

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

AUDIT REPORT
OF
HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY, INDIANA
January 1, 2010 to December 31, 2011



FILED
05/10/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Health Department Overview	4
Progression of Cash Shortage	4-6
Small Cash Shortages.....	6-10
Cash Shortage May 6, 2010.....	10-11
Cash Shortages July 15, 2010 to May 11, 2011	11-15
Cash Shortage July 11, 2011 to September 21, 2011	15-19
Audit Costs	20
Bond Coverage.....	21
Missing Prenatal Clinic Receipt Book.....	21-22
Exit Conference.....	23
Official Response	24-52
Summary of Charges	53
Affidavit	55

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Prenatal Clinic Director	Pamela R. Hudson	01-01-10 to 12-31-13
Health Department Administrator	J. Michael Meyer III	01-01-10 to 12-31-13
Health Officer	Kevin R. Burke, M.D.	01-01-10 to 12-31-13
Chairman of the Board of Health	James Howard, D.V.M.	01-01-10 to 12-31-13
President of the County Council	Jack A. Coffman Kevin Vissing Barbara C. Hollis	01-01-10 to 12-31-10 01-01-11 to 12-31-11 01-01-12 to 12-31-13
President of the Board of County Commissioners	M. Edward Meyer Les Young Jack A. Coffman	01-01-10 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the Health Department Prenatal Clinic for the period from January 1, 2010 to December 31, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Clark County for the years 2010 and 2011.

STATE BOARD OF ACCOUNTS

November 13, 2012

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS

HEALTH DEPARTMENT OVERVIEW (Informational Only)

The Health Department (Department) had six separate collection areas where monies were collected for services. The following is a description of the general accounting procedures used by the Prenatal Clinic service area:

A two-part receipt was written when monies were received for services. The original receipt copy was given to the payer at the time the service was rendered and the duplicate receipt copy was retained by the service area. The service area's copy of the receipt was used in the preparation of the Report of Collections. The Report of Collections detailed each receipt number, patient name, receipt date, and amount. The employee who prepared the Report of Collections was responsible for counting the monies on hand and reconciling the monies on hand with the receipts written. The Report of Collection was signed by the preparer acknowledging the person responsible for its preparation. A second person (witness) counted the monies and compared it with the total shown on the Report of Collections and signed the Report of Collections as a witness that the monies counted agreed with the receipt totals reported by the preparer on the Report of Collections. The witness did not verify that the receipt amounts reported on the Report of Collections agreed with the actual receipts issued.

Two copies of the Report of Collections were prepared with one copy to be retained by the service area and the other copy submitted to the Department's central bookkeeper at the time the monies were remitted. The bookkeeper issued a receipt acknowledging the receipt of the monies and the Report of Collections from the Prenatal Clinic. The bookkeeper was responsible for recording the amounts collected in the Department's cash book and depositing the collections at the bank.

The Health Department did not have written procedures documenting controls over collections. The responsibility for establishing controls over collections and determining employees' adherence to these policies is the responsibility of management. Management personnel directly responsible for establishing the controls over collections at the Clinic were the Health Department Administrator and the Prenatal Clinic Director. J. Michael Meyer III, Health Department Administrator, was the chief operating officer responsible for overseeing the daily operations of the Health Department which included the Prenatal Clinic. Pamela R. Hudson, Prenatal Clinic Director, had direct supervisory responsibilities over employees of the Health Department's Prenatal Clinic.

A review of the Department's financial activity was performed for the period of January 1, 2010 to December 31, 2011. During this review, a comparison of monies collected at the Prenatal Clinic with monies remitted to the bookkeeper was performed. The comparison identified cash shortages at the Prenatal Clinic (Clinic) which consisted of collections reported on the Reports of Collections with no evidence that the collections reported had been deposited and instances of receipts not reported on the Report of Collections without any evidence that the monies had been deposited.

The cash shortages at the Clinic, along with other financial control deficiencies at the Department which resulted in the shortage, are more fully described in the subsequent Audit Results and Comments.

PROGRESSION OF CASH SHORTAGES

A review of the Health Department's financial records showed the following progression of cash shortages at the Prenatal Clinic:

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

1. For the period January 25, 2010 to April 13, 2010, there were small cash shortages (see Audit Result and Comment titled "Small Cash Shortages") at the Prenatal Clinic ranging between \$2 and \$85 per reporting period for a total cash shortage of \$367. There was no evidence presented for audit that these cash shortages were identified and reported by Health Department personnel.

Small cash variances in any given day's collections may exist due to human error; however, procedures should be in place to identify these errors and to evaluate if variances are the result of human errors, weaknesses in practices; or the result of theft, if the amounts are significant and/or occurs repeatedly.

2. For the period April 27, 2010 to May 6, 2010, a cash shortage in the amount of \$270 was reported by Pamela R. Hudson, Prenatal Clinic Director, to J. Michael Meyer III, Health Department Administrator (see Audit Result and Comment titled "Cash Shortage May 6, 2010").
3. For the period July 15, 2010 to May 11, 2011, there were 34 instances totaling \$10,636.75 when Report of Collections were not submitted and the monies for the collections were not remitted to the bookkeeper (see Audit Result and Comment titled "Cash Shortages July 15, 2010 to May 10, 2011").
4. During May of 2011, the Health Department bookkeeper began to review collections at the Prenatal Clinic due to the decline in collections for the year 2011. In an attempt to identify the reason for the decline, the Health Department performed a more detail review of collections. A comparison was made between the receipts issued at the Prenatal Clinic to amounts shown on the Report of Collection prepared by the Prenatal Clinic and then to amounts reported by the bookkeeper of monies received from the Prenatal Clinic.

Based upon this analysis, the Health Department concluded that there were missing monies and contacted the City of Jeffersonville Police Department to investigate.

Information about the investigation appeared in the local newspaper at the time the State Board of Accounts was conducting the 2010 audit of Clark County. Upon reading the newspaper article, the State Board of Accounts contacted the Health Department about the missing funds and began an investigation. Information was provided by the State Board Accounts at the initial meeting with the Health Department to inform them of minimal controls, such as, daily deposit of collections that needed to be in place to help minimize risks.

5. Pamela R. Hudson, Prenatal Clinic Director, stated that the Department implemented new internal control procedures effective in June 2011. The new internal control procedures included assigning a single employee to be responsible for the preparation of Reports of Collections and requiring this employee to remit collections to the Health Department's central bookkeeper on a daily basis. Pamela R. Hudson stated that Sheryl Chester, former Billing Specialist, was the employee assigned this responsibility.

J. Michael Meyer III, Health Department Administrator, sent a memo, dated August 4, 2011, to Supervisors of each service area instructing that Supervisors are responsible for making sure collections were remitted to the bookkeeper daily. Pamela R. Hudson signed the memo on August 18, 2011, to acknowledge receipt of the memo.

The memo did not address the verification or accuracy of receipts recorded on the Report of Collections.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

6. For the period July 11, 2011 to September 21, 2011, there was a cash shortage totaling \$1,940 (see Audit Result and Comment titled "Cash Shortage July 11, 2011 to September 21, 2011"). The following is additional information regarding our review of financial records for the period July 11, 2011 to September 21, 2011:
 - a. Our comparison of receipts issued to Reports of Collections for the period July 11, 2011 to August 11, 2011, identified insignificant cash variances between the receipts issued by the Prenatal Clinic and the amounts shown on the Report of Collections. However, these small cash differences were not identified on the Report of Collections by the Prenatal Clinic and resulted in less monies being remitted to the bookkeeper than shown per the Prenatal Clinic receipts issued and shown on the Report of Collections completed.
 - b. There were no collections remitted to the bookkeeper by the Prenatal Clinic during the period August 24, 2011 to September 15, 2011. The last Report of Collections remitted to the bookkeeper in August 2011 was remitted on August 23, 2011, which covered the Clinic collections for the period August 15, 2011 to August 17, 2011.
 - c. A Report of Collections was not completed and no monies were remitted to the bookkeeper for the Prenatal Clinic receipts issued for the period August 18, 2011 to August 22, 2011.
 - d. For the Reports of Collections submitted to the bookkeeper during the month of September 2011 covering Prenatal Clinic receipts issued for the period August 23, 2011 to September 21, 2011, the Reports of Collections did not match the underlying Prenatal Clinic receipts issued and the collections were not submitted daily to the bookkeeper.
7. On October 10, 2011, written accounting procedures were developed for the Prenatal Clinic and communicated to and acknowledged by Pamela R. Hudson, Prenatal Clinic Director.
8. On October 13, 2011, written procedures were developed for the bookkeeper requiring collections to be remitted to the bookkeeper daily; money to be deposited daily by the bookkeeper; the bookkeeper was to monitor the dates and receipt numbers shown on the Report of Collections from the services areas to verify that receipts had not been skipped; when new receipt books are needed by a service area a form is to be completed which identifies the name of individual at the service area who received the new receipt book.
9. The State Board of Accounts provided additional information to improve controls to the Health Department on April 6, 2012.
10. On September 20, 2012, J. Michael Meyer III meet with heads of the department of each service area to review control procedures and determine what additional control procedures could be implemented.

SMALL CASH SHORTAGES

A comparison of receipts written at the Clinic for the period January 25, 2010 to May 13, 2011, showed an aggregate total of cash shortages in the amount of \$367. These cash shortages represented small variances between the receipts written and the amounts reported on the Report of Collections and are shown in the following schedule:

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Reporting Period</u>	<u>Report Preparer</u>	<u>Date Remitted</u>	<u>Receipt Total</u>	<u>Collections Total</u>	<u>Cash Shortage</u>	<u>Notes</u>
01-05-10 to 01-12-10	TT	01-15-10	\$ 943	\$ 933	\$ (10)	(2)
01-12-10 to 01-14-10	TT	01-15-10	504	474	(30)	(2)
01-25-10 to 01-26-10	TT	01-29-10	403	393	(10)	(2)
02-03-10 to 02-11-10	TT	02-19-10	824	822	(2)	
02-25-10 to 03-03-10	TT	03-05-10	616	606	(10)	(2)
03-03-10 to 03-11-10	TT	03-12-10	826	816	(10)	(2)
03-11-10 to 03-17-10	TT	03-26-10	396	386	(10)	(2)
03-18-10 to 03-24-10	TT	03-26-10	741	731	(10)	(2)
03-31-10 to 04-06-10	TT	04-09-10	831	811	(20)	(2)
04-06-10 to 04-13-10	PH	04-19-10	739	729	(10)	(2)
06-18-10 to 06-18-10	TT	06-21-10	189	190	1	
06-24-10 to 06-24-10	TT	06-25-10	237	187	(50)	
07-08-10 to 07-12-10	PH	07-12-10	259	241	(18)	
07-27-10 to 07-30-10	ML	08-05-10	518	500	(18)	
09-23-10 to 09-23-10			5	-	(5)	(1)
09-27-10 to 09-27-10	PH	09-28-10	299	214	(85)	
04-25-11 to 04-26-11	SC	05-16-11	255	250	(5)	
05-11-10 to 05-13-10			55	-	(55)	(1)
05-11-11 to 05-13-11	SC	05-16-11	<u>295</u>	<u>285</u>	<u>(10)</u>	
Totals			<u>\$ 8,935</u>	<u>\$ 8,568</u>	<u>\$ (367)</u>	

Note to Schedule:

- (1) Receipt did not appear on a Report of Collections.
- (2) Receipts written showed that additional monies for AIDS services were collected and paid at the same time prenatal service fees were collected. Monies collected for AIDS services at the Clinic were not reported on the Clinic's Report of Collections.

