

REPORT DIGEST

**CHICAGO READ MENTAL HEALTH CENTER
FINANCIAL AND COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1993**

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

OVERSTATEMENT OF PATIENT RECEIVABLES BALANCE

The Center's accounts receivable balance at June 30, 1993 may be overstated by as much as \$400,000 due to duplicate billings.

The Center has various alternatives for collecting receivables for patient services. When potential payers are identified (patient, insurance company, responsible relative, etc.) and the party is billed, the receivable is recorded. The result is that the same receivable may be recorded two or three times with different parties being listed as the payer. The system functions in this manner because a receivable must be listed on the Accounts Receivable Transaction Register in order to pursue collection. The Center may not delete the originally entered receivables because pursuit of collection should continue from all possible sources. (Finding 2, page 7)

We recommended the Center work with the Department to revise the patient billing system to eliminate overstatements resulting from duplicate billings. The Center accepted our recommendation.

NONCOMPLIANCE WITH STATUTE GOVERNING PATIENT RESTRAINT

The Center did not comply with statutes governing the use of restraint. As designee for the facility director, the medical director authorized continued restraint requests orally, not with the required written authorization as mandated by State statutes.

The Mental Health and Developmental Disabilities Code (405 ILCS 5/2 - 108(e)) provides that "... once restraint has been employed during one 24 hour period, it shall not be used again on the same recipient during the next 48 hours without the prior written authorization of the facility director." The Center had adopted a policy which allowed verbal authorization. (Finding 4, page 9)

The Center responded that they had implemented our recommendation to modify their Center policy to be consistent with the statutory mandate.

OTHER FINDINGS

The remaining findings are less significant and are being given appropriate attention by the Center and Department officials. We will review the Center's progress towards implementing our recommendations during the next audit.

Mr. Leonard Beck, the Department's Chief Internal Auditor, provided the Center's responses to our recommendations.

OTHER MATTERS

The Center's triennial Joint Commission for Accreditation of Health Care Organizations (JCAHO) accreditation expired July, 1992. JCAHO's full survey assessing the Center's continued compliance with JCAHO standards was conducted in August, 1992. In September, 1993, following a lengthy appeal process, the Center was notified its JCAHO accreditation was denied. JCAHO's decision was based upon the Center not meeting the standards for Physical Plant Technology and Safety. The Center's fire safety, prevention, and detection system was found to be not consistent with today's technology. Upgrading of this system is required before accreditation can be regained.

The loss of JCAHO accreditation impacts the Center in two ways:

- loss of esteem within the health care sector and in the eyes of the public, and
- potential loss of Health Care Financing Administration certification. This determination has not been made.

AUDITORS' OPINION

Our auditors report that the financial statements of the Center's Locally Held Funds at June 30, 1993 and 1992 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:TEE;jr

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	7	5
Repeated audit findings	2	3
Prior recommendations implemented or not repeated	3	9

SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick were our special assistant auditors for this audit.

CHICAGO READ MENTAL HEALTH CENTER
COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

EXPENDITURE STATISTICS	FY 1993	FY 1992	FY 1991
● Total Expenditures (All Funds)	\$39,188,254	\$40,407,244	\$38,607,749
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$39,188,254 100%	\$40,407,244 100%	\$38,607,749 100%
Personal Services % of Operations Expenditures Average No. of Employees	\$31,099,477 79% 781	\$31,795,378 79% 941	\$30,393,272 79% 905
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$3,284,723 8%	\$3,323,767 8%	\$3,243,579 8%
Contractual Services % of Operations Expenditures	\$3,299,263 8%	\$3,506,937 9%	\$3,259,303 8%
All Other Operations Items % of Operations Expenditures	\$1,574,791 4%	\$1,781,162 4%	\$1,711,595 4%
<u>GRANTS TOTAL</u> % of Total Expenditures	-0- 0%	-0- 0%	-0- 0%
● Cost of Property and Equipment	\$53,283,952	\$52,167,748	\$46,053,978

SELECTED ACTIVITY MEASURES	FY 1993	FY 1992	FY 1991
●Average Number of Residents	475	541	505
●Ratio of Employees to Residents	1.64	1.73	1.79
●Cost Per Year Per Resident	\$82,133	\$75,811	\$77,500
●National School Lunch Program Receipts	\$89,006	\$87,060	\$64,491

FACILITY DIRECTOR(S)
During Audit Period: Jon Steinmetz (5/88 - 11/91) Marva Arnold (effective 12/91) Currently: Marva Arnold