced. **(Hospital Issue 5A)**
- DMH Accounting has developed a checklist indicating steps in processing invoice payments to ensure all required documents such as receipts or invoices, purchase orders, and receiving documents are present in order to affect the issuance of payment for Cal Card, Voyager, and vendors. Accounting will review and assess the need to revise procedures to ensure compliance. General Services will provide ongoing training and additional information for Cal Card users to ensure adherence to State rules on an as needed basis. **(Hospital Issue 6A)**
- To ensure proper reporting of accrued expenditures DMH Hospitals will conduct the annual Fiscal Officer's meeting to discuss year-end issues, including expenditure accruals. The Accounting Supervisor will attend the Department of Finance -CalSTARS annual Year-end Training. A year-end close/open plan will be established. Accounting staff have been trained on proper accrual methods and CalSTARS entries. Lastly, Accounting Supervisors will review and validate accounts receivables, encumbrances, and expenditures accruals. **(Hospital Issue 8)**

In October 2008, this reporting and monitoring service will be transitioned to the DMH Deputy Director's responsible for Administration and Fiscal Services and Long Term Care Services. The Director's Office will maintain oversight of their efforts through the services of the new Internal Auditor.

Sincerely,

Sean Tracy  
 Chief, Strategic Planning and Policy  
 DMH Director's Office  
 (916) 651-1281

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**Attachment A**

**DMH Headquarters Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
<p><b>Headquarter Issue 1: Fiscal Integrity At Risk</b></p>	<p><i>A) Develop organizational and programmatic budgets and indirect cost allocation plan.</i></p>	<p>DMH, as of September 2008, is in the developmental phase of drafting the organizational budgets. In addition, an individual cost allocation plan is being drafted.</p>	<p>The development phase is an ongoing process. The tentative date of completion is FY 08/09. Upon completion the Administration and Fiscal Services Division will implement the organizational and programmatic budgets and the indirect cost allocation plan during the 2009/2010 calendar year.</p>	<p>Stan Bajorin , DMH Administration &amp; Fiscal Services Division; Jane Christopherson, DMH Fiscal Policy</p>	<p>FY 2008-09</p>
	<p><i>B) Improve and document the hospitals' budget projections and allocation methodologies by including appropriate cost drivers such as level of care, actual maintenance, and fixed cost.</i></p>	<p>An analysis of the state hospital's allocation methodology, budget projection, level of cost drivers, actual maintenance and fixed costs has been conducted by the Department of Finance's Office of State Audits and Evaluations. The review began in July 2008.</p> <p>An update meeting between the Department of Mental Health and the Department of Finance, Office of State Audits and Evaluation was held on September 25, 2008.</p>	<p>Trailer Bill Language requires that DMH issue a response to the Legislature in November 2008.</p> <p>DMH will modify the budget methodology to better reflect each hospital's operational needs. Specifically, the current staffing model may not adequately reflect hospital workload; overtime allocation does not include the Coleman and Plata pay increases; and the annual OE&amp;E allocation is insufficient; cost savings from personal services are used to offset OE&amp;E deficits.</p>	<p>Stan Bajorin , DMH Administration &amp; Fiscal Services Division; Cindy Radavsky, DMH Long Term Care Services; Jane Christopherson, DMH Fiscal Policy</p>	<p>1/1/2009 <b>(Item deferred until OSAE completes the review and analysis.)</b></p>
	<p><i>C) Ensure maintenance funding is adequate, develop criteria and methodologies to prioritize funding for hospitals, and perform onsite reviews of major special repair projects.</i></p>	<p>OSAE preliminarily identified that the state hospital budget methodology is reasonable, the calculations are accurate, and the data is supported.</p>	<p>The OSAE draft report is expected to be issued in November 2008 and the final report in December 2008. Remediation efforts will be implemented post completion of the OSAE review.</p>		

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<p><b>(continued)</b>  <b>Headquarter Issue 1: Fiscal Integrity At Risk</b></p>	<p><b>D)</b> <i>Develop standardized policies and procedures for hospital fiscal and administrative operations to ensure consistency. Non-adherence to policies should only be granted on an exception basis.</i></p>	<p>An analysis of the state hospital's allocation methodology, budget projection, level of cost drivers, actual maintenance and fixed costs has been conducted by the Department of Finance's, Office of State Audits and Evaluations (OSAE).</p>	<p>Trailer Bill Language requires that DMH issue a response to the Legislature in November 2008.</p>	<p>Stan Bajorin ,  DMH Administration &amp; Fiscal Services Division;  Jane Christopherson,  DMH Fiscal Policy</p>	<p>1/1/2009  <b>(Item deferred until OSAE completes the review and analysis.)</b></p>
	<p><b>E)</b> <i>Determine accurate patient bed costs to ensure appropriate reimbursements from the counties and CDCR.</i></p>	<p>The review began in August 2008. An update meeting between the Department of Mental Health and the Department of Finance's, OSAE was held on September 25, 2008.</p> <p>OSAE found that the state hospital budget methodology is reasonable, the calculations are accurate, and the data is supported.</p>	<p>DMH will modify the budget methodology to better reflect each hospital's operational needs. Specifically, the current staffing model may not adequately reflect hospital workload; overtime allocation does not include the Coleman and Plata pay increases; and the annual OE&amp;E allocation is insufficient; cost savings from personal services are used to offset OE&amp;E deficits.</p> <p>The OSAE draft report is expected to be issued in November 2008 and the final report in December 2008. Remediation efforts will be implemented post completion of the OSAE review.</p>		
	<p><b>F)</b> <i>Require Budget Office approval for all budget documents and institute fiscal monitoring practices to ensure expenditures are appropriately charged to the correct funding source.</i></p>		<p>Regarding the year-end process, technical assistance for processing Budget Revisions pursuant to the BBL for category transfer between schedules will be sought as needed through the DMH Budget Unit.</p>		
	<p><b>G)</b> <i>Monitor hospital expenditures at the program element level and determine if a budget revision is necessary.</i></p>		<p>The OSAE analysis is expected to be completed in October 2008. Trailer Bill Language requires the DMH to respond to the Legislature by November 2008.</p>		

**Final Report: California Department of Mental Health - Internal Control Review PROCESSING CORRECTIVE ACTION PLAN**

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<p><b>Headquarter Issue 2: Inadequate Cash Flow Management</b></p>	<p><i>A) Ensure accounting staff have the necessary information to perform their duties effectively and efficiently. Provide training on federal cost accounting principles and programs (e.g., the Office of Management and Budget Circular A-87 and Social Security Act program requirements).</i></p>	<p>The review and assessment of the accounting and fiscal systems current state of processes that began in March 2008 has been completed.</p> <p>Desk manuals have been completed for the following specific accounting areas: Accounts payable, accounts receivable, federal grants, travel, encumbrances, special projects, claims scheduled and contracts.</p> <p>In addition, to the completion of desk manuals, a complete accounting procedures manual for the section as a whole was implemented in August 2008, establishing desk procedure processes.</p>	<p>All Accounting staff will be sent to training based on dates that our to be determined at a later date by the federal agency's Grant Cost Accounting training program.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH Financial Services Management</p>	<p>8/2008</p> <p><b>Complete- Training is Ongoing</b></p>
	<p><i>B) Develop policies and procedures for timely billing, collecting, and writing-off receivables and ensure all costs billed are proper and supported.</i></p>	<p>The Financial Services and Management Accounting Unit has implemented the newly developed, streamlined process for the Billing section.</p> <p>Policies and procedures were fully documented into desk manuals in August 2008 and have been fully implemented.</p>	<p>DMH has accepted recommendations and implemented corrective actions.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH ; Janet Delorey, DMH</p>	<p>8/2008</p> <p><b>Complete</b></p> <p>Training is Ongoing</p>

**Final Report: California Department of Mental Health - Internal Control Review PROCESSING CORRECTIVE ACTION PLAN**

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<p><b>(continued)</b>  <b>Headquarter</b>  <b>Issue 2:</b>  <b>Inadequate</b>  <b>Cash Flow</b>  <b>Management</b></p>	<p><i>C) Reconcile billing amounts to source data</i></p>	<p>The Explanation of Balance (EOB) was reconciled to the Approved Summary Report (ASR). Policies and procedures have been implemented to address discrepancies. Discrepancies in claims schedule data received from adjudicated claims will be forwarded to the DMH Information Technology Application Development section.</p> <p>Staff duties and responsibilities as well as policies and procedures have been documented in desk procedures manuals and was completed in August 2008.</p>	<p>DMH has accepted recommendations and implemented corrective actions.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH ; Janet Delorey, DMH</p>	<p>8/2008</p> <p><b>Complete</b></p> <p>Training is Ongoing</p>
	<p><i>D) Use the approved indirect billing rate and adjust the Treatment Authorization Appeal Review fees annually to ensure adherence to full cost recovery principles.</i></p>	<p>The Financial Services Management Unit is in the process of adjusting fees to adhere to full cost recovery principles utilizing the approved indirect billing rate to institutionalize the process.</p>	<p>The Financial Services Management Unit has identified December 2008 as the tentative date for full implementation of recommendations. This effort is still ongoing and as of October 2008 has not yet been completed.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH ; Janet Delorey, DMH</p>	<p>12/1/2008</p>

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<b>Headquarter Issue 3: Reporting Structure of the Information Security Officer (ISO) is Ineffective</b>	<b>A) Emphasize the importance of the ISO's role, revise the reporting structure of the ISO to provide Director accessibility and consider modifying the position to have a "confidential" designation.</b>	<p>To emphasize the importance of the ISO's role the DMH Legal Unit modified the classification of the position to Systems Software Specialist III (SSS III).</p> <p>The reporting relationship has been modified to report to DMH Chief Legal Counsel, CEA 4 and this position is designated "confidential."</p>	<p>DMH has implemented corrective actions.</p>	<p>Cynthia Rodriguez, DMH Legal; Aaron Jones, DMH Information Security Officer</p>	<p>5/30/2008</p> <p><b>Completed</b></p>
	<b>B) Institute and IT Risk Management Plan and update it on a regular basis.</b>	<p>The Information Security Plan(ISP) is currently being developed by the DMH Information Security Office</p> <p>The ISP includes an IT Risk Management Plan. The Risk Management section is under development and will require the implementation of new processes including: security patch management, vulnerability management, threat management, data leakage, system inventory, configuration management, and application security</p>	<p>The institution of the IT Risk Management Plan will require new Enterprise functions and processes to be developed within the Department, including: system testing, security patch management, vulnerability management, threat management, data leakage prevention, system inventory, configuration management, and application security.</p> <p>The ISP is scheduled to be completed October 2008.</p> <p>Full implementation and institution of the IT Risk Management Plan is scheduled to be completed October 2009.</p>	<p>Cynthia Rodriguez, DMH Legal; Aaron Jones, DMH Information Security Officer</p>	<p>10/1/2009</p>
	<b>C) Complete and submit all reports in accordance with the SAM and SIMM requirements.</b>	<p>The Operational Recovery Plan (ORP) is being actively updated and will be submitted to OISPP on November 28th, 2008.</p>	<p>The Information Security Plan (ISP) and the Risk Management Certification are currently being drafted and will be submitted upon completion.</p> <p>Please contact the DMH Information Security Officer, Aaron Jones regarding the Annual Information Security Risk Management Certification (SIMM70C) Non-Compliant Corrective Action Plan.</p>	<p>Cynthia Rodriguez, DMH Legal; Aaron Jones, DMH Information Security Officer</p>	<p>11/30/2008</p>

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<p><b>(continued)</b>  <b>Headquarter Issue 3: Reporting Structure of the Information Security Officer (ISO) is Ineffective</b></p>	<p><b>D) Locate an adequate recovery site for headquarters or properly equip NSH to ensure successful recovery operations.</b></p>	<p>DMH has taken the recommendation into consideration and will be reviewing the issue as an ongoing process.</p>	<p>DMH will transition critical systems from HQ to DTS COMES environment. A Privacy and Security Advisory Committee Charter is being developed to address enterprise security issues such as this. Once approved, the PSAC will create a Task Force to evaluate existing IT infrastructure, and to determine if an appropriate HQ warm/cold site could/should be built as an alternate DMH location, or if a contract with DTS or a vendor should be developed instead.</p>	<p>Cynthia Rodriguez,  DMH Legal;  Aaron Jones,  DMH Information Security Officer</p>	<p>12/31/2008</p>
	<p><b>E) Classify data to protect against unauthorized access.</b></p>	<p>The DMH Information Security Officer has drafted an action plan regarding asset protection.</p> <p>There are currently no formal policies or processes to identify data owners, custodians, users, or classification of information.</p> <p>For further information regarding the DMH Annual Information Security Risk Management Certification corrective action plan for non-compliant components please refer to Aaron Jones, Information Security Officer.</p>	<p>The development of necessary policies and staff support for a data inventory and classification project and identification of an executive sponsor is ongoing.</p>	<p>Cynthia Rodriguez,  DMH Legal;  Aaron Jones,  DMH Information Security Officer</p>	<p>01/2009</p>
	<p><b>F) Restrict consultant access to files necessary for contracted tasks and promptly modify or remove access upon completion of the contract.</b></p>	<p>To ensure access restriction, upon the start date of each programmer, administrator and/or consultant an access form will be completed and upon exit the Exit Clearance Form MH3004 will be submitted to IT Unit managers.</p> <p>Information access to consultants/contractors is given upon supervisor approval and submission of form MH3269 for new contractors/consultants.</p>	<p>DMH has implemented corrective actions.</p>	<p>Denise Blair,  DMH Information Technology</p>	<p>4/30/2008  <b>Completed</b></p>

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<p><b>(continued)</b>  <b>Headquarter Issue 3: Reporting Structure of the Information Security Officer (ISO) is Ineffective</b></p>	<p><b>G)</b> <i>Modify database administrators' programming rights to ensure adequate separation of duties.</i></p>	<p>Assessment performed to ensure more than one network and/or database employee have access to each DMH system and adequate separation of duties exist.</p> <p>A manual separation of duties has been instituted for both programmers and administrators.</p> <p>Policy requires that consultants document the entire project and provide training and transfer knowledge to DMH staff through shadowing and/or documented training sessions.</p>	<p>The formalized process has been delayed due to LAN infrastructure which will better facilitate the implementation of formal separation of duties.</p>	<p>Denise Blair, DMH Information Technology</p>	<p>01/2009</p> <p><b>Action Not Complete - Target Date Extended from 10/30/2008</b></p>
	<p><b>H)</b> <i>Remove separated employees from the CALSTARS Security File and modify employee access to ensure fiscal data integrity.</i></p>	<p>The Financial Services Management Fiscal Systems Unit reviewed and updated employee's access to CALSTARS according to their role within fiscal administrative operations.</p> <p>Separated/former accounting employees who had access were removed.</p>	<p>The DMH Financial Services Management staff will conduct ongoing reviews every six months and modify employee access as needed to ensure fiscal data integrity.</p>	<p>Sara Murillo, DMH Financial Management</p>	<p>2/15/2008</p> <p><b>Completed - Ongoing</b></p>

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<p><b>Headquarter Issue 4: Project Management Practices Do Not Meet Minimum Requirements</b></p>	<p><i>A) Develop and document policies and procedures for IT functions. Institute minimum project management practices to support successful projects.</i></p>	<p>The DMH Information Technology Division (IT) has begun to provide IT staff training regarding current IT functions policies and procedures.</p> <p>The DMH IT Division is reviewing and documenting the assessment of current policies and procedures. Discussions have been scheduled to establish minimum standards and templates for documentation of practices.</p> <p>Additionally, IT staff are meeting with each division to establish divisional project priorities.</p>	<p>The DMH IT Division anticipates the completion of a full project methodology tool by January 20089</p> <p>Performance benchmarks development and implementation remains a priority. Due to staff and resource issues a schedule to begin efforts in April/May 2008 have been developed.</p> <p>Steps towards a full project management methodology will continue as will staff training.</p> <p>The development of an enterprise-wide tracking tool is needed to document information for each project.</p>	<p>Denise Blair, DMH Information Technology</p>	<p>6/2009</p> <p><b>Action Not Complete-Target Date Extended from September 2008</b></p>

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<p><b>Headquarter Issue 5: Inadequate Contract Development and Monitoring</b></p>	<p><b>A)</b> <i>Develop contract monitoring best practices to ensure contract managers exercise due diligence when reviewing and approving status reports and claimed costs.</i></p>	<p>The Department is developing a revised Consolidated Acquisition Manual (CAM), which includes both procurement and contracting guidelines. The CAM will outline best practices for ensuring contract managers exercise due diligence when reviewing and approving status reports and claimed costs, and will also incorporate new policies, laws, rules and procedural changes adopted since the last procurement guidelines were issued in 2005.</p>	<p>1. The final draft of the CAM is in development and will be submitted for internal review by November 14, in order to meet the Department of General Services' (DGS) request for this information by December 1, 2008.</p> <p>2. A training module will be developed and provided to contract management staff regarding status reports and claimed costs. The delivery of training is tentatively scheduled for May 2009.</p> <p>3. Full implementation of the policies and procedures throughout the Department, including State Hospitals, is scheduled for December 2009.</p>	<p>Greg Williams, DMH Admin; Cindy Radavsky, DMH Long Term Care Services; Cynthia Rodriguez, DMH Legal Division.</p>	<p>1. 12/2008</p> <p>2. 5/2009 Action not complete-Target date extended from 12/2008</p> <p>3. 12/2009 Action not complete-Target date extended from 12/2008</p>
	<p><b>B)</b> <i>Ensure critical policies and procedures are documented, revised periodically, and are communicated to employees in a timely manner.</i></p>	<p>The CAM being developed includes documented policies and procedures to address this deficiency. The CAM will also serve as a desk reference manual for contract staff, and will be revised and updated annually upon application of the delegation of purchasing authority from DGS.</p> <p>Once the CAM is submitted to DGS, the Department will begin development of a communication strategy, which will include updates to policy, training, outreach to programs throughout the department, a revision schedule, and periodic compliance audits.</p>	<p>1. The revised CAM will be posted on the intranet and distributed to users, following completion and approval.</p> <p>2. Concurrent with the development of the training module above, the headquarters Contracts and Procurement Section will begin hosting regular forums with contract coordinators and managers statewide, to disseminate policies, discuss policies and procedures, and heighten consistencies of practices throughout the Department.</p> <p>3. Communication strategy to be fully developed and implemented.</p>		<p>1. 12/2008</p> <p>2. 2/2009 Target date extended from 12/2008</p> <p>3. 2/2009 Action not complete-Target date extended from 12/2008</p>

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<p><b>Headquarter Issue 5: Inadequate Contract Development and Monitoring</b></p>	<p><i>C) Form evaluation panels to ensure the objectivity of bid ranking.</i></p>	<p>The DMH Contracts and Procurement Section instituted a standardized process in March 2008 to ensure the objectivity of bid ranking.</p> <p>Upon submission of any contract request, the Contracts and Procurement Section will convene a panel of the appropriate parties.</p> <p>It has been determined that evaluation panels are required during RFP's. All major contracting is centralized at headquarters. The Contracts and Procurement Section will direct all evaluations, conduct solicitations and contacts.</p>	<p>DMH has accepted recommendation and implemented corrective actions.</p>	<p>Greg Williams, DMH Admin; Cindy Radavsky, DMH Long Term Care Services; Cynthia Rodriguez, DMH Legal Division.</p>	<p>3/1/2008</p> <p><b>Completed</b></p>
	<p><i>D) Develop standardized contract provisions to include personnel service costs, contract budgets, positions/titles, maximum hourly rates, fringe benefits, overhead, and hours</i></p>	<p>Legal Services has received and reviewed all contracts issued for standardized boilerplate language; The Contracts and Procurement Section is currently working on standardizing forms for InformationTechnology contract provisions.</p> <p>A Process Improvement Team consisting of managment from accounting, budgets, administration, and contracts is reviewing the overall process in order to streamline and improve for DMH business approaches. A workgroup charter has been drafted which includes strategies and change proposals, and outcomes are being identified.</p>	<p>1. Revise the current contract language to include details such as schedule of tasks, deliverables, progress reports and corresponding deadlines. This issue will be addressed in a parallel effort to remediate issue 5D, 5E and 5F.</p> <p>2. A formal workgroup will be formed to include LTCS, Headquarters, and Hospitals to manage the development of standardized contract provisions; DMH will conduct research of best practices for standardized contract models.</p> <p>3. The Process Improvement Team is working on changes to be implemented in headquarters by Spring 2009, followed by an inclusion of State Hospitals in developing streamlined process improvements statewide.</p>	<p>Greg Williams, DMH Admin; Cindy Radavsky, DMH Long Term Care Services; Cynthia Rodriguez, DMH Legal Division.</p>	<p>1. 4/2009 Target date extended due to lack of resources from 11/2008</p> <p>2. 4/2009 Action not complete-Target date extended from 11/2008</p> <p>3. 4/2009 Action not complete - Target date extended from 11/2008</p>

