
REPORT DIGEST

CHICAGO READ MENTAL HEALTH CENTER

LIMITED SCOPE COMPLIANCE EXAMINATION

For the Two Years Ended:
June 30, 2009

Summary of Findings:

Total this audit	4
Total last audit	2
Repeated from last audit	1

Release Date:
June 29, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

To obtain a copy of the Report contact:
Office of the Auditor General
Iles Park Plaza
740 E. Ash Street
Springfield, IL 62703
(217) 782-6046 or TTY (888) 261-2887

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SYNOPSIS

- ◆ The Center did not maintain adequate control over locally held funds.
- ◆ The Center did not maintain adequate controls over its accounts receivable.

{Expenditures and Activity Measures are summarized on the reverse page.}

CHICAGO READ MENTAL HEALTH CENTER
LIMITED SCOPE COMPLIANCE EXAMINATION
For The Two Years Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008	FY 2007
Total Expenditures (All Appropriated Funds).....	\$30,154,441	\$30,581,706	\$28,725,510
OPERATIONS TOTAL	\$30,134,441	\$30,186,846	\$28,328,836
% of Total Expenditures.....	99.9%	98.7%	98.6%
Personal Services	\$21,276,764	\$22,011,510	\$21,330,093
% of Operations Expenditures.....	70.6%	72.9%	75.3%
Average No. of Employees.....	293	305	311
Average Salary Per Employee	\$72,617	\$72,169	\$68,586
Other Payroll Costs (FICA, Retirement).....	\$5,961,846	\$5,171,563	\$3,949,812
% of Operations Expenditures.....	19.8%	17.1%	13.9%
Contractual Services	\$2,034,913	\$2,081,469	\$2,223,336
% of Operations Expenditures.....	6.8%	6.9%	7.9%
Commodities	\$539,749	\$570,720	\$481,774
% of Operations Expenditures.....	1.8%	1.9%	1.7%
All Other Items	\$321,169	\$351,584	\$343,821
% of Operations Expenditures.....	1.0%	1.2%	1.2%
GRANTS TOTAL	\$20,000	\$394,860	\$396,674
% of Total Expenditures.....	.1%	1.3%	1.4%
Cost of Property and Equipment	\$27,308,604	\$27,009,364	\$26,936,743
SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008	FY 2007
Average Number of Residents.....	128	131	121
Ratio of Employees to Residents	2.29/1	2.33/1	2.57/1
Paid Overtime Hours & Earned Compensatory Hours	58,014	83,354	87,987
Value of Paid Overtime Hours & Earned Compensatory Hours.....	\$2,201,292	\$3,100,647	\$3,217,389
Cost Per Year Per Resident	*	\$296,617	\$282,258
*The Department had not calculated this cost at the close of audit fieldwork.			
FACILITY ADMINISTRATOR			
During Examination Period: Elaine Novak (12/1/97 – 6/30/09) Currently: Acting Hospital Administrator: Mr. Robert Petkofski			

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROL OVER LOCALLY HELD FUNDS

The Center did not maintain adequate control over locally held funds.

The Center did not prepare accurate quarterly “Reports of Receipts and Disbursements” (Form C-17) for Locally Held Funds for 6 of 8 (75%) quarters. Some of the errors noted are as follows:

Resident Trust Fund FY 2009 receipts were understated by \$6,203 and disbursements were understated by \$11,613

- The Resident Trust Fund Fiscal Year 2009 receipts were understated by \$6,203 and disbursements were understated by \$11,613.

The Other Special Trust Funds Fiscal Year 2008 receipts were understated by \$18,403; disbursements were understated by \$18,401; and cash on hand and in banks was overstated by \$97. The Fiscal Year 2009 receipts were understated by \$296 and cash on hand and in banks was understated by \$100.

