B35421

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

REVIEW REPORT
OF

INDIANA SOLDIERS' AND
SAILORS' CHILDREN'S HOME

March 1, 2007 to July 31, 2009

FILED
12/29/2009

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AGENCY OFFICIALS

Office	Official	Term
Commissioner, Indiana State Department of Health	Judith Monroe, MD	03-07-05 to 01-13-13
Superintendent	Paul Wilkinson	07-01-04 to 05-29-09
Interim Administrator	Allen Collier	05-30-09 to 07-31-09

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA SOLDIERS' AND SAILORS' CHILDREN'S HOME

We have reviewed the receipts, disbursements, and assets of the Indiana Soldiers' and Sailors' Children's Home for the period of March 1, 2007 to July 31, 2009. The Indiana Soldiers' and Sailors' Children's Home'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 Indiana Soldiers' and Sailors' Children's Home 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

September 14, 2009

ISSCH CLOSED

As of July 1, 2009, the Indiana Soldiers' and Sailors' Children's Home (ISSCH) was closed under the direction of the Indiana State Health Commissioner. Indiana Codes (IC) 16-19-6 and 16-33-4 provide that the State Health Commissioner has complete administrative control and responsibility for the ISSCH.

INTERNAL CONTROLS OVER REVENUE COLLECTIONS

As stated in our prior report (B30047), ISSCH used an accounting software application to account for the Trust, Recreation, and Support Funds that has not been approved by the State Board of Accounts. This accounting software application lacks audit trail functions to meet the requirements for approval. The receipts generated from this software application have not been approved to be used in lieu of the prescribed prenumbered receipts as the receipt information generated in the software application can be manually overridden. These conditions result in a deficiency in the Institution's internal control structure.

Controls over the receipting, recording, and accounting for financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. All receipts, licenses, or other accountable items must be prenumbered or sequentially numbered by computer when issued. Documents should be used in sequential order. If the volume warrants, a separate numeric series should be used for different revenue sources. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 3)

All accounting forms, records, and systems used are required to be prescribed or approved by the State Board of Accounts. This includes all statements and reports necessary for the internal administration of the office to which they pertain. It also includes electronic, automated or computerized systems. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

TRUST FUND

Accounting Records

The accounting records at the ISSCH revealed a shortage of $403.85 in the Trust Fund as of July 22, 2009. This shortage was the result of the closing of the checking account while checks were still outstanding.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Document Retention

The Trust Fund monthly financial statements for May 2009, June 2009, and July 2009 were not presented for the review by ISSCH management.

Due to the lack of documentation, we cannot attest to the fund balances and changes in fund balances for these periods.

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 15 and Chapter 1)

RECREATION FUND

Accounting Records

ISSCH management presented outstanding checks and deposits in transit containing transactions which could not be substantiated by supporting documentation. Therefore, we are unable to verify the actual balance of the Fund as of June 30, 2009. We were also unable to verify the balance of the Fund as of July 31, 2009, as the control ledger and bank reconcilement for July 2009 were not presented for the review.

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 balance should agree. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 15 and Chapter 1)

Outstanding Checks

As stated in our prior three reports, most recently B30047 and B25205, the ISSCH Recreation Fund account has several checks which have been outstanding for over two years.

IC 4-10-10-1 provides that all checks authorized by law to be issued from funds in custody of any state agency which have been outstanding and unpaid for a period of two or more years as of the last day of December of each year shall be declared canceled.

It is our position that once declared canceled, these checks shall be entered as a receipt into the fund or account from which they were originally drawn and be removed from the record of outstanding checks.

ISDH Knightstown Scholarship/Recreation Fund

The Indiana State Department of Health (ISDH) informed us that on July 1, 2009, the ISSCH Recreation Fund was closed and the monies were transferred to a new state fund entitled ISDH Knightstown Scholarship/Recreation Fund. We noted that the ISDH Knightstown Scholarship/Recreation Fund is maintained in a checking account and a certificate of deposit at a local financial institution.