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<p><b>Headquarter Issue 5: Inadequate Contract Development and Monitoring</b></p>	<p><i>E) Ensure all contract language includes details, such as schedule of tasks, deliverables, progress reports, and corresponding deadlines.</i></p>	<p>Currently, the DMH Contracts and Procurement Section provides a checklist in the binder of every contract to ensure that contract language includes certain details. In addition, to the checklist there is peer-to-peer review and a final review by the manager. The current process is being reviewed and will be improved upon completion of analysis.</p> <p>For low-bid contracts deliverables are outlined in the scope of work.</p>	<p>Once the review is complete a process will be developed to ensure that all deliverable-based contract language includes details, such as schedule of tasks, deliverables, progress reports, and corresponding deadlines.</p>	<p>Greg Williams, DMH Admin; Cindy Radavsky, DMH Long Term Care Services; Cynthia Rodriguez, DMH Legal Division.</p>	<p>4/2009 Action not complete - Target date extended from 11/2008</p>
	<p><i>F) Document provisions for reporting and disposition of training contract revenue.</i></p>	<p>The Department is currently in the process of developing provisions for the reporting and disposition of training contract revenue. Upon review by an internal management team, this corrective action was re-assigned to the Administration Division.</p>	<p>Upon completion the provisions will be documented. The Administration Division is working with program and contractors which may generate revenue to establish the payment/reporting processes.</p>		<p>4/2009 Action not complete-Target date extended from 5/2008</p>

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<b>Headquarter Issue 6: Inadequate Safeguarding of Assets</b>	<b>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</b>	The DMH Administration and Fiscal Services Division has reassigned and transferred incompatible duties of all pertinent users and instituted standardized policies and procedures for all fiscal and administrative operations.	DMH as accepted the recommendations and implemented corrective actions.	Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH Financial Management	7/1/2008  <b>Completed 8/2008 (After target date)</b>
	<b>B) Ensure the signature plate is removed from the check signing machine after checks are signed and safeguarded.</b>	Separation of duties have been implemented for the safeguarding of the check signing machine and the signature plate. The machine and signature plate have been placed in a locked room with restricted access to specific individuals. Policies and procedures have been implemented and are outlined in the reference desk manuals and the general Financial Management and Accounting section policies and procedures manual.	DMH as accepted the recommendations and implemented corrective actions.		12/1/2008  <b>Completed 8/2008</b>
	<b>C) Develop and communicate policies and procedures for critical processes.</b>	Critical policies and procedures have been implemented and are outlined in the reference desk manuals and the general Financial Management and Accounting sections policies and procedures manual.	DMH as accepted the recommendations and implemented corrective actions.		12/1/2008  <b>Completed 8/2008</b>
	<b>D) Review all postings to the general ledger.</b>	Policies and procedures regarding the review of all postings to the general ledger have been documented in the Financial Management and Accounting Sections policies and procedures manual.  Specifically, duties are also outlined in the reference desk manuals.	DMH as accepted the recommendations and implemented corrective actions.		12/1/2008  <b>Completed 8/2008</b>

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

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<p><b>(continued)</b>  <b>Headquarter</b>  <b>Issue 6:</b>  <b>Inadequate</b>  <b>Safeguarding of</b>  <b>Assets</b></p>	<p><i>E) Require the preparer and reviewer to sign and date reconciliations.</i></p>	<p>The review process outlines in the policies and procedures desk manual, that staff are required to review, sign and date reconciliations prior to forwarding to manager for follow-up review and approval.</p>	<p>DMH as accepted the recommendations and implemented corrective actions.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH Financial Management</p>	<p>12/1/2008   <b>Completed 8/2008</b></p>
	<p><i>F) Compare credit card charges to appropriate approvals and supporting documentation before payments are made. Report fraud to BSA and Department of Finance.</i></p>	<p>As part of the accounting process outlined in the policies and procedures desk manual, staff will compare all credit card charges to appropriate approvals and supporting documentations before payments are disbursed.</p> <p>All suspicion of fraud will be forwarded to the appropriate control agencies such as the Department of Finance and the Bureau of State Audits.</p>	<p>DMH as accepted the recommendations and implemented corrective actions.</p>		<p>12/1/2008   <b>Completed 8/2008</b></p>
	<p><i>G) Compare the SVP claimed costs to the patient approved plan of expenditures prior to payment.</i></p>	<p>A checks and balance system has been instituted as part of the policies and procedures.</p> <p>Formal communication of the new policies and procedures regarding the comparison of SVP claim costs to the patient approval plan of expenditures prior to payment have been communicated to the Hospitals and documented in the accounting policies and procedures manual.</p>	<p>DMH as accepted the recommendations and implemented corrective actions.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Cindy Radavsky, DMH Long Term Care Services</p>	<p>4/15/2008   <b>Completed 8/2008 (After target date)</b></p>

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION TO BETAKEN
<p><b>(continued)</b>  <b>Headquarter Issue 6: Inadequate Safeguarding of Assets</b></p>	<p><i>H) Prepare accurate and complete property registers and include the required details for each item including the property identification tag number, serial number, and cost information.</i></p>	<p>The Financial Services Management Section met with the DMH Contracts Section to discuss inventory reconciliation. The DMH Contracts section will conduct a two-year, retroactive review of every asset purchased and to inform accounting of all big purchases greater than \$5,000, as well as conduct a physical inventory process.</p> <p>The Contracts section has identified all equipment/property; \$941,000 of equipment was identified.</p>	<p>Next steps are to meet with Information Technology to determine of the identified what has been surveyed out and the disposition of each item.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Cindy Radavsky, Long Term Care Services; Greg Williams, Administration and Fiscal; Sara Murillo, DMH Financial Management;</p>	<p>12/30/2008</p>
	<p><i>I) Reconcile the property register with the general ledger quarterly.</i></p>	<p>The DMH Business Services Section completed the physical inventory of non-IT and IT equipment in September 2008.</p> <p><b>Update:</b> The Assistant Deputy, Administration and Fiscal Services vacancy was filled in July 2008 by Greg Williams.</p>	<p>Post completion of Issue 6J the next steps are to meet with Business Services and Accounting to begin the reconciliation process to the general ledger.</p>		<p>12/30/2008</p> <p><b>Action not complete-Target date extended from 7/2008</b></p>
	<p><i>J) Conduct a physical inventory of all property and reconcile the results with the property register and general ledger.</i></p>	<p>The DMH Business Services Section completed the physical inventory of non-IT and IT equipment in September 2008.</p> <p>In addition, a revised draft of the policies and procedures for the inventory control process was completed September 2008.</p>	<p>Next steps will be to meet with Business Services and Accounting to begin the reconciliation process to the general ledger.</p>		<p>12/30/2008</p> <p><b>Action not complete-Target date extended from 7/2008</b></p>

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<p><b>Headquarter Issue 7: Financial Statement Preparation Needs Improvement</b></p>	<p><i>A) Institute a year-end work plan with reasonable deadlines that include a review of accrual transactions and encumbrance balances for validity. Ensure proper disclosures are made in the year-end statements.</i></p>	<p>The DMH Fiscal Management and Accounting Chief, Sara Murillo, distributed to all deputy directors, division managers and section chiefs the annual year-end financial statements Workplan outlining the schedule of expenditures and liabilities deadlines.</p> <p>The plan incorporates accrual and encumbrances validation of all transactions, as well as, all the pertinent disclosures related to the financial transactions and established protocol.</p> <p>The corrective actions have been implemented work is in progress and will be completed on an ongoing basis.</p>	<p>Recommendations have been accepted and corrective actions implemented.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Sara Murillo, DMH Financial Services Management.</p>	<p>5/1/2008</p> <p><b>Completed - Ongoing</b></p>



**Attachment B**

**Atascadero State Hospital  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<i>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</i>	Revised AD 920 (Time Reporting), AD 920.2 (Overtime for Nursing Staff), AD 904 (Supervision) to reflect new timekeeping procedures and supervisor responsibilities.	State Administrative Manual (SAM) Section 8539 All supervisors and managers will be trained on the requirement and responsibility to certify all time recorded. DMH will conduct periodic audits to ensure compliance.	Transactions Supervisor, Personnel Officer, and HR Director	06/30/2008	Revise AD 920 (Time Reporting), AD 920.2 (Overtime for Nursing Staff), AD 904 (Supervision) to reflect new timekeeping procedures and supervisor responsibilities.	10/1/2008 Action complete
					10-11/2008	Revise current timekeeping training to include new processes. Training for Departments/Programs scheduled for Oct/Nov 2008.	Action not complete- target date extended from 9/30/2008
					09/30/2008	Time keeping training will be required in the ASH SB 409 Supervisors training. It will be held twice per fiscal year.	10/1/2008 Action complete
	<i>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit. For example, Central Staffing Services should perform a second review and provide the final approval for level of care overtime requests. Ensure these reviews and approvals are adequately documented in personnel records.</i>	Revised LOC overtime authorization form to include DATE, overtime worked, PRE-APPROVAL signature/date. This required the OT form to be updated.	SAM Section 8540 A process will be developed where the authorized supervisor signs the overtime form. The overtime will then be certified by the next level supervisor/designee or a Centralized Staffing Office.	Personnel Officer  Transactions Supervisor	07/15/2008	Revise LOC overtime authorization form to include DATE overtime worked, PRE-APPROVAL signature/date. This requires the OT form to be updated.	10/1/2008 Action Complete
09/1/2008					Requiring the OT approval slip to be attached to the employees' 634 timesheet.	9/1/2008 Action complete	

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<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<b>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</b>	The OT approval slip will be attached to the 634 timesheet which will be the first audit by the Personnel Specialists, ensuring the overtime has all levels of required approval by designated supervisor.	SAM Section 8540 Random overtime audits will be conducted to reduce the likelihood of fraud and abuse. SAM Section 20080 The Hospital Administrator/designee will report suspected fraud and/or irregularities to the appropriate authorities.  Conduct quarterly audits. Focus will be on accuracy of work areas on posting 634 timesheets from daybooks, sign-in sheet, and overtime slips.	Personnel Specialists, Transactions Supervisor, Personnel Officer, and HR Director	09/1/2008  12/31/2008	The OT approval slip will be attached to the 634 timesheet which will be the first audit by the Personnel Specialists, ensuring the overtime has all levels of required approval by designated supervisor.  Conduct quarterly audits. Focus will be on accuracy of work areas on posting 634 timesheets from daybooks, sign-in sheet, and overtime slips.	10/1/2008 Action complete
	<b>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</b>	SAM Section 8580.4 Personnel Specialists are responsible to ensure the exit clearance form is completed and properly signed. The Program or Department will be notified when the process is not completed. Training provided to staff regarding the exit clearance process. Supervisors will verify the exit process has been completed correctly and all necessary documents are in the separated employee's file.  All separations from ASH are now reviewed by the Transactions Supervisor prior to them being filed away. This is to ensure accuracy in completion of the documents.	Recommendation has been accepted by DMH and Hospital Operations and implemented.	Personnel Officer and Transaction Supervisor	05/2008	All separations from ASH are now reviewed by the Transactions Supervisor prior to them being filed away. This is to ensure accuracy in completion of the documents.  Personnel Specialists must have Personnel Officer or HR Director approval for any lump sum payment over \$1,000 BEFORE the check is released to the employee.	01/10/2008 Action complete  05/15/2008 Action complete

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<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<i>E) Institute payroll procedures to ensure correct classification of employees.</i>	<p>Our focus is on staff holding additional positions. Often times, the labels for the 634 timesheets do not have the appropriate classification due to system problems. The Personnel Specialists are double checking all additional position timesheets to ensure the appropriate name and classification are listed. If not, then they notify Position Control for correction.</p> <p>Prior to any action to hire or change the status of an employee, a Request for Personnel Action has to be completed and submitted to Personnel for review. The Position Control Analyst will be responsible to review the request for consistency and accuracy to ensure correct classification of employees.</p>	Recommendation has been accepted by DMH and Hospital Operations and implemented.	Personnel Officer, Position Control Analyst, and Transactions Supervisor	02/2008	Our focus is on staff holding additional positions. Often times, the labels for the 634 timesheets do not have the appropriate classification due to system problems. The Personnel Specialists are double checking all additional position timesheets to ensure the appropriate name and classification are listed. If not, then they notify Position Control for correction.	02/01/2008 Action complete
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>A) Ensure payments are made with properly executed contracts and approved purchase orders.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions yielding documentation that will ensure payments are made properly.	State Contracting Manual (SCM) Section 4.04 All files will contain documentation to support the purchase. This documentation will enable staff to ensure contracts are executed and purchase orders are approved.	<p>Business Services Officer (BSO) and Accounting Administrator (AA).</p> <p>BSO</p>	<p>12/31/2008</p> <p>12/31/2008</p>	<p>Identify Contract Analysts for each purchasing unit (Food Services, CMS, CPS, IT Medical). Train them and any other hospital buying staff on SCM Section 4.04.</p> <p>Procurement unit will be caught up on preparation of all documents without a previously approved contract. Trained staff will prepare contracts before services are provided. The Business Services Officer (BSO) will review all contracts prior to forwarding for signatures.</p>	

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<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>				BSO and AA	06/30/2009	Establish and implement annual training course to reiterate and reinforce policy.	
	<i>B) Begin the contract amendment process prior to the contract expiration date to ensure adequate time to obtain the necessary approvals.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SCM Section 1.06 Three months prior to expiration of contracts, the Contract Analyst will be responsible to review and start the contract process of all expiring contracts to ensure adequate time to obtain the necessary approvals.	BSO and AA	12/31/2008	Identify Contract Analysts for each major purchasing unit (Nutrition Services, CMS, RMS, IT, Medical).	Action not complete- Target date extended from 9/30/2008
				BSO	12/31/2008	Train the contract analysts on SCM Section 1.06.	Action not complete – Target date extended from 9/30/2008
				AA	12/31/2008	Accounting staff assignments will be reviewed to establish a position to work with the analysts and Procurement. The Accounting position will use the current established contracts database on a shared drive to help the analysts and Procurement in tracking contract status.	Action not complete – Target date extended from 9/30/2008
			BSO	06/30/2009	Establish an annual training course to reiterate and reinforce policy.	Action not complete – Target date extended from 9/30/2008	

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<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<b>C) Include all the necessary information, such as a clear scope and adequate budget detail, in all contracts.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions that will ensure all necessary information is included in each contract.	SCM Section 1.06 Contract Analysts will ensure that files will be complete and contain necessary documentation, including received bids, bid opening records, and award information. Audits will be conducted to ensure adherence to processes. SCM Section 2.05 Contract Analysts will ensure that all necessary information, such as clear scope and adequate budget detail are in all contracts. Contracts will be reviewed for accuracy. SCM Section 7.30 Contract Analysts will be trained in the essential elements of a valid contract. Contracts will contain the following budget detail: -Invoicing and payment provisions -Budget Contingency clauses -Full budget detail which includes the billable hourly rate or service rates, as applicable.	BSO and AA  BSO  BSO	12/31/2008  12/31/2008  06/30/2009	Identify Contract Analysts for each purchasing unit (Food Services, CMS, CPS, IT and Medical). Train them and any other hospital buying staff on SCM Section 4.04.  Train the analysts on SCM Section 1.06 to properly identify the scope of services and prepare an adequate budget.  Establish an annual training course to reiterate and reinforce policy.	
	<b>D) Ensure contract logs are accurate and complete.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure contract logs are accurate and complete.	SCM Section 4.04 Contract Analysts shall be trained relative to the essential elements of writing and amending contracts.	BSO and AA  BSO	12/31/2008  12/31/2008	Identify Contract Analysts for each purchasing unit (Food Services, CMS, CPS, IT and Medical). Train them and any other hospital buying staff on SCM Section 4.04.  Train analysts on SCM Section 4.04 so they know the essential elements of writing and amending contracts. See B above regarding a shared contract log.	Action not complete-Target date extended from 9/30/2008  Action not complete-Target date extended from 9/30/2008

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<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>				BSO	06/30/2009	Establish an annual training course to reiterate and reinforce policy.	
	<i>E) Document the bidding process and include the supporting documentation in the contract and purchase order files.</i>	This is already an established requirement and ASH is in compliance. However SCM Section 4.04 will be included in ASH's annual analyst training to prevent any future violations. SCM Section 4.04 All files will contain adequate documentation to support the purchase.	SCM Section 4.04 will be included in ASH's annual analyst training to prevent any future violations.	BSO and AA	12/31/2008	This is already an established requirement and ASH is in compliance. However SCM Section 4.04 will be included in ASH's annual analyst training to prevent any future violations.	05/30/2008 Action complete
	<i>F) Combine contracts and purchases from the same vendor to avoid the appearance of circumvention of State policies. For contracts over \$10,000, follow the standard contract requirements. For contracts over \$50,000, obtain Department of General Services approval.</i>	This is already an established requirement and ASH is in compliance.	SCM Section 4.04 will be included in ASH's annual analyst training to prevent any future violations.	BSO and AA	12/31/2008	This is already an established requirement and ASH is in compliance. However SCM Section 4.04 will be included in ASH's annual analyst training to prevent any future violations.	5/30/2008 Action complete
<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>A) Record accounts receivable timely and accurately.</i>	Accounting has identified and reclassified a payroll position (MST) whose primary duty will be to track Accounts Receivables.  Input of Accounts Receivables will be monitored monthly for timeliness and accuracy.	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH will develop procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner. SAM Section 10506 Additional training will be given to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared. Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid.	AA  AA  Sr Accounting Officer	06/2008  1/31/2009  5/2008	Accounting has identified and reclassified a payroll position (MST) whose primary duty will be to track Accounts Receivables.  ASH will explore the concept of establishing a contract with an outside collection agency.  Input of Accounts Receivables will be monitored monthly for timeliness and accuracy.	06/03/2008 Action complete     05/16/2008 Action complete

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>B) Review postings and the accounts receivable ledger for accuracy.</b>	CALSTARS report (D03) is reviewed regularly for outstanding accounts receivables.	SAM Section 7814 Additional training will be given to staff responsible for billing accounts receivables. Individual accounts will be set up for each debtor in the ledger or file. Accounts will be audited regularly for compliance.	AA, Sr Acct Officer, Acct Officer  Sr Accounting Officer	05/30/2008  Ongoing process	CALSTARS report (D03) is reviewed regularly for outstanding accounts receivables.  Accuracy of work will be verified by auditing report detail to source documents on a monthly basis.	05/30/2008 Action complete  Ongoing
	<b>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</b>	Accounting has identified and reclassified a payroll position (MST) whose primary duty will be to track Accounts Receivables.  A procedure has been implemented in Accounting for collection of accounts receivables for separated employees.	Accounting and HR will initiate collection procedures to ensure prompt follow-up on outstanding receivable balances.  Additional training will be given to staff to research, collect, and correct outstanding receivable balances.  Aging reports will be reviewed by Accounting and HR to ensure that timely and systematic collection efforts have been taken to collect outstanding Accounts Receivables and current outstanding balances are accurate.	AA and Sr Accounting Officer    AA	06/2008  05/2008  1/31/2009	Accounting has identified and reclassified a payroll position (MST) whose primary duty will be to track Accounts Receivables.  A procedure has been implemented in Accounting for collection of accounts receivables for separated employees.  ASH will explore the concept of establishing a contract with an outside collection agency.	06/03/2008 Action complete  05/30/2008 Action complete
	<b>D) Write off uncollectible accounts receivable.</b>	Several receivables have already been identified and sent to SCO for write off.	After completion of the collection process in accordance with the above SAM Sections, Hospitals will prepare and submit a list of uncollectible accounts receivable for write-off in accordance with GC Section 13943.2.	AA  Sr Accounting Officer	09/30/2008	Several receivables have already been identified and sent to SCO for write off.  AR's shall be reviewed on a monthly basis.	Action complete

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>E) Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, if necessary.</i>	Accounting has collected all the established lease agreements and developed a tracking log to inform HA on a timely basis when contract expires so a new contract can be negotiated on a timely basis.  Mechanisms to renew, update, and/or amend leases are established at each Hospital in accordance with Department of General Services and SAM.	Recommendation has been accepted by DMH and Hospital Operations and implemented.	HA and AA   Sr Accounting Officer	06/2008	Accounting has collected all the established lease agreements and developed a tracking log to inform HA on a timely basis when contract expires so a new contract can be negotiated on a timely basis.  The log will be reviewed on a quarterly basis.	06/30/2008 Action complete   Ongoing on quarterly basis
<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</i>	A worksheet has been created identifying all secure duties.  These duties have been reassigned to prevent conflicts and incompatibility and will be reviewed quarterly or as needed.  Physical inventories have been assigned to the Materials Stores Specialist and/or Property personnel.  The Warehouse Manager I and the Property Controller II are the only ones with access to the adjustment function of the warehouse/property database. These individuals will input data regarding inventory adjustments in the ONTRAC system.  State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06 Delegation of signature authority letter(s) developed for purchase/contract approval and acquisitions/dispositions	Recommendation has been accepted by DMH and Hospital Operations and implemented.	AA   General Svcs Admin II (GSA II)	4/2008  03/2008  02/2008	A worksheet has been created identifying all secure duties. These duties have been reassigned to prevent conflicts and incompatibility and will be reviewed quarterly or as needed.  Physical inventories have been assigned to the Materials Stores Specialist and/or Property personnel.  The Warehouse Manager I and the Property Controller II are the only ones with access to the adjustment function of the warehouse/property database. These individuals will input data regarding inventory adjustments in the ONTRAC system.	04/01/2008 Action complete   03/04/2008 Action complete  02/06/2008 Action complete

