
REPORT DIGEST

**CLYDE L. CHOATE
MENTAL HEALTH AND
DEVELOPMENTAL
CENTER**

**LIMITED SCOPE
COMPLIANCE
EXAMINATION**

For the Two Years Ended:
June 30, 2009

Summary of Findings:

Total this audit: 6
Total last audit: 7
Repeated from last audit: 6

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 did not complete an adequate year-end physical inventory and did not sufficiently maintain perpetual commodities inventory records.
- The Center lacked adequate internal controls and documentation for the operation of their locally held funds.
- The Center lacked adequate internal controls and documentation over their receipts.

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

CLYDE L. CHOATE MENTAL HEALTH AND DEVELOPMENTAL CENTER
LIMITED SCOPE COMPLIANCE EXAMINATION
For The Two Years Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008	FY 2007
• Total Expenditures (All Funds).....	\$39,622,373	\$39,652,478	\$36,590,859
<u>OPERATIONS TOTAL</u>	\$39,584,973	\$39,572,578	\$36,463,399
% of Total Expenditures.....	99.91%	99.80%	99.65%
Personal Services	\$27,455,354	\$28,301,881	\$27,026,362
% of Operations Expenditures.....	69.36%	71.52%	74.12%
Average No. Of Employees.....	486	502	511
Average Salary Per Employee.....	\$56,492	\$56,378	\$52,889
Other Payroll Costs (FICA, Retirement)	\$7,773,618	\$6,747,752	\$5,073,333
% of Operations Expenditures.....	19.64%	17.05%	13.91%
Commodities.....	\$1,809,610	\$1,549,483	\$1,400,265
% of Operations Expenditures.....	4.57%	3.92%	3.84%
Contractual Services.....	\$2,214,751	\$2,576,810	\$2,545,235
% of Operations Expenditures.....	5.59%	6.51%	6.98%
All Other Items.....	\$331,640	\$396,652	\$418,204
% of Operations Expenditures.....	0.84%	1.00%	1.15%
<u>GRANTS TOTAL</u>	\$37,400	\$79,900	\$127,460
% of Total Expenditures.....	0.09%	0.20%	0.35%
• Cost of Property and Equipment.....	\$50,776,129	\$50,455,976	\$49,738,130
• Cost of Inventories on hand.....	\$709,170	\$387,156	\$381,496

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008	FY 2007
• Average Number of Residents.....	210	229	248
• Ratio of Employees to Residents	2.3 to 1	2.2 to 1	2.1 to 1
• Total value of paid overtime hours and earned compensatory hours during fiscal year.....	\$4,010,206	\$3,974,460	\$3,702,712
• Cost Per Year Per Resident	*	\$220,518	\$194,577

* The Department had not calculated this figure as of the end of fieldwork.

CENTER DIRECTOR
During Audit Period: Ms. Janice Farmer, Center Director Currently: Mr. Jamie Veach, Acting Center Director

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE INVENTORY CONTROLS AND RECORDS

The Center did not complete an adequate year-end physical inventory and did not sufficiently maintain perpetual commodities inventory records.

During our testing of the Center's commodity inventory records we noted deficiencies. Some of the problems noted follow:

15 of 23 items tested required an adjustment to write-down inventory

- Fifteen of the twenty-three (65%) items tested in the general store required an adjustment to the Commodity Status report to write-down inventory. The frequent write-down of food inventory suggests that items are being removed from the food store without appropriate requisitions.

Pharmacy inventory did not reconcile to the agency commodity status report

- Ten of the twenty-five (40%) items tested pertaining to non-controlled substances maintained by the Pharmacy did not reconcile back to the agency commodity status report.

Pharmacy inventory did not agree to the Center's physical inventory count records

- Four of the twenty-five (16%) items tested pertaining to non-controlled substance inventory maintained by the Pharmacy did not agree to the Center's physical inventory count records.

General store inventory was not well maintained

- Inventory was not well maintained in the general store. Inventory items were not stored in an orderly manner and the same items were often stored in multiple locations. (Finding 1, pages 9-10)

We recommended the Center develop and implement internal control procedures to ensure that a complete and accurate physical inventory is performed at the end of each fiscal year with staff who are independent but knowledgeable of the Center's inventory procedures. Further, the Center should develop procedures to ensure the

store inventories are better organized while being maintained in an effort to reduce deterioration.

