

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	76.50	76.50	79.50	79.50	76.50	79.50	3.00	3.92 %
Personal Services	3,706,204	3,903,305	4,053,711	4,072,697	7,609,509	8,126,408	516,899	6.79 %
Operating Expenses	5,867,559	5,674,246	6,127,009	5,693,574	11,541,805	11,820,583	278,778	2.42 %
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Debt Service	32,585	67,714	32,585	32,585	100,299	65,170	(35,129)	(35.02%)
Total Costs	\$9,606,348	\$9,645,265	\$10,213,305	\$9,798,856	\$19,251,613	\$20,012,161	\$760,548	3.95 %
General Fund	4,081,256	3,963,507	4,116,142	3,907,230	8,044,763	8,023,372	(21,391)	(0.27%)
State Special	1,044,315	975,246	1,151,263	1,140,440	2,019,561	2,291,703	272,142	13.48 %
Federal Special	4,480,777	4,706,512	4,945,900	4,751,186	9,187,289	9,697,086	509,797	5.55 %
Total Funds	\$9,606,348	\$9,645,265	\$10,213,305	\$9,798,856	\$19,251,613	\$20,012,161	\$760,548	3.95 %

Program Description

Mission Statement: The mission of the Business & Financial Services Division (BFSD) is to provide professional services in operational areas critical to the efficient and effective management of the Montana Department of Public Health and Human Services.

BFSD provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, property management, and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

The division's funding is a complex mixture of state and federal funds determined by ratios associated with total departmental funding. Approximately 50 percent of the funding comes from federal sources.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

Program Highlights

Business and Financial Services Division	
Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The 2011 biennium budget is greater than the 2009 biennium budget by less than \$1 million primarily due to statewide and present law adjustments and about \$0.4 million for 3.00 FTE ◆ The legislatively approved 2009 biennium budget was increased by \$420,000 during the interim without legislative discussion ◆ The division met its goals and measurements for the 2009 interim 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The vital statistics fees are no longer sufficient to support the services 	

Program Narrative

Goals and Objectives:

2009 Biennium Major Goals:

The following provides an update for the major goals monitored during the current interim.

Successes:

- The division achieved \$25 million for its goal to bring in \$19 million per year for institutional cost recovery
- The division achieved its goal of a growth rate of 5 percent for the biennium in the use of electronic payments

2011 Biennium Major Goals

The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The following is the goal, objective, and measurement for the 2011 biennium as the division provided with its budget.

Goal: Continuous improvement in the department's internal control environment by:

- Maintaining an internal control environment that promotes efficient and documented compliance with applicable laws and regulation
- Encouraging business processes that enhance the effectiveness and efficiency of department operations

Objective: To continually work to maintain an effective fiscal control environment in the department by completing an annual risk assessment of major financial processes in the department and conducting mitigation activities on 100 percent of identified high risk components

Measurements: Identification of major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year; the objective is met when 100 percent of identified, major financial processes are assessed and mitigation activities are completed

**LFD
ISSUE****Benchmarks Would Aid in Legislative Discussion of Efficient, Effective Government**

In order for the legislature to determine whether goals are being met and state resources are being expended most efficiently, it is necessary to have measurable objectives and a time frame in which the division expects to achieve the objectives.

This goal supports the BFSDD mission of efficient and effective government, but there is no way for the legislature to determine if success is being achieved because there are no benchmarks to give the legislature a basis of comparison. For example, if any high risk components were previously identified and mitigation efforts are under way or completed, that information could serve as an initial benchmark.

There is also no time frame or reporting mechanism for tracking the progress toward the objective of completing mitigation activities and the legislature has no way to tell if mitigation efforts have started or would even be completed by the end of the biennium. Additionally, in the absence of a reporting mechanism, the legislature has no way of knowing if mitigation activities arise that involve items or even contracted services that would increase costs beyond the budget that the division is asking it to approve.

Options

The legislature may wish to:

- Discuss how the goals and objectives can be improved so success can be measured
- Have the division discuss how it would fund costs for mitigation activities that go beyond the requested 2011 biennium appropriation
- Recommend that the goal submitted with the budget be monitored during the 2011 interim by the Legislative Finance Committee (LFC)

There is additional discussion of goals and measurements in the new proposal section of the program narrative.

