

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

REVIEW REPORT
OF
RECEPTION DIAGNOSTIC CENTER
STATE OF INDIANA
March 1, 2008 to April 30, 2012



FILED
08/08/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials	2
Independent Accountant's Report.....	3
Review Comments:	
Late Payment Penalty	4
Trust Fund:	
Accounting Records	4
Individual Records.....	5
Outstanding Checks.....	5
Restrictive Endorsements	5
Exit Conference.....	6
Official Response	7-8

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner, Indiana Department of Correction	J. David Donahue	01-10-05 to 07-31-08
	Edwin G. Buss	08-01-08 to 01-16-11
	Bruce Lemmon	01-17-11 to 01-13-13
Superintendent	Brett Mize	03-19-07 to 03-30-08
	Stephen McCauley	03-31-08 to 02-15-09
	Beckie Bennett	02-16-09 to 07-03-10
	Tom Hanlon	07-04-10 to 08-27-11
	Dushan Zatecky (Interim)	08-28-11 to 11-27-11
	James Wynn	11-28-11 to 06-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE RECEPTION DIAGNOSTIC CENTER

We have reviewed the activities related to the receipts, disbursements, and assets of the Reception Diagnostic Center for the period of March 1, 2008 to April 30, 2012. The Reception Diagnostic Center'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. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Reception Diagnostic Center 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.

The Reception Diagnostic Center's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Reception Diagnostic Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Reception Diagnostic Center's management, Indiana Department of Correction, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

May 30, 2012

RECEPTION DIAGNOSTIC CENTER
REVIEW COMMENTS
APRIL 30, 2012

LATE PAYMENT PENALTY

Auditor of State accounting records reflect late payment penalties paid to vendors and charged to accounts of the Reception Diagnostic Center as a result of untimely payment of claims. Total penalties for the fiscal year 2011 were \$1,716.23, and for the current fiscal year through April 30 penalties were \$23.45. These penalties are an unnecessary use of public funds.

Indiana Code 5-17-5 requires a state agency to ". . . pay a late payment penalty at a rate of one percent (1%) per month on amounts due on written contracts for public works, personal services, goods and services, equipment, and travel whenever the state agency . . . fails to make timely payment."

Payment of penalties and interest due to late payments to vendors may be the obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, 6.4.7.4)

Each agency, department, quasi, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

TRUST FUND

Accounting Records

As stated in our prior report, B33618, the Reception Diagnostic Center's Offender Trust Fund bank reconciliation for the month ended February 29, 2008, contained two adjustments that could not be substantiated. The adjustments included a missing bank deposit of \$1,483.20 and \$1,218.78 of commissary credits not verified. Although the Center's records illustrate that the missing deposit of \$1,483.20 was deposited in April 2009, the Center was unable to ascertain the source of the funds deposited. Additionally, in March 2011, the Center forced the control ledger to reconcile with the bank account by posting an adjusting entry of \$1,218.78 to reduce the balance of the control ledger. The Center was unable to present adequate supporting documentation to establish the validity of this adjustment.

Each agency, department, quasi, institution, or office has the responsibility to maintain an effective and accurate accounting system for necessary subsidiary and supplementary records and to maintain, and make available for audit, documentation supporting the validity and accountability of monies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

Supporting documentation to support monies received must be maintained and made available for audit to provide supporting information for the validity and accountability of monies received. Documents must be filed in such a manner as to be readily accessible, or otherwise reasonably attainable, upon request during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.3.2)

RECEPTION DIAGNOSTIC CENTER
REVIEW COMMENTS
APRIL 30, 2012
(Continued)

Individual Records

As stated in our prior report, B33618, the Reception Diagnostic Center's Trust Fund general ledger was \$120.12 less than the subsidiary ledgers resulting in a shortage in the Trust Fund as of February 29, 2008. As of February 23, 2011, the Center's Trust Fund subsidiary ledgers were \$107.18 greater than the general ledger resulting in a shortage. On February 24, 2011, the Center forced the general and subsidiary ledgers to reconcile by posting a \$107.18 debit to the gateage subsidiary ledger. The Center was unable to present adequate supporting documentation to establish the validity of this adjustment.