Center officials agree with auditors

Center officials agreed with our recommendation and stated the Center will implement necessary internal control procedures to ensure that a complete and accurate physical inventory is performed at the end of each fiscal year with staff who are independent but knowledgeable of the Center's inventory procedures. Center officials also stated the Center will use other staff to assist in the annual inventory and will develop a process to ensure the store inventories are better organized while being maintained in an effort to reduce deterioration. Center officials further stated monthly counts of 10% of each store will be conducted; and the storekeeper for each individual store will guide in the annual inventory count.

INADEQUATE CONTROLS OVER LOCALLY HELD FUNDS

The Center lacked adequate internal controls and documentation for the operation of their locally held funds. During our testing of the Center's locally held funds, we noted the following deficiencies:

- One of the four (25%) accounts in the Resident Trust Fund did not reconcile to the Center's trial balance at June 30, 2008 as well as June 30, 2009. Variances of \$474 and \$458 were reported for 2008 and 2009, respectively. Per Center personnel, the \$458 has been an ongoing variance for a number of months.
- Three of forty (8%) quarterly reconciliations did not agree to the Center's Report of Receipts and Disbursements for Locally Held Funds (Form C-17). All three of the discrepancies were within the Resident Trust Fund.
- During our testing of the Patient Travel Trust Fund, we noted that the individual that maintains the Center's records and balance for the fund is also the same individual that counts the cash-on-hand and reconciles the fund. (Finding 2, pages 11-12)

Resident Trust Fund did not reconcile to the Center's trial balance

Quarterly reconciliations did not agree to the Center's Report of Receipts and Disbursements for Locally Held Funds

Inadequate segregation of duties

We recommended the Center develop and implement

procedures to ensure proper management review and approval of the Center's fund reconciliation and Form C-17 reports to verify they are mathematically correct, include the appropriate components, and that they agree to ensure accurate data is reported. Also, the Center should develop and implement procedures to ensure that adequate segregation of duties over locally held funds are maintained. Specifically, the Center should have an individual independent of the Patient Travel Trust Fund recordkeeping function perform the Patient Travel Trust Fund cash-on-hand reconciliation.

Center officials agree with auditors

Center officials agreed with our recommendation and stated the Center will develop and implement necessary procedures to ensure proper management review and approval of the Center's fund reconciliation and Form C-17 reports to verify they are mathematically correct and ensure accurate data is reported. Center officials also stated the Center implemented a process to ensure the accountant supervisor will oversee or prepare all C-17 reports in a timely fashion, and the documents will be verified by other accounting staff. The Business Administrator will be the primary dispenser for the Patient Travel Fund.

NEED TO IMPROVE CONTROLS OVER RECEIPTS

The Center lacked adequate internal controls and documentation over their receipts. During our examination of compliance over receipts, we noted the following:

Books and records were not maintained

- The Center did not maintain books or records of receipts and refunds deposited with the State for FY08 and FY09.

Failure to perform monthly reconciliations

- The Center did not perform monthly reconciliations of agency reports to the Comptroller's records for FY08 and FY09.

Receipts and refunds were not timely deposited

- Six of ten (60%) miscellaneous cash receipts tested, totaling \$3,191, were deposited three to 23 days late.
- Eight of the ten (80%) refunds tested, totaling \$997, were deposited 19 to 76 days late. (Finding 4, pages 15-16)

We recommended the Center develop and implement procedures to ensure that receipts and refunds are documented when they are received and that they are remitted to the State according to the State Officers and Employees Money Disposition Act.

Center officials agreed and stated the Center will develop a process to retain copies of receipts and also maintain an ongoing log book of receipts and refunds received at the Center. All payments received will be promptly deposited and within the prescribed time frame according to the State Officers and Employees Money Disposition Act.

OTHER FINDINGS

Department and Center management indicated that they are addressing the remaining findings and taking appropriate corrective action. We will review the Center's progress toward implementation of our recommendations in our next compliance examination.

AUDITORS' REPORT

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

WILLIAM G. HOLLAND, Auditor General

WGH:acn

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Kemper CPA Group, LLP.