Goals and the Audit

As the centralized business center for the agency, audits can sometimes serve as measurements toward the division's goals. During the 2009 interim, BFSDD discussed goals and measurements with the LFC. It noted upcoming audits and discussed incorporating relevant audit recommendations into its goals for the 2011 biennium. A brief overview of the audits is provided below.

During the 2009 biennium in accordance with its goal of continuous improvement in the department's internal control environment, the division requested an internal audit from the DPHHS Quality Assurance Division to review the efficiency of current business practices of Institutional Reimbursement (IR) and to recommend changes that would improve the efficiency of the billing process. The audit identified areas in which the division could improve, such as:

- IR should write procedure manuals for billing clerk positions
 - BFSDD plans to complete procedure manuals by December 31, 2008
- IR should examine the amount of manual work connecting its staff with billings processes originating at other work sites such as county offices of public assistance and state institutions
 - BFSDD in undertaking a thorough review of the existing IR business process and existing system capabilities and will include this recommendation in the review
- IR should determine areas of improvement to be gained through automation
 - BFSDD is examining ways to improve the age-eligibility and invoicing forms and reconciliation reports as well as the potential changes that could be made in the computer systems for eligibility, accounting and reporting

Additionally, in October 2008 the Legislative Audit Committee requested a performance audit of the DPHHS Institutional Reimbursement Office, an office within BFSF. This audit is an outgrowth of an earlier performance study of the characteristics of the population served at Montana State Hospital, which included a component on institutional reimbursements and suggested there could be areas of improvement. It is presently in the planning stage and tentatively scheduled to begin in November or December 2008.

Finally, the 2007 financial compliance audit for the entire agency contained 19 recommendations (including 5 subparts) for corrective action. As of November 2008, DPHHS had implemented 19 of the recommendations and subparts and has 5 in the process of implementation. BFSF received 2 of the 19 recommendations including: 1) working with the Health Resources Division to implement the recommendation to comply with state policies regarding the collection of Medicaid overpayments to inpatient hospitals (being implemented); and 2) instituting new review and comparison procedures to ensure transactions are recorded appropriately and journal processing errors are prevented or detected in a timely manner (implemented).

The BFSF goals and items contained in the audits are also reflected in the Governor's proposals to add additional support for the vital statistics office, institutional reimbursement sections, and internal business controls. There is further discussion in the new proposal section of the program narrative.

Budget Request – A Biennial Comparison

As shown in the program proposed budget, the executive's \$20.0 million 2011 biennium budget increases the 2009 biennium budget by less than \$1 million. It is basically a present law budget that continues the 2007 Legislature's discussion of the division's budget and goals, which addressed generating increased general fund through improvements in institutional reimbursements, billing efficiency, cost recovery, and efforts to reduce costs. Increases in the executive budget from the 2009 biennium to the 2011 biennium are primarily due to:

- Present law increases driven by the estimated increases in Department of Administration (DOA) service charges for the Human Resources Information Services system, warrant writing, and capitol complex rent as well as the inflationary adjustments for postage and the state motor pool
- Present law adjustments for statutory pay increases, the pay plan adopted by the legislature, aligning FTE positions to market, and benefits and longevity for existing staff
- New proposals of \$400,000 for 3.00 FTE and temporary service support in vital records services

The budget is slightly reduced as the division pays off computer and mail machine debt.

The \$300,000 decrease shown in the fixed costs category of the present law adjustments table in FY 2011 reflects the biennial legislative audit appropriation that is anticipated to be spent in FY 2010.

LFD COMMENT

Increases to the Base Made During the 2009 Interim

During the interim, almost \$0.5 million in general fund and other funds was added to the base budget through program transfers to this division from other divisions of the department. The general fund authority came from the Health Resources Division's general fund appropriation that was available due to lower than anticipated Medicaid benefits costs.

Program transfers are legal changes that can be done under the authority of the Governor's Office of Budget and Program Planning. However, transfers meeting a statutory threshold must be reviewed by the Legislative Finance Committee before approval. None of the transfers met the statutory threshold.

LFD COMMENT (CONT.) As discussed in the funding section below, BSFD is funded through cost allocation. Transfers are generally the result of this method of funding the division. When the budgets are established, an estimate of funding sources is made. As the year progresses, however, the funding sources that can be charged based upon actual work may change. Program transfers are the method used to align funding with actual expenditures.

