



INVESTIGATIVE REPORT

Lori Torres, Inspector General

OFFICE: INDIANA FAMILY AND SOCIAL SERVICES ADMINISTRATION (FSSA)
TITLE: FSSA EVANSVILLE STATE HOSPITAL THEFT
CASE ID: 2018-08-0238
DATE: February 27, 2019

Inspector General Staff Attorney, Heidi Adair, after an investigation by Inspector General Director of Investigations, Darrell Boehmer, reports as follows:

The Indiana General Assembly charged the Office of Inspector General (OIG) with addressing fraud, waste, abuse and wrongdoing in the executive branch of state government. IC 4-2-7-2(b). The OIG also investigates criminal activity and ethics violations by state workers. IC 4-2-7-3. The OIG may recommend polices and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement and misconduct in state government. IC 4-2-7-3(2).

Complaint

On August 17, 2018, the Indiana State Board of Accounts (SBoA) notified the OIG that SBoA was in the process of auditing the Evansville State Hospital (ESH). ESH is one of the state psychiatric hospitals under FSSA's Division of Mental Health and Addiction (DMHA). The SBoA audit revealed a series of suspect transactions and discrepancies in ESH's financial accounts. Specifically, SBoA auditors found checks that were cashed but listed as void in the hospital records, funds that were diverted to an unknown bank account and manual manipulations of

financial spreadsheets. Additionally, SBoA had requested documents from ESH that ESH staff had not provided.

Investigation

OIG Director of Investigations and Special Agent Darrell Boehmer conducted an investigation into this matter. Special Agent Boehmer conducted interviews with employees of both SBoA and FSSA/ESH. He also subpoenaed bank records and reviewed documentation related to the SBoA audit.

He learned that the issues discovered through the audit pertained to ESH's patient trust fund and employee recognition fund. ESH's patient trust fund is comprised of individual patient trust accounts, which receive a patient's Social Security deposits and other patient income. On direction from a patient's social worker or for a daily allowance, ESH staff distributes money in cash to the patient for shopping, canteen and other personal needs. Any cash distributed but not used by the patient is returned to the patient trust account. The employee recognition fund represents funds contributed by and for ESH employees. It includes donations and funds raised by activities such as snack sales and is used for small retirement gifts for retiring employees, recognition dinners and other similar uses. The funds are maintained in an ESH account but belong to employees and have not typically been audited by SBoA as they are not state funds.

The audit and investigation revealed that ESH's Business Administrator, Jennifer Byam, was responsible for preparing the monthly bank reconciliations. She also was the signatory on these ESH bank accounts. Byam was responsible for verifying ledger entries for patient trust accounts and signed most of the checks from these accounts, including checks written to cash for patients' extra shopping money.

The accounting discrepancies found through the audit included cash disbursements not posted to the ledger, bank transfers out of the patient trust fund not posted to the ledger, and deposits not posted correctly. The SBoA audit found that on several occasions, money from the patient trust fund was diverted to an unknown Old National Bank account. Special Agent Boehmer subpoenaed Old National Bank for all relevant records associated with the account, which revealed this account to be ESH's employee recognition fund.

On October 2, 2018, Special Agent Boehmer and SBoA auditors went to ESH and interviewed Byam. Byam confirmed that she was responsible for controlling and maintaining these ESH accounts and that she performed the account balances.

During the interview, Special Agent Boehmer and the SBoA investigators inquired about the accounting discrepancies found from July 1, 2017 through June 30, 2018. Byam admitted that the discrepancies, totaling \$8,548.73, were the result of checks she cashed for herself from the patient trust fund, as well as transfers that she made from the patient trust fund into the employee recognition fund. She said she then wrote checks for cash from the employee recognition fund, which she cashed for personal use. Byam admitted to producing false reconciliation items to cover the money she collected and that she altered the patient trust control ledger and individual patient ledgers to give the appearance that the ledgers accurately corresponded with the bank reconciliation. Byam advised that she kept a spreadsheet that listed the amounts she fraudulently collected. She produced the spreadsheet, which contained entries of amounts she recorded between July 5, 2017 and June 1, 2018. Byam was promoted to Business Administrator in May 2017, and the losses closely track her time in that position.

Further review of transactions through July, August, and September of 2018 revealed that Byam stole additional sums from the patient trust fund in the amount of \$3,554.00. The loss to the

state from the patient trust fund is \$12,102.73. Byam also took most of the money in the employee recognition fund. Instead of having \$2,219.19 of employee appreciation funds as the ledger stated, the account only had \$230.63. Including other falsified expenses, Byam is responsible for a loss of employee funds of \$2,254.56.

In total, this investigation revealed that between July 5, 2017 and August 31, 2018, Byam performed more than twenty fraudulent transactions, totaling \$14,357.29. FSSA officially terminated Byam's employment with ESH on October 4, 2018.

Conclusion

The OIG submitted the results of this investigation to the Vanderburgh County Prosecutor's Office. On February 7, 2019, the Vanderburgh County Prosecutor's Office charged Byam with four counts of Theft as a Level 6 Felony, one count of Theft as a Class A Misdemeanor, and one count of Official Misconduct by a Public Servant as a Level 6 Felony. The Vanderburgh County Prosecutor appointed Inspector General Lori Torres as a special deputy prosecuting attorney in this case. Accordingly, this investigation is closed.

Dated: February 27, 2019

APPROVED BY:



Lori Torres, Inspector General