Based upon discussion with Clinic employees, it was the Clinic's practice that monies collected for AIDS services would not be included on the Clinic's Report of Collections and that the monies would be given to the AIDS program for the amounts to be reported as fees collected by the AIDS program.

There was no receipt written by the AIDS program or reported on the AIDS program Report of Collections that corresponded with the name or dollar amount of the person who paid for the AIDS service at the Clinic for the instances noted in the above schedule.

Report Preparer:

TT – Tana Thompson
PH – Pamela R. Hudson
SC – Sheryl Chester
ML – Moraima Leon

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Internal Control Deficiencies

The following deficiencies in internal controls contributed to the Department's inability to identify the employee(s) responsible for the above cash shortages and the timely reporting of the above cash shortages to management:

1. Collections at the Clinic were not remitted daily to the Department's central bookkeeper.

Failure to remit monies timely for deposit weakens internal controls and increases the risk for the misappropriation of funds. If monies are not deposited daily, current collections can be substituted for previous collections that have not been remitted and have been misappropriated or checks from collections can be substituted for cash collections that have been misappropriated and not receipted. Failure to deposit funds daily increases the risk of theft from outside sources if the funds are not held in a secure location.

We recommended that collections be reported and remitted to the bookkeeper on a daily basis.

2. The Department did not assign a single employee to be responsible for the collection of fees at the Clinic. Various employees had authority to write receipts and collect monies during a reporting period. These employees used a common cash box to store monies collected. If a variance occurred between receipts written and monies collected, it would not be possible to identify the individual employee responsible for the cash shortage.
3. There was a lack of segregation of duties without compensating controls in place in regards to the preparation of the Report of Collections. The Department required two employees to sign the Report of Collections. The preparer was responsible for listing the receipts written for the period of time covered by the Report of Collections and counting the monies collected associated with the receipts written. A witness also signed the Report of Collections. However, the witness only verified the monies collected agreed with the total shown on the Report of Collections and did not verify that the amount shown on the Report of Collections agreed with the actual receipts issued. Without the witness also being responsible for verifying the receipts reported on Report of Collections, the preparer would have the ability to inaccurately report receipt information on a Report of Collections in order to divert funds without the knowledge of the witness.

We recommended that the witness also be assigned to verify that receipts written agree with receipts reported on the Reports of Collections.

4. Proper procedures were not in place to ensure that if monies were remitted to an employee of another service area, such as the AIDS program, that there was proper documentation to show the transfer of the monies between the employees involved in the transfer of funds.

Without a receipt documenting the amount of monies transferred and the employees involved in the transfer, it cannot be determined if the proper amount of monies were exchanged and in the event monies are missing the responsible party cannot be identified.

We recommended that the Report of Collections be modified to separately report collections made on behalf of another service area so that the Report of Collections would agree to receipts written and so it would not be necessary to transfer funds between service areas.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

5. The Department did not use a cash count form that compared receipts on the Reports of Collections with actual cash, checks, and money orders associated with those collections. As a result, cash shortages or variances between receipts written and monies collected were not properly documented and reported to management. Also, documentation of the proper accountability of the Cash Change Fund could not be determined.

We recommended that a cash count form be used to account for all monies on hand (including cash change funds) and to compare receipts reported on the Report of Collections with cash, checks, and money orders received and any variances be documented on the form and reported to management.

6. The Department did not have written procedures describing the responsibilities of the preparer of the Report of Collections and the witness. These responsibilities should include a reconciliation between receipts written for the reporting period with monies collected for the reporting period and the reporting of any variances between receipts written and monies collected to the Department's management.

The Department relied on verbal instructions to communicate required procedures.

Without formal written procedures in place, management cannot ensure that employees fully understand procedures to be performed in order to achieve management's objectives, compliance with laws and regulations, and controls over financial reporting.

We recommended that job responsibilities be documented through written job descriptions and/or written procedures.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$367. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director, are jointly and severally responsible as the Health Department's management personnel responsible for oversight of the Prenatal Clinic.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

On November 13, 2012, we requested J. Michael Meyer III, Health Department Administrator, to refund \$367 to the Clark County Health Department.

On November 13, 2012, we requested Pamela R. Hudson, Prenatal Clinic Director, to refund \$367 to the Clark County Health Department.

See the Summary of Charges on page 53 for a detail of amounts charged.

CASH SHORTAGE MAY 6, 2010

Pamela R. Hudson, Prenatal Clinic Director, stated on February 28, 2012, that a cash shortage was discovered when the Report of Collections for the period April 27, 2010 to May 6, 2010, was prepared. The Report of Collections for the period included receipt numbers 127988 to 128018 and totaled \$1,151. However, monies counted for these receipts totaled \$881 for a cash shortage in the amount of \$270.

A post-it note written by Pamela R. Hudson was attached to the Clinic's copy of the Report of Collections for the reporting period that stated the following:

"Reported \$270 missing to Administer & Mike Meyer will discuss matter w/Dr. Burke. Starting today collections will be taken to main office on a daily basis. P. Hudson"

Internal Control Deficiencies

The following deficiencies in internal controls resulted in the Department not identifying the employee responsible for the above cash shortage and identifying the cash shortage timely:

1. The Department did not assign a single employee to be responsible for the collection of fees at the Clinic. Various employees had authority to write receipts and collect monies. These employees used a common cash box to store monies collected. If a variance occurred between receipts written and monies collected, it would not be possible to identify the individual employee responsible for the cash shortage.
2. The Department did not have written procedures requiring that receipts to be totaled daily and reported on a Report of Collections. The Department did not have written procedures that required collections to be remitted daily to the bookkeeper. As a result, monies were allowed to be on hand for several days providing an opportunity for monies to go missing.

We recommended that job responsibilities be documented through written job descriptions and/or written procedures.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$270. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director, are jointly and severally responsible as the Health Department's management personnel responsible for oversight of the Prenatal Clinic.

On November 13, 2012, we requested J. Michael Meyer III, Health Department Administrator, to refund \$270 to the Clark County Health Department.

On November 13, 2012, we requested Pamela R. Hudson, Prenatal Clinic Director, to refund \$270 to the Clark County Health Department.

See the Summary of Charges on page 53 for a detail of amounts charged.

CASH SHORTAGES JULY 15, 2010 TO MAY 10, 2011

A review of receipts issued at the Clinic and Report of Collections on file at the Clinic for the period July 15, 2010 to May 10, 2011, identified 34 reporting periods totaling \$10,636.75 where there was no evidence that collections were remitted to the Department's central bookkeeper. These instances included Report of Collections on file at the Clinic, but not on file with bookkeeper and included instances where there was no evidence that Report of Collections were prepared. The following schedule identifies the reporting periods in which there was no evidence that monies were remitted to the Department's central bookkeeper:

<u>Reporting Period</u>	<u>Receipt Numbers</u>	<u>Report Preparer</u>	(1) <u>Collection Report on File at Clinic</u>	<u>No Collection Report on File</u>	<u>Totals</u>	<u>Notes</u>
07-15-10 to 07-16-10	130513 to 130524	ML	\$ 364.00	\$ -	\$ 364.00	
07-26-10 to 07-27-10	130539 to 130547	TT	253.00	-	253.00	
08-30-10 to 08-30-10	131970 to 139180	TT	518.00	-	518.00	
09-02-10 to 09-03-10	131995 to 132004		-	415.00	415.00	
09-10-10 to 09-10-10	132012 to 132018	SC	190.00	-	190.00	
09-17-10 to 09-22-10	132035 to 132041			-		(2)
	132046 to 132047					(2)
	132043					(2)
	132049	TT	250.00		250.00	(2)
10-19-10 to 10-20-10	133444 to 133449	PH	168.00	-	168.00	
10-21-10 to 10-22-10	133450 to 133457		-	445.00	445.00	

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Reporting Period	Receipt Numbers	Report Preparer	(1) Collection Report on File at Clinic	No Collection Report on File	Totals	Notes
11-12-10 to 11-12-10	133510 to 133515	PH	241.00	-	241.00	
11-18-10 to 11-19-10	133540 to 133545		-	235.00	235.00	
11-29-10 to 11-29-10	133555 to 133558		-	120.00	120.00	
11-30-10 to 12-01-10	133559 to 133571	SC	235.00	-	235.00	
11-30-10 to 12-01-10	133576 to 133587		-	230.00	230.00	
12-01-10 to 12-06-10	133588 to 133597	ML	285.00	-	285.00	
12-06-10 to 12-13-10	133598 to 133610	ML	295.00	-	295.00	
12-21-10 to 12-27-10	134392 to 134401		-	212.50	212.50	
12-28-10 to 12-29-10	134402 to 133414	SC	445.00	-	445.00	
01-04-11 to 01-07-11	134422 to 134430		-	174.00	174.00	
01-10-11 to 01-12-11	134431 to 134440		-	240.00	240.00	
01-12-11 to 01-12-11	134441 to 134450		-	392.50	392.50	
01-13-11 to 01-20-11	134451 to 134460	ML	390.00	-	390.00	
01-26-11 to 01-27-11	134484 to 134492		-	325.00	325.00	
01-31-11 to 02-02-11	134493 to 134501		-	375.00	375.00	
02-03-11 to 02-07-11	134502 to 134512	ML	520.00	-	520.00	
02-07-11 to 02-08-11	134513 to 134523		-	360.00	360.00	
02-08-11 to 02-08-11	134524 to 134525	SC	275.00	-	275.00	
02-09-11 to 02-14-11	134526 to 134539	SC	438.00	-	438.00	
03-23-11 to 03-25-11	135984 to 135994	ML	235.00	-	235.00	(3)
03-25-11 to 03-28-11	135995 to 136005	Not Signed	371.75	-	371.75	(3)
04-05-11 to 04-05-11	136013 to 136014	ML	129.00	-	129.00	(3)
04-11-11 to 04-11-11	136028 to 136036	SC	270.00	-	270.00	
04-28-11 to 05-02-11	137414 to 137428		-	545.00	545.00	
05-04-11 to 05-06-11	137429 to 137443		-	575.00	575.00	
05-10-11 to 05-10-11	137454 to 137457		-	120.00	120.00	
Totals			<u>\$5,872.75</u>	<u>\$4,764.00</u>	<u>\$ 10,636.75</u>	

Notes to Schedule:

- (1) Receipts written agreed with receipt amounts reported on the Report of Collections based on receipts presented for audit (also see Note (3) below).
- (2) Report of Collections showed gaps in the receipt numbers listed. The receipts numbers that would correspond to the gaps in the numbers listed were found on subsequent Reports of Collections.
- (3) A receipt book with receipt numbers 135886 to 136074 was shown as issued to the Clinic by the central Department's office. These receipts were not presented for audit by either the central Department's administrative office or by the Clinic (see Audit Result and Comment titled "Missing Receipt Book"). The amounts shown above were based upon copies of the Reports of Collections on file at the Clinic.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Report Preparer:
TT – Tana Thompson
PH – Pamela R. Hudson
SC – Sheryl Chester
ML – Moraima Leon

Internal Controls Deficiencies

The following deficiencies in internal controls resulted in the Department not identifying the employee responsible for the above cash shortage and identifying the cash shortage timely:

1. The preparer or another designated individual was not assigned the responsibility to take the Report of Collections and monies to the Department's central bookkeeper on a daily basis. The Report of Collections and the accompanying monies collected would remain several days at the Clinic office in a location that was accessible by multiple employees.

J. Michael Meyer III, Health Department Administrator, stated on March 21, 2012, that he gave verbal instructions to Pamela R. Hudson that collections were to be remitted to the Department bookkeeper on a daily basis after the cash shortage was discovered for the reporting period ending May 6, 2010 (see Audit Result and Comment titled "Cash Shortage May 6, 2010").