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<b>(continued)</b> <b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>B) Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</b>	1. All blank check stock will be locked in the cabinet in the Accounting Secured Room-119. 2. Check writer has access to the secured room but cannot have a key to the locked cabinet. 3. Persons not approving checks, verify the checks issued to or returned by checkwriter and records on the check stock inventory log. 4. Check writer may keep the blank check stock in the safe during the day, but must be returned to the secured cabinet at the close of business. 5. A "Transfer of Blank Check" log to be filled out from the custodian to check writer and again at the end of business. 6. The Signing Machine containing the signature plate requires a key, which is secured in the Executive Secretary/Hospital Administration Desk.	Recommendation has been accepted by DMH and Hospital Operations and implemented.	AA  Sr Accounting Officer	05/2008  06/30/2008  06/30/2008	A procedure has been established to safeguard blank check stock (see attached).  Accounting will create a list of all undeliverable salary warrants which will be updated monthly.  Accounting will have the authorized warrant pick up list updated and keep this list updated. Both lists will be reviewed monthly.	05/30/2008 Actions complete
	<b>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</b>	SAM Section 4841.5, 8080.1 The TACS II System is being modified to limit staff to the appropriate access.  On 10/25/07 and 1/9/08, access was removed from several staff that is no longer at ASH or their access was beyond their position needs.	A quarterly review of the CALSTAR User Access will be performed to ensure compliance.	AA	01/2008  06/30/2008	On 10/25/07 and 1/9/08, access was removed from several staff that is no longer at ASH or their access was beyond their position needs.  Access will be reevaluated and further limits made as necessary. The AAI will quarterly evaluate CALSTARS access and update as necessary.	01/09/2008 Actions complete  Ongoing

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<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>D) Develop an inventory system to safeguard pharmaceutical drugs.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing an inventory system to safeguard pharmaceutical drugs.	SAM Section 8600, 8650 Hospitals will develop a property inventory system for pharmaceutical drugs to provide accurate records for the acquisition and disposition of controlled and non-controlled drugs. Inventory and reconciliation procedures will be established upon completion of the program.	Pharmacy Services Manager	04/30/2009	Department Pharmacy Services Managers to develop a plan.	
	<i>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</i>	Physical inventories have been assigned to the Materials Stores Specialist and/or Property personnel.  The Warehouse Manager I and the Property Controller II are the only ones with access to the adjustment function of the warehouse/property database. These individuals will input data regarding inventory adjustments in the ONTRAC system	Recommendation has been accepted by DMH and Hospital Operations; actions have been implemented.	GSA II	03/2008  02/2008	Physical inventories have been assigned to the Materials Stores Specialist and/or Property personnel.  The Warehouse Manager I and the Property Controller II are the only ones with access to the adjustment function of the warehouse/property database. These individuals will input data regarding inventory adjustments in the ONTRAC system	03/04/2008 Action complete  02/06/2008 Action complete
	<i>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 8650, 8640, 7924 Hospitals will initiate procedures to meet and maintain compliance with the requirements in the above SAM sections for the recording and reconciling of capitalized property. Current policies and procedures will be reviewed and augmented to ensure that reconciliations are completed timely and accurately. Training will be provided to staff responsible for recording acquisitions and dispositions of capitalized property and reconciling	AHA, AA, GSA II	01/30/2009	By January 30, 2009: A complete reconciliation will be made between DGS inventory list, ASH property Ledger and CALSTARS. By this date, CALSTARS will be adjusted to properly reflect the correct and reconciled amount.	

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<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>			the property ledger to the general fixed asset accounts.				
	<i>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on implementing these reconciliations.	SAM Section 8650, 8640, 7924 Reconciliations for capitalized equipment will be performed no less than on a quarterly basis. Hospitals will establish procedures to ensure that the Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.	AA	12/31/2008	Upon completion of Action Step 4F above, Accounting will participate in a quarterly fixed asset and annual real property reconciliation with the ASH property department.	
<b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<i>A) Ensure rental agreements are prepared, enforced, and include necessary items, such as rent amounts. Update the rental agreements to ensure the appropriate rent is charged.</i>	A standardized rental agreement has been developed for the four state hospitals with state-owned housing (SOH) that will be implemented March 13, 2008. These rental agreements contain 44 elements (terms), including rent and utility rates. State hospitals will ensure that appropriate rent and utilities are charged and all rental agreement terms are enforced. The 4 state hospitals with SOH (ASH, MSH, PSH, NSH) completed their appraisals in 2007.	DMH is in full compliance with Department of Personnel Administration's (DPA) SOH policies and requirements.				03/13/2008 Action complete
	<i>B) Require all employees to pay the appropriate rent and cleaning deposits.</i>	State hospitals are not required by statute, regulation or policy to collect cleaning deposits. However, the standardized rental agreement now provides for the collection of a security deposit at the time a rental agreement is executed that could be used for, among other things, the cleaning of the rental unit.	DMH is in full compliance with DPA's SOH policies and requirements.				03/13/2008 Action Complete

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<b>C) Report fringe benefits correctly to the SCO in a timely manner.</b>	The DMH is correct in its interpretation of Internal Revenue Services Code Section 1.119-1(b)(2) that states “the value of housing/lodging furnished to an employee by the employer as a Working Condition Fringe Benefit shall be excluded from the employee’s gross income if all three of the following criteria are met: The lodging is provided on the business premises of the employer The lodging is provided for the convenience of the employer The employee is required to accept such lodging as a condition of employment” Per the above IRS Code Section, any employee meeting all three criteria, with documentation, is exempt from fringe benefit income reporting to the State Controller’s Office (SCO).	State hospitals will ensure that the appropriate fringe benefit income for its employees is reported in a timely and accurate manner to the SCO.	AA	03/13/2008	ASH is in compliance, fringe benefits for value of state housing as well as meal tickets, continuing medical education, personal use of state vehicle, relocation, and less than 24 hour meals has been and will continue to reported monthly by Accounting to the SCO.	5/30/2008 Action completed after target date
	<b>D) Obtain approval from headquarters for any non-standard use of housing units. Once approval is obtained, require waivers of liabilities from guests.</b>	State hospitals are not required by statute, regulation, or policy to obtain waivers of liability from guests when housing units are used for family visits or recruitment purposes. However, standard business practices dictate that the State of California be held harmless from any liabilities and claims for damages as a result of non-employees residing on state property. As such, state hospitals will begin obtaining waivers of liability from non-employees (guests) beginning March 1, 2008.	DMH is in full compliance with DPA's SOH policies and requirements.				

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>A) Compare Cal-Card and Voyager Fleet Card charges to appropriate approvals and supporting documentation before payments are made. Institute independent reviews of all expenditures, including gift card purchases, to ensure accuracy, propriety, and evidence of receipt.</i>	The accounting office provided training on Cal Card and provided quarterly reviews for compliance. Hospitals provided training for Cal Card users to reinforce DGS requirements and to update new changes.	State Administrative Manual (SAM) 8422, 822.20, and 8110 Best practices will include claim audits and Office Revolving Fund procedures.	AA and Sr Accounting Officer	12/31/2008	A claim schedule checklist will be completed in accordance with the "corrective action to be taken" requirements. This checklist will be completed with each claim schedule and kept with the claim schedule copy.	Action not complete-target date extended from 10/31/2008
			The Accounts Payable Units will complete a check list for each claim schedule. This check list will be reviewed by a lead or unit supervisor.		09/30/2008	The accounting office provided training on Cal Card and provided quarterly reviews for compliance.	Action Complete
			SAM 4108 The check list will include the requirement of receipts and purchase orders for Cal Card and Voyager invoice payments. This review will also include verification of authorized users. The Fiscal Offices will also perform self-assessments to ensure compliance and uniformity of procedures.		12/31/2008	On a random basis, designated Trust staff will conduct audits of Accounting's work to ensure the timely deposits and recording of receipts as well as a verification of deposits. The Senior Accounting Officer Supervisor will perform regular reviews.	Action not complete-target date extended from 9/30/2008
			SAM 8032.1 and 8032.3 Random audits will be performed by hospitals to ensure the timely deposits and recording of receipts as well as a verification of deposits. Regular reviews will be performed by an Accounting supervisor.				

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>B) Ensure that only authorized employees use Cal-Card and Voyager Fleet Cards.</i>	ASH has eliminated all Cal-Cards except one which is being closely monitored and reviewed by the Accounting Staff and AAI.  Monthly Voyager Fleet Cards bills are being reviewed by Accounting for irregular purchases.  SAM 4108 A monthly review will also include verification of authorized users.	Recommendation has been accepted by DMH and Hospital Operations; actions have been implemented.	HA and AA  Sr Accounting Officer	9/30/2008	ASH has eliminated all Cal-Cards except one which is being closely monitored and reviewed by the Accounting Staff and AAI.  Monthly Voyager Fleet Card bills are being reviewed by Accounting for irregular purchases.	Action complete
	<i>C) Update accounting records promptly by posting checks and cash receipts.</i>	Depositing receipts on a daily basis is not feasible due to workload issues; Accounting is compensating by securing receipts daily and processing deposits and recording receipts at least twice a week.	SAM 8023, 8091, 8093, 8094 Accounting Office will be responsible to ensure that all checks and cash receipts are deposited timely after receipt, no later than the end of the working day. Updating of accounting records will be performed upon receipt of deposit slip, no later than the end of the following working day.	AA	12/31/2008	Depositing receipts on a daily basis is not feasible due to workload issues. Accounting is compensating by securing receipts daily and processing deposits and recording receipts at least twice a week.	Action not complete- Target date extended from 9/30/2008
	<i>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</i>	One Travel Advance from several years ago cleared; Personnel supervisors will verify the accuracy of the salary advance and document their review and approval on the salary advance request form. SAM 8595 Personnel Specialists will be responsible to ensure the accuracy of salary advances. Training will be provided to staff regarding the appropriate calculation tools.	DMH has accepted the recommendations and have implemented corrective actions.	AA  HR Director	05/2008  Ongoing	One Travel Advance from several years ago cleared  All salary advances are co-signed by a supervisor.	05/07/2008 Actions complete and Ongoing

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to prepare reconciliations.	SAM 7908, 7923, and 8070 Training will be provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	AA	10/31/2008	Identified staff will participate in training on required reconciliation processes. A training schedule will be developed for FY 08/09.  Once trained, monthly review of the reconciliations will be done.	
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>A) Obtain approval from Department of Finance, Fiscal Systems and Consulting Unit, for bank accounts outside the State Treasury System.</i>	Upon review of 7A by the new DMH Internal Auditor who began August 2008, the issue was determined to be applicable, reversing the Atascadero response (May 2008); further steps will be taken to develop and implement corrective actions.					
	<i>B) Prepare listing or transfer receipts for checks and money orders transferred between employees.</i>	The Trust Office has created various logs for tracking purposes.	SAM Section 8021 The Trust Office Committee will review statewide procedures for transfer receipts, develop a best practices process, meet each hospital need and ensure full accountability. Review of the receipts will be part of the self-assessment.	TO	09/30/2008	The Trust Office has created various logs for tracking purposes.	Action complete
	<i>C) Record funds in the accounting records on a timely basis and perform reconciliations. Identify and clear reconciling items in a timely manner.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure funds are accurately recorded in the accounting records in a timely manner.	Training will be provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	AA and TO	09/30/2008	Trust staff will attend provided training.  Policies will be written to implement review of monthly reconciliations	Action complete
	<i>D) Post receipts to the Client Benefit Fund.</i>	Upon review of 7D by the new DMH Internal Auditor who began August 2008, the issue was determined to be applicable, reversing the Atascadero response (May 2008); further steps will be taken to develop and implement corrective actions.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>E) Review canteen charges for propriety prior to payment.</i>	Not applicable to Atascadero State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>F) Obtain and document patient approval prior to establishing other accounts or transferring funds.</i>	Not applicable to Atascadero State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>G) Remit discharged patient trust monies in a timely manner. Verify their addresses via certified mail.</i>	Not applicable to Atascadero State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>H) Close inactive special purpose trust accounts and develop an annual expenditure plan for such trust accounts.</i>	ASH failed to close and transfer one Special Purpose Trust Account (\$11.27) that was inactive. This has been done. This is monitored on a continuous basis.  ASH continues to develop an annual expenditure plan.	SAM Section 19425.1 and 19425.2 Review of unclaimed cash will be part of the self-assessment.	TO	05/30/2008	ASH failed to close and transfer one Special Purpose Trust Account (\$11.27) that was inactive. This has been done. This is monitored on a continuous basis. ASH continues to develop an annual expenditure plan.	Action complete
	<i>I) Establish an adequate hold policy for checks and money orders received for patients.</i>	Not applicable to Atascadero State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b>	<i>Properly report accrued expenditures in the year-end financial statements.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing procedures and trainings to ensure proper reporting of accrued expenditures.	The individual hospitals within the Department of Mental Health will develop procedures to ensure that accrued receivables and expenditures are valid and are properly reported in the year-end financial statements. State Administrative Manual Section 7950, 10608, and 10609: Additional training will be given to staff responsible for accruing receivables and expenditures. Each Hospital will be responsible for instituting year-end work plans that include a final review of accrual transactions and encumbrance balances for validity.	HA and AA	12/31/2008	As part of Fiscal Year 2007/2008 closing process, Accounting will do its part to be in compliance with this recommendation and provide accurate and concise financial statements.	Action not complete-target date extended from 7/1/2008



**Attachment C**

**Coalinga State Hospital  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<i>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</i>	1. Notified all supervisors to follow established procedures. 2. Establishing Timekeeping Manuals 1-3	State Administrative Manual (SAM) Section 8539 All supervisors and managers will be trained on the requirement and responsibility to certify all time recorded. DMH will conduct periodic audits to ensure compliance.	Personnel Officer	9/30/2008	1. Notified all supervisors to follow established procedures.  2. Establishing Timekeeping Manuals 1-3	1. Action complete  2. Action complete
	<i>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit. For example, Central Staffing Services should perform a second review and provide the final approval for level of care overtime requests. Ensure these reviews and approvals are adequately documented in personnel records.</i>	1. Notified all supervisors to follow established procedures. 2. Establishing Timekeeping Manuals 1-3	SAM Section 8540 A process will be developed where the authorized supervisor signs the overtime form. The overtime will then be certified by the next level supervisor/designee or a Centralized Staffing Office.	Personnel Officer	12/31/2008	1. Notified all supervisors to follow established procedures.  2. Establishing Timekeeping Manuals 1-3	1. Action complete  2. Action complete and ongoing training to be provided
	<i>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</i>	SAM Section 8540 Random overtime audits conducted to reduce the likelihood of fraud and abuse. SAM Section 20080 The Hospital Administrator/designee will report suspected fraud and/or irregularities to the appropriate authorities.	Recommendations have been taken into consideration and implemented.	Personnel Officer	12/31/2008	1. Random audits will be conducted by Personnel Supervisor II on a quarterly basis.  2. All suspected fraud will be reported to the appropriate authorities.	1. 5/1/2008 Action complete  2. As necessary Action complete

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<b>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</b>	SAM Section 8580.4 Personnel Specialists will be responsible to ensure the exit clearance form is completed and properly signed. The Program or Department will be notified when the process is not completed. Training provided to staff regarding the exit clearance process. Supervisors will verify the exit process has been completed correctly and all necessary documents are in the separated employee's file.	Ongoing training will be provided to all staff at New Employee Orientation and Annual Review Training.	Personnel Officer	9/30/2008	1. Personnel specialists ensure that exit clearance is completed prior to separation date through coordination with supervisor.  2. Training is provided to all staff at New Employee Orientation and Annual Review Training.	1. 6/1/2008 Action complete  2.Action complete and ongoing based on new hires
	<b>E) Institute payroll procedures to ensure correct classification of employees.</b>	Request for Personnel Action form completed and forwarded to all supervisors. Prior to any action to hire or change the status of an employee, a Request for Personnel Action has to be completed and submitted to Personnel for review.	The Position Control Analyst will be responsible to review the request for consistency and accuracy to ensure correct classification of employees.	Personnel Officer	9/30/2008  3/31/2009	1. Request for Personnel Action form completed and forwarded to all supervisors.  2. CSH will implement a Personnel Operations Manual and provide training to all Personnel staff on its use.	1. Action complete  Action not complete-Target date extended from 12/31/2008
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<b>A) Ensure payments are made with properly executed contracts and approved purchase orders.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions yielding documentation that will ensure payments are made properly.	State Contracting Manual (SCM) Section 4.04 All files will contain documentation to support the purchase. This documentation will enable staff to ensure contracts are executed and purchase orders are approved.	Fiscal Officer	3/31/2009	1.Ensure the Procurement and Accounts Payable staff is properly trained.  2. Improve Desk Procedures.  3. Enforce the usage of the DMH Contract Check list.  4. Fiscal Officer to review for proper documentation when approving the purchase order and contract.  5. Fiscal Officer or designee to perform random quarterly compliance audits of the Procurement Office contract and purchase order files for proper documentation.	1-5. Action not complete-Target date extended from 12/31/2008

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

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<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i><b>B) Begin the contract amendment process prior to the contract expiration date to ensure adequate time to obtain the necessary approvals.</b></i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SCM Section 1.06 Three months prior to expiration of contracts, the Contract Analyst will be responsible to review and start the contract process of all expiring contracts to ensure adequate time to obtain the necessary approvals.	Fiscal Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Establish a log for all contracts, which includes the contract period.</li> <li>2. Review the log on a monthly basis for upcoming expiration dates.</li> <li>3. Six months prior to the expiration date, contact the Contract Coordinator regarding the pending expiration date and new Contract Request document.</li> </ol>	1-3. Action not complete - Target date has been extended from 9/30/2008
	<i><b>C) Include all the necessary information, such as a clear scope and adequate budget detail, in all contracts.</b></i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions that will ensure all necessary information is included in each contract.	SCM Section 1.06 Contract Analysts will ensure that files will be complete and contain necessary documentation, including received bids, bid opening records, and award information. Audits will be conducted to ensure adherence to processes. SCM Section 2.05 Contract Analysts will ensure that all necessary information, such as clear scope and adequate budget detail are in all contracts. Contracts will be reviewed for accuracy. SCM Section 7.30 Contract Analysts will be trained in the essential elements of a valid contract. Contracts will contain the following budget detail: - Invoicing and payment provisions -Budget Contingency clauses -Full budget detail which includes the billable hourly rate or service rates, as applicable.	Fiscal Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Ensure the Procurement staff and Contract Coordinators are properly trained.</li> <li>2. Improve Desk Procedures for Contract processing.</li> <li>3. Enforce the usage of the DMH Contract Check list.</li> <li>4. Hospital Administrator and Fiscal Officer to review for proper documentation when approving the purchase order and contract.</li> <li>5. Fiscal Officer or designee to perform random quarterly compliance audits of the Procurement Office contract and purchase order files to ensure completed documentation.</li> </ol>	1-5. Action not complete- Target date extended from 12/31/2008

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INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>D) Ensure contract logs are accurate and complete.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure contract logs are accurate and complete.	SCM Section 4.04 Contract Analysts shall be trained relative to the essential elements of writing and amending contracts.	Fiscal Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for Contract Documentation.</li> <li>2. Ensure the Procurement staff and Contract Coordinators are properly trained.</li> <li>3. Establish a log for all contracts, which includes the contract period.</li> <li>4. Procurement staff and Fiscal Officer to review the log on a monthly basis for upcoming expiration dates.</li> </ol>	1-4. Actions not complete Target date extended from 9/30/2008
	<i>E) Document the bidding process and include the supporting documentation in the contract and purchase order files.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure sufficient documentation is included in contract and purchase order files.	SCM Section 4.04 All files will contain adequate documentation to support the purchase.	Fiscal Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Ensure the Procurement staff and Contract Coordinators are properly trained.</li> <li>2. Improve Desk Procedures.</li> <li>3. Contract Processing.</li> <li>4. Enforce the usage of the DMH Contract Check list.</li> <li>5. Fiscal Officer to review for proper documentation when approving the purchase order and contract.</li> <li>6. Fiscal Officer or designee to perform random quarterly compliance audits of the Procurement Office contract and purchase order files to ensure completed documentation.</li> </ol>	1-6. Action not complete- Target date extended from 12/31/2008