- The Center did not record some locally held fund transactions timely and did not record some transactions at all: (1) The Center did not record eight transactions totaling \$56,499. (2) The Center did not record five transactions timely, totaling \$1,840.
- The Center did not reconcile locally held fund bank account balances to fund balances summarized in the fund accounting system to ensure the accurate quarterly reporting of locally held funds.

Lack of reconciliations performed

Some of the other problems noted during our testing were as follows:

Duties were not properly segregated

- The Center did not segregate duties of reconciling cash on hand. During the examination period, no person other than the authorized custodian of locally held funds performed reconciliations of cash on hand for all four funds.

The Trust Fund Custodian was commingling cash between local fund cash boxes

- We noted that the Trust Fund Custodian regularly commingled cash between local fund cash boxes when making disbursements and would forget to replace commingled cash into the correct box. These errors would go uncorrected until the Custodian performed the cash reconciliations.

33 Social Security Administration checks were not delivered to patients or returned to the Social Security Administration

- During our observation of the Trust Fund Office, we noted thirty three United States, Department of Treasury, Social Security Administration checks received on behalf of residents had accumulated in a cash box in the Trust Fund Vault. One of the thirty-three checks was opened, amounting to \$21,351, and was dated November 1, 2006. The checks should have been delivered to patients or returned to the Social Security Administration.
- 16 of 33 (48%) receipts tested, totaling \$10,899, were deposited between 1 and 11 days late. In addition, the Center did not maintain a receipt date for one of the 33 receipts tested, totaling \$5,150; therefore it could not be determined if the receipt was deposited timely. (Finding 1, pages 9-12)

We recommended that the Center follow SAMS Procedures and implement the necessary internal controls to ensure the proper accountability, recording and reporting of locally held funds. We also recommended that the Center adhere to the Public Funds Deposit Act and deposit locally held fund receipts within two working days. Additionally, we recommended that the Center follow its procedures and deliver Social Security checks to residents or return them to the Social Security Administration within 30 days.

Department officials agreed with the auditors

Department officials agreed with the recommendations and stated that the Center will develop a process to provide the Business Office Administration oversight and leadership.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Center did not maintain adequate controls over its accounts receivable.

During our testing we noted the following:

- The Center did not send a “Notice of Determination” (Form IL 462-0612) to the recipient within 30 days of the recipient’s admission for 3 of 25 (12%) accounts receivable files tested. The notices were sent 6 to 9 days late.
- The Center did not report 6 of 25 (24%) accounts receivable tested totaling \$34,656, as problem accounts to the DHS Central Office in a timely manner for outstanding receivables greater than 180 days. Receivables were reported between 23 and 463 days late. (Finding 2, pages 13-14) **This finding, or variations thereof, was first reported in 2003.**

We recommended that the Center follow the Department of Human Services Administrative Directives policies and procedures to ensure accounts receivable are collected in a timely manner.

Department officials agreed with our recommendation and stated that the Center has developed a process to follow the Department of Human Services Administrative Directives, policies and procedures. (For previous agency response, see Digest footnote #1)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Center. We will review the Center’s progress toward the implementation of our recommendations in our next limited scope compliance examination.

AUDITORS' OPINION

We conducted a compliance examination of the Center as required by the Illinois State Auditing Act. This was a limited scope compliance examination. The Center's accounting records will be covered by the audit of the entire Department of Human Services. The financial statement for the Department will be presented in that report.

WILLIAM G. HOLLAND, Auditor General

WGH:TLK:PP

SPECIAL ASSISTANT AUDITORS

This limited scope compliance examination was conducted by the Auditor General's staff.

DIGEST FOOTNOTES

#1- INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE - Previous Agency Response

2007: Agreed. The certification and signature by patient form (CS) are now part of the admission packet and being completed at the time of admission. Patient Resource Unit is now under the Health Information Department. Staff will provide assistance to Reimbursement Officer in completing notice of determination. Also, assistance will be provided in filing the report to the Central Office concerning collection problems.