A post-it note written by Pamela R. Hudson was attached to the Clinic's copy of the Report of Collections for the reporting period ending May 6, 2010, acknowledging that collections were to be remitted daily (see Audit Result and Comment titled "Cash Shortage May 6, 2010").

Because no one was designated the responsibility to take the collections to the central bookkeeper and the monies were not remitted on a consistent basis, it was not readily identifiable that periods of time elapsed when no monies were remitted. Failure to remit monies timely for deposit allows money to be on hand for an extended period of time and provides the opportunity for funds to go missing.

We recommended that job responsibilities be documented through written job descriptions and/or written procedures and included responsibilities for the monitoring of adopted internal control procedures and reporting non-compliance with those procedures.

2. The Department did not have a system in place to identify whether all Report of Collections prepared were accounted for and submitted to the bookkeeper. The Reports of Collections were filled out in detail that included a listing of every receipt number and the amount of the receipt. The above cash shortage could have been minimized had someone not involved in the collection process been required to monitor the numerical sequence of the receipt numbers listed on the Reports of Collections in relationship to receipt book series assigned to the Department and been required to report the missing receipt numbers to management. In addition, problems could have been identified sooner if proper procedures had been followed at the Clinic to properly record year to date collection totals on the Report of Collections and the totals compared to the amounts shown by the Department's central bookkeeper.

The Department did not have any written procedures requiring the bookkeeper or any other employee to monitor the numerical sequence of numbers reported on the Report of Collections or total year to date collections as determined by the Clinic agreed with the collections remitted to the bookkeeper.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

We recommended that procedures be implemented to regularly monitor report of collections and job responsibilities be documented through written job descriptions and/or written procedures.

3. Receipts were not issued at the time the money was remitted to the bookkeeper and in the name of the person who remitted the collections.

Clinic employees stated during various interviews that there were numerous instances in which monies would be remitted to the Department's central bookkeeper without a receipt being issued by the bookkeeper at the time monies were remitted (Note: the employees did not provide information regarding a specific Report of Collection).

Employees also stated there were instances when the Department's central bookkeeper was not in the office and monies remitted would be left with other Department employees to be given to the bookkeeper at a later time. No receipts or other documentation was completed to show the transfer of monies from one employee to another (Note: the employees did not provide information regarding a specific Report of Collection).

The Clinic did not always match up the receipt provided by the central bookkeeper with the Report of Collections and file the information together or compare total collections per the Clinic's records with amounts reported by the bookkeeper. As a result, the Clinic staff would not be aware if a receipt for collections was never received by the central bookkeeper or was received for the incorrect amount.

Our review of receipts that were written by the bookkeeper for collections remitted from the Clinic showed several receipts were written to "Pamela Hudson." Pamela R. Hudson, Prenatal Clinic Director, stated on February 28, 2012, that she rarely remitted monies to the bookkeeper.

Without a receipt documenting the amount of monies transferred and the names of the employees involved in the transfer of funds, it cannot be determined if the proper amount of monies were exchanged and in the event there is a discrepancy in the monies the responsible party cannot be identified.

We recommended a receipt 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

4. Funds were not retained in a location that restricted employee access thus providing an opportunity for funds to be taken and not being able to determine the responsible party.

We recommended the daily remittance of collections to the bookkeeper or daily deposit of collections by a Clinic employee to reduce the amount funds retained at the Clinic. We also recommended that if collections reach a specified threshold amount during the day that the threshold amount be transferred to secure location with limited employee access.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$10,636.75. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director, are jointly and severally responsible as the Health Department's management personnel responsible for oversight of the Prenatal Clinic.

On November 13, 2012, we requested J. Michael Meyer III, Health Department Administrator, to refund \$10,636.75 to the Clark County Health Department.

On November 13, 2012, we requested Pamela R. Hudson, Prenatal Clinic Director, to refund \$10,636.75 to the Clark County Health Department.

See the Summary of Charges on page 53 for a detail of amounts charged.

CASH SHORTAGE JULY 11, 2011 TO SEPTEMBER 21, 2011

A comparison of Clinic receipts written to receipts reported on Reports of Collections during the period July 11, 2011 to September 21, 2011, identified a cash shortage in the amount of \$1,940 as shown in the following schedule:

Actual Receipts Written					
Receipt Numbers	Reporting Period				Amount
138790 to 138804	07-11-11	to	07-13-11		\$ 310
138879 to 138889	08-10-11	to	08-11-11		469
138904 to 138909	08-18-11	to	08-22-11		315
140422 to 140527	08-22-11	to	09-21-11		3,795
Total Collections Per Clinic Receipt Issued					4,889

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Clinic Collections Remitted to Central Office

Report of Collections	Date Remitted 07-14-11	290
Report of Collections	Date Remitted 08-22-11	464
Report of Collections	Date Remitted 09-16-11	555
Report of Collections	Date Remitted 09-19-11	230
Report of Collections	Date Remitted 09-19-11	510
Report of Collections	Date Remitted 09-22-11	365
Report of Collections	Date Remitted 09-22-11	270
Report of Collections	Date Remitted 09-22-11	<u>265</u>
Total Collections Remitted to Central Bookkeeper		<u>2,949</u>
Cash Shortage		<u>\$ 1,940</u>

Pamela R. Hudson, Prenatal Clinic Director, stated on February 28, 2012, that the Department implemented new internal control procedures effective in June 2011. The new internal control procedures were in response to the cash shortages that occurred between July 10, 2010 and May 10, 2011 (see Audit Result and Comment titled "Cash Shortage July 10, 2010 to May 10, 2011"). The new procedures assigned a single employee to be responsible for the preparation of Reports of Collections and required this employee to remit collections to the Department's central bookkeeper on a daily basis. Pamela R. Hudson stated that Sheryl Chester, former Billing Specialist, was the employee assigned this responsibility.

A review of the Reports of Collections prepared for the period July 11, 2011 to September 21, 2011, showed the following irregularities:

1. Receipt numbers 138904 to 138909 issued for the period August 18, 2011 to August 22, 2011, totaling \$315 were not reported on any Report of Collections presented for audit. There was no indication that the monies had been remitted to the central bookkeeper for deposit.
2. It was the Department's practice to have the preparer of the Reports of Collections to list every receipt written on the Reports of Collections. This included the date of the receipt, receipt number, the payer's name, and the amount of the receipt. This practice should result in every receipt listed on a Report of Collection corresponding with every receipt written for the time period covered by the Report of Collection. However, the Reports of Collections prepared by Sheryl Chester showed the Reports of Collections did not correspond with the actual receipts written as described below:

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

<u>Receipt Numbers Per Report of Collection</u>	<u>Reporting Period Per Report of Collections</u>	<u>Reported Amount</u>	<u>Notes</u>
140422 to 140430	08-29-11 to 09-08-11	\$ 230	(a) (b)
140432 to 140446	09-09-11 to 09-13-11	555	(c) (e)
140445 to 140453	09-19-11 to 09-19-11	510	(d) (f)
140457 to 140467	09-19-11 to 09-20-11	270	(c) (g)
140462 to 140471	09-07-11 to 09-07-11	365	(d)
140468 to 140470	09-21-11 to 09-21-11	265	(d) (h)

Notes to Schedule:

- (a) The Report of Collections remitted on September 19, 2011, showed receipt numbers 140422 to 140430 with the receipts dates of August 29, 2011 to September 8, 2011, for a total collections of \$230. However, a review of actual receipts written showed that the actual receipt dates were August 22, 2011 to August 23, 2011, and totaled \$265.
- (b) A comparison of the individual payer names and receipt dates listed on the Report of Collections with the names and receipt dates shown on the actual receipts issued did not show a single instance where the payer's name and receipt date agreed with the actual receipts issued. There was only one instance for the nine receipts shown in which the dollar amount reported on the Report of Collections agreed with the amount shown on the actual receipt; however, the payer's name listed was not the name shown on the receipt issued.
- (c) Receipts were omitted from the Report of Collection as the beginning receipt number shown did not begin with the next consecutive receipt number reported on the previous Report of Collections.
- (d) Receipt numbers listed overlapped with receipts numbers reported on previous Report of Collections.
- (e) Of the fifteen receipts shown on the Report of Collections, none of the receipt dates or payer's names listed agreed with the information shown on the actual receipts. There were only two instances in which the dollar amounts shown agreed with the actual receipts issued. A review of the actual receipt written showed the receipts totaled \$415, and not \$555.
- (f) Of the nine receipts shown on the Report of Collections, only one dollar amount agreed with the actual dollar amount shown on the receipt; however, the payer name and date of the receipt were not in agreement. None of the payer names or dates of the receipts listed on the Report of Collections agreed with the information shown on the receipts issued for the receipt numbers reported. One receipt number was duplicated on the

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Report of Collections with different information listed for each receipt number. When the bookkeeper questioned the duplicate receipt number, a revised Report of Collections was submitted. However, the revised Report of Collections had the same problems with the dollar amounts, payer names, and receipt dates as the previous Report of Collections submitted.

- (g) The Report of Collections remitted on September 22, 2011, reported receipt numbers 140457 to 140467 with receipt dates from September 19, 2011 to September 20, 2011, totaling \$270. Based upon a review of the actual receipts issued, none of the payer names and receipt dates reported agreed with the information shown on the actual receipts issued. There were only two instances in which the receipt amounts reported were in agreement with the amount per the receipt issued, however, the payer name and receipt date were not in agreement. A review of the actual receipt issued, showed receipt numbers 140457 to 140467 were dated September 2, 2011 to September 7, 2011, and totaled \$480.
- (h) A comparison of the individual payer names, receipt date, and dollar amounts for the receipts listed on the Report of Collections with the names, date, and dollar amounts shown on the actual receipts did not show any instance where the payer's name, date, or receipt amount corresponded with the actual receipts issued. Actual receipt numbers 140468 to 140470 totaled \$155, and not \$265 as reported.

Due to the above irregularities, the source of information used for preparing the Reports of Collections could not be determined.

Reports of Collections for Receipts Written after September 21, 2011

Sheryl Chester was not responsible for preparing the Report of Collections for receipts written after September 21, 2011. A comparison of receipts reported on the Report of Collections for receipts covering the period September 21, 2011 to December 31, 2011, did not identify any discrepancies between total of receipts written and the total amount of receipts reported.

Internal Control Deficiencies

Even though the Department adopted additional procedures to better account for collections at the Clinic which included the assigning of one person (Sheryl Chester) to be responsible for the preparation of the Reports of Collections, other procedures in place were not sufficient as described below:

1. Collections were not remitted daily and the monitoring of compliance with this procedure was not performed timely resulting in the cash shortage not being detected sooner and the amount of the shortage minimized.

The Department relied on verbal instructions to communicate required procedures.

We recommended that job responsibilities be documented through written job descriptions and/or written procedures. Tasks should be performed in a timely manner in order to ensure management's objectives are achieved.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

2. Reports of Collections were filled out in detail which included a listing of every receipt number and the amount of the receipt. The Reports of Collections were submitted to the Department's central bookkeeper. J. Michael Meyer III stated that Betty Shields, Bookkeeper, was assigned the responsibility of monitoring the sequence of receipt numbers reported on Report of Collections at this time.

The above cash shortage could have been identified timely had the collections been remitted daily to the bookkeeper and a review of the sequence of receipt numbers been performed timely.

The Department relied on verbal instructions to communicate required procedures.

We recommended that job responsibilities be documented through written job descriptions and/or written procedures. Tasks should be performed in a timely manner in order to ensure management's objectives are achieved.