# Coalinga State Hospital

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## INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>F) Combine contracts and purchases from the same vendor to avoid the appearance of circumvention of State policies. For contracts over \$10,000, follow the standard contract requirements. For contracts over \$50,000, obtain Department of General Services approval.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SCM Section 4.04 When possible, purchases from the same vendor will be combined to take advantage of potential pricing discounts. For contracts over \$10,000, DMH will follow the standard contract requirements. For contracts over \$50,000, DMH will obtain Department of General Services' approval.	Fiscal Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Ensure the Procurement and Accounts Payable staff is properly trained.</li> <li>2. Improve Desk Procedures for Contract Processing.</li> <li>3. Enforce the usage of the DMH Contract Check list.</li> <li>4. Fiscal Officer or designee to review for proper documentation when approving the purchase order and contract.</li> <li>5. Perform random audits of the Procurement Office contract and purchase order files by using Calstars Vendor Payment Reports.</li> </ol>	1-5. Action not complete- Target date extended from 12/31/2008
<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>A) Record accounts receivable timely and accurately.</i>	<p>Provided weekly reports from Accounting to Transactions staff to identify outstanding AR's.</p> <p>Sent standard notification of collection letter to employee prior to implementing collection.</p> <p>Weekly audits performed to ensure AR's are less than 120 days.</p>	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH will develop procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner. SAM Section 10506 Additional training will be given to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared. Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid.	<p>Fiscal Officer (Items 1-5)</p> <p>Personnel Officer (Items 6-8)</p>	1/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for Accounts Receivable process.</li> <li>2. Ensure the Accounts Receivable staff is properly trained.</li> <li>3. Reimbursement Contracts and Calstars Accounts Receivable Reports are to be monitored monthly.</li> <li>4. Quarterly Accounts Receivable Management Reports are to be developed for Executive Management review.</li> <li>5. Fiscal Officer or designee to perform random compliance audits of accounts receivable reports and files.</li> <li>6. Provide weekly reports from Accounting to Transactions staff to identify outstanding AR's.</li> <li>7. Send standard notification of collection letter to employee prior to implementing collection.</li> <li>8. Weekly audits will be performed to ensure AR's are less than 120 days.</li> </ol>	<ol style="list-style-type: none"> <li>6. 7/1/2008 Action complete</li> <li>7. 7/1/2008 Action complete</li> <li>8. 7/1/2008 Action compl.</li> </ol>

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**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>B) Review postings and the accounts receivable ledger for accuracy.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 7814 Additional training will be given to staff responsible for billing accounts receivables. Individual accounts will be set up for each debtor in the ledger or file. Accounts will be audited regularly for compliance.	Fiscal Officer	1/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for Accounts Receivable Posting process.</li> <li>2. Ensure the Accounts Receivable staff is properly trained.</li> <li>3. Accounting supervisor (or lead) to review and review and approve accounts receivable posting prior to Calstars data entry.</li> <li>4. Fiscal Officer or designee to perform random audits of accounts receivable reports and files for compliance.</li> </ol>	
	<i>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 8776.1-2, 8776.6-7, 8593.1-3 Hospitals will initiate procedures to meet and maintain compliance with the requirements of the above SAM sections for the collection of outstanding Payroll Accounts Receivables, Salary Advances, Travel Advances, and miscellaneous Accounts Receivables. Accounting and HR will initiate collection procedures to ensure prompt follow-up on outstanding receivable balances. Additional training will be given to staff to research, collect, and correct outstanding receivable balances. Aging reports will be reviewed by Accounting and HR to ensure that timely and systematic collection efforts have been taken to collect outstanding Accounts Receivables and current outstanding balances are accurate.	<p>Fiscal Officer (Items 1-8)</p> <p>Personnel Officer (Items 9-11)</p>	1/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for Accounts Receivable Collection process.</li> <li>2. Ensure the Accounts Receivable staff is properly trained.</li> <li>3. Accounting to review CalSTARS Accounts Receivable Aging Reports on a weekly basis.</li> <li>4. Compliance to the SAM Collection process will be enforced, including the participation of the Franchise Tax Offset Program.</li> <li>5. Accounting to maintain extensive documentation on Accounts Receivable efforts.</li> <li>6. Monthly Meetings with the Personnel Office will be conducted (and documented) to discuss specific outstanding accounts receivables.</li> <li>7. Quarterly Accounts Receivable Management Reports are to be developed for Executive Management review.</li> <li>8. Fiscal Officer or designee to perform random compliance audits of accounts receivable reports and files.</li> </ol>	

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## INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>continued</i>				1/31/2009	8. Provide weekly reports from Accounting to Transactions staff to identify outstanding AR's. 9. Send standard notification of collection letter to employee prior to implementing collection. 10. Weekly audits will be performed to ensure AR's are less than 120 days.	
	<b>D) Write off uncollectible accounts receivable.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	After completion of the collection process in accordance with the above SAM Sections, Hospitals will prepare and submit a list of uncollectible accounts receivable for write-off in accordance with GC Section 13943.2.	Fiscal Officer	3/31/2009	1. Improve Desk Procedures for Write-Off process. 2. Ensure the Accounts Receivable staff is properly trained. 3. Accounting to review CalSTARS Accounts Receivable Aging Reports on a weekly basis. 4. Compliance to the SAM Collection process will be enforced, including the participation of the Franchise Tax Offset Program.	1-4. Actions not complete-Target date extended from 9/30/2008
	<b>E) Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, if necessary.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 1323.1 Accounting Offices will obtain and retain lease agreements on all State owned real property for the duration of the lease. Mechanisms to renew, update, and/or amend leases will be established at each Hospital in accordance with Department of General Services and SAM.	Fiscal Officer	1/31/2009	1. Accounting Office will establish a log for all reimbursement contracts, which includes the contract period. 2. Accounting Office will review the log on a quarterly basis for upcoming expiration dates. 3. Six months prior to the expiration date, contact the Contract Coordinator regarding the pending expiration date and new Contract Request document.	
<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions, including proper separation of duties.	State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06 Delegation of signature authority letter(s) will be developed for purchase/contract approval and acquisitions/dispositions.	Fiscal Officer	3/31/2009	1. Reassess separation of duties for signature authorities. 2. Improve Policy Procedures for Delegation Authority and documentation. 3. Ensure the appropriate staffs are properly trained. 4. Ensure Delegation Letters are(over) maintained and routinely updated.	1-5. Actions not complete-Target date extended from 9/30/2008

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
					3/31/2009	5. Fiscal Officer or designee to perform quarterly reviews of delegation letters and files.	Action not complete-Target date extended from 9/30/2008
<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>B) Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</b>	SAM Sections 8041 and 8082 Checks shall be kept locked within a secure safe when not being processed and shall not be left in a room unattended. The check signing machines and signature plates shall be maintained and secured.	To ensure that assets are secured on ongoing basis, desk procedures for safeguarding checks and signature plates/undelivered payroll warrants will be improved; a fiscal officer or designee will perform quarterly compliance audits.	Fiscal Officer	3/31/2009	Secured Checks and Signature Plates: 1. Ensure that Checks are secure in a locked safe while not being processed.	1. 7/1/2008 Action complete
		2. Ensure that keys for the check signing machine and signature plates are secure in a locked safe while not being used.				2. 7/1/2008 Action complete	
		3. Improve Desk Procedures for safeguarding checks and signature plates.				3. Action not complete-target date extended from 9/30/2008	
		4. Ensure the Accounting Supervisors are properly trained.				4. 7/1/2008 Action complete	
		5. Fiscal Officer or designee to perform quarterly compliance audits.				5. Action not complete-target date extended from 9/30/2008	
SAM Section 8580.5 A written record of all undelivered warrants will be maintained and a copy given to HR after five days of pick up.	After 90 days, checks will be deposited and remitted to the escheat revenue account in the original fund from which the funds were drawn.		3/31/2009	Fiscal Officer	3/31/2009	Undelivered Payroll Warrants 1. Accounting Office to provide a copy of undelivered payroll warrants to Personnel 5 days of pick-up.	1. 7/1/2008 Complete
2. Monitor undistributed warrants to ensure prior disposition to escheat account.						2. 7/1/2008 Complete	

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>					3/31/2009	3. Improve Desk Procedures for undelivered warrants.	3. Action not complete- target date extended from 9/30/2008
					3/31/2009	4. Ensure the Accounting Supervisors are properly trained.  5. Fiscal Officer or designee to perform quarterly compliance audits.	4. 7/1/2008  5. Action not complete- target date extended from 9/30/2008
	<b>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</b>	SAM Section 4841.5, 8080.1 The process to allow Headquarters access to the hospital's Calstars System has been changed. Headquarters is now notifying hospitals of access requests.	SAM Section 4841.5, 8080.1 The TACS II System is being modified to limit staff to the appropriate access. An annual review of the CALSTAR User Access will be performed to ensure compliance.	Fiscal Officer	11/30/2008	TACS II – System Access 1. The TACS II vendor to make system modifications. 2. CSH Trust Office to implement security access. 3. Improve Desk Procedures for security documentation. 4. Fiscal Officer or designee to perform quarterly compliance audits.  CalSTARS User Access 1. Assign CalSTARS Security Officer 2. Allow CalSTARS access based on job duties. 3. Ensure adequate separation of duties. 4. Ensure timely CalSTARS access updates based on staff assignment changes.  11/30/2008 11/30/2008	1. 7/1/2008 Complete 2. 7/1/2008 Complete 3. 7/1/2008 Complete 4. 7/1/2008 Complete
						5. Improve Desk Procedures for security documentation. 6. Fiscal Officer or designee to perform quarterly compliance audits.	

# Coalinga State Hospital

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>D) Develop an inventory system to safeguard pharmaceutical drugs.</i>	Vendor Systems are currently being reviewed.	SAM Section 8600, 8650 Hospitals will develop a property inventory system for pharmaceutical drugs to provide accurate records for the acquisition and disposition of controlled and non-controlled drugs. Inventory and reconciliation procedures will be established upon completion of the program.	Pharmacy Services Manager	4/30/2009	<ol style="list-style-type: none"> <li>1. Will develop a property inventory system for pharmaceutical drugs</li> <li>2. Will inventory and reconcile in compliance with established reporting periods.</li> </ol>	
	<i>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing physical inventory procedures.	SAM Section 8652 The hospitals will take a physical inventory of all property and reconcile the count with accounting records at least once every three years.	Hospital Administrative Resident	3/31/2009	<ol style="list-style-type: none"> <li>1. Physical property inventories done every 3 years as required by SAM.</li> <li>2. Inventory tracking system will be implemented for Central Warehouse &amp; Clothing Centers.</li> </ol>	Action not complete- Target date extended from 12/31/2008
	<i>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 8650, 8640, 7924 Hospitals will initiate procedures to meet and maintain compliance with the requirements in the above SAM sections for the recording and reconciling of capitalized property. Current policies and procedures will be reviewed and augmented to ensure that reconciliations are completed timely and accurately. Training will be provided to staff responsible for recording acquisitions and dispositions of capitalized property and reconciling the property ledger to the general fixed asset accounts.	Fiscal Officer	1/30/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for the Fixed Asset process.</li> <li>2. Ensure the Accounting staffs are properly trained regarding Fixed Assets and related ledger postings.</li> <li>3. Provide the Property Controller with the Calstars H11 report on a monthly basis.</li> <li>4. Ensure the receipt of Fixed Asset listing from the Property Controller.</li> <li>5. Reconcile the Property Controller's report to Calstars on a monthly basis.</li> <li>6. Fiscal Officer or designee to perform quarterly compliance audits.</li> </ol>	

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
	<p><b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b></p>	<p>Recommendation has been accepted by DMH and Hospital Operations is working on implementing these reconciliations.</p>	<p>SAM Section 8650, 8640, 7924 Reconciliations for capitalized equipment will be performed no less than on a quarterly basis. Hospitals will establish procedures to ensure that the Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.</p>	<p>Fiscal Officer / Hospital Administrative Resident</p>	<p>3/31/2009</p>	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for the Fixed Asset process.</li> <li>2. Ensure the Accounting staffs are properly trained regarding Fixed Assets and related ledger postings.</li> <li>3. Provide the Property Controller with the Calstars H11 report on a monthly basis.</li> <li>4. Ensure the receipt of Fixed Asset listing from the Property Controller.</li> <li>5. Reconcile the Property Controller's report to Calstars on a monthly basis.</li> <li>6. Fiscal Officer or designee to perform quarterly compliance audits.</li> </ol>	<p>1-6. Action not complete- Target date extended from 12/31/2008</p>
<p><b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b></p>	<p>Not applicable to Coalinga Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.</p>						



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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>B) Ensure that only authorized employees use Cal-Card and Voyager Fleet Cards.</b>	<p>Ensured the Accounts Payable staff is properly trained regarding appropriate supporting documentation for Cal-Card and Voyager Fleet Card charges.</p> <p>When processing the invoice, verified that the Cal-Card and Voyager Fleet Cards are used by authorized users only.</p> <p>Provided training to Cal-Card Users on related Cal-Card Hospital policies.</p>	<p>Improve Desk Accounts Payable Procedures.</p> <p>Fiscal Officer or designee to perform random quarterly compliance audits of the Accounts Payable files.</p>	Fiscal Officer/ Chief of Plant Operations	<p>3/31/2009</p> <p>3/31/2009</p>	<p>1. Ensure the Accounts Payable staffs are properly trained regarding appropriate supporting documentation for Cal-Card and Voyager Fleet Card charges.</p> <p>2. When processing the invoice, verify that the Cal-Card and Voyager Fleet Cards are used by authorized users only.</p> <p>3. Improve Desk Accounts Payable Procedures.</p> <p>4. Provide training to Cal-Card Users on related Cal-Card Hospital policies.</p> <p>5. Fiscal Officer or designee to perform random quarterly compliance audits of the Accounts Payable files.</p>	<p>1. 7/1/2008 Action Complete</p> <p>2. 7/1/2008 Action Complete</p> <p>3. Action not complete - Target date extended from 9/30/2008</p> <p>4. 7/1/2008 Action Complete</p> <p>5. Action not complete- target date extended from 9/30/2008</p>
	<b>C) Update accounting records promptly by posting checks and cash receipts.</b>	<p>Not applicable to Coalinga Hospital per OSAE recommendations.</p> <p>Refer to Appendix IV Hospital Issues Matrix.</p>					
	<b>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</b>	<p>Not applicable to Coalinga Hospital per OSAE recommendations.</p> <p>Refer to Appendix IV Hospital Issues Matrix.</p>					

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## INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>E)</b> Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.	Not applicable to Coalinga Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>A)</b> Obtain approval from Department of Finance, Fiscal Systems and Consulting Unit, for bank accounts outside the State Treasury System.	Improved Desk Procedures for establishing Bank Accounts. Ensured Accounting staffs are properly trained. Ensured all requests for Bank accounts are reviewed and approved by the Fiscal Officer, Hospital Administrator, and FISCO.  State Administrative Manual (SAM) Section 19462: DMH Accounting Office will ensure that FISCO approval is obtained prior to opening bank accounts outside the State Treasury System. This will be accomplished through additional training on the FISCO requirements.	DMH has accepted the recommendations and implemented the corrective actions as of September 2008.	Fiscal Officer	9/30/2008	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for establishing Bank Accounts.</li> <li>2. Ensure Accounting staffs are properly trained.</li> <li>3. Ensure all requests for Bank accounts are reviewed and approved by the Fiscal Officer, Hospital Administrator, and FISCO.</li> </ol>	<ol style="list-style-type: none"> <li>1. 7/1/2008 Action Complete</li> <li>2. 7/1/2008 Action complete</li> <li>3. 7/1/2008 Action complete</li> </ol>
	<b>B)</b> Prepare listing or transfer receipts for checks and money orders transferred between employees.	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 8021 The Trust Office Committee will review statewide procedures for transfer receipts and develop a best practices process meet each hospital need and ensure full accountability. Review of the receipts will be part of the self-assessment.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Ensure that the Trust Officer Committee discusses and agrees on a transfer receipt process.</li> <li>2. Improve Trust Desk Procedures for the new transfer receipt process.</li> <li>3. Ensure the Trust Office staffs are properly trained.</li> <li>4. Fiscal Officer or designee to perform random compliance audits of the transfer receipt process.</li> </ol>	1-4. Actions not complete- Target date extended from 9/30/2008

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>C) Record funds in the accounting records on a timely basis and perform reconciliations. Identify and clear reconciling items in a timely manner.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure funds are accurately recorded in the accounting records in a timely manner.	Training will be provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for allocation &amp; (SCO) appropriation reconciliation process.</li> <li>2. Ensure Accounting staffs are properly trained.</li> <li>3. Establish a monthly schedule of due dates for all required reconciliations.</li> <li>4. Fiscal Officer or designee to review the SCO Reconciliation Reports monthly.</li> <li>5. Ensure the timely posting of corrections as required by SAM.</li> <li>6. Fiscal Officer or designee to perform compliance audits.</li> </ol>	1-6. Actions not complete-Target date extended from 9/30/2008
	<b>D) Post receipts to the Client Benefit Fund.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing a process to ensure receipts are reported to the Client Benefit Fund (CBF).	DMH Accounting Offices will ensure the timely posting of CBF receipts to the Client Benefit Fund. This will be verified through the monthly reconciliation process.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Improve Desk Procedures for Trust Office Cashiering process.</li> <li>2. Ensure the Trust Office Cashier staffs are properly trained.</li> <li>3. Fiscal Officer or designee to review the CBF Bank Reconciliation Reports monthly to ensure compliance of timely recording of deposits, as stated in SAM.</li> <li>4. Fiscal Officer or designee to perform random compliance audits of CBF deposits.</li> </ol>	1-4. Actions not complete-Target date extended from 9/30/2008
	<b>E) Review canteen charges for propriety prior to payment.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	<p>Canteen Charges and Patient Account Charges Training will be provided to ensure patient withdrawal and transfer requests (canteens charges) are processed timely with the appropriate patient and staff approvals.</p> <p>CSH Canteen to prepare a monthly Profit and Loss Statement. Hospitals will obtain a vendor to provide Canteen and Grille Services.</p>	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. CSH to establish a policy for timely processing of withdrawal and transfer requests.</li> <li>2. Improve Desk Procedures for Trust Office Withdrawal and Transfer request process.</li> <li>3. Ensure the Trust Office Cashier staffs are properly trained.</li> <li>4. Accounting Office to prepare a monthly Profit and Loss Statement, if the Canteen is Hospital Operated.</li> </ol>	1-4. Actions not complete-Target date extended from 9/30/2008

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>F) Obtain and document patient approval prior to establishing other accounts or transferring funds.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 7923 A bank reconciliation template and procedures will be established by the Trust Committee. This template will be the basis of reconciling the bank and TACS II (Trust & Accounting Cost System) to the various unique factors at each hospital.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Collaborate with the other State Hospital Trust Offices to establish a clear and concise reconciliation between TACS II and the SCO bank statements.</li> <li>2. Improve Desk Procedures for Trust Office Cashiering process.</li> <li>3. Ensure the Trust Office Cashier staffs are properly trained.</li> <li>4. Fiscal Officer or designee to review the TACS II and Bank Reconciliation Reports monthly to ensure compliance.</li> <li>5. Fiscal Officer or designee to perform random compliance audits of reconciliations.</li> </ol>	1-5. Actions not complete-Target date extended from 9/30/2008
	<i>G) Remit discharged patient trust monies in a timely manner. Verify their addresses via certified mail.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions that will remit discharged patient trust monies accurately and timely.	SAM Section 19425.1 and 19425.2 Accounting Offices will ensure the timely deposit of unclaimed cash. A best practice process to acquire the most accurate patient discharge information will be established. This will ensure the timely remittances for discharged trust funds.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Establish best practices processes for the remittance of unclaimed cash.</li> <li>2. Improve Desk Procedures with best practices processes.</li> <li>3. Ensure the Trust Office staffs are properly trained.</li> <li>4. Establish best practices processes to ensure current addresses are maintained for "out-to-court "patients to assist timely remittances of trust funds, if discharged.</li> <li>5. Fiscal Officer or designee to perform quarterly compliance audits.</li> </ol>	1-5. Actions not complete-Target date extended from 9/30/2008
	<i>H) Close inactive special purpose trust accounts and develop an annual expenditure plan for such trust accounts.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing a thorough self-assessment process to achieve this.	SAM Section 19425.1 and 19425.2 Review of unclaimed cash will be part of the self-assessment.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Establish best practices processes for the remittance of unclaimed cash.</li> <li>2. Improve Desk Procedures with best practices processes.</li> <li>3. Ensure the Trust Office staffs are properly trained.</li> <li>4. Fiscal Officer or designee to perform quarterly compliance audits.</li> </ol>	1-4. Actions not complete-Target date extended from 9/30/2008

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>1) Establish an adequate hold policy for checks and money orders received for patients.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 7923 Best practices procedures will be established to address check /money order holds, timely account closures, and monthly reconciling requirements. Review of Trust reconciliations will be part of the self-assessment.	Fiscal Officer/ Trust Officer	3/31/2009	<ol style="list-style-type: none"> <li>1. Collaborate with the other State Hospital Trust Offices to establish a best practice for holding policies,</li> <li>2. Improve Desk Procedures for Trust Office hold process.</li> <li>3. Ensure the Trust Office staffs are properly trained.</li> <li>4. Fiscal Officer or designee to perform random compliance audits of holds.</li> </ol>	1-4. Actions not complete- Target date extended from 9/30/2008
<b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b>	<i>Properly report accrued expenditures in the yearend financial statements.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing procedures and trainings to ensure proper reporting of accrued expenditures.	The individual hospitals within the Department of Mental Health will develop procedures to ensure that accrued receivables and expenditures are valid and are properly reported in the year-end financial statements. State Administrative Manual Section 7950, 10608, and 10609: Additional training will be given to staff responsible for accruing receivables and expenditures. Each Hospital will be responsible for instituting year-end work plans that include a final review of accrual transactions and encumbrance balances for validity.	Fiscal Officer	7/1/2008	<ol style="list-style-type: none"> <li>1. Conduct the annual Fiscal Officer's meeting to discuss year-end issues, including expenditure accruals.</li> <li>2. Accounting Supervisor to attend the Department of Finance -CaISTARS annual Year-end Training.</li> <li>3. Establish a year-end close/open plan.</li> <li>4. Train accounting staff on proper accrual methods and CaISTARS entries.</li> <li>5. Accounting Supervisors to review and validate accounts receivables, encumbrances, and expenditures accruals.</li> </ol>	<ol style="list-style-type: none"> <li>1. 7/1/2008 Action complete</li> <li>2. 7/1/2008 Action complete</li> <li>3. 7/1/2008 Action Complete</li> <li>4. 7/1/2008 Action complete</li> <li>5. 7/1/2008 Action complete</li> </ol>