The transfers (\$320,000 general fund and \$100,000 state special revenue) occurred due to space remodel and relocation of staff. Another \$84,000 of general fund was used to supplement a shortfall of revenue in the Vital Statistics Fee Fund. There is a discussion of this fund in the funding section that follows.

LFD brings these transfers to legislative attention because the transfers allow an expansion of the base in this division, without legislative discussion of the programmatic or operational needs supported by the added funds. The funds were expended in BSFD’s personal services and operations categories. However, the funds were used only in the amount needed. At the close of FY 2008 the division expended the legislative appropriation plus the transfers mentioned above and reverted \$75,300 to the general fund and \$6,000 to state special revenue.

There is agency-wide information in the agency summary section at the beginning of this volume.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as requested by the Governor.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 4,081,256	42.5%	\$ 4,116,142	40.3%	\$ 3,907,230	39.9%
01100 General Fund	4,081,256	42.5%	4,116,142	40.3%	3,907,230	39.9%
02000 Total State Special Funds	1,044,315	10.9%	1,151,263	11.3%	1,140,440	11.6%
02382 6901-02 Indrct Activty Prog 06	636,985	6.6%	719,001	7.0%	706,606	7.2%
02419 Vital Statistics	407,330	4.2%	432,262	4.2%	433,834	4.4%
03000 Total Federal Special Funds	4,480,777	46.6%	4,945,900	48.4%	4,751,186	48.5%
03591 6901-03 Indrct Activty Prog 06	4,480,777	46.6%	4,945,900	48.4%	4,751,186	48.5%
Grand Total	<u>\$ 9,606,348</u>	100.0%	<u>\$ 10,213,305</u>	100.0%	<u>\$ 9,798,856</u>	100.0%

The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. For the 2011 biennium, indirect activity represents 100 percent of the federal funding and 7 percent of state special revenue. Federal funding comprises 48.5 percent of the total biennium budget, while general fund comprises 39.9 percent and state special revenue 11.6 percent.

Vital Statistics

The vital statistics state special revenue fund comes from fees paid by the public for certificates or services related to vital records, most of which are birth and death certificates. It represents 52.2 percent of the funding for the Support and Vital Records Bureau in the 2011 executive budget.

**LFD
ISSUE**

Revenue from the Vital Statistics Fees Fund May Not Support Future Program Services

BSFD provides vital record services for a fee through its vital statistics office. Montana law requires the department to set fees by rule for the state system. DPHHS fees for a certified copy (photocopy or computer-produced) for the birth, death, and other certificates handled through vital records are \$12 for the first copy of a specific request and \$5 for each additional copy of the same record requested at the same time as the first copy. The surrounding states charge \$13 for a certified copy and various service/handling fees with the exception of South Dakota where the charge is \$10.

The vital statistics fees fund is generated from these fees as well as charges for special research requests, and federal contracts. The revenue it generates is used by the division to support the services of the vital statistics office, which include acquisition, oversight, and maintenance of the vital records system used at the state and local level, processing requests for records, and oversight of the program. When revenue from the vital statistic fees fund is insufficient to cover expenditures, general fund is transferred from other sources to cover the shortfall. As shown in Figure 28, shortfalls are projected through 2011.

The fund supports two types of expenditures. The first and largest is the Governor's HB 2 budget. The second is for expenditures related to cost allocation funding for the division that exists outside the HB 2 budget, called non-budgeted expenditures. The non-budgeted items are generally not included in legislative budget deliberations, but they are of concern here because of the negative cash flow of the fund.

The HB 2 budget for the vital statistics office is presently funded at about 47.7 percent general fund and 52.3 percent from the vital statistics fees fund. Should there be more revenue in the vital statistics fee fund than estimated, the use of the general fund would be reduced. The policy concern for the legislature is the potential growth of the general fund when there is a state special revenue account which could be increased by raising fees.

Figure 28 is the fund balance for the vital statistics fees fund. It shows actual expenditures of the fund and the division's projections through FY 2011. The figure is divided into two sections. The top part reflects revenue and expenses appropriated by the legislature. The non-budgeted portion contains expenditures that are not appropriated by the legislature, and reflects the vital statistics office share of the division's cost allocation plan discussed earlier in the program narrative. The non-budgeted use of the fund is projected to be over \$100,000 for FY 2009 through FY 2011.

