

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

REVIEW REPORT

OF

LARUE D. CARTER MEMORIAL HOSPITAL

STATE OF INDIANA

May 1, 2005 to October 31, 2007



**FILED**  
06/10/2008



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials .....	2
Independent Accountant's Report.....	3
Review Comments:	
Unreimbursed Utility Costs .....	4
Patient Account Ledgers .....	4
Insurance Claims .....	5
Supplementation of Appropriations .....	5
Fixed Asset Inventory .....	5
Accountability of Meal Tickets .....	5
Unclaimed Property .....	6
Maintenance Fund Collections .....	6
Cafeteria Fund Collections .....	6
Approval of Forms .....	6
Exit Conference.....	7
Official Response .....	8-9
Summary .....	10

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary of Family and Social Services Administration	Mitch Roob	01-10-05 to 01-11-09
Superintendent	Alan D. Schmetzer Lisa Kellum Todd Graybill (Interim)	12-16-03 to 12-20-05 12-21-05 to 12-17-06 12-18-06 to 12-17-08



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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 May 1, 2005, to October 31, 2007. 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 and Quasi Agencies and applicable laws and regulations, except as stated in the review comments.

STATE BOARD OF ACCOUNTS

March 13, 2008

LARUE D. CARTER MEMORIAL HOSPITAL  
REVIEW COMMENTS  
October 31, 2007

UNREIMBURSED UTILITY COSTS

As stated in our prior Report B19506 dated November 20, 2002, the Indiana Department of Administration on behalf of the Indiana Family and Social Services Administration signed a lease agreement with the United States Department of Veterans Affairs (VA) to lease the property at 2601 Cold Spring Road for Larue D. Carter Memorial Hospital. The lease included 22 acres of land and core hospital buildings. Some building space used by the VA and three adjacent residential units were not included in the agreement.

Although the lease agreement did indicate that the State was responsible for maintenance of the underground utility lines and paying the utility costs of the buildings specified in the agreement, the lease was silent on who would pay the utility costs for buildings not included in the agreement. Due to the utility infrastructure, Larue D. Carter Memorial Hospital had been paying the heat, electric, and water costs for all buildings since their relocation to Cold Spring Road in 1996.

In our prior Report B19506, we applied the amount of utility costs paid by Larue D. Carter Memorial Hospital to the square footage occupied by the VA for the period July 1, 1997 through April 30, 2002, and requested reimbursement of \$110,535.49 from the VA.

In our prior Report B27732 dated August 25, 2006, we applied the amount of utility costs paid by Larue D. Carter Memorial Hospital to the square footage occupied by the VA for the period May 1, 2002 through October 31, 2005, and requested reimbursement of \$97,251.17 from the VA. The State did receive a payment from the VA of \$97,251.17 which was deposited on July 5, 2006. On that date, the VA also paid \$30,391.12 for utility costs for the period November 1, 2005 through June 30, 2006. Since July 1, 2006, Larue D. Memorial Hospital has received quarterly utility cost reimbursements from the VA.

Payment in the amount of \$110,535.49 was received by United States Department of Veterans Affairs and deposited on April 9, 2008. (See Summary, page 10)

PATIENT ACCOUNT LEDGERS

Larue D. Carter Memorial Hospital maintains patient account financial activity within the Behavioral Health Information System (BHIS). The Business Office staff use the BHIS to generate monthly billings for patient treatment and maintenance and to record receipt of payments from the patient or responsible party, private insurance carriers, or Medicare and/or Medicaid.

We found that patient billing charges and billing payments had not been consistently posted into the BHIS patient accounts since July 1, 2006. Denied billing claims had also not been thoroughly investigated and resubmitted for collection.

Individual subsidiary accounts must be kept for each patient detailing all transactions to the individual accounts and showing an exact record of the resulting account balances. A control account should be maintained showing the total fund transactions and resulting fund balance. To maintain proper accountability, the individual subsidiary accounts must be balanced to the control account monthly. Collections received should be reconciled to charges billed on a monthly basis. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

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 and Quasi Agencies, Chapter 1)

LARUE D. CARTER MEMORIAL HOSPITAL  
REVIEW COMMENTS  
October 31, 2007  
(Continued)

INSURANCE CLAIMS

During our current review, we noted that Larue D. Carter Memorial Hospital did not file insurance billing claims with the private insurance carriers on a timely basis.

The Patient Accounts Office at each institution is responsible for the proper, complete and timely billing of charges. The billings to Medicaid, Medicare or private insurance should be done on a monthly basis. Billings to the patient or responsible party should be done monthly, quarterly, or as otherwise arranged in the patient's maintenance agreement. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

SUPPLEMENTATION OF APPROPRIATIONS

Larue D. Carter Memorial Hospital deposited \$2,748.33 in refunds from previous fiscal year expenditures as current year refunds. By recording these as refunds of current year expenditures, the hospital is supplementing its state appropriations by the amount deposited.