**Attachment D**

**Metropolitan State Hospital  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<i>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</i>	Issued notification to mgrs re 634 requirements for all employees. Issued notification to mgrs re requirement to timely submission dock time to HR Issued notification to mgrs re requirement to timely submit changes to time base Conducted training for unit timekeepers re 634s, proper coding, and signature requirements. Reviewed STD 681s monthly to ensure appropriate signatures Timely processing of dock time; Timely processing of disability transactions.	State Administrative Manual (SAM) Section 8539 All supervisors and managers will be trained on the requirement and responsibility to certify all time recorded. DMH will conduct periodic audits to ensure compliance.	1. HR Mgr  2. HR Mgr  3. HR Mgr  4. Personnel Sup II  5. HR Mgr/ PS II  6. PS II  7. PS II	9/30/2008	1. Issue notification to mgrs re 634 requirements for all employees.  2. Issue notification to mgrs re requirement to timely submission dock time to HR.  3. Issue notification to mgrs re requirement to timely submit changes to time base.  4. Conduct training for unit timekeepers re 634s, proper coding, and signature requirements.  5. Review STD 681s monthly to ensure appropriate signatures.  6. Timely process dock time.  7. Timely process disability transactions.	1. 6/13/2008 Action complete  2. 6/13/2008 Action complete  3. 6/13/2008 Action complete  4. 9/2008 Action complete  5. 8/1/2008 Action complete and ongoing  6. 10/20/2008 Complete and ongoing  7. Ongoing—based on receipt of SCIF documents Action complete
	<i>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit.</i>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance.  Refer to Appendix IV Hospital Issues Matrix.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<p><b>(continued)</b> <b>Hospital Issue 1: Inadequate Personnel Practices</b></p>	<p><b>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</b></p>	<p>Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.</p>					
	<p><b>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</b></p>	<p>SAM Section 8580.4 Personnel Specialists are responsible to ensure the exit clearance form is completed and properly signed. The Program or Department is notified when the process is not completed. Training provided to staff regarding the exit clearance process. Supervisors will verify the exit process has been completed correctly and all necessary documents are in the separated employee's file.</p>	<p>Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.</p>	<p>1. HR Dir/ PS II  2. HR Dir/ PS II</p>	<p>9/30/2008</p>	<p>1. Discontinue use of separation logs.  2. Full implementation established regarding employee exit procedures, including use of exit clearance forms</p>	<p>1. 8/1/2008 Action complete  2. 8/18/2008 Action complete</p>
	<p><b>E) Institute payroll procedures to ensure correct classification of employees.</b></p>	<p>Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.</p>					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>A) Ensure payments are made with properly executed contracts and approved purchase orders.</i>	State Contracting Manual (SCM) Section 4.04 All files will contain documentation to support the purchase. This documentation will enable staff to ensure contracts are executed and purchase orders are approved.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented. The implementation process will be ongoing as they relate to established policy and procedures.	1. HGSA II  2. HGSA II  3. Fiscal Officer	12/31/2008	1. Provide adequate and appropriate training to Contract Analyst which will include essential elements of contract development and execution.  2. Contract amendments shall be approved by the same level of authority that the original contract was approved unless such authority has been specifically designated.  3. Accounting staff will review invoices associated with contracts and purchase orders to ensure all requirements have been met prior to issuance of payment	1. Contract Analyst hired 10/14/2008. Training ongoing  2. 8/1/2007 Action complete and ongoing  3. 8/7/2008 Action complete and ongoing
	<i>B) Begin the contract amendment process prior to the contract expiration date to ensure adequate time to obtain the necessary approvals.</i>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

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<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<b>C) Include all the necessary information, such as a clear scope and adequate budget detail, in all contracts.</b>	<p>SCM Section 1.06 Contract Analysts will ensure that files will be complete and contain necessary documentation, including received bids, bid opening records, and award information.</p> <p>SCM Section 2.05 Contract Analysts will ensure that all necessary information, such as clear scope and adequate budget detail are in all contracts. Contracts will be reviewed for accuracy.</p> <p>SCM Section 7.30 Contract Analysts trained in the essential elements of a valid contract. Contracts will contain the following budget detail: -Invoicing and payment provisions –Budget Contingency clauses –Full budget detail which includes the billable hourly rate or service rates, as applicable.</p>	Audits will be conducted to ensure adherence to processes. Training is ongoing.	<p>1. HGSA II</p> <p>2. HGSA II</p> <p>3. HGSA II</p> <p>4. HGSA II</p>	12/31/2008	<p>1. Scope of Work will be complete and will contain all required information in accordance with governing SCM Sections</p> <p>2. Budget Detail will be complete and in accordance with governing SCM Sections</p> <p>3. Provide adequate and appropriate training to Contract Analyst</p> <p>4. Dept manager shall review contracts for completeness prior to approval process</p>	<p>1. 8/1/2007 and ongoing Action complete</p> <p>2. 8/1/2007 Action complete and ongoing</p> <p>3. Contract Analyst hired 10/14/2008. Training ongoing</p> <p>4. 8/1/2007 Action complete and ongoing</p>
	<b>D) Ensure contract logs are accurate and complete.</b>	SCM Section 4.04 Contract Analysts trained relative to the essential elements of writing and amending contracts.	Quarterly review of contract log will be conducted.	HGSA II	9/30/2008	Department manager or designee will review contract log to ensure accuracy and completeness quarterly.	8/1/2007 Action complete and ongoing
	<b>E) Document the bidding process and include the supporting documentation in the contract and purchase order files.</b>	SCM Section 4.04 All files will contain adequate documentation to support the purchase.	Complete documentation will be compiled to support bid process. If exempt from bidding, supporting references shall be included.	HGSA II	12/31/2008	Complete documentation will be compiled to support bid process. If exempt from bidding, supporting references shall be included.	8/1/2007 Action complete and ongoing

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>F) Combine contracts and purchases from the same vendor to avoid the appearance of circumvention of State policies. For contracts over \$10,000, follow the standard contract requirements. For contracts over \$50,000, obtain Department of General Services approval.</i>	Provided adequate and appropriate training to Contract Analyst which will include essential elements of contract development and execution.	Department manager will perform random audits of contracts to ensure compliance with governing SCM sections on an ongoing basis.	1. HGSA II  2. HGSA II	12/31/2008	1. Provide adequate and appropriate training to Contract Analyst which will include essential elements of contract development and execution.  2. Department manager will perform random audits of contracts to ensure compliance with governing SCM sections	1. Contract Analyst hired 10/14/2008. Training ongoing Action complete  2. 8/1/2007 Action complete and ongoing
<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>A) Record accounts receivable timely and accurately.</i>	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH developed procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner.  SAM Section 10506 Additional training provided to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared. Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. Fiscal Officer  2. Fiscal Officer  3. HR Director/ PS II	1/31/2009	1. Train appropriate accounting staff on procedures to research, collect and correct outstanding receivable balances  2. Train appropriate accounting staff to ensure ARs are posted correctly when billed.  3. Train Personnel Specialists on appropriate Salary Advance collection procedures, to include: Appropriate written notice(s) of Accounts Receivable to EE; appropriate collection procedures; appropriate referral to FTB.	1. 8/15/2008 Action complete  2. 8/15/2008 Action complete  3. 8/6/2008 Action complete

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>A) Record accounts receivable timely and accurately.</b>	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH developed procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner.  SAM Section 10506 Additional training provided to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared. Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	4. Fiscal Officer/ HR Director  5. Fiscal Officer/ HR Director	1/31/2009	4. Department manager(s) or designee will conduct periodic and random audits to ensure outstanding AR balances are valid.  5. Establish work group consisting of staff from Accounting and HR departments; hold monthly meetings to resolve pending issues and review current AR status	4. 9/30/2008 Action complete & ongoing  5. 11/1/2008 Action complete & ongoing
	<b>B) Review postings and the accounts receivable ledger for accuracy.</b>	Established procedures to ensure accuracy of AR postings and AR ledger. Provided training to all staff that perform billing of ARs.  Performs monthly audits of ARs to ensure compliance with established procedures. Compiled aged listing of ARs and forwarded to HR for review and follow-up.	SAM Section 7814 Additional training will be given to staff responsible for billing accounts receivables. Individual accounts will be set up for each debtor in the ledger or file. Accounts will be audited regularly for compliance.	1. Fiscal Officer  2. Fiscal Officer  3. Fiscal Officer  4. Fiscal Officer	1/31/2009	1. Establish procedures to ensure accuracy of AR postings and AR ledger  2. Provide training to all staff who perform billing of ARs  3. Perform monthly audits of ARs to ensure compliance with established procedures  4. Compile aged listing of ARs and forward to HR for review and follow-up	1. 8/15/2008 Action complete  2. 8/14/2008 Action complete  3. 8/14/2008 Action complete & ongoing  4. 8/14/2008 Action complete & ongoing

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<p><b>(continued)</b>  <b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b></p>	<p><b>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</b></p>	<p>SAM Section 8776.1-2, 8776.6-7, 8593.1-3 Hospitals initiated procedures to meet and maintain compliance with the requirements of the above SAM sections for the collection of outstanding Payroll Accounts Receivables, Salary Advances, Travel Advances, and miscellaneous Accounts Receivables.</p> <p>Accounting and HR initiated collection procedures to ensure prompt follow-up on outstanding receivable balances.</p>	<p>Additional training will be given to staff to research, collect, and correct outstanding receivable balances.</p> <p>Aging reports will be reviewed by Accounting and HR to ensure that timely and systematic collection efforts have been taken to collect outstanding Accounts Receivables and current outstanding balances are accurate.</p>	<ol style="list-style-type: none"> <li>1. Fiscal Officer</li> <li>2. HR Director/ PS II</li> <li>3. HR Director/ PS II</li> <li>4. Fiscal Officer/ HR Dir</li> </ol>	<p>1/31/2009</p>	<ol style="list-style-type: none"> <li>1. Train appropriate accounting staff on procedures to research, collect and correct outstanding receivable balances</li> <li>2. Train Personnel Specialists on appropriate Salary Advance collection procedures, to include: Appropriate written notice(s) of Accounts Receivable to EE; appropriate collection procedures; appropriate referral to FTB.</li> <li>3. Establish procedures to ensure application and documentation of collection procedures</li> <li>4. Establish work group consisting of staff from Accounting and HR departments and hold monthly meetings to resolve pending issues and review current AR status</li> </ol>	<ol style="list-style-type: none"> <li>1. 8/15/2008 Action complete</li> <li>2. 8/18/2008 Action complete</li> <li>3. 10/3/2008 Action complete &amp; ongoing</li> <li>4. 11/1/2008 Action complete &amp; ongoing</li> </ol>

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>D) Write off uncollectible accounts receivable.</b>	Followed established procedures for write-off of uncollectible accounts receivable, to include adequate documentation to support all write-off requests, and preparation and submission of list of uncollectible ARs.	After completion of the collection process in accordance with the above SAM Sections, Hospitals will prepare and submit a list of uncollectible accounts receivable for write-off in accordance with GC Section 13943.2.	1. Fiscal Officer	9/30/2008	1. Follow established procedures for write-off of uncollectible accounts receivable, to include adequate documentation to support all write-off requests, and preparation and submission of list of uncollectible ARs.	1. 10/26/2008 Action complete & ongoing
	<b>E) Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, if necessary.</b>	SAM Section 1323.1 Accounting Offices will obtain and retain lease agreements on all State owned real property for the duration of the lease. Mechanisms to renew, update, and/or amend leases established at each Hospital in accordance with Department of General Services and SAM.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. Fiscal Officer  2. Asst Hospital Admin/ HGSA II	1/31/2009	1. Accounting office will maintain copies of lease agreements of real property for duration of lease.  2. Establish procedures to ensure renewal, update and/or amendment of leases.	1. 8/15/2008 Action complete  2. 8/1/2008 Action complete
<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</b>	State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06 Delegation of signature authority letter(s) developed for purchase/contract approval and acquisitions/dispositions.  Developed and maintained list of those with delegated signature authority. Issued delegation of signature authority letter for purchase/contract approval and acquisitions/dispositions.	List will be reviewed no less than annually  Updates/changes shall be documented as needed.	1. HGSA II  2. HGSA II  3. HGSA II  4. HGSA II	9/30/2008    1/2009	1. Develop and maintain list of those with delegated signature authority.  2. Issue delegation of signature authority letter for purchase/contract approval and acquisitions/dispositions.  3. List will be reviewed no less than annually.  4. Updates/changes shall be documented as needed.	1. 1/28/2008 Action complete and ongoing  2. 1/28/2008 Action complete  3. Annual review due 1/2009  4. Ongoing Action complete

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<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>B) Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</i>	Blank check signing machine is maintained in the workspace of the Secretary to the Hospital Administrator. This space is housed in the Executive Suite and is secured during non-business hours. The machine is kept locked at all times other than during actual operation. Machine keys are kept secure. One key is maintained within the workspace of the HA Secretary with key accessibility to this location limited to the HA Secretary and one alternate, currently the Secretary to the Clinical Administrator. One additional machine key is maintained within one vault in the Accounting Department. Access to the vault is by combination/code and is limited to three staff. The combination/code is altered upon transfer or separation of any of the three staff.	Recommendation has been accepted and corrective actions implemented.	<ol style="list-style-type: none"> <li>Hospital Admin.</li> <li>Fiscal Officer</li> <li>Fiscal Officer</li> </ol>	9/30/2008	<ol style="list-style-type: none"> <li>Secure blank check signing machine key and signature plate</li> <li>Maintain list of undelivered warrants and provide copy to HR for review follow up</li> <li>Establish procedure to ensure warrants older than 90-days are deposited and remitted to proper account</li> </ol>	<ol style="list-style-type: none"> <li>4/1/2008 Action complete</li> <li>Ongoing—Action Complete</li> <li>8/14/2008 Action complete</li> </ol>
	<i>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</i>	Reviewed and updated CALSTARS user access. Reviewed and updated TACS user access. Reviewed and modified user access to ensure access rights are limited to those employees requiring it in the performance of their job.	Recommendation has been accepted and corrective actions implemented.	<ol style="list-style-type: none"> <li>Fiscal Officer</li> <li>Trust Officer</li> <li>Fiscal Officer/ Trust Officer</li> </ol>	11/30/2008	<ol style="list-style-type: none"> <li>Review and update CALSTARS user access</li> <li>Review and update TACS user access</li> <li>Review and modify user access to ensure access rights are limited to those employees requiring it in the performance of their job</li> </ol>	<ol style="list-style-type: none"> <li>8/15/2008 Action complete</li> <li>9/16/2008 Action complete</li> <li>9/16/2008 Action complete</li> </ol>

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<b>(continued)</b> <b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>D) Develop an inventory system to safeguard pharmaceutical drugs.</i>	Maintenance of existing inventory system. Continue to conduct physical inventory of pharmaceutical drugs. Documented acquisition and disposition of pharmaceutical drugs.	Recommendation has been accepted and corrective actions implemented.	1. Pharmacy Mgr  2. Pharmacy Mgr  3. Pharmacy Mgr  4. Pharmacy Mgr	4/30/2009	1. Maintain existing inventory system  2. Continue to conduct physical inventory or pharmaceutical drugs  3. Document acquisition and disposition of pharmaceutical drugs  4. Department manager will conduct periodic audits to ensure accuracy	1. 1/1/2008 Action complete  2. 1/1/2008 Action complete and ongoing  3. 1/1/2008 Action complete  4. 1/1/2008 – Action complete and ongoing
	<i>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</i>	SAM Section 8652 The hospital has taken a physical inventory of all property and will reconcile the count with accounting records at least once every three years.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. HGSA I  2. HGSA I	12/31/2008	1. Conduct physical inventory of all property to ensure compliance with governing SAM sections  2. Develop schedule to ensure physical inventory is reconciled with accounting records at least once every three years	1. 6/10/2008 Action complete  2. 6/10/2008 Action complete
	<i>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</i>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance.  Refer to Appendix IV Hospital Issues Matrix.					

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<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b>	SAM Section 8650, 8640, 7924 Reconciliations for capitalized equipment will be performed no less than on a quarterly basis. Hospitals established procedures to ensure that the Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. Fiscal Officer/ HGSA I	12/31/2008	1. Perform annual reconciliation of Statement on Changes in Gen Fixed Assets to DGS Statewide Real Property inventory amounts	1. 8/15/2008 Action complete
<b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<b>A) Ensure rental agreements are prepared, enforced, and include necessary items, such as rent amounts. Update the rental agreements to ensure the appropriate rent is charged.</b>	A standardized rental agreement has been developed for the four state hospitals with state-owned housing (SOH) that will be implemented March 13, 2008. These rental agreements contain 44 elements (terms), including rent and utility rates. State hospitals will ensure that appropriate rent and utilities are charged and all rental agreement terms are enforced. The 4 state hospitals with SOH (ASH, MSH, PSH, and NSH) completed their appraisals in 2007.	DMH is in full compliance with Department of Personnel Administration's (DPA) SOH policies and requirements. Template will be used for leases due for renewal in 1/1/09.	1. HGSA II	3/13/2008 - Ongoing	1. Implement use of standard DMH rental agreement.	1. MSH adopted DMH template 3/2008; template will be used for leases due for renewal in 1/1/2009.  Action complete
	<b>B) Require all employees to pay the appropriate rent and cleaning deposits.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Report fringe benefits correctly to the SCO in a timely manner.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D) Obtain approval from headquarters for any non-standard use of housing units. Once approval is obtained, require waivers of liabilities from guests.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					

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<b>Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>A) Compare Cal-Card and Voyager Fleet Card charges to appropriate approvals and supporting documentation before payments are made. Institute independent reviews of all expenditures, including gift card purchases, to ensure accuracy, propriety, and evidence of receipt.</i>	State Administrative Manual (SAM) 8422, 822.20, and 8110 Best practices will include claim audits and Office Revolving Fund procedures. The Accounts Payable Unit completed a check list for each claim schedule. This check list will be reviewed by a lead or unit supervisor.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. Fiscal Officer	10/31/2008	1. Establish procedure to ensure completion of check list for each claim schedule. Procedure will incorporate requirement of receipts and purchase orders	1. 8/14/2008 Action complete
		SAM 4108 The check list includes the requirement of receipts and purchase orders for Cal Card and Voyager invoice payments. This review will also include verification of authorized users.		2. Fiscal Officer		2. Supervisor or designee will conduct monthly audit to ensure compliance with claim scheduling practices	2. 8/14/2008 Action complete and ongoing
		Hospitals provided training for Cal Card users to reinforce DGS requirements and to update new changes.		3. Fiscal Officer		3. Fiscal Officer will conduct quarterly assessment to ensure compliance with uniformity of procedures. Results of assessments will be reported to Hospital Administrator and AHA.	3. 8/14/2008 Action complete and ongoing
		The Fiscal Offices performed self-assessments to ensure compliance and uniformity of procedures.		4. Asst Hospital Admin		4. Train Cal-Card users to ensure compliance with DGS requirements.	4. 7/15/2008 Action complete
		SAM 8032.1 and 8032.3 Random audits performed by hospitals to ensure the timely deposits and recording of receipts as well as a verification of deposits.		5. HGSA II		5. Department manager/designee will conduct an independent review of all gift card/certificate expenditures on a monthly basis to ensure accuracy, propriety, and evidence of receipt(s)	5.1/15/08 Action complete
		Regular reviews will be performed by an Accounting supervisor.					

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<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>B) Ensure that only authorized employees use Cal-Card and Voyager Fleet Cards.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Update accounting records promptly by posting checks and cash receipts.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</b>	SAM 8595 Personnel Specialists responsible to ensure the accuracy of salary advances. Training provided to staff regarding the appropriate calculation tools. Personnel supervisors will verify the accuracy of the salary advance and document their review and approval on the salary advance request form.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	1. HR Dir/ PS II  2. HR Dir/ PS II  3. HR Dir/ PS II	10/31/2008	1. Train personnel specialists on proper salary advance procedures  2. Personnel Sup or designee will review/approve all salary advances  3. Emergency salary advances will require reason for advance, supporting documentation and approval of Personnel Supervisor/designee and HR Director	1. 8/18/2008 Action complete  2. 8/1/2008 Action complete and ongoing  3. 8/1/2008 Action complete and ongoing
	<b>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>A) Obtain approval from Department of Finance, Fiscal Systems and Consulting Unit, for bank accounts outside the State Treasury System.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					

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<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>B) Prepare listing or transfer receipts for checks and money orders transferred between employees.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Record funds in the accounting records on a timely basis and perform reconciliations. Identify and clear reconciling items in a timely manner.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions to ensure funds are accurately recorded in the accounting records in a timely manner.	Training will be provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	1. Fiscal Officer  2. Fiscal Officer/ Trust Officer	9/30/2008  1/2009	1. Conduct monthly trust reconciliation and research discrepancies.  2. Correct discrepancies within 30-days.  3. Training will be provided.	1. 8/15/2008 Action complete & ongoing  2. 8/14/2008 Action complete & ongoing  3. Action not complete-Target date extended from 9/30/2008
	<b>D) Post receipts to the Client Benefit Fund.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>E) Review canteen charges for propriety prior to payment.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>F) Obtain and document patient approval prior to establishing other accounts or transferring funds.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					
	<b>G) Remit discharged patient trust monies in a timely manner. Verify their addresses via certified mail.</b>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance. Refer to Appendix IV Hospital Issues Matrix.					

