

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

REVIEW REPORT

OF

RICHMOND STATE HOSPITAL

STATE OF INDIANA

October 1, 1999 to December 31, 2006



**FILED**

02/27/2007



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary, Indiana Family and Social Services Administration	Peter Sybinsky	05-16-99 to 07-02-00
	Katherine Humphreys	07-03-00 to 06-30-01
	John Hamilton	07-01-01 to 09-30-03
	Mary DePrez (Interim)	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
	E. Mitchell Roob, Jr.	01-10-05 to 01-11-09
Superintendent	James McCormick	03-27-95 to 03-15-00
	Jeffrey R. Butler (Interim)	03-16-00 to 07-27-00
	Jeffrey R. Butler	07-28-00 to 06-30-07



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF RICHMOND STATE HOSPITAL

We have reviewed the receipts, disbursements, and assets of the Richmond State Hospital for the period of October 1, 1999 to December 31, 2006. Richmond State 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 the Richmond State 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

January 4, 2007

RICHMOND STATE HOSPITAL  
REVIEW COMMENTS  
December 31, 2006

SDO FUND

The Special Disbursing Officer Fund (SDO) does not reconcile to the amount advanced. Currently, the operating fund is \$144.82 more than the amount needed to balance to the advance. The preventative maintenance fund is \$3.16 less than the amount needed to balance to the advance.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

CONTROLS OVER CASH

The Richmond State Hospital operates a postage petty cash fund. This fund is for the sale of postage stamps to employees and also permits employees to pay for mailing packages using the state postal meter. The postage petty cash was originally created by an employee who purchased stamps with her own funds. These funds are commingled with the money owed the state for employee use of the postal meter and submitted to the Business Office for deposit on an intermittent basis.

Employee funds may not be accounted for through the accounts of the institution. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

TRUST FUND FINANCIAL STATEMENTS

Richmond State Hospital did not properly complete the monthly financial statements for the Trust Fund. The financial statements did not have a monthly beginning balance reported on them; therefore, the monthly ending balance did not agree with the ledger.

Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Institutions must use the official approved form applicable to their state agency. Changes may not be made to the approved form without approval of the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

RECREATION FUND

Purchases

The Richmond State Hospital made purchases from the Recreation Fund which were not proper for the fund. The facility purchased meals and event tickets for employees while on trips with patients from the Recreation Fund rather than from state funds. Also, some purchases from the Recreation Fund contained gratuity payments for which adequate documentation was not maintained.

RICHMOND STATE HOSPITAL  
REVIEW COMMENTS  
December 31, 2006  
(Continued)

Indiana Code 4-24-6-6 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 in such institutions, and shall not be used for any purposes which are provided by state appropriations. . . ."

Documentation

The Richmond State Hospital does not maintain proper documentation for Recreation Fund disbursements. Approvals for disbursements were made without adequate documentation as to the purpose of each disbursement. Due to the lack of adequate documentation, we were unable to determine that the purchases were for the direct benefit of patients.

Each Recreation Fund disbursement should be documented with the purpose for the disbursement, person and department requesting the purchase, date requested, date paid, amount of payment, check number, written approval of the superintendent or designee, vendor invoice, and verification that the goods were received. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Controls Over Cash Sales

The Richmond State Hospital operates a thrift store and a greenhouse. The thrift store sells second-hand clothing to patients and employees. The greenhouse sells flowers to employees. Cash is received for these sales. Receipts are not issued for every sale; therefore, we were unable to determine the amount of funds collected for these sales. Also, the funds are not submitted to the Business Office for daily deposit.

Receipts should be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

Indiana Code 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

Financial Statements

The Richmond State Hospital did not properly complete the monthly financial statements for the Recreation Fund. We noted that cash on hand was not accounted for on the statement. Also, the financial statements did not have a monthly beginning balance reported on them; therefore, the monthly ending balance did not agree with the ledger.

Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Institutions must use the official approved form applicable to their state agency. Changes may not be made to the approved form without approval of the State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

RICHMOND STATE HOSPITAL  
REVIEW COMMENTS  
December 31, 2006  
(Continued)

CANTEEN FUND FINANCIAL STATEMENTS

The Richmond State Hospital does not properly prepare the monthly financial statements for the Canteen Fund. We noted that the Operating Statement and Application of Net Income were not included in the monthly financial statements. Also, the financial statements did not have a monthly beginning balance reported on them; therefore, the monthly ending balance did not agree with the ledger.

The Business Administrator is to prepare the Canteen Fund Balance Sheet on a monthly basis. It should include a Statement of Changes in Fund Balance, Bank Reconciliation, Detail of Receipts and Disbursements, Operating Statement and Application of Net Income. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

RICHMOND STATE HOSPITAL  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2007, with Jeffrey R. Butler, Superintendent. The official response has been made a part of this report and may be found on pages 8 and 9.

A copy of the review comments was mailed on February 8, 2007, to James McCormick, former Superintendent.



*"People  
helping people  
help  
themselves"*

Mitchell E. Daniels, Jr., Governor  
State of Indiana

***Richmond State Hospital  
Division of Mental Health and Addiction***

498 N.W. 18TH STREET  
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FAX: 765-966-4593

**OFFICIAL RESPONSE**

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, IN 46204-2738

February 15, 2007

Dear Gentlemen:

We wish to respond to the Review Comments found in the Review Report of Richmond State Hospital for the period October 1, 1999 to December 31, 2006. Please find our responses as follows:

**SDO FUND**

We have made adjustments necessary to bring our two SDO Accounts in balance with the authorized amount. We have re-emphasized to our staff to regularly balance these accounts and make corrections necessary to reconcile to the authorized amount.

**CONTROLS OVER CASH**

We have programmed an employee account into our postage machine. The machine will record all postage of a personal nature and will run a report supporting reimbursements from employees. Those reimbursements will be regularly remitted to the Business Office.

**TRUST FUND FINANCIAL STATEMENTS**

The beginning of month amount will be included in the Statement of Changes in Fund Balance beginning with the monthly report for February 2007.

**RECREATION FUND**

We have implemented a process to identify and accumulate expenses paid from the Recreation Fund for staff while accompany patients on recreational activities. Those expenses will be reimbursed by the operating account to the Recreation Fund at least monthly.

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RECREATION FUND (Continued)

We have re-emphasized to staff that adequate documentation must be obtained and turned in to the Business Office for expenditures made from the Recreation Fund. The Business Office has been instructed to contact the staff member if inadequate documentation is submitted and to contact supervision if the staff member does not produce adequate documents.

We recently acquired official receipts to account for sales in the Thrift Store and in the Greenhouse. Those receipts will be written for each sale and collections will be turned in to the Business Office daily.

The beginning of month amount will be included in the Statement of Changes in Fund Balance in the monthly financial report beginning with the report for February 2007.

CANTEEN FUND FINANCIAL STATEMENTS

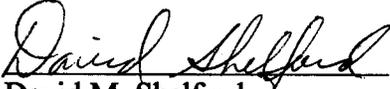
The beginning of month amount will be included in the Statement of Changes in Fund Balance in the monthly financial report beginning with the report for February 2007.

We were not aware that the monthly financial report was a prescribed format or that the Operating Statement and Application of Net Income was a part of that prescribed format. We requested a copy of the report from the Field Examiners. They agreed to send us a copy of that format and we will include the Operating Statement and Application of Net Income with each monthly report.

Thank you for your assistance and suggestions concerning our financial processes.

Sincerely,

  
\_\_\_\_\_  
Jeffrey R. Butler  
Superintendent

  
\_\_\_\_\_  
David M. Shelford  
Assistant Superintendent-Admn.