The ISSCH had authorization under IC 4-24-6 to maintain the ISSCH Recreation Fund outside the Auditor of State system for the direct benefit of the students of the ISSCH. It is our audit position that since the ISSCH has been closed, IC 4-24-6 no longer applies to the ISSCH or the ISDH, which had administrative control over the ISSCH. We requested ISDH present us with specific statutory authority to maintain the ISDH Knightstown Scholarship/Recreation Fund outside the Auditor of State's accounting system. As of September 11, 2009, ISDH had not fulfilled this request.

No funds may be accounted for outside of the Auditor of State system without specific statutory authority. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the proper execution of management's objectives and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

Investments

The June 2009 monthly financial statement contains an investments balance of $536,045.00. As of September 2, 2009, ISSCH management presented documentation to support $491,358.46 and was unable to present sufficient documentation to support the remainder of the reported investments balance.

Due to the lack of sufficient documentation, we cannot attest to the remainder of the reported investments balance as of June 30, 2009.

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 15 and Chapter 1)

Document Retention

The Recreation Fund monthly financial statements for March 2007, July 2008, and July 2009 and the control ledger for July 2009 were not presented by ISSCH management for the review as of September 11, 2009. Also, the details of receipts and details of disbursements sections of the statements for August 2008, September 2008, October 2008, and November 2008 were not presented for the review.

Due to the lack of documentation, we cannot attest to the transactions, balances, and/or changes in fund balances for these periods.

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 15 and Chapter 1)

Financial Statements Reviews, Approvals, and Submissions

For the Recreation Fund financial statements that were presented for the review, we noted that the reviews and approvals of the statements by management were not formally documented. We also noted that the statements were not submitted to the ISDH.

Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, 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 part of the internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

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)

Improper Preparation of Monthly Financial Statements

The Recreation Fund monthly financial statements presented for the review were not properly prepared. We noted that the Statement of Changes in Fund Balance section of the statements contains receipts and disbursements amounts that do not agree with the control ledger. The bank reconcilement section contains deposits in transit and outstanding checks amounts that do not agree with the respective deposits in transit and outstanding checks lists. We also noted months where the amount per the bank reconcilement section does not agree with the Cash in Bank per Reconciliation line item.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Deficient Documentation

As stated in our prior reports (B30047 and B25205), ISSCH does not maintain sufficient documentation for Recreation Fund disbursements. Approvals for disbursements were made without sufficient documentation as to the purpose of each disbursement and also lacked a vendor receipt or invoice. Due to the lack of sufficient documentation, we were unable to determine that the purchases were for the direct benefits of the students of the institution.

Each Recreation Fund disbursement should be documented with the purpose for the disbursement, person and department requesting the purchase, date requested, date paid, amount of payment, check number, written approval of the superintendent or designee, vendor invoice, and verification that the goods were received. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

Internal Controls over Cash Receipts

As stated in our prior report (B30047), ISSCH operated a store in the Student Center and a beauty shop in the Eder Vocational Center. The Student Center sold snacks and soft drinks to students. The beauty shop performed cosmetology services. Cash was received for these sales. We noted that the receipts were not deposited by the following business day. When receipts are not deposited timely, the possibility that funds may be misplaced or stolen increases.

Institutions 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 objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets, and all forms of information processing are part of the internal control system. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 13)

IC 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

Internal Controls over Opening Mail

During our testing of the Recreation Fund at ISSCH, we noted that the mail was opened by one employee without the direct observation of another employee. When mail is opened by one employee without the direct observation from another employee, the possibility that funds may be misplaced or stolen increases.

Controls over the receipting, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

FIXED ASSETS INVENTORY

The fixed assets inventory of the ISSCH did not consistently contain fixed asset tag identification numbers and assets were not consistently tagged upon receipt.

Assets at the minimum level of $500 must be tagged. Assets should be tagged upon receipt. Agencies are responsible for maintaining a manual or automated asset control system for all assets costing more than $500. The asset information to be maintained by the agencies should include the following:

(1) Asset tag number;

(2) Acquisition date;

(3) Asset description;

(4) Acquisition cost;

(5) Fund number purchased from;

(6) Serial number;

(7) If purchased with federal funds, the name of the federal grant that was used; and

(8) Location of asset within agency.

(Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

INDIANA SOLDIERS' AND SAILORS' CHILDREN'S HOME
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2009, with Loren Robertson, Deputy State Health Commissioner; Michael P. Kistler, ISDH Chief Financial Officer, Assistant Commissioner; Allen Collier, ISDH Director of Finance; and Erin Kellam, Assistant Director, ISDH Office of Legal Affairs. The official response has been made a part of this report and may be found on pages 10 through 21.

A draft copy of the review comments was sent to Paul Wilkinson, former Superintendent, on October 20, 2009.

Indiana State
Department of Health
An Equal Opportunity Employer

Mitchell E. Daniels, Jr.
Governor

Judith A. Monroe, M.D.
State Health Commissioner

October 30, 2009

State Board of Accounts
302 W. Washington St, Room 418E
Indianapolis, IN 46204-2738

To Whom It May Concern:

The contents of State Board of Accounts Review were discussed on October 20, 2009 with Loren Robertson, ISDH Deputy Commissioner, Michael Kistler, ISDH CFO and Assistant Commissioner, Erin Kellam, ISDH Assistant Director, Office of Legal Affairs and Allen Collier, ISDH Director of Finance. The ISDH official response to that Review and is as follows:

INTERNAL CONTROLS OVER REVENUE COLLECTIONS

The issue concerning the use of QuickBooks for the three funds mentioned was highlighted as an issue at the last State Board of Account Review in 2007. In the response to that Review, it was noted that the QuickBooks application was installed in 1999 as the commercial application of choice at that time. In 2007 it was agreed there was no state-approved alternative and the decision was made by ISSCH administration to continue its use. At the same time increased printed and signed documentation (to provide improved internal controls) was implemented as recommended by the State Board of Accounts (SBOA). It was understood that QuickBooks would continue to be used until an appropriate state-approved alternative could be identified. It should be noted that since Peoplesoft Financials was not yet adopted by the Auditor of State at the time of the 2007 Review, use of that application (still very much in a development stage) for these funds would have been highly problematic. These funds are now closed out, so no further corrective action can be taken.

TRUST FUND

Accounting Records

The Trust Fund was closed out in June, about a month after the retirement of the clerk to whom it was assigned for many years. The closing of the Trust Fund occurred among a number of similar time sensitive transactions, involving multiple agencies, that were necessary as part of closing the ISSCH Business Unit. The minimal staff that remained were trying to accomplish new and numerous duties that were a necessary component of guaranteeing a timely facility closure and a miscommunication did occur which allowed the Trust Fund to be closed before all student checks had been cashed. During my review I was able to determine the outstanding checks were the sole reason for the shortage. This Fund is now closed.

Document Retention
On May 29, 2009 all clerical staff who had knowledge of both QuickBooks and established procedures surrounding funds retired. At the same time, ISSCH was in the process of ending its existence as a Business Unit with limited personnel. There was neither sufficient time nor personnel to train in the use of QuickBooks. Therefore the reports that had been requested during the SBOA Review could not be produced in a timely manner. However, while that documentation could not be produced for this review, traditional documents (e.g., bank statements, monthly reports, etc.) were available that show the Trust Account was properly zeroed out and that remaining funds were correctly sent to the State Treasurer.

RECREATION FUND

The Recreation Fund was administered by the Superintendent of the ISSCH[1] with assistance of his Administrative Assistant. The May 2009 retirement of both the Superintendent and the Superintendent's Administrative Assistant, prior to the start of the SBOA review, impacted the quality of the response to SBOA questions. Information was supplied by former ISSCH staff who had limited, or in some situations, no direct knowledge of the administration of the Recreation Fund. The inability of these individuals in no way reflects a reluctance to provide answers, but only the fact that they responded from a disadvantaged position where recreating the history of the Recreation Fund was, at times, very difficult. The Recreation Fund existed by statute[2] with money from private donations, revenues created by Vocational programs and on-campus food vending functions; no state funds. Further a number of sub-accounts were managed within the Recreation Fund and each of those sub-accounts were active with deposits and withdrawals.

