

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

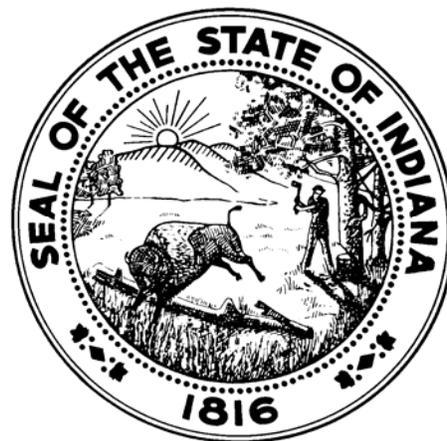
REVIEW REPORT

OF

LARUE D. CARTER MEMORIAL HOSPITAL

STATE OF INDIANA

March 1, 2002 to April 30, 2005



FILED
08/25/2006

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary of Family and Social Services Administration	John Hamilton	07-01-01 to 09-30-03
	Mary DePrez	10-01-03 to 10-19-03
	Cheryl Sullivan	10-20-03 to 12-17-04
	Venita Moore	12-18-04 to 01-09-05
	Mitch Roob	01-10-05 to 01-09-09
Superintendent	Diana Haugh	07-01-01 to 07-27-03
	W. Dale Marion	07-28-03 to 12-15-03
	Alan D. Schmetzer	12-16-03 to 12-20-05
	Lisa Kellum (Interim)	12-21-05 to 06-04-06
	Lisa Kellum	06-05-06 to 06-30-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LARUE D. CARTER MEMORIAL HOSPITAL

We have reviewed the receipts, disbursements, and assets of Larue D. Carter Memorial Hospital for the period of March 1, 2002, to April 30, 2005. Larue D. Carter Memorial Hospital's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of Larue D. Carter Memorial Hospital are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

August 31, 2005

LARUE D. CARTER MEMORIAL HOSPITAL
REVIEW COMMENTS
April 30, 2005

UTILITY COSTS

The Indiana Department of Administration, on behalf of the Indiana Family and Social Services Administration, signed a thirty-five year lease agreement with the United States Department of Veterans Affairs (VA) in September 1996 for the property at 2601 Cold Spring Road for Larue D. Carter Memorial Hospital. The agreement includes twenty-two acres of land and core hospital buildings. Two warehouses within the leased property and three adjacent residential units are excluded from the lease agreement. These structures are still owned and operated by the VA.

The lease agreement states: "The State shall be responsible for operation and maintenance of all infrastructure and/or distribution lines, connections, meters, taps, etc. required to provide water, gas, electric current, oil or other forms of power, fuel or utility to the property." The lease also specifies that utility services for the warehouses shall be provided by the state at no cost to the VA; however, the agreement is silent on utility services to the adjacent residential units.

Utility infrastructure is such that all steam and water pipes and electrical lines are connected underground. Larue D. Carter Memorial Hospital has paid the heat, electric and water costs for all buildings since their relocation to Cold Spring Road in 1996. Larue D. Carter Memorial Hospital does not utilize the residential units in its daily operations and receives no benefit from them. Therefore, it is not the responsibility of the State to pay the utility costs of the VA owned residential units.

As stated in our prior Audit Report B19506, for the period July 1, 1997, to April 30, 2002, the State of Indiana requested reimbursement for utility costs of the three residential units paid by Larue D. Carter Memorial Hospital in the amount of \$110,535.49 from the United States Department of Veterans Affairs.

For the current period May 1, 2002, through October 31, 2005, the State of Indiana is requesting reimbursement for the utility costs of the three residential units paid by Larue D. Carter Memorial Hospital in the amount of \$97,251.17 from the United States Department of Veterans Affairs. (See Summary, page 15)

We received a check for \$97,251.17 from the United States Department of Veterans Affairs on July 5, 2006. (See Summary, page 15)

ACCOUNTABILITY OF MEAL TICKETS

During our analysis of Larue D. Carter Memorial Hospital meal ticket sales, we found significant discrepancies between the number of meal tickets sold through the Business Office and meals served in the hospital cafeteria as counted by cafeteria personnel.

This lack of accountability of meal tickets could allow fraud to occur and go undetected.

Cafeteria personnel should ensure that all employees present meal tickets before being served. Tickets should be collected and defaced and/or deposited directly into a lock box at the cafeteria entrance to aid in preventing the reuse of these meal tickets. Tickets should also be returned to the Business Office daily for count reconciliation.

