B33618

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

REVIEW REPORT

OF

RECEPTION DIAGNOSTIC CENTER

STATE OF INDIANA

April 1, 2006 to February 29, 2008

FILED

12/30/2008

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AGENCY OFFICIALS

Office	Official	Term
Commissioner, Indiana Department of Correction	J. David Donahue	01-10-05 to 07-31-08
	Edwin Buss	08-01-08 to 01-11-09
Superintendent	Christopher Meloy	04-12-05 to 06-04-06
	Wendy Knight	06-04-06 to 03-18-07
	Brett Mize	03-19-07 to 03-30-08
	Steve McCauley	03-31-08 to 06-30-09

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE RECEPTION DIAGNOSTIC CENTER

We have reviewed the receipts, disbursements, and assets of the Reception Diagnostic Center for the period of April 1, 2006 to February 29, 2008. The Reception Diagnostic Center's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Reception Diagnostic Center are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

June 15, 2008

RECEPTION DIAGNOSTIC CENTER
REVIEW COMMENTS
FEBRUARY 29, 2008

TRUST FUND

Accounting Records

As stated in our prior Report B27607, we found that the Reception Diagnostic Center did not properly prepare the monthly Trust Fund bank reconciliations in a timely manner. Additionally, we found that the reconciliations prepared by the facility contained various adjustments which could not be substantiated. The February 2008 bank reconciliation contained two adjustments, one for commissary credits of $1,218.78 and one for a missing bank deposit of $1,483.20. These two adjustments resulted in a shortage of $2,701.98 in the Offender Trust Fund bank account. Bond coverage was not in effect to cover this shortage as required by Indiana Code 4-24-6-9.

Indiana Code 4-24-6-9 requires that such losses be covered by a general blanket performance bond or crime insurance policy.

A bank reconciliation must be performed each month. The bank statement for the checking account must be reconciled to the check register. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Each agency is responsible for maintaining an effective and accurate accounting system for subsidiary and supplementary records. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Individual Records

During our review of the Reception Diagnostic Center, we found that the Trust Fund general ledger and subsidiary ledgers as of February 29, 2008, do not agree. The balance of the subsidiary ledgers was $56,085.83 and the balance of the control ledger was $55,965.71, resulting in a difference of $120.12.

At all times, the manual and computerized records, subsidiary ledgers, the control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Monthly Financial Statements

As stated in our prior Report B27607, the Reception Diagnostic Center did not complete the monthly financial statements for the Trust Fund in a timely manner. The monthly financial statements for the months April 2006 through December 2007 were not completed until January 2008 and February 2008.

Each institution should file monthly financial statements for its local funds with the state agency having administrative control over the institution. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Outstanding Checks

During our review of the Trust Fund at the Reception Diagnostic Center, we found that the February 2008 outstanding check list contained 240 checks which have been outstanding for more than one year.

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

Restrictive Endorsements

During our testing of Trust Fund receipts at the Reception Diagnostic Center, we found that checks received are not restrictively endorsed immediately upon receipt. The checks are not restrictively endorsed until they are processed by the business office.

Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This should occur upon opening the mail or otherwise receiving the instrument. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

RECEPTION DIAGNOSTIC CENTER
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2008, with Steve McCauley, Superintendent; Joan Caylor, Accountant 1; and Tammie Keen, Regional Finance Director. The official response has been made a part of this report and may be found on page 7.

A copy of the draft report was sent on October 14, 2008, to Wendy Knight, Christopher Meloy, and Brett Mize, former Superintendents.

Mitchell E. Daniels, Jr.
Governor

Edwin G. Buss
Commissioner

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

Stephen M. McCauley
Superintendent

State Board Of Accounts
302 W. Washington St.
Room E418
Indianapolis, In. 46204-2765

Date: October 30, 2008

Re: OFFICIAL RESPONSE-Reception Diagnostic Center

<u>TRUST FUND</u>

<u>Accounting Records</u>

We concur. Reception Diagnostic Center has implemented immediate steps to reconcile internal ledgers to the subsidiary ledgers, control ledgers and bank daily. The Department has assigned a staff person dedicated to reconciling the account monthly.

The Department of Insurance will be contacted and all appropriate staff will be covered by a general performance blanket bond in order to comply with Indiana Code 4-24-6-9.

<u>Individual Records</u>

We concur. Reception Diagnostic Center has implemented steps to reconcile internal ledgers to the subsidiary ledgers, control ledgers and bank daily.

<u>Monthly Financial Statements</u>

We concur. The Department has assigned a staff person dedicated to reconciling trust bank accounts to the ledger and offender trust system.

<u>Outstanding Checks</u>

We concur. Verified outstanding checks will be remitted to the Attorney General as unclaimed property in compliance with Indiana Code 32-34-1-20, 32-34-1-26, and 32-34-1-27 by the November 1, 2008 deadline.

<u>Restrictive Endorsements</u>

We Concur. Effective July 18, 2008 procedures were implemented to ensure that all money orders received in the mailroom are stamped with the appropriate restrictive endorsement.

Steve McCauley
Superintendent

STATE OF INDIANA
Department of Correction – Indiana Government Center – South, Room E334 – 302 W. Washington Street – Indianapolis, Indiana 46204-2738
Phone: (317) 232-5711 – Fax: (317) 232-6798 – Website: www.in.gov.indcorrection/