Accounting Records
In order for there to be a successful transition for ISSCH students and its personnel plans remained fluid. The desire to maintain the health and safety of all concerned was paramount. Personnel exits had to be orchestrated carefully while attempting to comply with a number of policies and regulations that define employee rights, retirement programs and other very complex issues. Under typical circumstances, records would be provided; these were not typical circumstances. The records required for timely and accurate responses came from several offices. As part of the ISSCH closure activities many boxes of files were prepared for the archives by personnel who where not the owners of the files as the owners had retired in May 2009. Much of

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[1] IC 4-24-6-6
Recreation funds; establishment
Sec. 6. (a) There is established in each psychiatric, benevolent, penal, and correctional institution a fund to be known as the:
(1) patients' recreation fund;
(2) students' recreation fund; or
(3) inmates' recreation fund.
(b) These funds shall be used, at the discretion of the superintendent or warden subject to the approval of the chief administrative officer of the department, division, or state agency having administrative control and supervision over the institution, for the direct benefit of persons who are inmates or patients in such institutions, and shall not be used for any purposes which are covered by state appropriations.
(c) The funds shall be expended for purposes in accordance with the policies of the department, division, or state agency having administrative control over such institution. The expenditures may include, but are not limited to:
(1) purchased entertainment;
(2) magazine subscriptions for the libraries, wards, or units of such institutions;
(3) special recreational equipment and supplies;
(4) special foods for parties or celebrations;
(5) educational materials;
(6) phonograph records, televisions, radios, and similar items when the items cannot be purchased from regular appropriations; and
(7) any other purposes not covered by regular appropriations;
that will provide a direct benefit to or assist in the rehabilitation of the inmates or patients of such institutions.
[2] IC 4-24-6-6 and IC 4-24-6-7

the archiving of files was begun prior to the start of the SBOA review. The team who attempted to provide documents could not locate all requested documents.

Outstanding Checks

Evidence suggests that an attempt was made by the Superintendent's Administrative Assistant to properly remove the outstanding checks from the record. However it was determined the ISSCH version of QuickBooks which dated back to 1999, lacked many of the capabilities of more modern applications. It is believed that attempts to reconcile these differences failed due to either lack of knowledge about, or limitations within, the QuickBooks application, not a lack of desire to comply with Indiana Code.

ISDH Knightstown Scholarship/Recreation Fund

ISDH still maintains administrative control over the ISSCH which includes the former students, the assets and all aspects of the ISSCH. Now that ISSCH is closed the realm of what needs to be administered is smaller but Dr. Monroe is still charged with the responsibility of the ISSCH. [3] Now that most of the assets have been properly distributed, the one remaining asset is the Recreation Fund. The statute creating the Recreation Fund and the statute giving the health commissioner the responsibility to ensure the Recreation Fund is used for the "direct benefit" of the students of the ISSCH is still the controlling authority. [4] Accordingly, the state health commissioner has determined that the statutory requirement may be met by using the funds exclusively for Scholarships as set forth in the ISDH Knightstown Scholarship/Recreation Fund Policy. (*See Attached Policy*)

When considering whether the Recreation Fund should be moved into the ENCOMPASS system a number of factors are relevant. ENCOMPASS is a financial system intended to treat vendors with reasonable efficiency. To accomplish this, a number of demands are made on the vendor; these include registration with the State, supplying a W-9 form and direct deposit requirements. Address changes must be kept current. This system is not designed to address the student whose life typically involves several addresses during a calendar year and who may not have a checking account. Removing the personal, one-on-one aspect of how the Recreation Fund has been historically managed and replacing it with the rigidity of the ENCOMPASS, a system designed to pay entities, is not in keeping with statutory requirement of ensuring the Recreation Fund is for the direct benefit of the students. Such factors as electronic payment, 35 day payment delay from receipt of invoice, all erode the purpose of Indiana Code 4-24-6-6 which recognized the necessity of having funds outside the state system to allow for the flexibility required to meet the needs of those the Recreation Fund was designed to benefit.