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<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>H) Close inactive special purpose trust accounts and develop an annual expenditure plan for such trust accounts.</i>	Reviewed all special purpose trust accounts. Developed annual expenditure plan for inactive special purpose trust accounts. Closed Inactive special purpose trust accounts.  SAM Section 19425.1 and 19425.2 Review of unclaimed cash will be part of the self-assessment.	Recommendation has been accepted and corrective actions implemented.	1. Trust Officer  2. Trust Officer  3. Trust Officer	9/30/2008	1. Review all special purpose trust accounts  2. Develop annual expenditure plan for inactive special purpose trust accounts  3. Close Inactive special purpose trust accounts	1. 9/16/2008 Action complete  2. 9/16/2008 Action complete  3. 9/16/2008 Action complete
	<i>I) Establish an adequate hold policy for checks and money orders received for patients.</i>	Not applicable to Metropolitan State Hospital per OSAE recommendations. MSH is in compliance.  Refer to Appendix IV Hospitals Issue Matrix.					
<b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b>	<i>Properly report accrued expenditures in the year-end financial statements.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing procedures and trainings to ensure proper reporting of accrued expenditures.  The individual hospitals within the Department of Mental Health developed procedures to ensure that accrued receivables and expenditures are valid and are properly reported in the year-end financial statements.	State Administrative Manual Section 7950, 10608, and 10609: Additional training will be given to staff responsible for accruing receivables and expenditures. Each Hospital will be responsible for instituting year-end work plans that include a final review of accrual transactions and encumbrance balances for validity.	1. Fiscal Officer  2. Fiscal Officer	7/1/2008	1. Develop year-end work plans to ensure compliance with governing SAM sections  2. Conduct annual and final review of accrual transactions and encumbrance balances to ensure validity	1. 8/14/2008; executed w/ 07/08 year-end closing. Action complete  2. 8/14/2008 Action complete and ongoing



**Attachment E**

**Napa State Hospital  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<b>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</b>	NSH has developed an electronic prototype of the Standard 672 form and submitted it to Napa's Information Technology Department for evaluation and modification for testing and implementation. Update: This action was discontinued as of 8/2008.  Currently, NSH requires that a hard copy of the STD 672 form be certified by Program Directors/Department Heads. Copies are maintained by the Program Directors for audit purposes. Supervisors and managers are also reminded to ensure accuracy of sign in sheets.	NSH anticipates the implementation of the 21 <sup>st</sup> Century Project.  DMH will conduct periodic audits to ensure compliance.	Central Staffing Office  Human Resources Manager  Information Systems Department	9/30/2008	NSH has developed an electronic prototype of the Standard 672 form and submitted it to Information System Department for evaluation and modification for testing and implementation.  Currently, NSH requires a hard copy of STD 672 form be certified by Program Directors/Department Heads. Copies are maintained by the Program Directors for audit purposes. Supervisors and managers are also reminded to ensure accuracy of sign in sheets.	This action was discontinued as of 8/2008  9/1/2008 Action complete and ongoing
	<b>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit. For example, Central Staffing Services should perform a second review and provide the final approval for level of care overtime requests. Ensure these reviews and approvals are adequately documented in personnel records.</b>	SAM Section 8540: A process was developed to have the authorized supervisor sign the overtime form.  The overtime will then be certified by the next level supervisor/designee or a Centralized Staffing Office.	Recommendations have been taken into consideration and implemented.	Central Staffing Office	12/31/2008	1. NSH implemented mandatory pre-approval prior to working overtime by the Central Staffing Office.  2. Central Staffing Office is in the process of developing hospital wide policy and procedures to define responsibility and accountability for personnel practices for overtime.	1. 4/1/2008 Action complete  2. 4/1/2008 Action complete
	<b>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</b>	SAM Section 8540: Random overtime audits will be conducted to reduce the likelihood of fraud and abuse.  SAM Section 20080: The Hospital Administrator/designee will report suspected fraud and/or irregularities to the appropriate authorities.	Recommendations have been taken into consideration and implemented.	Personnel Officer	12/31/2008	1. NSH implemented random audits of overtime worked to reduce fraud and abuse by the Central Staff Office.  2. The Personnel Officer has provided direction to all Department/Programs that all suspected fraud and/or irregularities must be reported to the appropriate authorities.	4/1/2008 Action complete  4/1/2008 Action complete

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<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<i>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</i>	SAM Section 8580.4: Personnel Specialists will be responsible to ensure the exit clearance form is completed and properly signed. The Program or Department will be notified when the process is not completed. Training will be provided to staff regarding the exit clearance process. Supervisors will verify the exit process has been completed correctly and all necessary documents are in the separated employee's file.	Recommendations have been taken into consideration and implemented.	Personnel Officer	9/30/2008	1. All Personnel Specialist were retrained on the exit clearance process. Training will continue as necessary.  2. The Personnel Officer notified all Department/Programs that all separating employees must be signed out according NSH Administrative Directive (AD 365).	1. 4/1/2008 Action complete  2. 4/1/2008 Action complete
	<i>E) Institute payroll procedures to ensure correct classification of employees.</i>	All Requests for Personnel Actions (Form H's) are submitted to the Classification and Pay Analyst prior to advertising and interviews.  The C&P Analyst reviews Duty Statement and Organizational Chart to ensure compliance with position number and allocation guidelines. If approved, sign off on Form H and allows selection interviews.	Prior to any action to hire or change the status of an employee, a Request for Personnel Action has to be completed and submitted to Personnel for review.	Personnel Officer	12/31/2008	1. All Requests for Personnel Actions (Form H's) are submitted to the Classification and Pay Analyst prior to advertising and interviews.  2. The C&P Analyst reviews Duty Statement, Org. Chart to ensure compliance with position number and allocation guidelines. If OK'd, then signs off on Form H and allow selection interviews.	1. 4/1/2008 Action complete  2. 4/1/2008 Action complete
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<i>A) Ensure payments are made with properly executed contracts and approved purchase orders.</i>	State Contracting Manual (SCM) Section 4.04: All files will contain documentation to support the purchase. This documentation will enable staff to ensure contracts are executed and purchase orders are approved.	Recommendations have been taken into consideration and implemented.	Accounting Officer	1/2008	Accounting implemented a process to include a copy of fully executed contract and/or purchase order for every invoice payment.	1/2/2008 Action complete

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<b>(continued)</b> <b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<b>B)</b> Begin the contract amendment process prior to the contract expiration date to ensure adequate time to obtain the necessary approvals.	SCM Section 1.06: Three months prior to expiration of contracts, the Contract Analyst will be responsible for reviewing and starting the contract process of all expiring contracts to ensure adequate time to obtain the necessary approvals.	Recommendations have been taken into consideration and implemented.	Contract Coordinator	9/30/2008	1. Contract Coordinator has reviewed all contracts.  2. Contracts set to expire have been noted and Contract Coordinator has begun the contract process to ensure timely approval of contracts.	1. 4/15/2008 Action complete  2. 5/1/2008 Action complete and ongoing
	<b>C)</b> Include all the necessary information, such as a clear scope and adequate budget detail, in all contracts.	SCM Section 1.06: Contract Analysts will ensure that files will be complete and contain necessary documentation, including received bids, bid opening records, and award information. Audits will be conducted to ensure adherence to processes.  SCM Section 2.05: Contract Analysts will ensure that all necessary information, such as clear scope and adequate budget detail are in all contracts. Contracts will be reviewed for accuracy.  SCM Section 7.30: Contract Analysts will be trained in the essential elements of a valid contract. Contracts will contain the following budget detail: -Invoicing and payment provisions -Budget Contingency clauses -Full budget detail which includes the billable hourly rate or service rates, as applicable.	Recommendations have been taken into consideration and implemented.	Contract Coordinator	12/31/2008	1. All documentation pertaining to the contract is being maintained in the contract file.  2. Contract Coordinator is using template developed by HQ's for all IFB's and contracts.  3. Using HQ's template, Contract Coordinator reviews all contracts to ensure all necessary information is included in the contract.  4. Contracts requiring DGS approval are forwarded to HQ's contract department for review prior to being sent out to bid or to a contractor to ensure all essential elements of a contract are included (clear scope of work, full budget detail, hourly rate).	1. 5/1/2008 Action complete and ongoing  2. 4/1/2008 Action complete and ongoing  3. 4/1/2008 Action complete  4. 2/1/2008 Action complete and ongoing

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<b>(continued)</b> <b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<b>D) Ensure contract logs are accurate and complete.</b>	SCM Section 4.04: Contract Analysts trained relative to the essential elements of writing and amending contracts.	Recommendations have been taken into consideration and implemented.	Contract Coordinator	9/30/2008	1. Contract logs have been reviewed and updated.  2. Contract logs will be reviewed and updated monthly to ensure they are accurate and complete	1. 5/15/2008 Action complete and ongoing  2. 5/15/2008 Action complete and ongoing
	<b>E) Document the bidding process and include the supporting documentation in the contract and purchase order files.</b>	SCM Section 4.04: All files contain adequate documentation to support the purchase.	Recommendations have been taken into consideration and implemented.	Contract Coordinator	12/31/2008	1. All documentation pertaining to the contract is being maintained in the contract file.	1. 5/1/2008 Action complete and ongoing
	<b>F) Combine contracts and purchases from the same vendor to avoid the appearance of circumvention of State policies. For contracts over \$10,000, follow the standard contract requirements. For contracts over \$50,000, obtain Department of General Services approval.</b>	Contracts to the same vendor have been reviewed to see if they can be combined to take advantage of pricing discounts.  Contracts that can be combined have been noted and will be prepared as such next time they go out to bid.  Standard contract requirements and rules are followed.	Recommendations have been taken into consideration and implemented.	Contract Coordinator	12/31/2008	1. Contracts to the same vendor have been reviewed to see if they can be combined to take advantage of pricing discounts.  2. Contracts that can be combined have been noted and will be prepared as such next time they go out to bid.  3. Standard contract requirements and rules are followed.	1. 5/1/2008 Action complete and ongoing  2. 5/15/2008 Action complete and ongoing  3. 2/1/2008 Action complete and ongoing

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<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>A) Record accounts receivable timely and accurately.</i>	State Administrative Manual (SAM) Section 1323.1: The individual hospitals within the DMH developed procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner. SAM Section 10506: Additional training will be given to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared. Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid.	Recommendations have been taken into consideration and implemented.	Accounting Officer	1/31/2009	<ol style="list-style-type: none"> <li>1. Accounting started training the newly hired staff to ensure accounts receivable are recorded timely and accurately.</li> <li>2. Staff ensures that accounts receivable billings and collections are recorded correctly and timely.</li> <li>3. Review and monitor outstanding accounts receivable to ensure balances are valid and send follow-up letters in accordance with SAM Section 8776.6.</li> </ol>	<p>1. 5/16/2008 Action complete</p> <p>2. 6/15/2008 Action complete and ongoing</p> <p>3. 7/1/2008 Action complete and ongoing</p>
	<i>B) Review postings and the accounts receivable ledger for accuracy.</i>	SAM Section 7814: Additional training will be given to staff responsible for billing accounts receivables. Individual accounts will be set up for each debtor in the ledger or file. Accounts will be audited regularly for compliance.	Recommendations have been taken into consideration and implemented.	Accounting Officer	1/31/2009	<ol style="list-style-type: none"> <li>1. Accounting started training staff to monitor and review individual accounts receivable set up in subsidiary ledger monthly.</li> </ol>	<p>1. 5/16/2008 Action complete and ongoing</p>

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</b>	SAM Section 8776.1-2, 8776.6-7, 8593.1-3: Hospitals initiated procedures to meet and maintain compliance with the requirements of the above SAM sections for the collection of outstanding Payroll Accounts Receivables, Salary Advances, Travel Advances, and miscellaneous Accounts Receivables. Accounting and HR initiated collection procedures to ensure prompt follow-up on outstanding receivable balances. Additional training given to staff to research, collect, and correct outstanding receivable balances. Aging reports reviewed by Accounting and HR to ensure that timely and systematic collection efforts have been taken to collect outstanding Accounts Receivables and current outstanding balances are accurate.	Recommendations have been taken into consideration and implemented.	Personnel Officer  Personnel Supervisor II  Personnel Specialist	1/31/2009	1. The Accounting staff provide monthly list of outstanding AR's/RF's to Personnel Specialist to begin the collection process.  2. The Personnel Supervisor reviews the monthly list of AR's/RF's and follows up with Personnel Specialist as necessary.  3. The Personnel Specialist notifies employees with outstanding AR's/RF's monthly.  4. The required 674 is being forwarded to the State Controller's Office along with a repayment plan.	1. 4/1/2008 Action complete  2. 4/1/2008 Action complete  3. 4/1/2008 Action complete  4. 4/1/2008 Action complete
	<b>D) Write off uncollectible accounts receivable.</b>	After completion of the collection process in accordance with the above SAM Sections, Hospitals prepare and submit a list of uncollectible accounts receivable for write-off in accordance with GC Section 13943.2.	Recommendations have been taken into consideration and implemented.	Accounting Officer	9/30/2008	NSH fully completed the collection process and compile documentations to submit a list of uncollectible accounts receivable for write-off.	8/15/2008  Action complete
	<b>E) Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, if necessary.</b>	SAM Section 1323.1: Accounting Offices will obtain and retain lease agreements on all State owned real property for the duration of the lease.	Mechanisms to renew, update, and/or amend leases will be established at each Hospital in accordance with Department of General Services and SAM.	Accounting Officer	1/31/2009	Accounting receives and maintains lease agreements submitted by the housing coordinator, including renewals, updates, and any lease amendments.	6/1/2008 Action complete and ongoing

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<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</i>	Recommendations have been taken into consideration.	State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06: Delegation of signature authority letter(s) will be developed for purchase/contract approval and acquisitions/dispositions.	Procurement Officer  Contract Coordinator	9/30/2008	Signature Authorizations for all staff authorized to approve requests for procurement of goods and services have been established.	7/1/2007 Action complete
	<i>B) Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</i>	Effective November 2007, NSH made some revisions on the procedures. Blank check stock is now kept in a locked cabinet in the vault located in the Trust Office with access to the key, limited to supervisors and signed out only to check preparers. The check signing machine has been relocated to the Benefits Office; staff does not have access to blank check stock. Authorized staff signs the key in and out each morning and evening.  Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.	Recommendations have been taken into consideration and implemented.	Supervising Trust Officer	9/30/2008	1. Procedures have been reviewed and revised.  2. Check signing machine was moved to another office, and staff assigned to signing checks has no access to blank check stock.  3. Key to check signing machine is kept at the hospital telephone operator office, and is signed out every morning and signed in every evening.	1. 11/2007 Action complete  2. 11/2007 Action complete  3. 11/2007 Action complete
	<i>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</i>	SAM Section 4841.5, 8080.1: As of September 2008, the process to allow Headquarters access to the hospital's CalSTARS System has been changed. Headquarters is now notifying hospitals of access requests. SAM Section 4841.5, 8080.1: The TACS II System was modified to limit staff to the appropriate access. An annual review of the CALSTAR User Access will be performed to ensure compliance.	Recommendations have been taken into consideration and implemented.	Supervising Trust Officer	11/30/2008	1. TACS II system has been modified to include levels of access, and has been installed on TACS II system at NSH.  2. Access levels have been reviewed and modified as required.	1. 5/15/2008 Action complete  2. 5/15/2008 Action complete

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<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>D) Develop an inventory system to safeguard pharmaceutical drugs.</b>	SAM Section 8600, 8650: Hospitals developed a property inventory system for pharmaceutical drugs to provide accurate records for the acquisition and disposition of controlled and non-controlled drugs.	Recommendations have been taken into consideration and implemented.	Pharmacy Director	4/30/2009	Pharmacy instituted a process that provides tracking spreadsheet of top 50 used drugs. Assigned staff will continue to work on the inventory control project.	7/1/2008 Action complete
	<b>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</b>	SAM Section 8652: The hospitals have taken a physical inventory of all property and reconcile the count with accounting records at least once every three years.	Recommendations have been taken into consideration and implemented.	Property Controller	12/31/2008	NSH Property Controller performed physical inventory of all property in compliance with SAM provisions.	9/2008 Action complete
	<b>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</b>	SAM Section 8650, 8640, 7924: Hospitals initiated procedures to meet and maintain compliance with the requirements in the above SAM sections for the recording and reconciling of capitalized property. Current policies and procedures have been reviewed and augmented to ensure that reconciliations are completed timely and accurately. Training provided to staff responsible for recording acquisitions and dispositions of capitalized property and reconciling the property ledger to the general fixed asset accounts.	Recommendations have been taken into consideration and implemented.	Accounting Officer	1/30/2009	1. Accounting coordinated the review and revision of existing policies and procedures with Property Controller to ensure that reconciliations are completed accurately and timely.  2. Provide training to assigned staff for recording the acquisitions, dispositions of capitalized property and reconciling the property ledger to the General Fixed Asset Account Group.	1. 1/1/2008 Action complete  2. 1/1/2008 Action complete
	<b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b>	SAM Section 8650, 8640, and 7924: Reconciliations for capitalized equipment are performed no less than on a quarterly basis. Hospitals will establish procedures to ensure that the Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.	Recommendations have been taken into consideration and implemented.	Accounting Officer	12/31/2008	Accounting has revised the major equipment reconciliation procedures and will continue to perform the quarterly reconciliation as required.	7/1/2008 Action complete

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<b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<i>A) Ensure rental agreements are prepared, enforced, and include necessary items, such as rent amounts. Update the rental agreements to ensure the appropriate rent is charged.</i>	<p>A standardized rental agreement has been developed for the four state hospitals with state-owned housing (SOH) that will be implemented March 13, 2008. These rental agreements contain 44 elements (terms), including rent and utility rates. State hospitals will ensure that appropriate rent and utilities are charged and all rental agreement terms are enforced.</p> <p>The 4 state hospitals with SOH (ASH, MSH, PSH, and NSH) completed their appraisals in 2007.</p>	DMH is in full compliance with Department of Personnel Administration's (DPA) SOH policies and requirements.	Housing Coordinator	3/2008 - Ongoing	<p>1. Once new form is implemented, NSH Housing Coordinator will be trained on proper procedures for completion. General Services Administrator will review all completed applications for accuracy.</p> <p>2. The new form is now being used. The housing coordinator fills out the form and the General Services Administrator reviews and signs the lease agreement.</p>	<p>1. 2/25/2008 Action complete</p> <p>2. 6/12/2008 Action complete and ongoing</p>
	<i>B) Require all employees to pay the appropriate rent and cleaning deposits.</i>	State hospitals are not required by statute, regulation or policy to collect cleaning deposits. However, the standardized rental agreement now provides for the collection of a security deposit at the time a rental agreement is executed that could be used for, among other things, the cleaning of the rental unit.	DMH is in full compliance with DPA's SOH policies and requirements.	Housing Coordinator	3/2008 - Ongoing	Housing Coordinator evaluates, monitors, and continues to be in compliance.	3/1/2008 Action complete

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<b>(continued) Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<b>C) Report fringe benefits correctly to the SCO in a timely manner.</b>	<p>The DMH 's interpretation of Internal Revenue Services Code Section 1.119-1(b)(2) states that "the value of housing/lodging furnished to an employee by the employer as a Working Condition Fringe Benefit shall be excluded from the employee's gross income if all three of the following criteria are met: The lodging is provided on the business premises of the employer The lodging is provided for the convenience of the employer The employee is required to accept such lodging as a condition of employment" Per the above IRS Code Section, any employee meeting all three criteria, with documentation, is exempt from fringe benefit income reporting to the State Controller's Office (SCO).</p> <p>However, for employees who don't meet the criteria mentioned in the above IRS code we will continue to submit reportable fringe benefit income in a timely and accurate manner to the SCO.</p>	State hospitals will ensure that the appropriate fringe benefit income for its employees is reported in a timely and accurate manner to the SCO.	Accounting Officer	3/31/2008 - Ongoing	Accounting will continue to submit reportable income in a timely and accurate manner to the SCO.	3/31/2008 Action complete and ongoing
	<b>D) Obtain approval from headquarters for any non-standard use of housing units. Once approval is obtained, require waivers of liabilities from guests.</b>	<p>State hospitals are not required by statute, regulation, or policy to obtain waivers of liability from guests when housing units are used for family visits or recruitment purposes. However, standard business practices dictate that the State of California be held harmless from any liabilities and claims for damages as a result of non-employees residing on state property. As such, state hospitals began obtaining waivers of liability from non-employees (guests) March 1, 2008.</p>	DMH is in full compliance with DPA's SOH policies and requirements.	Housing Coordinator	3/13/2008 - Ongoing	NSH discontinued housing non-employees and/or guests and began obtaining waivers of liability when the new form was made available in March 2008.	3/13/2008 Action complete