Each agency, department, quasi, institution or office has the responsibility to maintain an effective and accurate accounting system for necessary subsidiary and supplementary records and to maintain, and make available for audit, documentation supporting the validity and accountability of monies. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview – General Guidelines and Policy, IV. Summary of Agency Accounting Responsibilities)

Outstanding Checks

As stated in our prior report, B33618, the Reception Diagnostic Center did not remit Trust Fund checks which have been outstanding for more than one year to the Office of the Attorney General. In March 2011, the Center voided 17 outstanding checks totaling \$74.82 that were dated back to 2003. According to the Center, the voided checks were too old to research and the \$74.82 was transferred to the Center's Recreation Fund.

Indiana Code 32-34-1-20, 32-34-1-26, and 32-34-1-27 provide that Trust Fund checks which have been issued and are outstanding for one year after they were written are presumed to be abandoned and are to be remitted to the Attorney General's Office as unclaimed property.

Restrictive Endorsements

As stated in our prior report, B33618, the Reception Diagnostic Center did not restrictively endorse Trust Fund checks immediately upon receipt. The checks were not restrictively endorsed until the following business day.

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, 4.3.2)

RECEPTION DIAGNOSTIC CENTER
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2012, with James Wynn, Superintendent; Dushan Zatecky, Assistant Superintendent; Tina Little, Regional Finance Director; and Rick Arthur, Business Administrator. A copy of the review comments was sent to Brett Mize, Stephen McCauley, Beckie Bennett, and Tom Hanlon, former Superintendents. The official response has been made part of this report and may be found on pages 7 and 8.



Mitchell E. Daniels, Jr.
Governor

RECEPTION-DIAGNOSTIC CENTER
737 Moon Road – Plainfield, Indiana 46168-9400
Phone: (317) 839-7727 – Fax: (317) 839-1247

Bruce Lemmon
Commissioner

James S. Wynn
Superintendent

Date: July 12, 2012

Re: RESPONSES TO AUDIT FINDINGS

LATE PAYMENT PENALTY

The Indiana Department of Correction agrees with and is fully aware of the \$1,739.68 in late fee penalties incurred for the Reception Diagnostic Center for the time period of July 1, 2011 through April 30, 2012. As noted in the audit finding, during an entire fiscal year, fiscal year 2011, \$1,716.23 of late fee penalties were incurred and paid to vendors. From fiscal year 2011 to fiscal year 2012, RDC late fee penalties decreased by 98.7% to \$23.45. As a percentage of total spend, Reception Diagnostic Center's fiscal year 2011 late fee penalties are 0.0143% (Reception Diagnostic Center's annual spend for fiscal year 2011 was \$12 million). IDOC agrees that these penalties are an unnecessary use of public funds and will continue working diligently to reduce this spend through greater accountability and vigilance over State taxpayer dollars spent.

TRUST FUND

Accounting Records

We concur. Inmate Trust Fund Bank Reconciliations did not balance going back to 2002 and many of the records were unable to be located or were inadequate. A management decision was made to clear any items that documentation existed for and then create an entry to bring the ledger in balance with the bank balance. Internal Controls have been put in place and since March 2011 there have been no outstanding items, other than un-cashed checks, on each month's Reconciliation of the Inmate Trust Funds.





Mitchell E. Daniels, Jr.
Governor

RECEPTION-DIAGNOSTIC CENTER
737 Moon Road – Plainfield, Indiana 46168-9400
Phone: (317) 839-7727 – Fax: (317) 839-1247

Bruce Lemmon
Commissioner

James S. Wynn
Superintendent

Individual Records

We concur. On February 29, 2008 the difference between the Center's Trust Fund subsidiary ledgers and the general ledger was \$120.12. However, due to on-going issues, both prior to February 28, 2008 and subsequently, incorrect entries were being made in both the subsidiary ledger and general ledger. Due to inadequate or missing records, a management decision was made in February 2011 to clear the difference and create an entry in the gateage subsidiary ledger. Internal controls have been put in place to insure the Center's subsidiary ledgers balance to the general ledger at the end of each business day. Any differences found are researched and cleared before close of business on the same business day. Since February 2011, the Center's subsidiary ledger has balanced to the general ledger at the close of business every day.

Outstanding Checks

We concur. As of November 2011, the Reception Diagnostic Center is in compliance with Indiana Code 32-34-1-20, 32-34-1-26 and 32-34-1-27

Restrictive Endorsements

We Concur. Internal controls have been put in place to insure all checks received are restrictively endorsed the same business day as received.

James Wynn
Superintendent

