
REPORT DIGEST

**JOHN J. MADDEN
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	6
Repeated from last audit	4

Release Date:
June 29, 2010



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

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SYNOPSIS

- The Center had inadequate controls over accounts receivable.
- The Center had inadequate segregation of duties over locally held fund activities.
- The Center had inadequate controls over reporting and recordkeeping of locally held fund activities.

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

JOHN J. MADDEN 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).....	\$32,224,627	\$31,792,966	\$29,324,201
OPERATIONS TOTAL	\$32,224,627	\$31,645,573	\$29,176,808
% of Total Expenditures.....	100%	99.5%	99.5%
Personal Services	\$23,128,684	\$23,523,053	\$22,331,615
% of Operations Expenditures.....	71.8%	74.3%	76.5%
Average No. of Employees.....	295	315	321
Average Salary Per Employee	\$78,402	\$74,676	\$69,569
Other Payroll Costs (FICA, Retirement).....	\$6,490,006	\$5,509,727	\$4,129,352
% of Operations Expenditures.....	20.2%	17.4%	14.1%
Contractual Services	\$1,778,568	\$1,720,857	\$1,768,298
% of Operations Expenditures.....	5.5%	5.4%	6.1%
Commodities	\$494,300	\$561,219	\$457,971
% of Operations Expenditures.....	1.5%	1.8%	1.6%
All Other Items	\$333,069	\$330,717	\$489,572
% of Operations Expenditures.....	1.0%	1.1%	1.7%
GRANTS TOTAL	-----	\$147,393	\$147,393
% of Total Expenditures.....	-----	0.5%	0.5%
Cost of Property and Equipment	\$24,919,789	\$24,740,977	\$24,446,007

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008	FY 2007
Average Number of Residents.....	137	138	136
Ratio of Employees to Residents	2.15/1	2.28/1	2.36/1
Paid Overtime Hours & Earned Compensatory Hours	65,394	71,375	76,163
Value of Paid Overtime Hours & Earned Compensatory Hours	\$2,458,252	\$2,672,730	\$2,688,815
Cost Per Year Per Resident	*	\$304,801	\$278,192

*Department had not calculated at close of fieldwork.

FACILITY DIRECTOR
During Audit Period: Gustavo Espinosa Currently: Gustavo Espinosa

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER ACCOUNTS
RECEIVABLE**

The Center had inadequate controls over identifying a patient's ability to pay and following-up on accounts receivable.

**Failure to maintain complete
patient financial case records**

The Center did not maintain complete patient financial case records to support the initial setup of the patient's receivable in the billing system.

- 10 of 25 (40%) accounts receivable tested did not have all required documentation in the patient financial case record. These accounts receivables totaled \$88,469.

**Failure to complete notices
within 60 days of admittance**

The Center did not complete the "Notice of Determination" within 60 days of admittance or did not complete it timely.

- 7 of 25 (28%) accounts receivable tested totaling \$42,246 did not have a "Notice of Determination" on file and 7 of 25 (28%) tested totaling \$15,688 were not completed timely (24 to 663 days after the 60-day period from date of admittance).

**Failure to follow-up on
accounts receivable**

The Center did not follow-up on accounts receivable over 180 days old or report them as collection problems to Central Office.

- 11 of 25 (44%) accounts receivable tested totaling \$71,916 did not have a "Collection Activities Delinquent Notice" form on file supporting follow-up on all accounts receivable up to 180-days.
- 16 of 25 (64%) accounts receivable tested were outstanding over 180 days and not reported to DHS Central Office. These receivables totaled \$138,284. Another receivable outstanding over 180 day totaling \$13,080 did not pertain to a Center's patient. (Finding 1, pages 9-11)

Center agrees with auditors

Department Officials agreed with our recommendation that the Center comply with existing policies and procedures to process and collect amounts owed. Department officials stated the facility has made significant effort and progress to hire the positions necessary to complete Notice of Determinations in a timely manner and forward account receivables over 180 days old to the Department's Bureau of Collections.

INADEQUATE SEGREGATION OF DUTIES AND MANAGEMENT OVERSIGHT OF LOCALLY HELD FUNDS

Inadequate segregation of duties

The Center had inadequate segregation of duties over locally held fund activities. In addition, the monitoring system includes ineffective management oversight which does not take into account procedures that will prevent or detect misstatements in a timely manner. Our review of locally held funds revealed the following:

- The Trust Fund Custodian was responsible for expenditure processing, cash receipt processing, and expenditure and receipt reconciliation of locally held funds.
- Locally held fund receipts and disbursements were commingled. (Finding 2, pages 12-13)

Center agrees with auditors

Department officials agreed with our recommendation that the Center establish internal control procedures to segregate duties within the locally held funds.

INADEQUATE CONTROLS OVER LOCALLY HELD FUNDS

The Center had inadequate controls over reporting and recordkeeping of locally held fund activities.

Locally held fund balances of Center did not agree with Department balances

- Locally held fund balances per the Report of Receipts and Disbursements of Locally Held Funds (Form C-17), which is required to be filed with the State's Comptroller, did not agree to the Department's Trust Fund System balances nor to the reconciled bank balances.

Center disbursements and income were not recorded in the Department's system

- Discrepancies between the Department's Trust Fund System balances and bank balances were due to deficiencies in recordkeeping. Specifically, a disbursement of \$108 related to patient activities and interest income as of June 20, 2008 and 2009, \$685 and \$99 respectively, were not recorded in the Department's system. (Finding 3, pages 14-15)

Center agrees with auditors

Department officials agreed with our recommendation that the Center strengthen controls over locally held fund reporting, recordkeeping, and receipts and disbursements and stated that the Center will strengthen controls and every attempt will be made to enforce the procedures in place.

OTHER FINDINGS

Another finding dealt with control over voucher processing. We will review the Center's progress toward implementation of all our recommendation in our next examination.

AUDITORS' OPINION

We conducted a compliance attestation examination of the Center as required by the Illinois State Auditing Act. We also performed certain auditing procedures with respect to the accounting records of the Center to assist with the financial audit of the entire Department of Human Services. Financial statements for the Department will be presented in that report.

WILLIAM G. HOLLAND, Auditor General

WGH:KMC:drh

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Prado & Renteria, P.C.