The ISDH is committed to ensuring appropriate management of the ISDH Knightstown Scholarship/Recreation Fund therefore the following procedure will be followed:

- Full compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies. (*An exception is the continued use of QuickBooks until a more suitable application can be identified*)
- Two signatures required on all checks;
- Monthly statements reviewed by the ISDH CFO, structured as follows:
    - Balances reconciled monthly, with full explanation of any inconsistencies,
    - All debits supported by documentation (e.g., original receipts, etc.) that details the nature of the expense and the student who benefited from the transaction,

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[3] IC 16-33-4-6

[4] IC 16-33-4-6 and IC 4-24-6-6

- A photocopy of all disbursed checks,
- Inclusion of all communications relevant to the fund; whether to or from students or on their behalf.

The Recreation Fund is no longer receiving donations nor does it contain numerous sub-accounts. The Recreation Fund will be used exclusively for expenditures set forth in the ISDH Knightstown Scholarship/Recreation Fund Policy with withdrawals being made only in the form of checks. With this much more limited scope and the safe guards described above in place, future management of the Recreation Fund can be successful done outside ENCOMPASS.

Investments
The balance of $491,358.46 is the correct balance. The reason for the discrepancy has been clearly determined. On June 15, 2007 a CD at Citizens Bank in Knightstown for $45,000 (identified as account # 3223) was surrendered and a CD for $45,000 was opened at Ameriana Bank in New Castle. The new CD was entered into QuickBooks, but the old CD was never retired making the balance shown on reports since mid-2007 as artificially $45,000 high. Therefore, the correct total for the report that indicated $536,045 should have read $491,045. Additionally $313.46 interest earned from the surrendered CD was added to the new CD at its inception; bringing that balance to $491,358.46. At the time of the Review, up to date documents concerning the investments for this fund could not be located due to the highly liquid state of the ISSCH campus at that time.

Document Retention
After several weeks attempting to provide documents to satisfy SBOA requests for this review, it was communicated by ISDH that there were no longer sufficient resources to accomplish this task. The rigors of ARRA fund management and the H1N1 flu pandemic needed to be addressed more fully. This decision was made after careful deliberation and in no way reflects on the desire of ISDH to fully cooperate with the review process. However, in times of limited resources, public health and safety took priority over producing historical documents for a fund and business unit that no longer exist and whose administrative staff are now retired from State service.

Financial Statements Reviews, Approval, and Submissions
Archived files from both ISSCH and ISDH were searched as thoroughly as possible with the limited personnel and time frame and the requested documents were not located.

Improper Preparation of Monthly Financial Statements
This was discovered and disclosed by ISDH during their attempt to open the ISDH Knightstown Scholarship/Recreation Fund with the proper balances. Therefore the previously described safeguards and more limited scope should ensure accurate monthly financial statements will be available.

Deficient Documentation
While an effort to comply with the B30047 audit comments was evident, all transactions were not properly entered and documented in QuickBooks according to the agreed upon standards.

Internal Controls over Cash Receipts
Cash generated by the store in the Student Center and the beauty shop at the Eder Vocational Center were typically turned over to the Superintendent's Administrative Assistant on a weekly basis; they were then deposited in the bank account. All funds have been accounted for even though funds may have not been deposited within the specified time frame.

Internal Controls over Opening Mail

A large volume of mail for many varied areas of the ISSCH was received everyday. Given that some of it could be a sensitive nature, it was decided mail would be opened by the Human Resources Manager. However those envelopes that appeared to contain checks (for Trust, Support or Recreation accounts) were delivered unopened to the appropriate administrator of that fund. As the staff of the ISSCH decreased, that process was modified.