3. There was a lack of segregation of duties without compensating controls in place in regards to the preparation of the Report of Collections. The Department required two employees to sign the Report of Collections. The preparer was responsible for listing the receipts written for the period of time covered by the Report of Collections and counting the monies collected associated with the receipts written. A witness also signed the Report of Collections. However, the witness only verified the monies collected and not the amount of receipts reported on the Report of Collections. Without the witness also being responsible for verifying the receipts reported on Report of Collections, the preparer had the ability to report inaccurate receipt information on a Report of Collections and to divert funds without the knowledge of the witness.

We recommended that the witness also be assigned to verify that receipts written agree with receipts reported on the Reports of Collections.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Interview Attempt with Sheryl Chester

A letter was mailed to Sheryl Chester, former Billing Specialist, requesting that she meet with us to answer questions. The letter was mailed to Sheryl Chester's last known address. The letter was returned marked "undeliverable as addressed."

Without an explanation as to why receipts were not reported accurately on Reports of Collections for the period July 11, 2011 to September 21, 2011, we consider Sheryl Chester to be personally responsible for the cash shortage in the amount of \$1,940.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

AUDIT COSTS

Audit costs totaling \$13,213.75 were incurred to investigate and document cash shortages that occurred at the Health Department's Prenatal Clinic. Responsibility for the audit costs are shown in the following schedule:

<u>Responsible Employees</u>	<u>Amount</u>
J. Michael Meyer III and Pamela R. Hudson (1)	\$ 11,273.75
Sheryl Chester (2)	<u>1,940.00</u>
Total	<u>\$ 13,213.75</u>

Notes to Schedule:

- (1) J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director, are jointly and severally responsible for audit costs for the portion of cash shortage that cannot be contributed to an individual employee due to internal control deficiencies.
- (2) Sheryl Chester, former Billing Specialist, is responsible for audit costs related to the cash shortage for monies collected from July, 11, 2011 to September 21, 2011 (see Audit Result and Comment titled "Cash Shortage July 11, 2011 to September 21, 2011").

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

On November 13, 2012, we requested J. Michael Meyer III, Health Department Administrator, to refund \$11,273.75 to the Clark County Health Department.

On November 13, 2012, we requested Pamela R. Hudson, Prenatal Clinic Director, to refund \$11,273.75 to the Clark County Health Department.

A letter was mailed to Sheryl Chester requesting that she meet with us to answer questions. The letter was mailed to Sheryl Chester's last known address. The letter was returned marked "undeliverable as addressed." Without an explanation as to why receipts were not reported accurately on Reports of Collections for the period July 11, 2011 to September 21, 2011, we consider Sheryl Chester to be personally responsible for additional audit costs in the amount of \$1,940.

See the Summary of Charges on page 53 for a detail of amounts charged.

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

BOND COVERAGE

The County has obtained the following bond covering employee theft:

Surety: National Fire and Causality Company
 Bond Number: NCPP01028CM
 Type of Coverage: Crime Coverage
 Period of Coverage: 08-01-09 to 08-01-10
 Amount: \$50,000
 Deductible: \$1,000

Surety: U.S. Specialty Insurance Company
 Bond Number: PKG80110471
 Type of Coverage: Public Employee Dishonesty
 Period of Coverage: 08-01-10 to 08-01-13
 Amount: \$50,000
 Deductible: \$1,000

MISSING PRENATAL CLINIC RECEIPT BOOK

An inventory record of receipt books issued by the Department's administrative office to the various service areas within the Department identified one receipt book, containing 189 receipts (receipt numbers 135886 to 136074), had been issued to the Prenatal Clinic which was not presented for audit. Reports of Collections on file at the Department's administrative office and at the Clinic showed that the receipt book was used to account for collections during the period February 2011 to April 2011, as receipt numbers within this receipt series appeared on the Report of Collections. During a review of the Report of Collections, there were numerous gaps in the receipt series numbers that appeared on the Report of Collections that would have fallen within the sequence number range of this receipt book. The following receipt numbers contained in this book sequence could not be found on Report of Collections on file:

Receipt Numbers Not Shown On Report of Collections	Number of Missing Receipts
135899 to 135931	33
135970 to 135978	9
136015 to 136027	13
136037 to 136047	11
136063 to 136074	12
Total Number of Receipts	78

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Due to not having receipt copies to compare to monies remitted per the Report of Collections, we were unable to verify that the amounts remitted agreed with the actual receipts written and the monies collected.

Indiana Code 5-15-6-3 states in part the following:

"(d) No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e).

(e) As used in this section, 'public records' or 'records' includes records that have been recorded, copied, or reproduced by a photographic, photo static, miniature photographic, or optical imaging process that correctly, accurately, and permanently copies, reproduces, or forms a medium for copying or reproducing the original record on a film or other durable material. Original records may be disposed of in accordance with subsection (f), if the record has been copied or reproduced as described in this subsection. The copy must be treated as an original. Copies, recreations, or reproductions made from an optical image of a public record described in this subsection shall be received as evidence in any court in which the original record could have been introduced, if the recreations, copies, or reproductions are properly certified as to authenticity and accuracy by an official custodian of the records.

(f) Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

Indiana Code 5-15-6-8 states the following:

"A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Class D felony unless:

- (1) the commission shall have given its approval in writing that the public records may be destroyed;
- (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or
- (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2012, with J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director.

The contents of this report were discussed on December 12, 2012, with James Howard, D.V.M., Chairman of the Board of Health; Kevin R. Burke, M.D., Health Officer; J. Michael Meyer III, Health Department Administrator; Pamela R. Hudson, Prenatal Clinic Director; and Robert G. Bottorff II, Attorney.

The contents of this report were discussed on January 29, 2013, with Jack A. Coffman, President of the Board of County Commissioners; Barbara C. Hollis, President of the County Council; Kevin R. Burke, M.D., Health Officer; J. Michael Meyer III, Health Department Administrator; and Robert G. Bottorff II, Attorney.

The Official Response has been made a part of this report and may be found on pages 24 through 52.



Clark County Health Department

1320 DUNCAN AVENUE
JEFFERSONVILLE, INDIANA 47130
812-282-7521

March 1, 2013

Commissioner
Indiana State Board of Accounts
302 West Washington, Room E418
Indianapolis, Indiana 46204

RE: Clark County Health Department's State Board of Accounts Report

Dear Commissioner:

In mid May 2011, Clark County Health Dept. Administrator, Mike Meyer, notified me, as Board of Health Chair, of money missing from the Prenatal Clinic. The police and State Board of Accounts had or would soon be notified. The Board of Health met in executive session to hear the issues and listened to Mike's corrective action to prevent, or at least help prevent, similar thefts in the future. The Board agreed that appropriate action had been taken and the improved cash control system was adequate and appropriate considering the multiple collection points and limited personnel. We supported Mike in his management practices and still do.

Again, in October 2011, Mike notified me of a second occurrence in spite of new cash controls. Mike had been on vacation. Again, the Board met to discuss the issues and again voiced support for Mike and his management. It was agreed that the Health Department would request the assistance of Jill Oca, CPA, who is familiar with county accounting practices, to help set up cash collection and accounting procedures that would be effective and practical. Realizing the police report was suspended, pending the SBOA Audit, the Board agreed there was no more to do at that time. Two employees had been disciplined and one fired.

Now SBOA auditors have confirmed the loss and apparently concluded that, regardless of any further police investigation, the final blame rests on Mike Meyer and nurse Pam Hudson. It's true they are the ones in charge. To have such a theft occur, after approximately 20 years of running the Health Department, is a very troubling event. But to hold these two personally responsible for replacing the money plus, even more painful,

facing a fine of an equal amount has to be degrading and demoralizing when, at a time of tightening budgets and stagnant personnel pay, we need energetic and experienced administrators.

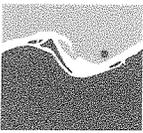
The Board of Health, and I personally, strongly recommend that Mike Meyer and Pam Hudson not be charged with replacing the money or be fined for audit costs. To do otherwise could put our Health Department at risk.

Respectfully,



James E. Howard, DVM
Chairman Clark County Board of Health

Cc: Melissa Hayes, Indiana State Board of Accounts Office
501 East Court Ave.
Jeffersonville IN 47130



February 27, 2013

rbottorff@afpfirm.com

Commissioner
Indiana State Board of Accounts
302 West Washington, Room E418
Indianapolis, Indiana 46204

*Re: Clark County Health Department Response to State Board of Accounts'
Audit Report Related to Stolen Monies From the Prenatal Care Clinic*

My law firm represents the Clark County Health Department (the "Department") in relation to the recent preliminary audit report issued by field auditors of the Indiana State Board of Accounts (the "SBOA"). This audit was conducted in relation to the Department's Prenatal Care Clinic (the "MCH"), and on January 29, 2013 at 8:00 a.m. an exit interview was held related to the Audit Results and Comments (hereinafter the "Audit"). The Audit makes a number of conclusions as to the following: (1) Cash shortages at the MCH; (2) alleged internal control deficiencies; (3) responsibility for the payment of missing monies by certain officers/employees of the Department; (4) responsibility for the payment of "audit costs," to the SBOA, of an amount equal to the amount determined to be unaccounted for by the audit, by certain officers/employees of the Department; and (5) allegations of missing receipt books from the MCH.

To provide a more full and accurate picture to the reviewing Board, below you will find an overview of the Department's scope of operations, a detail of the MCH collection procedures, and a legal analysis of the Audit's conclusions with respect to the responsibility of certain officers/employees for payment of monies. The weight of the evidence suggests that any monies remaining unaccounted for were the subject of Theft (a Class D felony, pursuant to Ind. Code § 35-42-1-1), by an individual employee who has since been terminated from the Department. Notably, the Department's efforts resulted in the identification of the missing funds, and, upon turning the matter over to the local police authorities, the suspected Department employee refused to cooperate with local the police authorities in the investigation of the Theft.

The Clark County Health Department General Overview

The Clark County Health Department (the "Department") maintains two (2) separate facilities, located at 1320 Duncan Avenue, Jeffersonville, Indiana (the "Main Office"), and 1301 Akers Avenue (the "Clinic")(see Exhibit "A", attached hereto). From these two (2) facilities, the Department provides a number of services to the residents of Clark County¹ and the southern Indiana region, including the following: Necessary prenatal health care to eligible women; administration of the HIV/STD Program, including counseling, testing, disease intervention and HIV care coordination; maintenance of birth and death records for residents of Clark County; necessary immunizations and disease testing services; and the administration of environmental health programs, such as permitting for septic systems, septic system inspections, permitting and inspection of public water facilities, mosquito control, etc.

The Department employs thirty (30) total employees. Of these thirty (30) employees, thirteen (13) work at the Clinic. Six (6) of these thirteen (13) employees working at the Clinic are dedicated to the operation of the prenatal care unit or the Maternal Care and Health (the "MCH"). The remaining seven (7) employees work in different departments within the Clinic.

The Department has a number of different funding sources, including permitting fees, property tax revenue, excise tax revenue, multiple grant sources, and patient fees. The total revenue for the Department for 2012 was \$1,074,250.00. This represents a decrease in revenue from 2011, when revenue was \$1,962,104.00. This revenue decrease was based largely upon a reduction in property tax revenue going to fund the Department. In fact, property tax revenue funding dropped from \$934,979.00 in 2011 to \$122,464.00 in 2012, a decrease of \$812,515.00 in total property tax revenue to the Department.

Of this total revenue, the patient fees collected at the MCH represents a small proportion of the Department's total revenue. In 2012, in spite of the drastic reduction in total revenue, and an increase in patient fees², the patient fees amounted to only 3.7% of the Department's total revenue. In 2011, the percentage of total revenue represented by patient fee collections at the MCH was much less (mainly due to the decrease in property tax revenue) at 1.2% of the Department's total revenue.