Controls over the receipting, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An agency's control environment would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

LARUE D. CARTER MEMORIAL HOSPITAL
REVIEW COMMENTS
April 30, 2005
(Continued)

RECREATION FUND REIMBURSEMENTS

Recreation funds can be used for patient program activities. "Reward" activities often include Rehab Therapy Department staff taking one to several patients out for special occasion ice cream treats or meals. Staff may pay for the food using personal funds. In these instances, at the conclusion of an activity, the staff member submits an approved reimbursement request with accompanying receipts to the Business Office for reimbursement.

During our review of reimbursement requests, we found 20% of reimbursements received lacked adequate documentation to support that purchases were for patients only. Evidence indicated that some purchases included food for employees.

Internal controls should be established to ensure that requests for and reimbursements from the Recreation Fund are properly documented and only for the benefit of the patients. Rehab Therapy staff requests for reimbursement should include a list of program participants. Staff should not request reimbursement for employee meals. The Business Office personnel should not reimburse employees for program expenses unless adequate documentation is attached to the request and expenses are for allowable purchases.

IC 4-24-6-6(b) states: "These funds shall be used, at the discretion of the superintendent or warden subject to the approval of the chief administrative officer of the department, division or state agency having administrative control and supervision over the institution, for the direct benefit of persons who are inmates or patients in such institutions, and shall not be used for any purposes which are covered by state appropriations. . . ."

Special consideration should be given to the appropriate types of disbursements to be made from this fund. Officials or employees may be held personally accountable for the improper expenditure of Recreation funds. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

PARKING FEES POLICY

In the course of conducting agency business, Larue D. Carter Memorial Hospital employees must make routine trips downtown, pay out-of-pocket for parking, and then submit a request for reimbursement of parking expenses through the Business Office monthly or bi-monthly. These trips are usually made by a Physical Plant employee. The officials established a reimbursement policy for parking fees effective November 11, 2004, which requires a parking fee reimbursement form be completed by the employee and approved by the Physical Plant supervisor prior to submission to the Business Office for reimbursement.

During our review of disbursements, we found reimbursements to an employee for parking fees subsequent to the effective date of the policy that were not in compliance with the reimbursement policy for parking fees. The employee routinely did not submit the required reimbursement form to the Business Office and Business Office personnel processed claims without the appropriate approval.

The officials should properly implement and follow the parking fee reimbursement policy. Physical Plant employees should obtain proper approval and submit the required parking fees reimbursement form to the Business Office. Business Office personnel should not reimburse employees without receiving a properly completed reimbursement form.

Each agency, department, institution or office has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

LARUE D. CARTER MEMORIAL HOSPITAL
REVIEW COMMENTS
April 30, 2005
(Continued)

ATTENDANCE REPORTS

We observed that 20% of Larue D. Carter Memorial Hospital employee attendance reports reviewed had no employee or supervisor signatures and 50% of attendance reports reviewed were signed and dated by the employee prior to the employee's last day worked.

The officials should implement controls to ensure that attendance reports are not signed or dated by the employee or supervisor prior to the employee's last day worked since the signatories certify that the employee worked the reported hours.

The attendance report is to be completed accurately and signed and dated by the employee. After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee or by another designated individual who has knowledge of the employee's attendance. Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

UNCLAIMED PROPERTY

As stated in our prior Audit Report B19506, the Larue D. Carter Memorial Hospital Trust Fund had several inactive accounts over one year old.

Trust funds from inactive accounts over one year old should be remitted to the unclaimed property division of the Attorney General.

IC 32-34-1-20 (c)(7) provides that property becomes abandoned if held by the state or other government, governmental subdivision or agency, or public corporation or their public authority one year after the property becomes distributable.

IC 32-34-1-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

MAINTENANCE FUND COLLECTIONS

As stated in our prior Audit Report B19506, Larue D. Carter Memorial Hospital did not transfer collections from the Maintenance Fund that are on deposit in a noninterest bearing account with a local bank to the Treasurer of State in a timely manner. Failure to transfer the funds in a timely manner may result in lost interest revenue to the State.

Maintenance Fund collections should be transferred to the mental health fund monthly.

IC 12-24-14-4 states that "On the first day of each month, or within three (3) days thereafter, all money deposited under section 3 of this chapter shall be forwarded by the division to the treasurer of state to be deposited in a special fund be known as the mental health fund."