FIXED ASSETS INVENTORY

During the review period, the Asset Management (AM) function was in the process of being incorporated into ENCOMPASS (formerly Peoplesoft) Financials. During the incorporation to ENCOMPASS, there was a time when each agency was permitted to determine the threshold cost for an asset; ISSCH had decided to use $1000 and above which was permissible. Then it was announced the state wide threshold was $500 and above as mentioned in the review. Assets received during that $1000 threshold period would have missed the tagging process. It must also be noted that many assets were donated items that came not only from numerous sources, but also via numerous mechanisms other than the procurement process. Any one of the ISSCH staff of 175+ could participate in receiving the donations and were encouraged to do so. ISSCH were empowered to collect any item that could benefit the students of the ISSCH. Many donations occurred on weekends and evenings when business staff were not on campus. Under these situations, 100% accuracy of an AM function is improbable.

CLOSING COMMENT

The Indiana Soldiers' and Sailors' Children's Home ceased to function as an Indiana State Business Unit on June 30, 2009 by order of Dr. Judith A. Monroe, ISDH Commissioner. The accounts reviewed here no longer exist. Those persons who managed those accounts are no longer in positions of responsibility at ISSCH and many are no longer State employees. All records maintained after May 2009 and produced for this review were accomplished in very unusual circumstances. The time frame for when employees transitioned out of the ISSCH was changing as employees decided to retire, took positions outside of State employment or transitioned into another state employment opportunity. Limited remaining resources were focused on maintaining the health and safety of the students who were still in the care of the State and ISDH until the end of May. Only after the safe transition of the ISSCH students exit could efforts be focused on gathering records, closing funds and archiving necessary documents.

The SBOA review process began on June 22, 2009 and the staff had been reduced to the transition team. In the time after students left until the SBOA review began the transition team focused on many facets of properly closing the ISSCH. Those who remained provided their best service and are to be congratulated for their outstanding effort.

Respectfully submitted,

Allen L. Collier
Director of Finance
Indiana State Department of Health
2 N. Meridian Street, 2-C
Indianapolis, IN 46204

POLICY TITLE: ISDH Knightstown Scholarship/Recreation Fund

POLICY NUMBER: ISDH - OSC – 001 -09

PURPOSE: To establish:

1. Eligibility;
2. A guide for awarding student scholarships;
3. Criteria for reimbursable items; and
4. A procedure for ensuring consistent application.

STATEMENT OF POLICY: The former Indiana Soldiers' and Sailors' Children's Home ("ISSCH") maintained a fund of monies donated to the Home and the children it served. Donated monies were deposited in the Recreation Fund and its sub-accounts. Under IC 4-24-6, monies in the Recreation Fund were to be spent for the direct benefit of the children of the Home. The Recreation Fund included a sub-account called the Scholarship Fund which was used to reimburse former students of ISSCH for college textbooks. Upon the closure of the ISSCH in May 2009, the only remaining use for the Recreation Fund that would directly benefit the children is scholarships for their higher education expenses. The ISSCH Recreation Fund could be transferred to another state institution under IC 4-24-6-11. However, it is the intent and purpose of the Indiana State Department of Health to utilize the donated funds remaining in the Scholarship/Recreation Fund to award scholarships for higher education for the direct benefit of students who attended Morton Memorial School at the ISSCH. This discretionary decision by ISDH does not create an entitlement to a scholarship on behalf of any student nor an expectation by any Indiana educational institution that any student's tuition will be paid from the ISSCH Scholarship/Recreation Fund.

LIMITATION: The Scholarship/Recreation Fund from ISSCH has a finite amount of money remaining in it. No additional money will be added to the Fund. The Fund will be used to provide scholarships for the benefit of former ISSCH students until May 23, 2020, until such time as the money in the Fund is exhausted or until the General Assembly passes legislation allowing alternative uses for the Fund, whichever comes first. If the Fund nears depletion before other uses are authorized, scholarships may be pro-rated among all applicants for that academic year.

DEFINITIONS: "Academic year" means an approved institution's school year (fall through spring), usually two (2) semesters, three (3) quarters, or three (3) trimesters, but not including summer sessions.