In the appropriated expenditures, Figure 28 shows sufficient funds for the Governor's projected budget. However, the fund also covers its share of cost allocated, non-budget expenditures. Figure 28 also shows that when the non-budgeted expenditures from FY 2008 through FY 2011 are included, there is a continuing negative balance, which the division must fund from other sources.

**LFD
ISSUE (CONT).**

Figure 28
Vital Statistics Fees Fund Balance

Fund Balance	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Deposits/ Expenditures								
Beginning Fund Balance	\$134,827	\$74,778	\$89,835	\$107,641	\$28,426	\$0	\$0	\$0
Appropriated Revenues - Governor's HB2 Budget								
Charges For Services*	\$393,457	\$456,013	\$497,608	\$475,840	\$463,426	\$417,840	\$470,000	\$470,300
Grants/Transfers/Misc	8,269	6,763			2,603	1,808	0	0
Subtotal Revenues/Transfers								
Appropriated Expenditures - Governor's HB 2 Budget								
Personal Services*	\$308,275	\$300,911	\$307,752	\$323,225	\$315,925	345,281	290,372	291,658
Operating Expenses	74,219	75,769	98,361	107,663	86,997	124,493	141,890	142,176
Debt Service	7,524	4,470	4,470	1,617	4,411	0	0	0
Subtotal HB 2 Expenditures	\$390,018	\$381,150	\$410,583	\$432,505	\$407,333	469,774	432,262	433,834
Non-Budgeted Items								
Revenue Transfers	63,488							
Equipment & Intangible Assets					2,603	1,808		
Operating Expenses**	8,269	66,569	69,218	89,331	110,732	141,621	114,054	117,475
Subtotal Expenditures - Non Budgeted	\$71,757	\$66,569	\$69,218	\$89,331	113,335	\$143,429	\$114,054	\$117,475
Total Expenditures	461,775	447,719	479,801	521,836	520,668	613,203	546,316	551,309
Ending Fund Balance***	<u>\$74,778</u>	<u>\$89,835</u>	<u>\$107,641</u>	<u>\$61,645</u>	<u>(\$26,213)</u>	<u>(\$193,555)</u>	<u>(\$76,316)</u>	<u>(\$81,009)</u>

* The 2010 and FY 2011 figures are from MBARS

** FY 2009 - FY 2011 are division estimates

*** The division transfers funding to adjust negative balances at year end, accounting for the beginning fund balance of \$0 for FY2009 - FY 2011. Such an adjustment also accounts for the difference between the FY 2007 ending balance and the FY 2008 beginning balance.

Source: Division spreadsheet, MBARS and SABHRS as of October 23, 2008

BFSFD has been aware of the declining fund balance and during the 2009 interim addressed the issue with interested parties. However, the disparity of fees charged between the counties and state became the focal point of discussion. (The counties charge \$5 for each certified copy of a birth certificate, and \$3 for each certified copy of a death certificate as set in statute. This fee revenue remains at the local level.) There was agreement among all parties that the issue should be addressed with a focus on providing the department with adequate funding to maintain the vital statistics program with minimal impact to the constituency. By this fall the issue was stalled and there was some talk about addressing the fee structure through legislation.

Options

If the legislature wishes to address the potential increase of general fund, it may wish to consider:

- o Asking the division to discuss the processes of increasing the fees with the subcommittee
- o Directing the division to continue to investigate the long-term solutions to managing the vital statistic fund over the interim and/or to begin the process to increase fees and report its progress to the Legislative Finance Committee or the Child, Family and Health and Human Services Interim Committee over the 2011 interim

In the new proposal section of the program narrative there is a recommendation to have the division add a measurement to its goal that would track improvements made in the vital statistics office as a result of adding the requested temporary assistance, should the legislature approve the request.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	4,081,25	4,081,256	8,162,512	101.73 %	9,606,348	9,606,348	19,212,696	96.01%
Statewide PL Adjustments	(56,639)	(288,139)	(344,778)	(4.30%)	451,220	(25,386)	425,834	2.13%
Other PL Adjustments	1,375	1,416	2,791	0.03 %	3,314	3,413	6,727	0.03%
New Proposals	90,150	112,697	202,847	2.53 %	152,423	214,481	366,904	1.83%
Total Budget	\$4,116,142	\$3,907,230	\$8,023,372		\$10,213,305	\$9,798,856	\$20,012,161	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					380,029					399,654
Vacancy Savings					(163,450)					(164,232)
Inflation/Deflation					40,457					43,098
Fixed Costs					194,184					(303,906)
Total Statewide Present Law Adjustments					\$451,220					(\$25,386)
DP 60008 - Restore Overtime	0.00	1,375	295	1,644	3,314	0.00	1,416	304	1,693	3,413
Total Other Present Law Adjustments	0.00	\$1,375	\$295	\$1,644	\$3,314	0.00	\$1,416	\$304	\$1,693	\$3,413
Grand Total All Present Law Adjustments					\$454,534					(\$21,973)

