

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

SPECIAL INVESTIGATION REPORT

OF

EVANSVILLE STATE HOSPITAL

VANDERBURGH COUNTY, INDIANA

July 1, 2017 to September 30, 2018



FILED
03/07/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Patient Trust Fund Discrepancies	3-4
Employee Recognition Fund Discrepancies.....	5
Special Investigation Costs	6
Internal Controls	6
Investigation by the Office of the Inspector General	6
Bond Coverage.....	7
Exit Conference.....	8
Official Response	9-12
Summary of Charges	13
Affidavit	15



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 THE EVANSVILLE STATE HOSPITAL, VANDERBURGH COUNTY, INDIANA

This is a special investigation report for the Evansville State Hospital (ESH), for the period July 1, 2017 to September 30, 2018, and is in addition to any other report for the ESH, as required under Indiana Code 5-11-1. All reports pertaining to the ESH may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the patient trust accounts, maintenance fund, and employee recognition fund. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 20, 2019

EVANSVILLE STATE HOSPITAL
RESULTS AND COMMENTS

BACKGROUND

The Indiana State Board of Accounts (SBoA) performed an audit of the Evansville State Hospital (ESH) for the period of July 1, 2017 to June 30, 2018. During the audit, Business Administrator Jennifer Byam (Byam), provided multiple copies of ledgers to the SBoA auditors that contained numerous financial discrepancies that Byam did not explain. A special investigation was performed by the SBoA in conjunction with the Office of the Inspector General (OIG) and the Indiana Family & Social Services Administration (FSSA) internal auditors. On October 2, 2018, Byam was interviewed by the OIG, the SBoA, and the FSSA.

Byam was hired at the ESH on April 22, 2013, and was promoted to Business Administrator on May 22, 2017. Byam's duties and responsibilities included preparing monthly bank reconciliations and being the signatory on all ESH bank accounts. As of October 4, 2018, Byam was no longer employed at the ESH.

PATIENT TRUST FUND DISCREPANCIES

During an audit of the ESH it was discovered that the June 30, 2018 bank and ledger balances presented were \$169,081.02, when the actual ledger balances were \$177,629.75, a difference of \$8,548.73. Further review indicated the accounting discrepancies included 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 Patient Trust control ledger and individual patient ledgers presented through June 2018 were altered to agree to the bank reconciliation.

The SBoA received an affidavit for probable cause dated February 7, 2019. It stated on October 2, 2018, Byam admitted to making false entries in the Patient Trust account ledgers; depositing the money from the Patient Trust account into the Employee Recognition account; and that she would write checks to cash from the Employee Recognition account and then cash those checks for her own use.

Below is a detail of the Patient Trust Fund discrepancies:

Check No.	Date	Amount	Description
N/A	7/5/2017	\$ 738.80	Deposit Not Posted Correctly
Auto Transfer	10/31/2017	500.00	Transfer Not Posted; Deposit Not Posted Correctly
23480	11/3/2017	500.00	Disbursements Not Posted; Deposit Not Posted Correctly
23569	12/20/2017	150.00	Disbursements Not Posted; Deposit Not Posted Correctly
23578	12/28/2017	2,500.00	Disbursements Not Posted; Deposit Not Posted Correctly
23641	1/31/2018	500.00	Disbursements Not Posted; Deposit Not Posted Correctly
Auto Transfer	3/15/2018	200.00	Transfer Not Posted; Deposit Not Posted Correctly
24000	4/30/2018	647.00	Disbursements Not Posted; Deposit Not Posted Correctly
N/A	4/2/2018	301.97	Deposit Not Posted Correctly
Auto Transfer	5/25/2018	500.96	Transfer Not Posted; Deposit Not Posted Correctly
N/A	6/1/2018	10.00	Deposit Not Posted Correctly
Auto Transfer	6/22/2018	500.00	Transfer Not Posted; Deposit Not Posted Correctly
23937	6/29/2018	1,500.00	Disbursements Not Posted; Deposit Not Posted Correctly
Total		<u>\$ 8,548.73</u>	

N/A = not applicable

A further review of July, August, and September of 2018 transactions found an additional transfer out of the Patient Trust Fund and four additional checks that cleared the bank for more than they were posted, totaling \$3,554. Bank reconciliations were not presented for July, August, and September. Below is a list of the items that cleared the bank for more than they were posted.