"Full-time student" means an individual enrolled at an approved institution for not less than twelve (12) semester credit hours in each enrollment period of an academic year at a semester-based institution. Semester credit hours shall be converted to the equivalent if a different grading period is used at the college or university. Unless it is established that a different equivalency applies, it shall be presumed that the correct equivalency is two (2) semester hours for every three (3) quarter or trimester hours.

"Fund" means the ISDH Knightstown Scholarship/Recreation Fund.

"Indiana educational institution" means any institution of higher education recognized by the State Student Assistance Commission of Indiana.

"Regularly assessed fees" means the non-tuition charges regularly assessed against all undergraduate students enrolling at an approved institution.

"School term" means semester, trimester or quarter but not summer sessions.

PROCEDURES/RESPONSIBILITIES:

Student Eligibility: To be eligible for a scholarship award from the Fund, a student must meet the following criteria:

1. attended Morton Memorial School at the ISSCH for at least one full semester;

2. attended Morton Memorial School at the ISSCH between August 1998 and May 23, 2009;

3. be domiciled in the State of Indiana on or before December 31 of the year preceding application for an award and be continuously domiciled in the state thereafter. Determination of residency status shall be as follows:

   (A) For a dependent student, the determination of residency status shall be based upon the permanent place of residence of the parents or guardian of an applicant.

   (B) For an independent student, the determination of residency status shall be based upon the permanent place of residence of the applicant.

   (C) If an applicant qualifies as a resident under this subdivision, but is classified as a nonresident by an approved institution, the applicant's award shall be computed on the basis of in-state tuition and fees only. An applicant who is classified as a nonresident student by the ISDH is ineligible for an award even if classified as a resident by an approved institution.

4. be a graduate from a program of instruction at an Indiana secondary school or have received a General Education Development diploma ("GED"). A student who leaves an Indiana public high school with a certificate of completion, as opposed to high school diploma, is not considered a high school graduate for purposes of this policy;

5. be accepted and enrolled at an Indiana educational institution; and

6. have not received a first baccalaureate degree and have not received more than eight (8) semesters or twelve (12) trimesters or quarters of assistance from the Fund.

Prerequisite: Students who attended Morton Memorial School are required to contact the Indiana Department of Veteran Affairs ("IDVA") and the State Student Assistance Commission of Indiana ("SSACI") and submit the necessary paperwork to apply for the Tuition and Fee Exemption for Children of Veterans under IC 21-14-4 before applying for funding from the Fund.

Items Eligible for Coverage: Students, who attended Morton Memorial School and have been granted the Tuition and Fee Exemption for Children of Veterans under IC 21-14-4, may apply for:

1. reimbursement for college textbooks required for their classes; and

2. up to $4,000 per school term toward room and board in an on-campus dormitory if the student is a full-time student.

Students, who attended Morton Memorial School and have been denied the Tuition and Fee Exemption for Children of Veterans under IC 21-14-4, may apply for:

1. tuition for up to 124 semester credit hours and regularly assessed fees that qualify as educational costs;

2. reimbursement for college textbooks required for their classes; and

3. up to $4,000 per school term toward room and board in an on-campus dormitory if the student is a full-time student.

Items Specifically Excluded from Coverage: The Fund will not pay for laptops or other computer equipment.

Responsible Party: Because the ISSCH has closed and there is no Superintendent to administer the Fund under IC 4-24-6-6, that responsibility is transferred to the Director of Finance at the Indiana State Department of Health.

Procedures/Responsibilities for Students: A student who is seeking a scholarship for higher education from the Fund should submit the following to the Indiana State Department of Health, Finance Division:

1. A copy of his or her high school diploma or GED;

2. A copy of the acceptance or denial letter from the SSACI;

3. A copy of the student's acceptance letter from the state educational institution;

4. A letter from the state educational institution confirming the student's enrollment as a full-time student; and

5. A completed application. The application form is attached and made a part of this policy.

Upon receiving a scholarship award, the following requirements must be met:

1. For reimbursement of required college textbooks, the student must submit a copy of his or her receipts to the Director of Finance within thirty (30) days of purchase.

2. The student must maintain a passing grade average to continue receiving his or her scholarship for the next school term.