LARUE D. CARTER MEMORIAL HOSPITAL
REVIEW COMMENTS
April 30, 2005
(Continued)

CAFETERIA FUND COLLECTIONS

As stated in our prior Audit Report B19506, Larue D. Carter Memorial Hospital did not transfer meal ticket sales from the Cafeteria Fund to the General Fund in a timely manner.

Cafeteria Fund collections should be transferred to the General Fund timely.

Cafeteria collections for the month, currently on deposit at a local bank, are to be deposited as miscellaneous receipt (49000) to the institution's General Fund fund/center. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

FIXED ASSETS

As stated in our prior reports (most recently B12457 and B19506), the fixed asset inventory of Larue D. Carter Memorial Hospital may not be complete as to additions. Due to lack of adequate documentation, we were unable to determine that computers purchased during our review period had been added to their MIS Asset listing.

The officials should maintain a complete listing of assets purchased by the hospital to include the following items: tag number, acquisition date, acquisition cost, fund number asset was purchased from, asset description, serial number, and asset location.

Each state agency is required to report to the Auditor of State all additions with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

APPROVAL OF FORMS

During our review, we noted that Larue D. Carter Memorial Hospital uses forms which have not been approved by the State Board of Accounts.

The officials of Larue D. Carter Memorial Hospital should implement controls to ensure that all forms related to financial activity are approved by the State Board of Accounts.

IC 5-11-1-2 states in part: "The state board of accounts shall formulate or approve all statements and reports necessary for the internal administration of the office to which they pertain."

LARUE D. CARTER MEMORIAL HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2005, with Alan D. Schmetzer, Superintendent. The official response has been made a part of this report and may be found on pages 9 through 14.



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State of Indiana

Larue D. Carter Memorial Hospital
Division of Mental Health and Addiction
2601 COLD SPRING ROAD
INDIANAPOLIS, IN 46222-2202

E. Mitchell Roob Jr., Secretary

November 21, 2005

Bruce Hartman
State Board of Accounts

RE: Hospital Audit Response

UTILITY COSTS

The Indiana Department of Administration on behalf of the Indiana Family and Social Services Administration signed a 35 year lease agreement with the United States Department of Veterans Affairs (VA) in September 1996 for the property at 2601 Cold Spring Road for Larue D. Carter Memorial Hospital. The agreement includes 22 acres of land and core hospital buildings. Two warehouses within the leased property and three adjacent residential units are excluded from the lease agreement. These structures are still owned and operated by the VA.

The lease agreement states, "the State shall be responsible for operation and maintenance of all infrastructure and/or distribution lines, connections, meters, taps, etc. required to provide water, gas, electric current, oil or other forms of power, fuel or utility to the property". The lease also specifies that utility services for the warehouses shall be provided by the state at no cost to the VA; however, the agreement is silent on utility services to the adjacent residential units.

Utility infrastructure is such that all steam and water pipes and electrical lines are connected underground so Larue D. Carter Memorial Hospital has paid the heat, electric and water costs for all buildings since their relocation to Cold Spring Road in 1996. Larue D. Carter Memorial Hospital does not utilize the residential units in its daily operations and receives no benefit from them. Therefore, it is not the responsibility of the State to pay the utility costs of the VA owned residential units.

As stated in our prior report (B19506), for the period July 1, 1997, to April 30, 2002, the State of Indiana requested reimbursement for utility costs of the three residential units paid by Larue D. Carter Memorial Hospital in the amount of \$110,535.49 from the United States Department of Veterans Affairs.

For the current period May 1, 2002, through October 31, 2005, the State of Indiana is requesting reimbursement for the utility costs of the three residential units paid by Larue D. Carter Memorial Hospital in the amount of \$97,251.17 from the United States Department of Veterans Affairs. (See Summary, Page 15)

ACCOUNTABILITY OF MEAL TICKETS

During our analysis of Larue D. Carter Memorial Hospital meal ticket sales, we found significant discrepancies between the number of meal tickets sold through the Business Office and meals served in the hospital cafeteria as counted by cafeteria personnel.

This lack of accountability of meal tickets could allow fraud to occur and go undetected.

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E. Mitchell Roob Jr., Secretary

Cafeteria personnel should ensure that all employees present meal tickets before being served. Tickets should be collected and defaced and/or deposited directly into a lock box at the cafeteria entrance to aid in preventing the reuse of these meal tickets. Tickets should also be returned to the Business Office daily for count reconciliation.