EVANSVILLE STATE HOSPITAL
RESULTS AND COMMENTS
(Continued)

Check No.	Date	Check Amount	Amount Posted	Difference	Description
23977	7/13/2018	\$ 838.63	\$ 288.63	\$ 550.00	Cash to Reimburse Drawer
23982	7/16/2018	413.10	113.10	300.00	Cash to Reimburse Drawer
23986	7/20/2018	994.40	94.40	900.00	Cash to Reimburse Drawer
23999	7/26/2018	800.00	-	800.00	Extra Cash for Shopping
Auto Transfer	8/13/2018	1,000.00	-	1,000.00	Employee Recognition Acct
Auto Transfer	8/31/2018	4.00	-	4.00	Service charge for transfer
Total		<u>\$ 4,050.13</u>	<u>\$ 496.13</u>	<u>\$ 3,554.00</u>	

Indiana Code 4-24-6-9 states in part:

"(a) Except as provided in subsection (c), the superintendent or warden of any institution may not be held personally liable for the loss of:

- (1) money held in trust for any inmate or patient of the institution; or
- (2) money deposited in the recreation fund of the institution.

(b) Except as provided in subsection (c), in the event the superintendent or warden delegates to any officer or employee of the superintendent's or warden's institution the authority to administer the provisions of sections 6 and 7 of this chapter, the officer or employee may not be held personally liable for the loss of:

- (1) money held in trust for any inmate or patient of the institution; or
- (2) money deposited in the recreation fund of the institution.

(c) A superintendent or warden or a delegate of a superintendent or warden may be held personally liable under subsection (a) or (b) if the loss of money arises from the superintendent's, the warden's, or the delegate's official misconduct. All other losses under this section must be covered by the general blanket performance bond or crime insurance policy under subsection (d). . . ."

System controls are in effect on the PeopleSoft financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

Each agency, department, quasi, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Overview, Section IV)

Byam was requested to reimburse the ESH in the amount of \$12,102.73 for the discrepancies in the patient trust funds. (See Summary of Charges, page 15)

EVANSVILLE STATE HOSPITAL
RESULTS AND COMMENTS
(Continued)

EMPLOYEE RECOGNITION FUND DISCREPANCIES

The Employee Recognition Fund records presented for July 1, 2017 to June 30, 2018, included a monthly recap, bank reconciliation, and a checkbook balance ledger. The checkbook balance ledger contained two different balances: one that agreed to the bank reconciliation and one that agreed to the monthly recap. The June 30, 2018 balance presented in the June recap was \$2,219.19; however, the actual bank balance was \$230.63, a difference of \$1,988.56. The reason for the difference consisted of checks that cleared the bank but were not included in the monthly recap and deposits that were included in the monthly recap but were not deposited in the bank.

As noted above, the SBoA received an affidavit for probable cause dated February 7, 2019. It stated on October 2, 2018, Byam admitted that she would write checks to cash from the Employee Recognition account and then cash those checks for her own use.

A further review found that ledgers and monthly recaps were not presented for July, August, or September of 2018. However, a review of the bank statements revealed two checks, totaling \$266, written for cash, did not have supporting documentation and were not for use in the Employee Recognition Fund. Below is a detail of checks, deposits, and transfer that make up the differences in the Employee Recognition Fund:

Date	Check # Or Deposit	Item	Amount	Description
1/24/2018	1675	Cash for Event Supplies	\$ 600.00	Not included on recap
2/1/2018	1674	Cash for Event Supplies	100.00	Not included on recap
4/5/2018	Deposit	Smorgasboard/Grill Raffle	915.00	Included in recap but not deposited
4/26/2018	Deposit	Grill Raffle (Less: \$50 for meat & \$178.70 for cups for YOS)	146.30	Included in recap but not deposited
5/25/2018	Deposit	Deposit	(60.65)	Deposited but not included in recap
6/18/2018	Deposit	Health fair snacks	133.10	Included in recap but not deposited
6/20/2018	1671	Cash for Event	154.81	Not included on recap and no supporting documentation
7/5/2018	1669	Reimbursement of Supplies	200.00	No supporting documentation
8/2/2018	1676	Cash for T-Shirt Order	66.00	No supporting documentation
	Total		<u>\$ 2,254.56</u>	

System controls are in effect on the PeopleSoft financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee.