The Department has averaged expenditures (over the last five (5) years) of \$1,663,219.00. Notably, the 2012 expenditures decreased to \$1,541,443.00, which, in spite of continued inflationary and personnel costs, is a return to pre-2008 spending levels. Most of the spending associated with the Department is attributable to the cost of personnel. Department spending for

¹ Clark County, Indiana has a population of 110,232 people according to United State Census data from the 2010 decennial census, the 16th largest of 92 counties in the State of Indiana.

² In 2012, revenue from patient fees rose dramatically to \$39,297.00. This increase was much greater than the annual average revenue received from the collection of such fees over the past 5 year period. Since 2008, collection of patient fees at the MCH averaged \$28,924.00 annually.

personal services averaged \$1,332,246.80 (for the five (5) year period), or an overall percentage of 80.1% of total annual Department spending during the same time.³

The Prenatal Clinic (the "MCH")

The MCH provides pre-and post natal care services to eligible women in Clark and surrounding counties here in southern Indiana. These services include, pregnancy testing, pregnancy counseling and education, high-risk assessment for pregnancy, comprehensive prenatal care, prenatal care coordination, education on sexually transmitted diseases, and postpartum birth control. MCH receives patients three (3) days per week.

As mentioned above, there are six (6) employees at the MCH: The Program Director, the Nurse Practitioner, the Prenatal Nurse, the Billing Specialist, the Receptionist/interpreter, and the Prenatal Substance Abuse Prevention Program Counselor. Historically, these employees have had separate and distinct duties within the MCH.

Collection Procedure at the MCH

The MCH fee collection procedure begins at the window in the waiting room, where the patient signs in for services (*see Exhibit "B"*, attached hereto). The patient checks in, takes a clip board and fills out his/her personal information on the "intake sheet" (*see Exhibit "C"*). This information is taken by the designated MCH staff member who prepares the "patient information sheet" (*see Exhibit "D"*, attached hereto). Currently, there is one person designated to prepare the patient information sheet. Prior to the Audit, this responsibility had been delegated to one (1) individual as well, however, because there had been no issues with collections in the past, in order to efficiently provide service to patients at the MCH, other MCH staff members at times filled out the patient information sheet.

The information sheet is placed in the patient's permanent file. The patient sheet provides a space for the MCH staff to indicate the patient's Medicaid number (labeled as the RID# at the top of the sheet). The staff is trained to place the Medicaid number in this space. In the event the patient is not a Medicaid patient, then the staff member writes "Self-Pay" in the same space. If the patient is a self-pay patient, then account information in the top right-hand corner of the patient information sheet is filled in to show the charges for this visit, the amount paid, and the form of the payment (e.g., cash, or check number). The receipt number is also notated on the patient information sheet, in the same "account information" box.

Once this information sheet is prepared and the medical personnel are ready, the patient is called back to an examination room (*see Exhibits "E" and "F"*, attached hereto, which photographs depict the hallway and the examination room respectively), to receive his/her treatment. Upon completion of the medical procedures, the patient is sent to the payment desk, which is in the

³ This percentage increased in 2012 to 85.9% of the total money spent by the Department.

interior of the Clinic building, just outside of the examination rooms (see **Exhibit "G"**, attached hereto). The Billing Specialist⁴ is provided the patient's file, receives payment from the patient (if appropriate), provides a receipt to the patient (see for demonstrative purposes only, **Exhibit "H"**, attached hereto), enters the payment information in the MCH clinic accounting system, writes the patient payment information on the patient payment chart (see **Exhibit "I"**, attached hereto),⁵ and puts the payment proceeds in a secure location at the payment desk.⁶

Transfer of Collections

The Billing Specialist runs a report of collections on a daily basis (see **Exhibit "J"**, attached hereto). This report shows the receipt number, the date of receipt, the amount received, whether the money received was cash or check, the running total, and the patient name. This report is double checked by the Program Director, and is signed by both the Billing Specialist and the Program Director.

Money remains in the secured location until it is transferred to the Department bookkeeper (who works at the Main Office). Money is transferred to the Department bookkeeper on Monday, Wednesday and Friday (the days the MCH receives treats patients).

The Billing Specialist is the designated person who physically takes the money and the Report of Collections to the Department bookkeeper.⁷ The Department bookkeeper is tasked with verifying that the Report of Collections matches the amount of money delivered from the bookkeeper. Once the collections are verified, the Department bookkeeper prepares a handwritten receipt for the monies, signs the Report of Collections, and provides a copy of the Report of Collections and the original receipt to the Billing Specialist. The receipt provides the date, the name of the individual delivering the money from the MCH, the amount, the numbers of invoices which are represented, the payment type, and the bookkeeper's signature (see **Exhibit "K"**, attached hereto). The copy of the Report of Collections, with the attached receipt from the Department bookkeeper, is returned to the Program Director. The Program Director is responsible for verifying that these procedures are carried out.

⁴ Historically, the Billing Specialist was the main person who receipted patient payments however, in order to provide efficient service to clients, the MCH staff -members were cross-trained and anyone at the desk could receive payments and provide receipts. Currently, the Billing Specialist and the Program Director are the only MCH employees who receive payments. The staff is still cross-trained, in the event of emergencies.

⁵ This patient chart keeps a running record of all patient visits to the MCH and the receipt of payments.

⁶ Historically, the payment proceeds were placed in a locked drawer at the payment desk. Recently, the MCH has acquired a safe that has a cylinder drop for payments. Currently, any payments received are placed in this safe and are maintained there until the amount in the safe is verified as against the receipts.

⁷ Before the issues arose with missing monies from the MCH, an individual who has been implicated in, and subsequently admitted to, stealing monies from the MCH (Sheryl Chester) was responsible for taking collections to the Department's bookkeeper.

Historic Collection Procedures

Prior to January 2010, collection procedures had been written and distributed to MCH staff-members, and were usually based upon the direction of the SBOA. Since January 2010, all of the above described collection and transfer of collection procedures have been reduced to detailed written procedures. Putting these in to written form has been an ongoing process since the collection issues arose, as prior to the discovery of the cash shortages in 2010, no cash shortages had been documented by the Department, or SBOA auditors, in over fifteen (15) years.⁸

Legal Analysis

The Department vehemently defends its actions. These actions ultimately led to the discovery of criminal Theft by an individual employee of the MCH, which information was turned over to local law enforcement⁹ resulting in an investigation of the individual believed to be responsible, and caused the Department to review, reevaluate and implement new collection and reporting procedures, making the Department even better.

The Audit is legally and factually deficient in a number of ways, and its conclusions are therefore without any basis in law or fact. Furthermore, the Audit's regulation under which the SBOA seeks to find the Department and its employees and/or officers personal liable for the repayment of monies is void due to its unconstitutional vagueness. Lastly, Audit findings do not support the statutory and Compliance Guideline requirements to hold the Department or its employees and/or officers responsible for repayment of monies that were the subject of theft.

Factual Deficiencies

In spite of the very appropriate actions taken by the Department in the wake of its own determination it was the victim of an employees' criminal acts, and after many years of over a decade of never having had any missing monies documented, the field examiners have only highlighted facts it could use to infer nonfeasance on the part of the Department. The facts as set forth in the Audit fail to provide the real picture of how the Department was handling its collections and reporting of collections, and fail to include the following information:

Prior to May 2010—While some minor internal control issues are noted in SBOA annual audits, no significant collection problems or shortages were noted by the SBOA during the Department's Chief Operating Officer, Mike Meyer's tenure with the Department (with very limited exception).¹⁰ Furthermore, the

⁸ See SBOA annual Audit of Clark County Health Department for periods of January 1, 1993 through December 31, 1993, and January 1, 1995 through December 31, 1995.

⁹ To date, the City of Jeffersonville Police Department Investigation has not been completed and turned over to the Clark County Prosecutor's Office.

¹⁰ The exceptions were during the period of January 1, 1993 through December 31, 1993, and January 1, 1995 through December 31, 1995. There were deficiencies noted during these time-periods, and resulted in monies being paid back to the Department by employees of the Department. Notable also in these Audit reports is that the

MCH had documented in writing its collection procedures, consistent with the SBOA's recommendations provided during annual audits over the course of Mike Meyer's tenure. This documentation was provided to the SBOA examiners but was specifically excluded from the report. These written procedures were distributed to employees. Furthermore, and maybe most importantly, the fact that no other collection issues arose until the collection issues herein were identified by the Department speaks volumes about the integrity of the staff at the MCH and the quality of the management at the Department.

The SBOA examiners also examined the records of the Department for the time period of January 1, 2009 through December 31, 2009, and reported that "the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment." (See **Exhibit "L"**, attached hereto). Notably, the only issue reported in the "Result and Comment" section during this annual audit was the Department's failure to report its financial activity on the Supplemental CAR-1 SBOA prescribed form, for inclusion on the County's Annual Financial Report. A mere five (5) months later, the same examiners indicate significant issues with the collection and reporting at the Department, which the examiners claim amount to nonfeasance on the part of Department management.

May 2010—The SBOA report finds evidence that there were approximately \$270.00 in collections at the MCH which were unaccounted for, but could not find documentary evidence that action was taken by the Department to change procedures to address this shortage, other than a handwritten note believed to be from the MCH Program Director indicating that Mike Meyer was notified of the shortage. This unaccounted for \$270.00 amounted to less than 1% of all collections at the MCH, and .01% of the total Department revenue (based upon 2011's revenue numbers).

5-13-11—Betty Shields provided to Mike Meyer a spreadsheet showing patient-fee-income, and identified an issue in that patient-fee-income had decreased. Meyer began an internal investigation to identify the cause(s) of the shortage. Shields and Meyer compared the report of collections to receipts for prenatal clinic and identified shortage. Based on this internal investigation, Meyer suspected an employee was responsible for taking theft Department monies.

5-23-11—Meyer met with County attorney for guidance as to how to proceed. In an attempt to determine the responsible party and make a more informed decision

Department Bookkeeper, Betty Shields is present during the SBOA Audit Exit Conferences, something typically reserved for management level employees only. The Audit examiners during the instant Audit, made much of the fact that Ms. Shields did not have a management role with the Department, and did not have responsibility to analyze collections in her written job descriptions, nor was she required (according to her written job description) to report major drops in collections. This misstates reality within the Department, as Ms. Shields was and has been an integral part of the financial management within the Department for nearly twenty (20) years, as evidenced by her presence with the COO during the Audit Exit Conferences in the early and mid-1990's.

as to what controls needed to be put in place, and pursuant to SBOA guidelines, an official police report was made with the Jeffersonville Police Department.

5-24-11—Meyer delivered spreadsheet identifying problems and other documents to Jeffersonville Police.

6-9-11—In spite of efforts to keep the investigation confidential (so that the employee(s) involved might be caught unawares by the investigating police agency), the story was apparently leaked to the media, as the Evening News and Tribune published an article about the existence of a Police Department investigation in to missing funds at the Health Department.

Immediately thereafter, Meyer was contacted by the SBOA, met with local SBOA representatives to discuss the possible missing monies and provided information detailing the surrounding events.

6-22-11—SBOA took control of Department records and Jeffersonville Police Department records the Department had previously provided to the Police agency.

8-4-11—After internal review of procedures and accounting policies, Meyer issued memo to supervisors detailing the collection procedures that had previously been verbally communicated.

9-12-11(Approximately)—Shields notified Meyer (after he had returned from 2 week vacation) collection reports and money from prenatal clinic were not being presented timely, in spite of collection procedures issued in August. Pam Hudson (prenatal clinic supervisor) was notified and instructed to investigate.

Pam determined Sheryl Chester (Clerk) had not been following procedures. Sheryl stated she would resolve problems with collection reports and was allowed a few days to accomplish.