A refund of expenditure can only be used if the original disbursement and the refund or collection is within the same fiscal year. If the collection is not received within the same fiscal year as the related expenditure, then the collection must be recorded as miscellaneous revenue. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

FIXED ASSET INVENTORY

Except for information technology equipment, an annual physical inventory of assets owned by the Hospital has not been conducted.

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

ACCOUNTABILITY OF MEAL TICKETS

As stated in our prior Report B27732, during our analysis of Larue D. Carter Memorial Hospital meal ticket sales, we again 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.

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 Quasi Agencies, Chapter 1)

LARUE D. CARTER MEMORIAL HOSPITAL  
REVIEW COMMENTS  
October 31, 2007  
(Continued)

UNCLAIMED PROPERTY

As stated in our prior reports B19506 and B27732, Larue D. Carter Memorial Hospital Trust Fund had inactive patient accounts over one year old. During our current review, we found 55 inactive patient accounts over one year old.

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 Code 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 Reports B19506 and B27732, 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.

Indiana Code 12-24-14-4 states: "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."

CAFETERIA FUND COLLECTIONS

As stated in our prior Reports B19506 and B27732, Larue D. Carter Memorial Hospital did not transfer meal ticket sales from the Cafeteria Fund to the General Fund in a timely manner.

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 and Quasi Agencies, Chapter 13)

APPROVAL OF FORMS

As stated in our prior Report B27732, we noted that Larue D. Carter Memorial Hospital used forms which support the financial activity of the Trust, Recreation, and Maintenance Funds that have not been 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."

LARUE D. CARTER MEMORIAL HOSPITAL  
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2008, with Todd Graybill, Interim Superintendent. The official response has been made a part of this report and may be found on pages 8 and 9.



"People  
helping people  
help  
themselves"

Mitchell E. Daniels, Jr., Governor  
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

May 7, 2008

State Board of Accounts  
302 West Washington Street  
Room #418  
Indianapolis, IN 46204-2738

RE: Official Response to Audit

Un-reimbursed Utility Costs:

Received \$110,535.49 for payment of prior years which was deposited on 04/09/2008. LCMH is currently billing the VA quarterly and following up for payment.

Patient Account Ledgers:

LCMH fell behind in the maintenance of patient account ledgers due to staff shortages. The staff shortage issues have now been corrected. Patient billing charges and payments are now being posted into the AVATAR system (replacement for BHIS) in a timely fashion.

Insurance Claims:

LCMH fell behind in the maintenance of patient account ledgers due to staff shortages. The staff shortage issues have now been corrected. Insurance billings now occurring are billed in a timely fashion.

Supplementation of Appropriations:

LCMH attempts to properly categorize these types of miscellaneous receipts as they occur. Training has been conducted with our staff on the proper handling of prior year receipts.

Fixed Asset Inventory:

Staff shortage issues have been corrected. We are now working to have a complete inventory conducted by September 2008.

Accountability of the Meal Tickets:

LCMH has implemented a plan to correct this issue. Staff in the dietary department will be trained again on procedures. The following is an overview of those procedures:

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

E. Mitchell Roob Jr., Secretary

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.

Unclaimed Property:

The Business Office Manager is in the process of establishing a procedure to ensure we are in compliance with the unclaimed property statutes.

Maintenance Fund Collections:

An operational change was made during this fiscal year to transfer responsibility for reconciling all bank accounts to the Hospital Accountant. Part of the new procedure is for the Hospital Accountant to prepare the necessary report of collection forms for transfer of the maintenance bank account dollars to the Treasurer's office. This has occurred timely for the previous six months.

Cafeteria Fund Collections:

See response for Maintenance Fund Collections.

Approval of Forms:

The forms which were noticed by the Auditors are for internal records only. Those are not forms but work sheets & spread sheets only, from which we can keep track of our internal records. We will conduct an internal audit to ensure all official forms used in the business office have been approved by the State Board of Accounts.

Sincerely,

5/7/08

Todd Graybill  
Interim Superintendent



LARUE D. CARTER MEMORIAL HOSPITAL  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
United States Department of Veteran Affairs: Unreimbursed Utility Costs, page 4	\$ 110,535.49	\$	\$
Report of Collection No. 564216, Deposited April 9, 2008	<u>                    </u>	110,535.49	<u>                    </u> -
Totals	<u>\$ 110,535.49</u>	<u>\$ 110,535.49</u>	<u>\$</u> -