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<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</b>	SAM 8595: Personnel Specialists responsible to ensure the accuracy of salary advances. Training provided to staff regarding the appropriate calculation tools. Personnel supervisors will verify the accuracy of the salary advance and document their review and approval on the salary advance request form.	Recommendations have been taken into consideration and implemented.	Personnel Officer	10/31/2008	The Personnel Officer will discuss with staff the appropriate calculation of salary advances in accordance with SAM and any bargaining unit provisions.	7/1/2008 Action complete
	<b>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</b>	SAM 7908, 7923, and 8070: Training provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	Recommendations have been taken into consideration and implemented.	Accounting Officer	10/31/2008	NSH has been timely in the preparation and review of monthly reconciliations.	7/1/2008 Action complete ongoing
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>A) Obtain approval from Department of Finance, Fiscal Systems and Consulting Unit, for bank accounts outside the State Treasury System.</b>	State Administrative Manual (SAM) Section 19462: DMH Accounting Office will ensure that FISCO approval is obtained prior to opening bank accounts outside the State Treasury System. This will be accomplished through additional training on the FISCO requirements.	Recommendations have been taken into consideration and implemented.	Financial Services Department	9/30/2008	NSH is in compliance with the requirement.	7/1/2008 Action complete and ongoing
	<b>B) Prepare listing or transfer receipts for checks and money orders transferred between employees.</b>	SAM Section 8021: The Trust Office Committee reviewed statewide procedures for transfer receipts and developed best practices process meet each hospital need and ensure full accountability. Review of the receipts will be part of the self-assessment.	Recommendations have been taken into consideration and implemented.	Trust Officer	9/30/2008	NSH receives very few checks and/or money orders, normally comes from the mail. Upon opening of mail, checks and/or money orders are immediately forwarded to the Cashier, Trust Office.	7/1/2008 Action complete and ongoing
	<b>C) Record funds in the accounting records on a timely basis and perform reconciliations. Identify and clear reconciling items in a timely manner.</b>	Newly hired staff is being trained in various required reconciliations. Training will be provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations will be part of the self-assessment.	Recommendations have been taken into consideration and implemented.	Senior Accounting Officer	9/30/2008	Accounting is in compliance with the requirement. Also, newly hired staff is being trained in various required reconciliations.	7/1/2008 Action complete and ongoing

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<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<b>D) Post receipts to the Client Benefit Fund.</b>	DMH Accounting Offices will ensure the timely posting of CBF receipts to the Client Benefit Fund. This will be verified through the monthly reconciliation process.	Recommendations have been taken into consideration and implemented.	Senior Accounting Officer	9/30/2008	NSH is in compliance with the requirement. CBF receipts are posted timely and reconciled monthly.	7/1/2008 Action complete
	<b>E) Review canteen charges for propriety prior to payment.</b>	Not applicable to Napa State Hospital per OSAE recommendations. Refer to Appendix Hospital Issues Matrix.					
	<b>F) Obtain and document patient approval prior to establishing other accounts or transferring funds.</b>	SAM Section 7923: A bank reconciliation template and procedures has been established by the Trust Committee. This template will be the basis of reconciling the bank and TACS II (Trust & Accounting Cost System) to the various unique factors at each hospital.	Recommendations have been taken into consideration and implemented.	Trust Officer  Senior Accounting Officer	9/30/2008	NSH is in compliance with the requirement.	7/1/2007 Action complete
	<b>G) Remit discharged patient trust monies in a timely manner. Verify their addresses via certified mail.</b>	SAM Section 19425.1 and 19425.2: Accounting Offices will ensure the timely deposit of unclaimed cash. A best practice process to acquire the most accurate patient discharge information is established. This will ensure the timely remittances for discharged trust funds.	Recommendations have been taken into consideration and implemented.	Trust Officer	9/30/2008	NSH is now in compliance with the requirement. A weekly report is received for patients being discharged for timely remittance of any trust monies.	2/1/2008 Action complete
	<b>H) Close inactive special purpose trust accounts and develop an annual expenditure plan for such trust accounts.</b>	SAM Section 19425.1 and 19425.2: Review of unclaimed cash as part of the self-assessment.	Recommendations have been taken into consideration and implemented.	CBF Committee Chair	9/30/2008	The CBF Committee meet to discuss closing the inactive trust accounts and start developing annual expenditure plan for submission every start of the fiscal year.	7/1/2008 Action complete

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<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>1) Establish an adequate hold policy for checks and money orders received for patients.</i>	<p>SAM Section 7923: Best practices procedures established to address check /money order holds, timely account closures, and monthly reconciling requirements. Review of Trust reconciliations is a part of the self-assessment.</p> <p>It was determined that changing the present procedure was not necessary. NSH does not have difficulties recouping the funds of dishonored checks/money orders from patient accounts especially when the patient has sufficient fund in the account. NSH also performs monthly reconciliation of patient's accounts. We have checked with local banks and found out that standard banking practice does not always require holding funds for 10 days especially when the patient has sufficient fund in the account.</p>	Recommendations have been taken into consideration and implemented.	Supervising Trust Officer	9/30/2008	<ol style="list-style-type: none"> <li>1. A review of present procedures for holds on checks/money orders was performed to determine if changes are needed.</li> <li>2. It was determined that changing the present procedure was not necessary. NSH does not have difficulties recouping the funds of dishonored checks/money orders from patient accounts especially when the patient has sufficient fund in the account. NSH also performs monthly reconciliation of patient's accounts. We have checked with local banks and found out that standard banking practice does not always require holding funds for 10 days especially when the patient has sufficient fund in the account.</li> </ol>	<p>1. 11/2007 Action complete</p> <p>2. 11/2007 Action complete</p>

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<p><b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b></p>	<p><i>Properly report accrued expenditures in the year-end financial statements.</i></p>	<p>The individual hospitals within the Department of Mental Health developed procedures to ensure that accrued receivables and expenditures are valid and are properly reported in the year-end financial statements. State Administrative Manual Section 7950, 10608, and 10609:</p> <p>Additional training was given to staff responsible for accruing receivables and expenditures. Each Hospital will be responsible for instituting year-end work plans that include a final review of accrual transactions and encumbrance balances for validity.</p>	<p>Recommendations have been taken into consideration and implemented.</p>	<p>Senior Accounting Officer/AAll</p>	<p>7/1/2008</p>	<p>Accounting developed a year-end work plan that includes a schedule to review all expenditure and encumbrance documents including receivables in order to determine the amount of accrual that will be reported on the year-end financial statement.</p> <p>The year-end work plan was discussed with all accounting staff in order to know the activities that need to be performed towards timely completion and submission of year-end reports.</p> <p>Personnel provided Accounting with the amount of accrual for Salaries and Wages. A final review of the accrual transactions and encumbrance balances was also performed.</p>	<p>7/15/2008 Action complete</p>



**Attachment F**

**Patton State Hospital  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<b>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit. For example, Central Staffing Services should perform a second review and provide the final approval for level of care overtime requests. Ensure these reviews and approvals are adequately documented in personnel records.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</b>	A Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</b>	Exit clearance form was revised to include review of all pertinent steps and documents, and implemented effective 3/3/08. New form was modeled after the Napa State Hospital exit clearance form that was identified by the auditors as a best practice.  Training on new process was completed on 3/17/08 with all Personnel Specialists, Personnel Supervisors, and HR clerical/front desk staff.	Recommendations have been accepted and implemented.	Human Resources Director	9/30/2008	1. Exit clearance form was revised to include review of all pertinent steps and documents, and implemented effective 3/3/08. New form was modeled after the Napa State Hospital exit clearance form that was identified by the auditors as a best practice.  2. Training on new process was completed on 3/17/08 with all Personnel Specialists, Personnel Supervisors, and HR clerical/front desk staff.	1. 3/3/2008 Action complete  2. 3/17/2008 Action complete

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<i>E) Institute payroll procedures to ensure correct classification of employees.</i>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	<p><i>A) Ensure payments are made with properly executed contracts and approved purchase orders.</i></p> <p><i>PSH specific issue: Cal-Card purchases are paid without a pre-approved purchase order. Cal-Card is a payment method, not a purchase approval method.</i></p>	<p>Cal-Card Training provided to all cardholders. New user training scheduled in October 2008.</p> <p>File Documentation Checklist for Delegation Non-IT Goods/IT Goods utilized to verify file documentation to support the purchase is complete per DMH implementation 08/07; checklist used daily.</p>	<p>Recommendations have been accepted and implemented.</p>	<p>Business Manager I  Business Service Officer III</p>	<p>12/31/2008</p>	<p>1. Cal-Card Training provided to all cardholders. New user training scheduled in October 2008.</p> <p>2. File Documentation Checklist for Delegation Non-IT Goods/IT Goods utilized to verify file documentation to support the purchase is complete per DMH implementation 08/07; Checklist used daily.</p>	<p>1. 10/11/07 Action complete and ongoing annually</p> <p>2. 8/01/2007 Action complete and ongoing daily</p>
	<i>B) Begin the contract amendment process prior to the contract expiration date to ensure adequate time to obtain the necessary approvals.</i>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>C) Include all the necessary information, such as a clear scope and adequate budget detail, in all contracts.</i>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>D) Ensure contract logs are accurate and complete.</i>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<p><b>(continued)</b> <b>Hospital Issue 2: Acquisition Controls Need Improvement</b></p>	<p><i>E) Document the bidding process and include the supporting documentation in the contract and purchase order files.</i></p> <p><i>PSH specific issue: When the combination of contracts for the same vendor exceeded the \$10,000 or \$50,000 thresholds, state contracting procedures were circumvented by splitting contracts. As such, opportunities to take advantage of potential pricing discounts were lost. Moreover, the required number of bids was not always obtained. The contract files lack evidence of bids or exemption from bidding.</i></p>	<p>File Documentation Checklist for Delegation Non-IT Goods/IT Goods utilized to verify file documentation to support the purchase is complete per DMH implementation 08/07; Checklist used daily.</p> <p>In house training provided to contract and procurement analysts to review DGS requirements; - Ongoing changes made when required by DGS.</p>	<p>Recommendations have been accepted and implemented.</p>	<p>Business Manager I  Business Service Officer III</p>	<p>12/31/2008</p>	<p>1. File Documentation Checklist for Delegation Non-IT Goods/IT Goods utilized to verify file documentation to support the purchase is complete per DMH implementation 08/07; Checklist used daily.</p> <p>2. In house training provided to contract and procurement analysts to review DGS requirements; Ongoing changes made when required by DGS.</p>	<p>1. 8/1/2007 Action complete and ongoing daily</p> <p>2. 01/2008 Action complete and ongoing</p>
	<p><i>F) Combine contracts and purchases from the same vendor to avoid the appearance of circumvention of State policies. For contracts over \$10,000, follow the standard contract requirements. For contracts over \$50,000, obtain DGS Approval.</i></p>	<p>SCM Section 4.04 When possible, purchases from the same vendor will be combined to take advantage of potential pricing discounts.</p> <p>For contracts over \$10,000, DMH will follow the standard contract requirements. For contracts over \$50,000, DMH will obtain DGS approval.</p> <p>Contracts to the same vendor have been reviewed to see if they can be combined to take advantage of pricing discounts. Contracts that can be combined have been noted and will be prepared as such next time they go out to bid. Standard contract requirements and rules are being followed.</p>	<p>Recommendations have been accepted and implemented.</p>	<p>Business Manager I  Business Service Officer III</p>	<p>12/31/2008</p>		<p>1. 8/1/2007 Action complete and ongoing daily</p> <p>2. 01/2008 Action complete and ongoing</p>

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>A) Record accounts receivable timely and accurately.</b>	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH developed procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner.  SAM Section 10506 Additional training given to the staff in the Receivables Unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared.	Recommendations have been accepted and implemented.	Accounting Administrator II (A)  Senior Accounting Officer Supervisor	1/31/2009	Additional training will be given to all staff involved in posting accounts receivables to ensure transactions are posted accurately and timely. Training scheduled to be completed by 9/01/08; – Training completed and ongoing.	09/01/08 Action complete and ongoing
	<b>B) Review postings and the accounts receivable ledger for accuracy.</b>	The Sr. Accounting Officer Supervisor is responsible for reviewing CALSTARS DO3, Aging report, and D11, Abnormal Balance report monthly to ensure balances are accurate and discrepancies are researched and cleared. Procedures have been reviewed and updated. Implementation date was 9/1/08; Procedures and training completed.  Payroll staff has researched all outstanding accounts receivable balances to ensure transactions have been posted correctly and data contained in the General Ledger is accurate.  Currently FY 05/06 outstanding accounts receivable have been researched and verified as of 06/01/08; FY 06/07, 07/08 and 08/09 outstanding balances in General Ledger 1311 have been verified for accuracy.	Recommendations have been accepted and implemented.	Senior Accounting Officer Supervisor  Accounting Administrator II (A)	1/31/2009	1. The Sr. Accounting Officer Supervisor will be responsible for reviewing CALSTARS DO3, Aging report, and D11, Abnormal Balance report monthly to ensure balances are accurate and discrepancies are researched and cleared. Procedures are being reviewed and updated. Implementation date is 9/1/08; Procedures and training completed.  2. FY 06/07, 07/08 and 08/09 outstanding balances in General Ledger 1311 have been verified for accuracy. Payroll staff will continue to work on clearing accounts receivables.  3. Procedures are being reviewed and updated. Additional training will be given to Payroll staff on posting and clearing accounts receivables; training ongoing and procedures are being revised.	1. 9/1/08 Action complete  2. 10/2008 Action complete  3. 9/2008 Action complete and ongoing



**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<p><b>Hospital Issue 4: Inadequate Safeguarding of Assets</b></p>	<p><b>A)</b> <i>Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</i></p>	<p>Current listing of all authorized signatures on file and updated annually or when changes in personnel occur.</p>	<p>State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06 Delegation of signature authority letter(s) will be developed for purchase/contract approval and acquisitions/dispositions.</p>	<p>Accounting Officer Supervisor</p>	<p>9/30/2008</p>	<p>Letter developed and requested from management a listing of individuals authorized to sign vendor invoices was initiated 1/3/08. Current listing of all authorized signatures on file and updated annually or when changes in personnel occur.</p>	<p>1/3/2008 Action complete and annually and ongoing as staff change.</p>
	<p><b>B)</b> <i>Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</i></p>	<p>A current listing of undeliverable warrants is being prepared and forwarded to Human Resources weekly per SAM 8580.5.; – Reviewed weekly by Sr. Acctg. Officer.</p> <p>Staff preparing documents for checks no longer distributes or mail out those checks; Continue to monitor for compliance.</p> <p>Staff authorized to sign checks no longer have access to blank check stock; Continue to monitor for compliance.</p>	<p>Recommendations have been accepted and implemented.</p>	<p>Senior Accounting Officer Supervisor  Accounting Administrator II (A)</p>	<p>9/30/2008</p>	<p>1. A current listing of undeliverable warrants is being prepared and forwarded to Human Resources weekly per SAM 8580.5.</p> <p>2. Staff preparing documents for checks no longer distributes or mail out those checks.</p> <p>3. Staff authorized to sign checks no longer have access to blank check stock.</p>	<p>1. 5/1/2008 Action complete</p> <p>2. 10/5/2007 Action complete and ongoing</p> <p>3. 9/11/2007 Action complete and ongoing</p>

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<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</b>	SAM Section 4841.5, 8080.1 the process to allow Headquarters access to the hospital's Calstars System has been changed.  Headquarters is now notifying hospitals of access requests. The TACS II System is being modified to limit staff to the appropriate access.	SAM Section 4841.5, 8080.1 An annual review of the CALSTAR User Access will be performed to ensure compliance.	Accounting Administrator II (A)	11/30/2008  11/30/2008  2/2009	1. Contacted DMH headquarter staff and set up a procedure to inform the Hospital of any changes that are made to our CALSTARS security.  2. Headquarters will fax all additions, changes, or deletions made to our security file;  3. Scheduled to request data from DOF in February 2009.	1. 2/1/2008 – Ongoing annual review  2. Action complete
	<b>D) Develop an inventory system to safeguard pharmaceutical drugs.</b>	Pharmacy will continue to follow existing policy & procedure to monitor controlled medication inventory.	SAM Section 8600, 8650 Hospitals will develop a property inventory system for pharmaceutical drugs to provide accurate records for the acquisition and disposition of controlled and non-controlled drugs. Inventory and reconciliation procedures will be established upon completion of the program.	Pharmacy Services Manager	4/30/2009	1. Pharmacy will implement MedSelect electronic medication dispensing system throughout the hospital to control medication inventory on all units and the night locker by 04/30/09.  2. Pharmacy will utilize medication prime vendor's service to inventory all medications within the pharmacy at least annually by 01/01/09.  3. Pharmacy will continue to follow existing policy & procedure to monitor controlled medication inventory which is in compliance with Federal and State regulations.	2. 1/01/2008 Action complete and ongoing  3. Ongoing
	<b>E) Institute adequate inventory procedures, which should include the performance of physical inventories. PSH specific issue: Inventories are not conducted every three years.</b>	PSH has developed a rolling inventory schedule, which will be followed to meet the three-year requirement for inventories; Continue to monitor for compliance.	Recommendations have been accepted and implemented.	Property Controller  Business Service Officer III  Business Service Officer I  Business Manager I	12/31/2008	PSH has developed a rolling inventory schedule, which will be followed to meet the three-year requirement for inventories.	9/2007 - Ongoing  Action complete

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<p><b>(continued)</b> <b>Hospital Issue 4: Inadequate Safeguarding of Assets</b></p>	<p><i>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</i></p> <p><i>PSH specific issue: Acquisitions and dispositions are not properly recorded in the property ledger and general ledger. Reconciliations are not properly prepared. Property dispositions are not timely and surveyed property is removed from the property ledger prior to actual disposition.</i></p>	<p>SAM Section 8650, 8640, 7924 Hospitals has initiated procedures to meet and maintain compliance with the requirements in the above SAM sections for the recording and reconciling of capitalized property.</p> <p>Current policies and procedures have been reviewed and augmented to ensure that reconciliations are completed timely and accurately.</p>	<p>Ongoing training will be provided to staff responsible for recording acquisitions and dispositions of capitalized property and reconciling the property ledger to the general fixed asset accounts.</p>	<p>Property Controller  Business Service Officer III  Business Service Officer I  Business Manager I</p>	<p>1/30/2009</p>	<ol style="list-style-type: none"> <li>1. PSH has updated the property record system into Total Package.</li> <li>2. Property guidelines have been established for internal use.</li> <li>3. Training provided to the property controllers and will be provided on an ongoing basis.</li> </ol>	<ol style="list-style-type: none"> <li>1. 9/2007 Action complete</li> <li>2. 9/2007 Action complete</li> <li>3. 9/2007 Action complete and ongoing</li> </ol>
	<p><b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b></p>	<p>Fixed asset reconciliations are conducted monthly.</p> <p>Procedures have been created to ensure Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.</p>	<p>Recommendations have been accepted and implemented.</p>	<p>Property Controller  Property Controller  Chief Plant Operations III  Accounting Administrator I (A)</p>	<p>12/31/2008</p>	<ol style="list-style-type: none"> <li>1. Fixed asset reconciliations are conducted monthly.</li> <li>2. Procedures have been created to ensure Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.</li> </ol>	<ol style="list-style-type: none"> <li>1. 09/2007 Action complete</li> <li>2. 02/2008 Action complete</li> </ol>

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

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<b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<b>A) Ensure rental agreements are prepared, enforced, and include necessary items, such as rent amounts. Update the rental agreements to ensure the appropriate rent is charged.</b>	A standardized rental agreement has been developed for the four state hospitals with state-owned housing (SOH). The rental agreements contain 44 elements (terms), including rent and utility rates. State hospitals will ensure that appropriate rent and utilities are charged and all rental agreement terms are enforced.  The 4 state hospitals with SOH (ASH, MSH, PSH, and NSH) completed their appraisals in 2007. DMH is in full compliance with Department of Personnel Administration's (DPA) SOH policies and requirements.	Recommendations have been accepted and implemented.  Appraisal scheduled for January 2010.	Business Service Assistant  Business Manager I  Business Manager II	3/13/2008 - Ongoing          1/2010	1. New Housing Agreement has been implemented per DMH requirements. Update: 10/08 – New agreements in place and utilized.  2. Rental amounts have been adjusted according to Fair Market Values as specified in the annual appraisal completed in 02/08.  3. Update: 10/08 –Appraisal scheduled for January 2010.	1. 6/01/2008 Action complete  2. 6/01/2008 Action complete
	<b>B) Require all employees to pay the appropriate rent and cleaning deposits.</b>	State hospitals are not required by statute, regulation or policy to collect cleaning deposits. However, the standardized rental agreement now provides for the collection of a security deposit at the time a rental agreement is executed that could be used for, among other things, the cleaning of the rental unit.	DMH is in full compliance with DPA's SOH policies and requirements.	Business Service Assistant  Business Manager I  Business Manager II	06/2008	1. New Housing Agreement has been implemented per DMH requirements.  2. Rental amounts have been adjusted according to Fair Market Values as specified in the annual appraisal completed in 02/08.	1. 6/01/2008 Action complete and Ongoing  2. 6/01/2008 Action complete and Ongoing