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** – The division expects to be at 90 percent of market after implementing the legislatively approved pay raises in October 2008. The agency expectation is 92 percent. BFSB maintains pay exceptions for supervisors and accountants on both entry and progression toward market because current occupational pay ranges make it difficult to attract qualified applicants and to retain current staff.
- **Vacancy** – The division identified accountants as a position that is difficult fill due to outside competition.
- **Legislatively applied vacancy savings** – As a means to live within the 4 percent vacancy rate, BFSB holds positions open and shifts funding from other operational areas and/or programs within the department. According to division staff, throughout FY 2008 the division had 12 vacant positions that were open from 1 to 5.5 months for a total of 29 months of vacancy with workload to be absorbed by other employees. With these vacancies the division gained \$95,000 toward its required vacancy savings of \$148,000. BFSB states that positions that were vacant from 4 to 5.5 months were due to recruiting, timing and classification issues.
- **Pay Changes**— BFSB made pay changes per the bargaining unit negotiations for recruitment and retention issues, and funds were transferred from other budgeted expenditure categories to personal services to meet increases. In FY 2008 the division increased 15 salaries for market adjustments and adjusted strategic or competency pay to 4 positions.

- **Retirements**— BSFD is concerned about the planned and potential retirements of several key staff between October of 2008 and the end of the 2011 biennium because 53 employees (70 percent of the total program workforce) will be eligible for retirement in the 2011 biennium. The division presently estimates that five employees will retire in the 2011 biennium with an anticipated compensated absence liability of \$40,740. Consequentially, BSFD is taking steps for capacity-building, cross-training and knowledge-sharing.

Fixed Costs

BFSD is the centralized business center for the agency with fixed costs annually comprising a large portion of operating expenditures. Total projected statewide present law expenditures for this biennium are about \$5 million each year, with the fixed costs and inflation/deflation components accounting for \$4 million of that amount.

The decrease in fixed costs of over \$300,000 in FY 2011 is primarily due to the biennial appropriation for the Legislative Audit costs that appears only in FY 2010.

DP 60008 - Restore Overtime and Holidays Worked in FY 2008 – The executive requests about \$6,700 over the biennium to restore overtime, compensated time, and holiday hours worked that were removed because these expenses are subject to zero-based budgeting and eliminated from base year funding. The request would be funded \$2,800 general fund, \$600 state special revenue, and \$3,300 federal funds over the biennium.

New Proposals

Program	FTE	Fiscal 2010				Fiscal 2011				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 60002 - Temporary Services for Vital Statistics										
06	0.00	7,845	8,639	0	16,484	0.00	7,845	8,639	0	16,484
DP 60003 - Reimbursement Section FTE										
06	1.00	47,950	0	0	47,950	1.00	45,189	0	0	45,189
DP 60004 - Internal Controls FTE										
06	2.00	34,355	13,332	40,302	87,989	2.00	59,663	23,153	69,992	152,808
Total	3.00	\$90,150	\$21,971	\$40,302	\$152,423	3.00	\$112,697	\$31,792	\$69,992	\$214,481

LFD COMMENT

The following three new proposals request support for the vital statistics office, and additional FTE for the institutional reimbursement sections and internal business controls that have been mentioned earlier. All three requests relate to the division’s goals, anticipated improvements, and some items mentioned in the audits. The division has included goals with its requests for the FTE. The goals can be seen in DPs 60003 and 60004 below. There is not a goal for the request for support for the vital statistics office.

The legislature may wish to consider:

- Having the division add a measurement to its goal that would track improvements made in the vital statistics office as a result of adding the requested temporary assistance, should the legislature approve the request
- Recommending that the goals included in the following justifications be monitored by the LFC during the 2009-10 interim

DP 60002 - Temporary Services for Vital Statistics - The executive requests \$33,968 over the biennium to fund a temporary services contract for the vital records section of the BFSD. This contract would assist with corrections and microfilm maintenance of birth and death records, services to county clerks and recorders including distribution of security paper for printing certificates, and data entry for adoption records. The request is funded with \$15,690 general fund and \$17,278 from the vital statistics fee fund.