Controls over the receipting, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. An agency's control environment would include establishing and monitoring policies for developing and modifying accounting systems and control procedures. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Hospital Response:

The Hospital has implemented a new procedure related to employee meal tickets. The procedure requires the following:

- 1. Prior to receiving a meal, each employee/guest is required to affix their signature and meal ticket number to a sign in log.**
- 2. The employee/guest then deposits the meal ticket directly into a lock box located on the serving line.**
- 3. Each morning, the sign in logs and meal tickets are delivered by Dietary personnel to the Business Office for count/meal ticket number reconciliation.**

RECREATION FUND REIMBURSEMENTS

Recreation funds can be used for patient program activities. "Reward" activities often include Rehab Therapy Department staff taking one to several patients out for special occasion ice cream treats or meals. Staff may pay for the food using personal funds. In these instances, at the conclusion of an activity, the staff member submits an approved reimbursement request with accompanying receipts to the Business Office for reimbursement.

During our review of reimbursement requests, we found 20% of reimbursements received lacked adequate documentation that purchases were for patients only. Evidence indicated that some purchases included food for employees.

Internal controls should be established to ensure that requests for and reimbursements from the Recreation Fund are properly documented and only for the benefit of the patients. Rehab Therapy staff requests for reimbursement should include a list of program participants. Staff should not request reimbursement for employee meals. The Business Office personnel should not reimburse employees for program expenses unless adequate documentation is attached to the request and expenses are for allowable purchases.

Indiana Code 4-24-6-6(b) states: "These funds shall be used, at the discretion of the superintendent or warden subject to the approval of the chief administrative officer of the department, division or state agency having administrative control and supervision over the institution, for the direct benefit of persons who are inmates or patients in such institutions, and shall not be used for any purposes which are covered by state appropriations. . . ."

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Special consideration should be given to the appropriate types of disbursements to be made from this fund. Officials or employees may be held personally accountable for the improper expenditure of Recreation funds. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Hospital Response:

Reimbursements will not be made in the future where the documentation does not clearly identify that expense applicable to the patient and allowable for reimbursement.

PARKING FEES POLICY

In the course of conducting agency business, Larue D. Carter Memorial Hospital employees must make routine trips downtown, pay out-of-pocket for parking, and then submit a request for reimbursement of parking expenses through the Business Office monthly or bi-monthly. These trips are usually made by a Physical Plant employee. The officials established a reimbursement policy for parking fees effective November 11, 2004, which requires a parking fee

reimbursement form be completed by the employee and approved by the Physical Plant supervisor prior to submission to the Business Office for reimbursement.

During our review of disbursements, we found reimbursements to an employee for parking fees subsequent to the effective date of the policy that were not in compliance with the reimbursement policy for parking fees. The employee routinely did not submit the required reimbursement form to the Business Office and the Business Office processed claims without the appropriate approval.

The officials should properly implement and follow the parking fee reimbursement policy. Physical Plant employees should obtain proper approval and submit the required parking fees reimbursement form to the Business Office. Business Office personnel should not reimburse employees without receiving a properly completed reimbursement form.

Each agency, department, institution or office has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Hospital Response:

Errors occurred in the initial stages of implementing the hospital's new parking fee reimbursement policy. Physical Plant employees currently submit their claim on the correct form and obtain proper approval. The Business Office does not reimburse employees without receiving a properly approved form.

ATTENDANCE REPORTS

We observed that 20% of Larue D. Carter Memorial Hospital employee attendance reports reviewed had no employee or supervisor signatures and 50% of attendance reports reviewed were signed and dated by the employee prior to the employee's last day worked.

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The officials should implement controls to ensure that attendance reports are not signed or dated by the employee or supervisor prior to the employee's last day worked since the signatories certify that the employee worked the reported hours.

The attendance report is to be completed accurately and be signed and dated by the employee. After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee or by another designated individual who has knowledge of the employee's attendance. Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

Hospital Response:

Based on the findings, the hospital has implemented an internal procedure that should eliminate this from happening in the future. The procedure is as follows:

THIS APPLIES TO ALL EMPLOYEES

If payroll receives a timesheet (A-4) that is not signed by the employee and supervisor or is signed prior to the employees last day worked, they will attempt to attain the signatures and/or correction before entering the hours into payroll. In the event payroll is unable to get the A-4 corrected, they will go ahead and process payroll and will have the A-4 corrected before receipt of the paychecks. Additionally, the employee and/or supervisor will be issued a written counseling documenting their failure to properly comply with

Auditor of State policies regarding completion of attendance records. Continued failure for the employee and or supervisor to comply will result in continuing the disciplinary steps up to, and including termination.