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	<b>C) Report fringe benefits correctly to the SCO in a timely manner.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D) Obtain approval from headquarters for any non-standard use of housing units. Once approval is obtained, require waivers of liabilities from guests.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>A) Compare Cal-Card and Voyager Fleet Card charges to appropriate approvals and supporting documentation before payments are made. Institute independent reviews of all expenditures, including gift card purchases, to ensure accuracy, propriety, and evidence of receipt.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospitals Issue Matrix.					
	<b>B) Ensure that only authorized employees uses Cal-Card and Voyager Fleet Cards.</b>	SAM 4108 A monthly review will also include verification of authorized users. Requested and received current authorization list for CAL Card users and approving official.	Current authorization list for CAL Card users and approving officials will be updated annually and/or when personnel change.	Accounting Officer Supervisor	9/30/2008	Requested and received current authorization list for CAL Card users and approving official; Continue to monitor for compliance.	6/1/2008 Action complete
	<b>C) Update accounting records promptly by posting checks and cash receipts.</b>	Not applicable to Patton State Hospital per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</i>	SAM 8595 Personnel Specialists will be responsible to ensure the accuracy of salary advances.  Personnel supervisors will verify the accuracy of the salary advance and document their review and approval on the salary advance request form.	Training will be provided to staff regarding the appropriate calculation tools.	Accounting Administrator II (A)  Human Resources Director	10/31/2008	1. Additional training will be given to payroll and travel staff to ensure all information and calculations have been reviewed and verified on salary and travel requests.  2. Specialists will receive additional in-service training on proper salary advance guidelines. Supervisors will review and approve the salary advance request calculation prior to processing.	
	<i>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>A) Obtain approval from Department of Finance, Fiscal Systems and Consulting Unit, for bank accounts outside the State Treasury System.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
	<i>B) Prepare listing or transfer receipts for checks and money orders transferred between employees.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
	<i>C) Record funds in the accounting records on a timely basis and perform reconciliations. Identify and clear reconciling items.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
	<i>D) Post receipts to the Client Benefit Fund.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					

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<b>(continued) Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>E) Review canteen charges for propriety prior to payment.</i>	Canteen Charges and Patient Account Charges Training will be provided to ensure patient withdrawal and transfer requests (canteens charges) are processed timely with the appropriate patient and staff approvals.	Recommendations have been accepted and implemented.	Trust Officer	9/30/2008	New procedures have been approved by OSAE auditor Rick and implemented as follows: > CCS – Forwards a copy of the order file to the Trust Office the morning the delivery is to be made. > TO – Reviews a sampling of the file and notifies CCS of any discrepancies before the file is downloaded to the individual accounts. Approves the crediting of the individual accounts. Continue to monitor for compliance.	1/8/2008 Action complete
	<i>F) Obtain and document patient approval prior to establishing other accounts or transferring funds.</i>	Reviewed current procedures. Written approvals are required from all patients when establishing savings accounts and automatic transactions.	Recommendations have been accepted and implemented.	Trust Officer	9/30/2008	Written approvals are required from all patients when establishing savings accounts and automatic transactions. Continue to monitor for compliance.	10/7/2008 Action complete
	<i>G) Remit discharged patient trust monies in a timely manner. Verify their addresses via certified mail.</i>	SAM Section 19425.1 and 19425.2 Accounting Offices will ensure the timely deposit of unclaimed cash. A best practice process to acquire the most accurate patient discharge information was established. This will ensure the timely remittances for discharged trust funds.	Recommendations have been accepted and implemented.	Trust Officer  Accounting Administrator II (A)	9/30/2008	1. Staff has been redirected to locate and forward funds to deceased and discharged patients.  2. Procedures are being reviewed and updated.  3. Staff is being trained on locating and forwarding property and funds to discharged and deceased patients.	1. 5/1/2008 Action complete  2. 5/1/2008 Action complete and Ongoing  3. 5/1/2008 Action complete and ongoing
	<i>H) Close inactive special purpose trust accounts and develop an annual expenditure plan for such trust accounts.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospitals Issue Matrix.					

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<b>(continued)</b> <b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	<i>1) Establish an adequate hold policy for checks and money orders received for patients.</i>	SAM Section 7923 Best practices procedures established to address check /money order holds, timely account closures, and monthly reconciling requirements. Reviewed Trust reconciliations as a part of the self-assessment. Current policies on placing money orders and checks on hold have been reviewed. During 2007 approx. 6200 checks and money orders were processed and two items were returned.	Recommendations have been accepted and implemented.	Accounting Administrator II (A)  Trust Officer	9/30/2008	After careful review of the criteria for placing holds, the number of returned items compared to the actual number of documents processed and the impact on the individuals, it has been determined that the current hold policy is adequate to safeguard assets; Continue to monitor.	2/1/2008 Action complete
<b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b>	<i>Properly report accrued expenditures in the year-end financial statements.</i>	Not applicable to Patton State Hospital per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					



**Attachment G**

**Salinas Valley Psychiatric Program  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	<i>A) Institute timekeeping procedures to ensure attendance records are adequately prepared, certified, and retained for audit.</i>	Personnel transaction staff has been sent to training on Leave System.	State Administrative Manual (SAM) Section 8539 All supervisors and managers will be trained on the requirement and responsibility to certify all time recorded. DMH will conduct periodic audits to ensure compliance.	Personnel Officer (M. Avelino)	12/30/2008	1. Training tentatively scheduled with all Managers and Supervisors for timekeeping procedures on July 16, 2008 and July 23, 2008. Additionally, supervisory timekeeping procedures training will occur within 30 days of new supervisors reporting to SVPP.  2. Additionally, Personnel transaction staff has been sent to training on Leave System. Personnel staff sent to training on Leave System.	Action not complete - Target date extended from 9/30/2008  May 2008 Action complete
	<i>B) Require overtime to be reviewed and pre-approved by a designated supervisor and second level reviewer. The second level review should be performed outside the requestor's unit. For example, Central Staffing Services should perform a second review and provide the final approval for level of care overtime requests. Ensure these reviews and approvals are adequately documented in personnel records.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions involving overtime procedures.	SAM Section 8540 A process will be developed where the authorized supervisor signs the overtime form. The overtime will then be certified by the next level supervisor/designee or a Centralized Staffing Office.	Personnel Officer (M. Avelino)	12/31/2008	Training tentatively scheduled with all Managers and Supervisors for timekeeping (including overtime tracking, verification, etc.)	

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<b>(continued) Hospital Issue 1: Inadequate Personnel Practices</b>	<b>C) Conduct random overtime audits to reduce fraud and abuse. If suspected fraud is discovered, report the activity to the appropriate parties in a timely manner.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on instituting overtime audits, and reporting fraud and abuse.	SAM Section 8540 Random overtime audits will be conducted to reduce the likelihood of fraud and abuse. SAM Section 20080 The Hospital Administrator/designee will report suspected fraud and/or irregularities to the appropriate authorities.	Personnel Officer	12/31/2008	After training has been completed and a couple of overtime cycles have been completed, it is anticipated that Personnel staff will conduct random internal audits.	
	<b>D) Complete exit clearance procedures correctly and include all pertinent documents in the separated employee files.</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>E) Institute payroll procedures to ensure correct classification of employees.</b>	Prior to any action to hire or change the status of an employee, a Request for Personnel Action has to be completed and submitted to Personnel for review. The Position Control Analyst will be responsible to review the request for consistency and accuracy to ensure correct classification of employees.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	Personnel Officer (M. Avelino)	7/30/2008	Internal checklists have been developed which include review of classification, duty statement review with a newly established Classification and Pay position prior to advertisement, hire, etc.	4/1/2008 Action complete
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						

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<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>A) Record accounts receivable timely and accurately.</b>	Each hospital will institute procedures to monitor outstanding accounts receivables to ensure balances are valid. Senior staff with Accounts Receivables training and experience has been approved for overtime to establish and track overdue accounts (over 120 days).	State Administrative Manual (SAM) Section 1323.1 The individual hospitals within the DMH will develop procedures to ensure Accounts Receivables are billed, collected, and cleared in a timely manner. SAM Section 10506 Additional training will be given to the staff in the Receivable unit to ensure that accounts receivables are posted correctly when billed, collected, and cleared.	Personnel Officer (M. Avelino)	1/31/2009	Train Personnel Transaction staff in the areas of Accounts Receivables.	
	<b>B) Review postings and the accounts receivable ledger for accuracy.</b>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	SAM Section 7814 Additional training will be given to staff responsible for billing accounts receivables. Individual accounts will be set up for each debtor in the ledger or file. Accounts will be audited regularly for compliance.	Hospital Administrative Resident II (J. Pa)	1/31/2009	Training will be provided to staff responsible for billing accounts receivables.  A spreadsheet will be established for each debtor that itemizes the details of each account receivable.  A Tickler System will be established to ensure the employee is notified of the Accounts Receivable; that notes that SVPP is actively collecting funds; and that SVPP is maintaining documentation of current balances.	
	<b>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</b>	Senior staff with Accounts Receivables training and experience has been approved for overtime to establish and track overdue accounts (over 120 days).	SAM Section 8776.1-2, 8776.6-7, 8593.1-3: Hospitals will initiate procedures to meet and maintain compliance with the requirements of the above SAM sections for the collection of outstanding Payroll Accounts Receivables, Salary Advances, Travel Advances, and miscellaneous Accounts Receivables. Additional training will be given to staff to research, collect, and correct outstanding receivable balances. Aging reports will be reviewed by Accounting and HR to ensure that timely and systematic collection efforts have been taken to collect outstanding Accounts Receivables	Personnel Officer (M. Avelino)	1/31/2009	Accounting and HR will initiate collection procedures to ensure prompt follow-up on outstanding receivable balances.	

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<i>D) Write off uncollectible accounts receivable.</i>	Recommendation has been accepted by DMH and Hospital Operations is working on developing and implementing corrective actions.	After completion of the collection process in accordance with the above SAM Sections, Hospitals will prepare and submit a list of uncollectible accounts receivable for write-off in accordance with GC Section 13943.2.	Hospital Administrative Resident II (J. Pa)	1/31/2009	A spreadsheet will be established to track uncollectible Accounts Receivables for write-off in accordance with GC Section 13943.2	Action not complete - Target date extended from 9/30/2008
	<i>E) Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, if necessary.</i>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<i>A) Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.</i>	HAR II had established spreadsheet which lists the staff with positions, title, who's authorized to approve purchase/contract approvals and acquisitions/dispositions.	State Administrative Manual (SAM) Section 1208, 3507, and SCM 2.06 Delegation of signature authority letter(s) will be developed for purchase/contract approval and acquisitions/dispositions	Hospital Administrative Resident II (HAR II)	9/30/2008	HAR II had established spreadsheet which lists the staff with position, title who authorized to approve purchase/contract approval and acquisitions/dispositions	8/31/2008 Action complete
	<i>B) Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.</i>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>C) Restrict system and application access rights to only those employees requiring it in the performance of their job duties.</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D) Develop an inventory system to safeguard pharmaceutical drugs.</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</b>	SVPP had physical inventory completed in early 2007.	SAM Section 8652 The hospitals will take a physical inventory of all property and reconcile the count with accounting records at least once every three years.	Hospital Administrative Resident II	12/31/2008	1. SVPP had physical inventory completed in early 2007.  2. SVPP will reconcile the count of property ledger with accounting	Action completed in 2007
	<b>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</b>	SAM Section 8650, 8640, 7924 Hospitals initiated procedures to meet and maintain compliance with the requirements in the above SAM sections for the recording and reconciling of capitalized property. Training provided to staff responsible for recording acquisitions and dispositions of capitalized property and reconciling the property ledger to the general fixed asset accounts.	Current policies and procedures will be reviewed and augmented to ensure that reconciliations are completed timely and accurately.	Hospital Administrative Resident II	1/30/2009	1. SVPP has developed procedures for recording and reconciling capitalized property.  2. Training has been provided to staff responsible for recording and acquisitions and dispositions of capitalized property	1. 8/31/2008 – Action complete and ongoing  2. 8/31/2008 Action complete
	<b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b>	Hospitals established procedures to ensure that the Statement on Changes in General Fixed Assets is reconciled annually to the Department of General Services Statewide Real Property inventory amounts.	SAM Section 8650, 8640, 7924 Reconciliations for capitalized equipment will be performed no less than on a quarterly basis.	Hospital Administrative Resident II	12/31/2008	SVPP will develop procedures to ensure that fixed assets are reconciled annually to the DGS statewide Real Property inventory.  Training has been given to the accounting staff, procedures have been developed.	8/31/2008 - Action complete and ongoing

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 5: Incomplete or Outdated Employee Housing Rental Agreements</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 6: Accounting Controls Need Improvement</b>	<i>A) Compare Cal-Card and Voyager Fleet Card charges to appropriate approvals and supporting documentation before payments are made. Institute independent reviews of all expenditures, including gift card purchases, to ensure accuracy, propriety, and evidence of receipt.</i>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospitals Issus Matrix.					
	<i>B) Ensure that only authorized employees use Cal-Card and Voyager Fleet Cards.</i>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<i>C) Update accounting records promptly by posting checks and cash receipts.</i>	SAM 8023, 8091, 8093, and 8094 Accounting Office is responsible to ensure that all checks and cash receipts are deposited timely after receipt, no later than the end of the working day. Updating of accounting records will be performed upon receipt of deposit slip, no later than the end of the following working day.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	Accounting Officer	9/30/2008	1. Training had been given to Accounting Technician.  2. Accounting officer had reviewed the process with Accounting Technician	1. 6/1/2008 Action complete  2. 6/1/2008 Action complete

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b><i>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</i></b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.					
	<b><i>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</i></b>	SAM 7908, 7923, and 8070 Training provided to Accounting Offices on the required reconciliation processes, due dates, and documentation requirements. Review of the monthly reconciliations is part of the self-assessment.	Recommendation has been accepted by DMH and Hospital Operations and corrective actions implemented.	Hospital Administrative Resident II	10/31/2008	A revised reconciliation report has been developed. All reports have the preparer and reviewer's signature and the dates signed.	4/1/2008 Action complete
<b>Hospital Issue 7: Weak Controls over Trust Accounting</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 8: Financial Statement Preparation Needs Improvement</b>	Not applicable to Salinas Valley Psychiatric Program per OSAE recommendations.  Refer to Appendix IV Hospital Issues Matrix.						



**Attachment H**

**Vacaville Psychiatric Program  
Internal Control Review Corrective Action Plan  
Version: October 2008**

**INTERNAL CONTROL REVIEW CORRECTIVE ACTION PLAN**

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	TARGET DATE	ACTION STEPS (List action step(s) taken to achieve objective)	COMPLETED DATE
<b>Hospital Issue 1: Inadequate Personnel Practices</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 2: Acquisition Controls Need Improvement</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>A) Record accounts receivable</b> timely and accurately.	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>B) Review postings and the accounts receivable ledger for accuracy.</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Apply collection procedures promptly and systematically on delinquent accounts receivable balances. Ensure all collection efforts are made and documented to substantiate receivable write-off requests.</b>	The Personnel Office has hired an analyst who is researching and providing letters to employees to satisfy the notification requirements and collect the Accounts Receivable. So far:  8 separated employees have been notified. Will proceed with FTB Intercept Program for outstanding money owed (\$10,793.49). On 8/29/08 letters were sent to the FTB to collect \$6,253.68 in outstanding money owed. One separated employee is making monthly payments on \$4,920.71 owed to VPP.	Collection letters are being sent on a continuous basis to notify employees of money owed to VPP.  If employee has separated and does not remit monies owed, VPP will proceed with the FTB Intercept Program.	Personnel Officer	1/31/2009	1. Human Resources collected \$14,937.39 from 21 employees  2. 74 overpayment letters have been sent and \$32,920.91 has been received.	8/29/08 Action complete and ongoing

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<b>(continued) Hospital Issue 3: Ineffective Accounting and Oversight of Accounts Receivable</b>	<b>D)</b> Write off uncollectible accounts receivable.	All uncollectible Accounts Receivable have been reported to Human Resources. The Human Resources Department is in the process of seeking collections from Accounts Receivables over 3 years old.	After two cycles within the FTB Intercept Program, the Accounting Office will request discharge as per SAM Section 8776.6.	1. Accounting Officer and 2. Personnel Officer	06/01/2009	Once the requirements for FTB, Intercept Program have been satisfied without collection, the Accounting Office will request discharge of accountability.	
	<b>E)</b> Update lease agreements on a regular basis to include current reimbursable operating costs. Obtain the necessary approvals from DGS or the Legislature, <b>if necessary.</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>A)</b> Maintain a documented system of authorization and reassign incompatible duties to achieve the required separation.	A signature log has been started to capture signatures from persons authorized to sign: <ul style="list-style-type: none"> <li>• Purchase orders</li> <li>• Cash disbursements</li> <li>• Purchase/disposal of equipment</li> <li>• Contracts</li> </ul>	Will continue to maintain a documented system of authorization.	Senior Accounting Officer	06/30/2008	Log was created on January 11, 2008.  A signature binder has been established.	1/11/2008 Action complete
	<b>B)</b> Secure assets such as the blank check signing machine key, and the signature plate. Maintain a record of undeliverable salary warrants and persons authorized to pick up warrants.	1. Blank check signing machine is out of order and is no longer in use. 2. Accounting Office maintains a log for all checks signed. 3. Initiated security measures to protect unused checks.	Recommendations have been taken into consideration and have been implemented.	Senior Accounting Officer	11/02/2007	1. Blank check machine not in use. 2. A check log was established November 2, 2007 3. Unused checks are in locked drawer.	11/02/2007 Actions Complete
	<b>C)</b> Restrict system and application access rights to only those employees requiring it in the performance of their job duties.	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>D)</b> Develop an inventory system to safeguard pharmaceutical drugs.	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					

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<b>(continued) Hospital Issue 4: Inadequate Safeguarding of Assets</b>	<b>E) Institute adequate inventory procedures, which should include the performance of physical inventories.</b>	VPP conducted a physical inventory of all physical property in early 2007. A complete record exists of the inventory.	According to VPP policy, all inventory will be logged as standard procedures.	1. Senior Accounting Officer  2. Property Controller I	07/31/2007	1. Each time inventory is purchased it is logged and state tagged by Property Controller.  2. Physical inventory is performed every 3 years by Property Controller.	1. 7/2007 Action complete and ongoing  2. 7/2007 Action complete
	<b>F) Ensure property acquisitions and disposals are adequately prepared, approved, and recorded in the property ledger and accounting records in a timely manner.</b>	All acquisitions and disposals have been recorded by the Property Controller and the Senior Accounting Officer as property items are received.	Recommendations have been taken into consideration and have been implemented.	1. Senior Accounting Officer  2. Property Controller I	5/2008	All acquisitions and disposals have been recorded by the Property Controller and the Senior Accounting Officer as property items are received.	May 2008 Action complete
	<b>G) Conduct quarterly fixed asset reconciliations and annual real property reconciliations.</b>	Recommendations have been taken into consideration and will be implemented.	Annual real property reconciliations will be completed on <b>December 31, 2008</b> by Senior Accounting Officer.	1. Senior Accounting Officer  2. Property Controller I	12/31/2008	Fixed asset reconciliations were completed at the end of the last fiscal year. Annual reconciliations will be done in December.	
<b>Hospital Issue 5: Incomplete or Outdated Employee Housing</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 6: Accounting Controls Need Improvement</b>	<b>A) Compare Cal-Card and Voyager Fleet Card charges to appropriate approvals and supporting documentation before payments are made.</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>B) Ensure that only authorized employees use Cal-Card and Voyager Fleet Cards.</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b>C) Update accounting records promptly by posting checks and cash receipts.</b>	Regular bank deposits, posting checks and cash receipts are done daily and weekly by Accounting Technician and Senior Accounting Officer.	Will continue to promptly post checks and cash receipts.	Senior Accounting Officer	01/2008	Regular bank deposits started in January 2008	01/09/08 Action complete

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<b>(continued) Hospital Issue 6: Accounting Controls Need Improvement</b>	<b><i>D) Maintain supporting documentation for travel and salary advances, ensure that salary advances do not exceed the employee's net salary, and document the reason for the advance.</i></b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
	<b><i>E) Prepare reconciliations and include preparation dates and necessary signatures. Promptly reconcile, investigate, and close appropriate items.</i></b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.					
<b>Hospital Issue 7: Weak Controls Over Trust Accounting Hospital Issues</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						
<b>Hospital Issue 8: Financial Statement Preparations Needs Improvement</b>	Not applicable to Vacaville Psychiatric Program per OSAE recommendations. Refer to Appendix IV Hospital Issues Matrix.						