3. For every succeeding and consecutive school term, the student must provide a copy of his or her grades and proof of his or her continued enrollment as a full-time student at the state educational institution.

4. If a student wishes to transfer to a different state educational institution, the student must begin the scholarship application process anew.

Procedures/Responsibilities for ISDH: Upon receipt of all documentation, the Director of Finance or his or her designee shall:

1. Verify the receipt and validity of all required documentation;

2. Confirm from ISSCH records that the student attended ISSCH for at least one semester between August 1998 and May 23, 2009;

3. Make a determination whether the student qualifies for a scholarship;

4. Notify the student in writing of his or her decision;

5. If the student is awarded a scholarship for tuition and fees and/or room and board, the Director will sent a letter to the state educational institution notifying the school what expenses will be covered by the scholarship along with an invoice on which to bill the Fund for tuition, regularly assessed fees and/or room and board.

Withdrawal of scholarships: ISDH may reject an application or withdraw a student's scholarship if:

1. A recipient enrolled in an institution ceases for any reason to be a student in good standing. If, under its current standards, a fee or charge that has been paid as part of an award would otherwise be remissible by the institution to the student, the fee or charge shall be remissible to the Fund;

2. A recipient is simultaneously enrolled full-time in more than one (1) institution;

3. Inaccurate or falsified data is intentionally submitted in an effort to affect the student's eligibility for a scholarship;

4. A recipient fails to maintain satisfactory academic progress as defined by each approved institution;

5. A recipient has obtained a prior bachelor's degree;

6. A recipient owes taxes, fines or other monies to the State of Indiana;

7. The parents of a dependent student remove their permanent, continuous, and principal place of residence from Indiana after the beginning of the academic year; the recipient will not be eligible for award usage in subsequent academic years;

8. A recipient is a graduating senior and enrolled less than full time during the final term prior to graduation; or

9. A recipient accepts monies from the Fund to which the student is not entitled or otherwise commits a fraud that affects the Fund.

No Appeal Rights: A decision by the ISDH under this policy neither creates nor terminates a legal right, duty, privilege, obligation, immunity or other legal interest. No appeal rights attach under IC 4-21.5.

LEGAL REFERENCES:

Ind. Code §§4-26-6

Ind. Code §§21-14-4

Ind. Code §§4-21.5

EFFECTIVE DATE:

August 23, 2009

APPLICATION FOR ISDH KNIGHTSTOWN SCHOLARSHIP/RECREATION FUND

Name:

Street Address:

City, State, ZIP:

Date started school at Morton Memorial School:

Last date attended school at Morton Memorial School:

Date of graduation from Indiana secondary school:

Name of secondary school from which you received your diploma:

Address of secondary school:

If you did not graduate from a secondary school, the date you received your General Education Development (GED) diploma:

Did you apply for Tuition and Fee Exemption with the State Student Assistance Commission of Indiana ("SSACI") and the Indiana Department of Veterans' Affairs (IDVA")?

Date of application for exemption:

Were you accepted for Tuition and Fee Exemption?

Date of acceptance or rejection letter:

Date of your acceptance at an Indiana institution of higher education:

Name of the Indiana institution of higher education in which you have been accepted and in which you have enrolled:

Address of the Indiana institution of higher education in which you have been accepted and in which you have enrolled:

I affirm under penalties of perjury that the information contained in this application is true to the best of my knowledge, information and belief:

____
Printed Name

______________________________ _________________________
Signature Date

YOU MUST ATTACH ALL OF THE FOLLOWING TO THIS APPLICATION FOR IT TO BE CONSIDERED:

1. A copy of an identification card issued by a government agency or institution contains a photo of you.

2. A copy of your high school diploma or GED diploma.

3. A copy of your acceptance or denial letter from the SSACI.

4. A copy of your acceptance letter from the state educational institution.

5. A letter from your state educational institution confirming your enrollment as a full-time student.

6. If you are seeking a scholarship for room and board, a document or documents from the educational institution showing your dormitory assignment and the cost per semester.