Each agency, department, quasi, institution or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. Compliance is required, as applicable, with generally accepted accounting principles, and standards issued by the Governmental Accounting Standards Board, Financial Accounting Standards Board, and other standard setting bodies and also with various accounting guides, manuals and other publications. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Overview, Section IV)

Byam was requested to reimburse the ESH in the amount of \$2,254.56 for the discrepancies in the employee recognition funds. (See Summary of Charges, page 15)

EVANSVILLE STATE HOSPITAL
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the special investigation of the ESH.

System controls are in effect on the PeopleSoft financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. 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 State and Quasi Agencies, Overview, Section IV)

Byam was requested to reimburse the State of Indiana in the amount of \$12,082.14 for special investigation costs. (See Summary of Charges, page 15)

INTERNAL CONTROLS

Internal controls over transaction recording and bank reconciliation at the ESH were insufficient. Controls were in place for management of the ESH to approve monthly reconcilements. However, there were no specific procedures in place for the reviewer to verify the amounts used in the reconcilements were accurate. This allowed for false financial information to be presented without detection, which could lead to material misrepresentation.

Each agency, department, quasi, institution or office should have internal controls in effect to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an 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 financial statements, and incorrect decision making. An Agency's control environment consists of the overall attitude, awareness and actions of management and the governing board or commission. This would include establishing and monitoring policies for developing and modifying accounting systems and control procedures.

System controls are in effect on the PeopleSoft financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with PeopleSoft. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. 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 State and Quasi Agencies, Overview, Section IV)

INVESTIGATION BY THE OFFICE OF THE INSPECTOR GENERAL

An investigation has also been conducted by the Office of the Inspector General. Case number 82C01-1902-F6-000950 was filed on February 7, 2019, in the Vanderburgh County Circuit Court. Byam was charged with five counts of theft and one count of official misconduct.

EVANSVILLE STATE HOSPITAL
RESULTS AND COMMENTS
(Continued)

BOND COVERAGE

The ESH is not required by statute to purchase bond coverage for its employees and has not elected to obtain coverage.

EVANSVILLE STATE HOSPITAL
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2019, with Gene Schadler, Superintendent/Clinical Director; Jeffrey A. Wedding, Assistant Superintendent; and Linda Beane, Business Administrator.

The contents of this report were discussed on February 20, 2019, with Roger A. Booth, FSSA Chief Audit Executive, and Kathleen A. Troiani, FSSA Audit Services Audit Manager via a phone exit conference.



Eric Holcomb, Governor
State of Indiana

Evansville State Hospital
Division of Mental Health and Addiction
3400 LINCOLN AVENUE
EVANSVILLE, IN 47714-0146
812-469-6800
FAX: 812-469-6868

February 25, 2019

Official Response
State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204-2765

Dear State Board of Accounts,

This letter serves as the official response to the audit of Evansville State Hospital from July 1, 2017 to September 30, 2018 and the exit conference held in accordance with 5-11-5-1. Since the initial investigation on October 2, 2018 Evansville State Hospital immediately began segregating duties and at least two staff review/sign off on banking transactions. In November 2018 a Segregation of Duties policy (attachment A) was written and reviewed by all staff involved with fiscal transactions. Bank reconciliations are alternated between the Account Clerk 3 and Business Administrator.

The Business Administrator was realigned under the Assistant Superintendent to keep our organizational chart consistent with other State Psychiatric Hospitals.

If there are any other questions or concerns, please feel free to let me know.

Respectfully submitted,

Gene Schadler, LCSW
Superintendent / Clinical Director
Evansville State Hospital
3400 Lincoln Avenue
Evansville, IN 47714
gene.schadler@fssa.in.gov
812-469-6800/4951





Division of Mental Health and Addiction
Evansville State Hospital

Origination:	11/2018
Last Approved:	11/2018
Last Revised:	11/2018
Next Review:	11/2019
Owner:	<i>Jeffrey Wedding: Broad Band Executive</i>
Policy Area:	<i>ESH - Fiscal Management</i>
References:	

Segregation of Duties

Purpose

To utilize a standardized system of accounting principles and procedures in accordance with the Indiana Family and Social Services Administration and the Indiana State Board of Accounts.

Scope

All Evansville State Hospital staff members involved in financial transactions.

Introduction

State and federal policies require that accounting transactions be authorized according to sound management practices. One of the most basic, yet most important principles of sound management, is that of segregation of duties.