9-26-11—Sheryl and Pam met with Meyer. Sheryl Chester stated she could not correct collection reports and account for the money and knew it was her responsibility and she would go to bank that afternoon to get loan to repay. Later that same day Sheryl Chester called Meyer and stated she did not take the money, thought she was being framed, and would not pay the missing funds.

9-27-11—Pam and Sheryl Chester met with Mike. Sheryl Chester stated she had placed the envelopes with the collection reports and money in the glove box of her vehicle and found out her son had taken them. Jeffersonville police advised of Sheryl Chester's statement.

9-28-11—Sheryl Chester was terminated. Pam disciplined.

10-5-11—Betty Shields was disciplined for not following procedures and for failing to timely notify regarding the late submission of prenatal clinic funds and was provided a newly updated written collection procedure.

10-10-11—Additional fee collection procedures written for prenatal personnel and signed by them.

10-13-11—Bookeeping procedure written and updated for money collection and receipt books and signed by Betty Shields.

4-6-12—The State Board of Accounts issues a memorandum to the Department and sends it by email to Meyer, detailing the money collection procedures it recommends to the Department at all Collection Areas.

NOTE: Copies of the Recommendations were provided to all supervisors of the Department to review and begin implementation where such recommendations were practical.

9-20-12—The Department holds a Department meeting to review the Recommendations and how implementation of the Recommendations is working within the Department. Each individual number is discussed and addressed.

*Findings Are Based Upon Regulation
Which is Void Due to Unconstitutional Vagueness*

In pertinent part, the Audit concludes as follows:

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$367.00. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the

personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

J. Michael Meyer III, Health Department Administrator, and Pamela Hudson, Prenatal Clinic Director, are jointly and severally responsible as the Health Department's management personnel responsible for oversight of the Prenatal Clinic.

* * * *

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$10,636.75. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

J. Michael Meyer III, Health Department Administrator, and Pamela Hudson, Prenatal Clinic Director, are jointly and severally responsible as the Health Department's management personnel responsible for oversight of the Prenatal Clinic.

* * * *

Audit costs totaling \$13,213.75 were incurred to investigate and document cash shortages that occurred at the Health Department's Prenatal Clinic.

* * * *

Notes to Schedule:

- (1) J. Michael Meyer iii, Health Department Administrator, and Pamela Hudson, Prenatal Clinic Director, are jointly and severally responsible for audit costs for the portion of cash shortage that cannot be contributed [sic] to an individual employee due to internal control deficiencies.
- (2) Sheryl Chester, former Billing Specialist, is responsible for audit costs related to the cash shortage for monies collected from July 11, 2011 to September 21, 2011

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

(Audit, pp. 6, & 12 (*emphasis added*)).

The Audit correctly points out that the Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana (the "Compliance Manual") provides that an officer or employee who is found to be responsible for nonfeasance **MAY** be responsible for the misappropriated diverted or unaccounted for funds. And further, it provides that audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. However, these regulations are unenforceable as against the Department as both violate a fundamental principle of fairness and due process, in that they are overly vague and provide no guidance to allow the examiners, a judge, or a regulated entity to determine upon what basis an employee or officer might or might not be responsible for the payment of such funds. Such vague administrative regulations lead to selective and discriminatory enforcement of regulations, something that is fundamental under the Indiana and Federal Constitutions. As the Indiana Court of Appeals opines with respect to the dangers of such void enactments:

A basic principle of due process is that an enactment with prohibitions that are not clearly defined is void for vagueness. *Grayned v. City of Rockford* (1972), 408 U.S. 104, 92 S.Ct. 2294, 33 L.Ed.2d 222.

"Vague laws offend several important values. First, because we assume that man is free to steer between lawful and unlawful conduct, we insist that laws give the person of ordinary intelligence a reasonable opportunity to know what is prohibited, so that he may act accordingly. Vague laws may trap the innocent by not providing fair warning. Second, if **arbitrary** and

discriminatory enforcement is to be prevented, laws must provide explicit standards for those who apply them. A vague law impermissibly delegates basic policy matters to policemen, judges, and juries for resolution on an adhoc and subjective basis, with the attendant dangers of **arbitrary** and discriminatory application. Third, but related, where a vague statute 'abut [s] upon sensitive areas of basic First Amendment freedoms,' it 'operates to inhibit the exercise of [those] freedoms.' Uncertain meanings inevitably lead citizens to ' "steer far wider of the unlawful zone ... than if the boundaries of the forbidden areas were clearly marked." ' " *Id.* at 108-109, 92 S.Ct. at 2298-99 [citations omitted].

(*Bird v. County of Allen*, 639 N.E.2d 320, 330-31 (Ind.App. 1994), *reh'g denied* (*emphasis in original*)).

Here, the first two (2) fears discussed by the *Bird* court are fully realized. First, with respect to the imposition of personal liability for unaccounted for monies due to nonfeasance, the SBOA Compliance Manual provides no guidance whatsoever as to what nonfeasant behavior should or should not be subject to personal obligation for repayment of monies. This left the decision completely up to the examiner as to whether the Department's alleged nonfeasant behavior would subject the Department employees or officers to personal obligation for the repayment of missing monies. Absent some guidance from the SBOA's regulation, how can anyone know what type of nonfeasance will subject him/her to personal obligation for the repayment of unaccounted for monies? Further, by failing to define the term "nonfeasance", or to provide some factors or other standards to guide examiners in determining when an officer or employee is personally obligated for the repayment of monies, there is no way to prevent discriminatory enforcement. Falling afoul of such basic principles of due process make this particular SBOA regulation void for its vagueness, and therefore the Audit's conclusions unenforceable as against the Department and its employees and/or officers.

For the identical reasons, the Compliance Manual provision related to the imposition of audit costs, is similarly void and unenforceable for unconstitutional vagueness.

The Audit Findings Do Not Support Conclusions

Ind. Code § 5-11-5-1 provides in pertinent part as follows:

(a) Whenever an examination is made under this article, a report of the examination shall be made. The report must include a list of findings and shall be signed and verified by the examiner making the examination. **A finding that is critical of an examined entity must be based upon one (1) of the following:**

(1) **Failure of the entity to observe a uniform compliance guideline established under IC 5-11-1-24(a).**

(2) Failure of the entity to comply with a specific law.

A report that includes a finding that is critical of an examined entity must designate the uniform compliance guideline or the specific law upon which the finding is based. The reports shall immediately be filed with the state examiner, and, after inspection of the report, the state examiner shall immediately file one (1) copy with the officer or person examined, one (1) copy with the auditing department of the municipality examined and reported upon, and one (1) copy in an electronic format under IC 5-14-6 of the reports of examination of state agencies, instrumentalities of the state, and federal funds administered by the state with the legislative services agency, as staff to the general assembly. Upon filing, the report becomes a part of the public records of the office of the state examiner, of the office or the person examined, of the auditing department of the municipality examined and reported upon, and of the legislative services agency, as staff to the general assembly. A report is open to public inspection at all reasonable times after it is filed. **If an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general.** The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

In pertinent part, the Audit findings state as follows:

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$367.00. Management has an

inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

And later:

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

As a result of internal control deficiencies, the Department was unable to identify the individual employee(s) responsible for cash shortages in the amount of \$10,636.75. Management has an inherent responsibility for the establishment of internal controls to safeguard assets and to provide sufficient oversight to insure that established internal controls are implemented and working.

(Audit, pp. 6 & 12).

The Audit findings fail to follow the requirements of Ind. Code § 5-11-5-1, in that it fails to specifically identify and designate the guideline(s) upon which its findings are based. The Audit does quote directly from its Compliance Manual. However, there is not a clear statement that the Department is in violation of any of the Compliance Manual guidelines, and if so which one(s). Such lack of clarity is in clear violation of the statutory requirements under Indiana law.

The examiners lack of clarity as to what guidelines the Department is in violation of (if any) most likely led to the second and most glaring deficiency in the Audit. As stated above, the Audit merely posits that **internal control deficiencies** exist within the Department. Assuming *arguendo* the compliance guideline the examiners believe the Department has run afoul of is found in the above-quoted language from Chapter 1 of the Compliance Guidelines, there remains no finding anywhere in the Audit indicating this **alleged lack of internal control deficiencies led to cash shortages within the MCH or the Department.**

As such, the Audit's only finding related to the violation of a compliance guideline is that the alleged lack of internal control deficiencies **rendered the Department unable to determine the culprit responsible for the criminal acts leading to the theft of the MCH collections.** Furthermore, while the Audit is not at all clear on this point, the examiners apparently believed that the alleged failure on the part of the Department to institute these internal controls amounted to nonfeasance, because there is no other statement throughout the Audit which defines what the alleged nonfeasant behavior is.

The Audit merely makes a logical long-jump, in stating:

Funds misappropriated, diverted or unaccounted for through nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

(Emphasis added).

According to this Compliance Guideline, in order for the SBOA to hold a Department (or its officer and/or employees) responsible for the repayment of unaccounted for monies, those monies must have gone unaccounted for through nonfeasance. Stated another way, the nonfeasance must be the **cause** of the unaccounted for monies. The examiners here would hold the officers and/or employees of the Department personally liable for the repayment of monies without a finding that the Department's alleged nonfeasance caused the monies to be unaccounted for, but that it merely left the SBOA without an absolute certainty as to who took the money.

Conclusion

The Audit report seeks to hold the Department liable for the criminal acts of an individual within the Department. The examiners knew, however, the name of the very person responsible for the Theft. Responsibility lies with the person the Department terminated after discovering (through its own investigation and internal control procedures) the missing monies in the first place, and isolated her as the individual responsible for taking collections during the relevant time-period. She is also the person that admitted to placing some of the collections in her glove compartment, only to have it "stolen" by her son.

If you have any questions or wish to set up a meeting to discuss these issues further, please contact me at your earliest convenience.