UNCLAIMED PROPERTY

As stated in our prior report (B19506), the Larue D. Carter Memorial Hospital Trust Fund had several inactive accounts over one year old.

Trust funds from inactive accounts over one year old should be remitted to the unclaimed property division of the Attorney General.

Indiana Code 32-34-1-20 (c)(7) provides that property becomes abandoned if held by the state or other government, governmental subdivision or agency, or public corporation or their public authority one year after the property becomes distributable.

Indiana Codes 32-34-1-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

Hospital Response:

The hospital experienced some difficulty in obtaining the necessary procedures from the Attorney General's office for remitting such funds. A process is now in place that we feel will comply with IC 32-34-1-26 and 27.

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E. Mitchell Roob Jr., Secretary

MAINTENANCE FUND COLLECTIONS

As stated in our prior report B19506, Larue D. Carter Memorial Hospital did not transfer collections from the Maintenance Fund, that are on deposit in a non-interest bearing account with a local bank, to the Treasurer of State in a timely manner. Failure to transfer the funds in a timely manner may result in lost interest revenue to the State.

Maintenance Fund collections should be transferred to the mental health fund monthly.

Indiana Code 12-24-14-4 states that "On the first day of each month, or within three (3) days thereafter, all money deposited under section 3 of this chapter shall be forwarded by the division to the treasurer of state to be deposited in a special fund be known as the mental health fund".

Hospital Response:

Maintenance Fund collections will be transferred to the mental health fund on a monthly basis. The transfer will occur within 5 business days following month-end.

CAFETERIA FUND COLLECTIONS

As stated in our prior report (B19506), Larue D. Carter Memorial Hospital did not transfer meal ticket sales from the Cafeteria Fund to the General Fund in a timely manner.

Cafeteria Fund collections should be transferred to the General Fund timely.

Cafeteria collections for the month, currently on deposit at a local bank, are to be deposited as miscellaneous receipt (49000) to the institution's General Fund fund/center. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Hospital Response:

Cafeteria Fund collections will be transferred to the general fund on a monthly basis. The transfer will occur within 5 business days following month-end.

FIXED ASSETS

As stated in our prior reports (most recently B12457 and B19506), the fixed asset inventory of Larue D. Carter Memorial Hospital may not be complete as to additions. We were unable to determine that computers purchased during our review period had been added to their MIS Asset listing due to lack of adequate documentation.

The officials should maintain a complete listing of assets purchased by the hospital to include the following items: tag number, acquisition date, acquisition cost, fund number asset was purchased from, asset description, serial number, and asset location.





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Each state agency is required to report to the Auditor of State all additions with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Hospital Response:

The hospital recognizes its responsibility and has established a goal to have an updated fixed asset inventory in place during the first quarter of 2006. We recently received communications from FSSA that new fixed asset database software capabilities have become available. The sender of the communication also indicated that FSSA would provide assistance to all hospitals to implement the software system. These new developments should prove beneficial to our meeting the goal.

APPROVAL OF FORMS

During our review, we noted that Larue D. Carter Memorial Hospital uses forms which have not been approved by the State Board of Accounts.

The officials of Larue D. Carter Memorial Hospital should implement controls to ensure that all forms related to financial activity are approved by the State Board of Accounts.

Indiana Code 5-11-1-2 states in part: "The state board of accounts shall formulate or approve all statements and reports necessary for the internal administration of the office to which they pertain."

Hospital Response:

The Hospital is currently implementing new policies designed to strengthen internal control procedures. New forms are being used on a test basis as a result of the new procedures until a final format is achieved that is accurate and appropriate. All efforts will be used to ensure final copies of test forms receive State Board of Accounts approval.



LARUE D. CARTER MEMORIAL HOSPITAL
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
United States Department of Veterans Affairs: Utility Costs (See Page 4)	\$ 97,251.17	\$	\$
Report of Collection 494080, July 5, 2006	<u> </u>	<u>97,251.17</u>	<u> </u> -
Totals	<u>\$ 97,251.17</u>	<u>\$ 97,251.17</u>	<u>\$</u> <u> </u> -