Segregation of duties is critical because it ensures separation of different functions and defines authority and responsibility over transactions. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions.

The fundamental premise of segregated duties is that an individual should not be in a position to initiate, approve, and review the same action. Also, the accounting/reconciling function, and the asset (money, inventory) custody function should be separated among employees. These are called incompatible duties when performed by the same individual.

Policy Statement

Responsible administrators must consider the principle of segregation of duties when designing and defining job duties. They must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions. A detailed supervisory review of activities involving finances, inventory, and other assets is required as a compensatory control activity.

Procedures

- A. For requisitions at Evansville State Hospital, the following processes must be followed with all Purchase Request transactions:

1. Requestor completes the Purchase Request, signs, and dates.
 2. Immediate Supervisor of the Requestor reviews the Purchase Request, signs, and dates.
 3. A member of the Fiscal Department including Account Clerks and/or the Fiscal Management Director sign the Purchase Request indicating Fiscal Approval.
 4. All completed Purchase Requests are sent to the Assistant Superintendent / Director of Operations for administrative oversight and initialing. Both the Superintendent and Assistant Superintendent are authorized to approve purchases up to \$75,000. Any purchases over this amount require final approval from IDOA.
 5. Purchase Requests are then entered into PeopleSoft Financials for final approval. The approval workflow process consists of the Fiscal Management Director, Assistant Superintendent / Director of Operations, and FSSA Purchasing Administrators.
 6. Once approved, a FSSA Purchasing Administrator will dispatch the Purchase Order to the selected vendor.
 7. Warehouse staff will receive and verify items listed on the Purchase Order. They will then call the Requestor to inspect, verify, and sign off to receipt in the order. The signed Purchase Order is then sent to the Fiscal Management Department for processing of payment.
 8. If the receipted in item is considered an asset, the item must remain in the Warehouse until it has been tagged by a member of the Fiscal Management Department.
- B. For check and cash transactions at Evansville State Hospital, the following processes must be followed with each transaction:
1. All check and deposit transactions are to be photo copied prior to depositing.
 2. When collecting cash money, including meal tickets, return of shoppers money, etc., at least two Fiscal Management Department staff members are to count, verify, and initial receipts. This process is to ensure accurate and efficient money counts.
 3. Account Clerks who write checks are to forward the check to the Fiscal Management Director or authorized Executive Staff member to sign off on the check. All documentation is then forwarded to the Assistant Superintendent / Director of Operations for administrative oversight and initialing.
 4. Under no circumstances should the staff person who is writing the check be the same staff person signing the check.
 5. When any type of cash is turned in to cover employee incurred expenses, such as personal faxes, personal copies, etc., a receipt must be written out for the transaction. Both the employee turning in cash and a member of the Fiscal Management Department must sign, initial, and date the receipt to verify the amount received.

Attachments:

No Attachments

Approval Signatures

Approver

Date

Jeffrey Wedding: Broad Band Executive 11/2018

Approver	Date
Gene Schadler: Broad Band Executive	11/2018
Jeffrey Wedding: Broad Band Executive	11/2018

COPY

EVANSVILLE STATE HOSPITAL
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jennifer Byam, former Business Administrator:			
Patient Trust Fund Discrepancies, pages 3 and 4	\$ 12,102.73	\$ -	\$ 12,102.73
Employee Recognition Fund Discrepancies, page 5	<u>2,254.56</u>	<u>-</u>	<u>2,254.56</u>
 Total	 <u>14,357.29</u>	 <u>-</u>	 <u>14,357.29</u>
 Special Investigation Costs, page 6	 <u>12,082.14</u>	 <u>-</u>	 <u>12,082.14</u>
 Totals	 <u>\$ 26,439.43</u>	 <u>\$ -</u>	 <u>\$ 26,439.43</u>

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

(This page intentionally left blank.)

AFFIDAVIT

STATE OF INDIANA)
)
Daviess COUNTY)

We, Gina Gambaiani and Jonathan Bennington, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Evansville State Hospital, Vanderburgh County, Indiana, for the period from July 1, 2017 to September 30, 2018, is true and correct to the best of our knowledge and belief.

Gina Gambaiani

Jonathan Bennington
Field Examiners

Subscribed and sworn to before me this 27 day of February, 2019

Tamara J. Swartztruber
Notary Public

My Commission Expires: 10-30-2021

County of Residence: Daviess