Sincerely,

APPLEGATE FIFER PULLIAM LLC

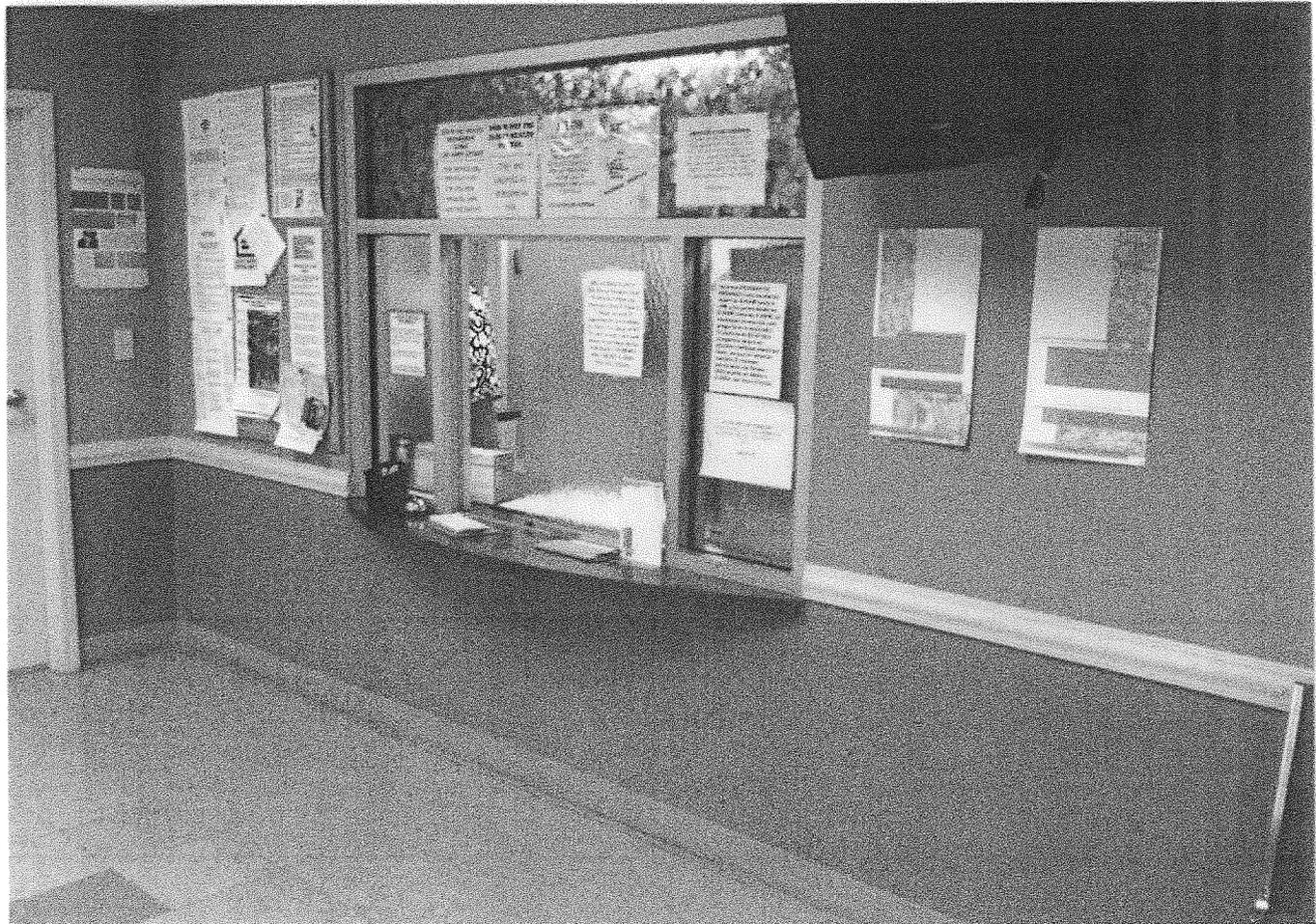


Robert G. Bottorff II
Counsel for the Clark County Health Department

Cc: Melissa Hayes, Indiana State Board of Accounts Office, Clark County Courthouse, 501 East Court Avenue, Jeffersonville, IN 47130, and by email to MeHayes@sboafe.IN.gov



EXHIBIT A



Sign in Forms In English & Spanish

Please fill out this form, ring the bell, and have a seat; someone will be with you momentarily.

Name: _____

Reason for you visit, please choose 1, 2, 3, or 4

1. - Prenatal care: Do you currently smoke? YES _____ NO _____ How many cigarettes per day? _____

Has your address or phone number changed since your last visit? If so, please update your information below:

2. - Pregnancy testing _____

3. - HIV / STD Testing _____

Care Coordinator? Alex _____ Jamie _____ Vicki _____ Sarah _____

4. - Immunizations (\$2 each) _____ Or TB Testing (there is a charge of \$5)

Por favor llene esta forma, toque la campanita, y tome asiento. Alguien le atenderá en un momento.
Nombre: _____

Razón de su visita: por favor elija opción 1, 2, 3 o 4:

1. - Para Cuidado Prenatal: ¿Fuma Usted? NO _____ SI _____ ¿Cuánto fuma al día? _____

Si su dirección o número de teléfono han cambiado desde su última visita, por favor dénos los nuevos:

2. - Examen de embarazo _____

3. - Para Exámenes de VIH / Enfermedades Sexuales de Transmisión
¿Quién es su coordinador? Alex _____ Jamie _____ Vicki _____ Sarah _____

4. - Para Vacunas (\$2 cada una) _____ o Exámenes de Tuberculosis (el costo es \$5 dólares) _____

EXHIBIT C

MARK COUNTY HEALTH DEPARTMENT

1301 Akers Avenue
 Jeffersonville, IN 47130
 (812)263-2747

PATIENT NAME: _____ DATE: _____

RID # _____

PATIENT DEMOGRAPHICS:		ACCOUNT INFORMATION	
DATE OF BIRTH:		PREVIOUS BALANCE:	
ESTIMATED DUE DATE:		TODAYS CHARGES:	
ASSIGNED MD:		AMOUNT PAID:	
ELIGIBILITY:		BALANCE DUE:	
INSURANCE COMPANY:		TRIMESTER / POSTPARTUM	
OTHER INSURANCE:		1 2 3	
RESUMPTIVE ELIG:		OFFICE VISIT	FEE
NORMAL PREGNANCY		FEE	
22.0	NORMAL FIRST PREGNANCY	99203	NEW PATIENT NOT SEEN IN 3 YEARS
22.1	NORMAL SUBSEQUENT PREGNANCY	99214	EXISTING PATIENT NEW PREGNANCY
24.2	ROUTINE POSTPARTUM FOLLOW-UP	99211	NURSING VISIT
		99212	LOW LEVEL OFFICE VISIT
HIGH RISK PREGNANCY		FEE	
23.7	PREGNANCY W/ INSUFFICIENT PRENATAL CAR	59425	ANTEPARTUM CARE 6 OR LESS VISITS
23.0	PREGNANCY W/ INSUFFICIENT FERTILITY	59426	ANTEPARTUM CARE 7 OR MORE VISITS
23.2	PREGNANCY W/ HISTORY OF ABORTION	59430	ROUTINE POSTPARTUM
23.3	GRAND MULTIPARITY	99354	NOTIFICATION OF PREGNANCY
23.4	PREGNANCY W/ OTHER POOR OBSTETRIC HX.	43501	STAPLE REMOVAL
23.5	PREGNANCY W/ POOR REPRODUCTIVE HX.		CONTRACEPTIVES
23.9	UNSPECIFIED HIGH RISK PREGNANCY	J1055	DEPO PROVERA 150MG
65.42	SUBSTANCE USE AND ABUSE	90782	INJECTION FEE
		J7302	MIRENA IUD
OTHER HIGH RISK FACTORS		58300	IUD INSERTION
51.03	TWINS	58300.53	IUD INSERTION FAILED
16.63	UTI IN PREGNANCY	58301	IUD REMOVAL
10.05	THREATENED ABORTION	99070	IUD SUPPLIES
11.03	PLACENTA PREVIA W/O HEMMORRHAGE	J7307	IMPLANON DEVICE
11.13	PLACENTA PREVIA W/ HEMMORRHAGE	11975	IMPLANON INSERTION
12.03	HYPERTENSION COMPLICATING PREGNANCY	11976	IMPLANON REMOVAL
12.43	PRE-ECLAMPSIA MILD OR UNSPECIFIC		LABS
14.13	PREMATURE LABOR W/ ONSET OF DEL. < 37 WK	36415	ROUTINE VENIPUNCTURE
16.13	EXCESSIVE WGT. GAIN W/O MENTION OF HTN	81002	URINALYSIS
16.14	EXCESSIVE WGT. LOSS	81025	URINE PREGNANCY TEST
16.33	HABITUAL ABORTER		SPECIMENS TO BE SENT 99001
17.23	CHLAMYDIA/ OTHER STD		GLUCOSE SCREENING
18.83	ABN. GLUCOSE TOLERANCE GESTATIONAL DM		URINE CULTURE
34.23	PREVIOUS C-SECTION DELIVERY		PAP
39.53	PREGNANCY AGE > 35		GC
39.83	PREGNANCY W/ AGE < 16		CHLAMYDIA
18.4	MENTAL DISORDERS		HGB
ADDITIONAL DIAGNOSIS			HERPES CULTURE
			GBS
			AFP
			INITIAL LABS
			3RD TRIMESTER LABS
			INSTRUCTIONS FOR NEXT VISIT