**LFD
COMMENT**

As noted in the earlier discussion of the vital statistics fees fund, there is sufficient funding for the Governor's projected budget. This request is included on the personal services line of Governor's HB 2 budget in vital statistics fees fund balance table, in Figure 28.

DP 60003 - Reimbursement Section FTE - The Governor requests \$93,139 general fund for the biennium to fund 1.00 FTE in the Institutional Reimbursement Section of BFSB to supervise and assist with the financial investigation and collection processes for residents at the DPHHS institutions.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: This position is needed to supervise and assist with the financial investigation and collection processes for residents at the DPHHS Institutions (Montana State Hospital MSH, Montana Developmental Center MDC, Montana Chemical Dependency Center MCDC, Mental Health Nursing Care Center MHNCC, and Montana Veteran's Home in Columbia Falls). The additional 1.00 FTE is expected to provide an effective return on investment through follow-up with residents to gather and analyze financial information; determine ability to pay by the residents or their resources; interface with the Institutional Reimbursement Section's billing staff to bill Medicare, Medicaid, insurance and other resources of the residents. The Institutional Reimbursement Section generates approximately \$19 - \$20 million annually in reimbursements that are used in part to make payments on MSH and MDC bonds, and to deposit the balance received as revenue to the general fund.

Goal: Improve the effectiveness and timeliness of the financial investigation and collection processes for residents at the DPHHS Institutions.

Performance Criteria: 1) The determination of a resident's ability to pay through private insurance, Medicaid, Medicare, Disability Social Security, or Veteran's benefits, and billing the resident should be completed within 90 days; and 2) Responding to questions from the institutions mentioned above regarding a resident's statement or claim should be completed within 30 days.

Milestones: Activities will be measured at the end of each fiscal year beginning with FY 2009.

Risk: The risk would be the potential loss of general fund revenue to fund costs at the DPHHS's institutions.

DP 60004 - Internal Controls FTE - The Governor requests \$0.2 million over the biennium for:

- o \$165,000 in salaries for 2.00 FTE in the business services bureau to enhance internal controls over the fiscal operations of the department;
- o \$70,000 in contracted services for an internal audit review of the internal control structure and data systems, to provide training to department staff in internal controls and fraud detection, and for assistance in preparing a continuous improvement plan for managing collections and receivables activities; and
- o \$6,000 for equipment and computer hardware.

The total funding of \$240,797 includes \$94,018 general fund, \$36,485 state special revenue, and \$110,294 federal funds.

Justification: One FTE would be lead accountant over the accounts receivable section to enhance internal controls over collections, receivables, and department assets. This position would provide for greater separation of duties over receiving, depositing, recording, reporting and reconciling in the accounts receivable section.

One FTE will provide internal controls over system development. This position would participate in the design, development and enhancement of department database systems by providing guidance on effective internal controls, including adequate documentation trails for audit purposes, budgeting and expenditure processing, reporting and

reconciliation with department subsystems, and coordinating payment and receipting features in the systems with other department systems and SABHRS.

Contracted services would: 1) obtain internal audit review of the division's internal control structure and data system; 2) provide training to department staff in internal controls and fraud detection; and 3) obtain assistance in preparation of a continuous improvement plan for managing collections and receivables activities.

Goal: Enable continuous improvement in the DPHHS internal control environment by maintaining an internal control structure that promotes efficient and documented compliance with applicable laws and regulations and encouraging business processes that enhance the effectiveness and efficiency of department operations.

Performance Criteria: The objective will be measured by identification of the major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year.

Milestones: The objective is met when 100 percent of identified major financial processes are assessed and mitigation activities are completed.

Risk: Major system development without planning and oversight for fiscal and internal control functionality could leave the department vulnerable to risk in providing payments, benefits and service resources to the right people, at the right time, and in the right amount. There is also a risk to the state in timeliness and internal controls over the receivables and collections process.

**LFD
COMMENT**

Should the legislature opt to include the goal for DP 60004 as one to be monitored during the interim by the LFC, it may wish to consider having the division address the monitoring and time frame comments mentioned in the goals and objectives sections at the beginning of the program narrative.