EXHIBIT D

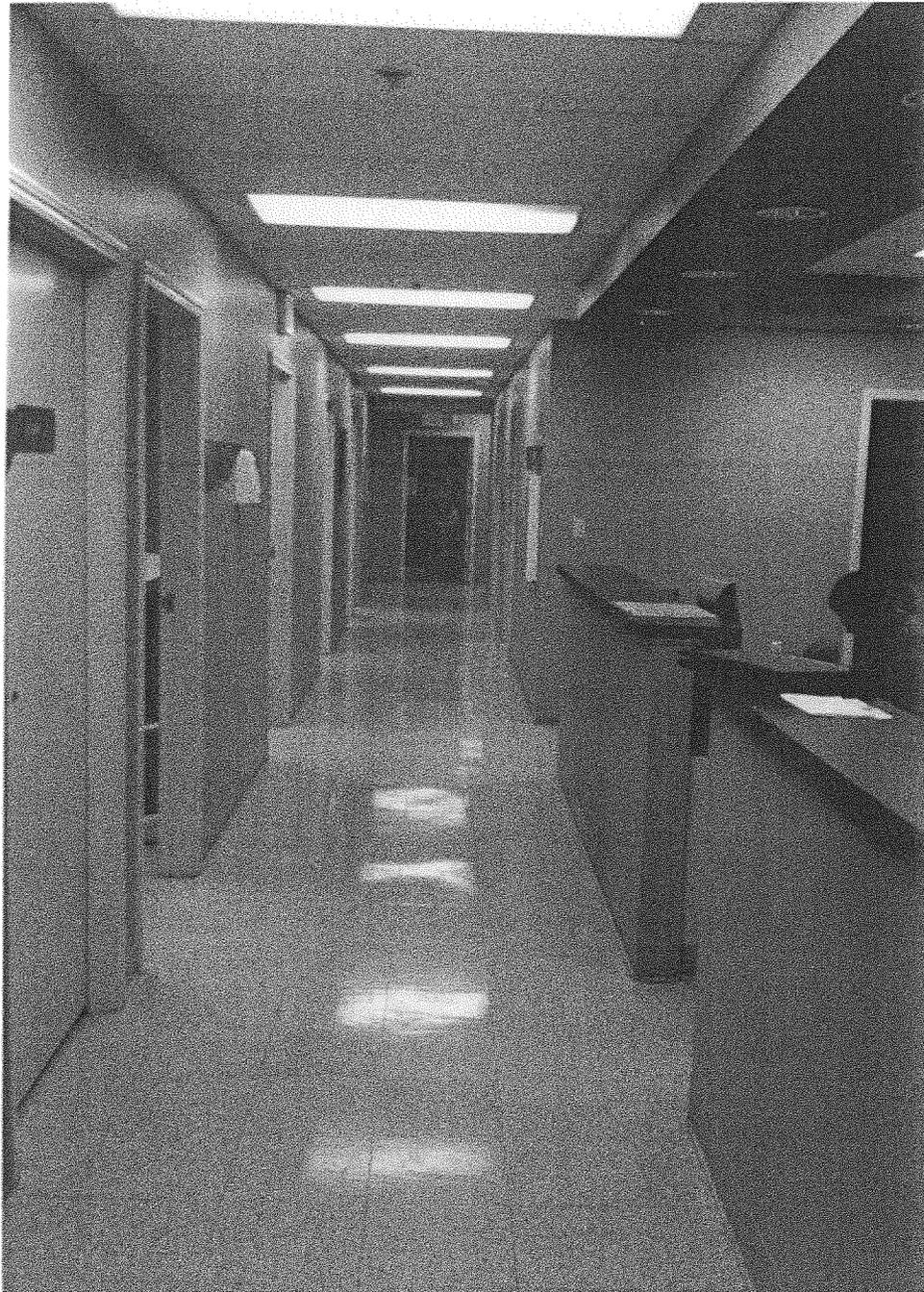


EXHIBIT E

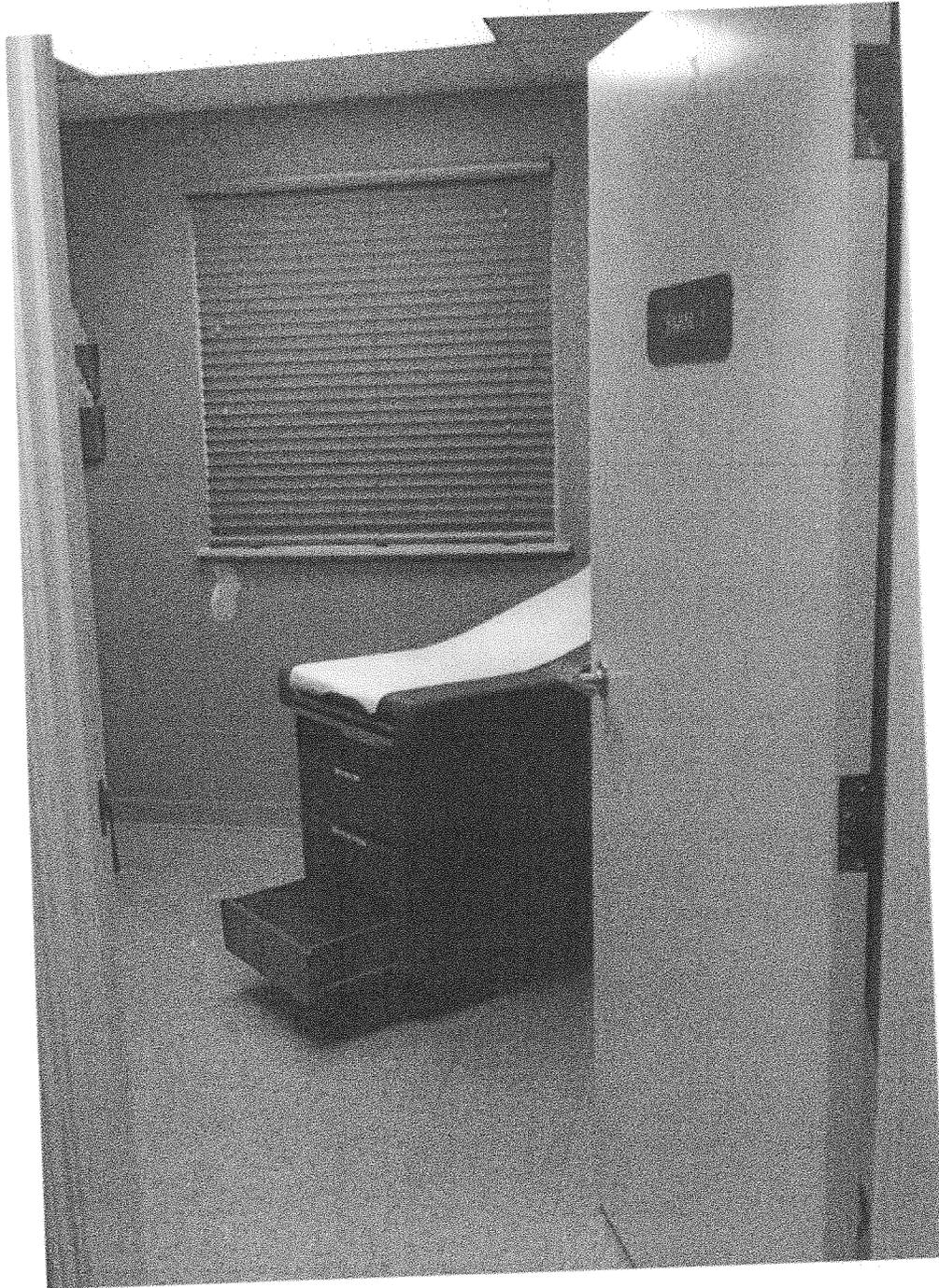


EXHIBIT F



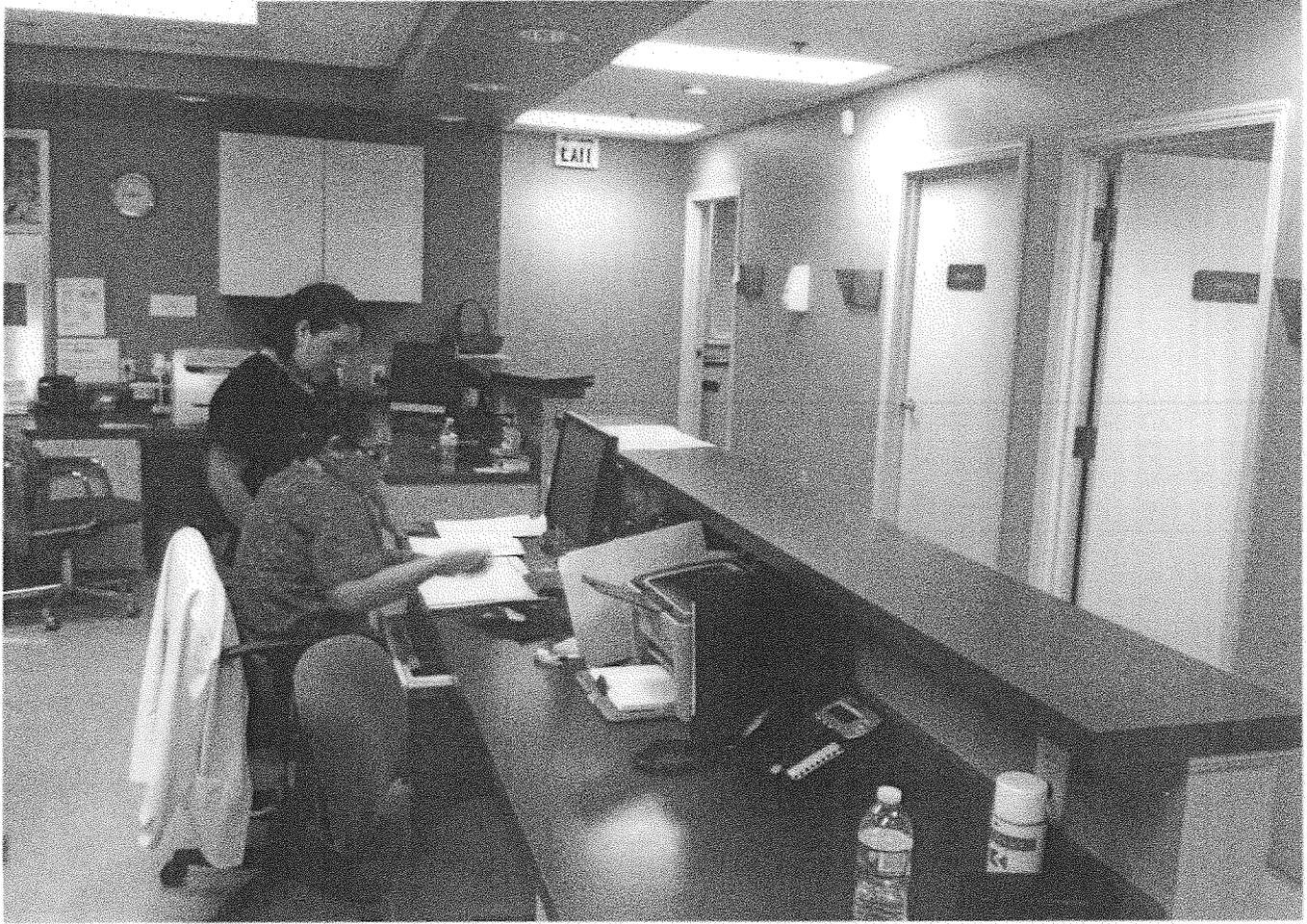


EXHIBIT G

RECEIPT
CLARK COUNTY HEALTH DEPARTMENT

151791

_____ FUND
_____, IND., _____ 20_____

RECEIVED FROM _____ \$ _____

THE SUM OF _____ DOLLARS
100

ON ACCOUNT OF _____

Payment Type _____ / _____ / _____
Cash Check M.O.

AUTHORIZED SIGNATURE

EXHIBIT H

MCH
Report of Collections

<i>Date</i>	<i>Receipt #</i>	<i>Name</i>	<i>Cash</i>	<i>Check</i>	<i>Check #</i>	<i>M.O.</i>	<i>Total</i>
1/24/2013	151140		\$ 5.00				\$ 5.00
1/24/2013	151141		\$ -				\$ -
1/25/2013	151142		\$ 5.00				\$ 5.00
1/25/2013	151143		\$ 5.00				\$ 5.00
1/28/2013	151144		\$ 85.00				\$ 85.00
1/28/2013	151145		\$ 100.00				\$ 100.00
1/28/2013	151146		\$ 25.00				\$ 25.00
1/28/2013	151147		\$ 20.00	\$ -			\$ 20.00
	0		\$ -				\$ -
Today's Total			\$ 245.00	\$ -		0.00	\$ 245.00

Month To Date

\$ 2,730.00

Year To Date

\$ 13,651.00

Petty Cash \$ 30.00 ML

Elma Ruiz
Receipt Book Checker

Pamela O. Hudson
Report of Collections Checker

1/28/13
Date

1/28/13
Date

Betty J. Shields

EXHIBIT J

RECEIPT 151791

CLARK COUNTY HEALTH DEPARTMENT

FUND

IND., 1-28 2013

RECEIVED FROM Olivia Ruiz \$ 245.00

THE SUM OF Two hundred forty-five ⁰⁰/₁₀₀ DOLLARS

ON ACCOUNT OF MMCH. Patient fees 151140-151147

Payment Type 245.00 1 1

Cash Check M.O.

Betty J. Shields
AUTHORIZED SIGNATURE

Rainbow Printing • Bedford, IN • 812-275-3372 Reorder# 85240

EXHIBIT K



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

TO: THE OFFICIALS OF CLARK COUNTY

We have audited the records of the County Health Department for the period from January 1, 2009 to December 31, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Annual Report of Clark County for the year 2009.

STATE BOARD OF ACCOUNTS

August 18, 2010

EXHIBIT L

HEALTH DEPARTMENT PRENATAL CLINIC
CLARK COUNTY
SUMMARY OF CHARGES

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
J. Michael Meyer III, Health Department Administrator, and Pamela R. Hudson, Prenatal Clinic Director:			
Small Cash Shortages, pages 6 through 10	\$ 367.00	\$ -	\$ 367.00
Cash Shortage May 6, 2010, pages 10 through 11	270.00	-	270.00
Cash Shortage July 15, 2010 to May 10, 2011, pages 11 through 15	10,636.75	-	10,636.75
Audit Costs, page 20	<u>11,273.75</u>	<u>-</u>	<u>11,273.75</u>
Totals J. Michael Meyer III and Pamela R. Hudson	<u>22,547.50</u>	<u>-</u>	<u>22,547.50</u>
Sheryl Chester, former Billing Specialist:			
Cash Shortage July 11, 2011 to September 2011, pages 15 through 19	1,940.00	-	1,940.00
Audit Costs, page 20	<u>1,940.00</u>	<u>-</u>	<u>1,940.00</u>
Totals Sheryl Chester	<u>3,880.00</u>	<u>-</u>	<u>3,880.00</u>
Grand Totals	<u>\$26,427.50</u>	<u>\$ -</u>	<u>\$ 26,427.50</u>

This report was forwarded to the Office of the Indiana Attorney General and the local prosecuting attorney.

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AFFIDAVIT

STATE OF INDIANA)
)
CLARK COUNTY)

We, Melissa Hayes and Karen Kelleher, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Health Department Prenatal Clinic, Clark County, Indiana, for the period from January 1, 2010 to December 31, 2011, is true and correct to the best of our knowledge and belief.

Melissa Hayes

Karen S. Kelleher
Field Examiners

Subscribed and sworn to before me this 24 day of April, 2013.

Barbara Haas
Clerk of the Circuit Court

