

## **REPORT DIGEST**

### **ANDREW McFARLAND MENTAL HEALTH CENTER COMPLIANCE AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1995**

#### **SYNOPSIS**

Our report contains two findings which involve some inadequacy in the Center's internal control structure and its operations:

- The facility's accounting control systems do not provide proper segregation of duties for the locally held funds and commodity control system.
- The facility's inventory was not organized in an orderly fashion to ensure an accurate physical count.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **INADEQUATE SEGREGATION OF DUTIES**

The Center's accounting control systems do not provide a proper segregation of duties with respect to the recordkeeping, cash receipts and physical custody of assets for the locally held funds and the commodity control system. Employees assigned to maintain the accounting records also have access to the assets and have the opportunity to make changes to the records without the knowledge or approval of others.

Generally accepted internal control procedures require the physical custody and recordkeeping functions of assets be performed by different individuals. Facility management have not segregated these activities because they were not aware these activities are incompatible. (Finding 1, page 8)

Center management accepted the recommendation that duties assigned to individuals in the accounting department be reassigned to ensure a proper segregation of duties is achieved. In addition, Center management agreed to review and approve non-routine adjusting entries.

### **UNRELIABLE PHYSICAL INVENTORY COUNTING PROCEDURES**

We noted problems with inventory counting procedures. Obsolete inventory item numbers were used on the shelves, similar items were stored in more than one location, empty boxes were intermingled with full boxes stacked on pallets, employees counting freezer items did not wear jackets, nor were items removed from the freezer to perform the counting in a comfortable unhurried manner. Furthermore, inventory test counts were altered by Center personnel after the inventory was completed.

Inventory counts are used to establish the existence and accuracy of reported inventory balances and are management's only means of determining the amount and frequency of shortages, overages and transaction processing errors. The weakness in the physical inventory counting process appears to be caused by the lack of guidelines provided to staff. (Finding 2, page 10)

Center management accepted our recommendation that appropriate written instructions be provided to the staff and adequate staffing be provided. In addition, the inventory stores area should be reorganized so inventory quantities can be easily identified.

### **OTHER FINDING**

The other finding in our report is of less significance and has been given appropriate attention by Center management. We will review the Center's progress towards implementation of our recommendation in our next audit.

Mr. Leonard Beck, Chief Internal Auditor for the Department of Mental Health and Developmental Disabilities, provided the Center responses to our findings and recommendations.

## **AUDITORS' OPINION**

We conducted a compliance audit 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 single audit of the entire Department. Department-wide financial statements will be presented in our audit of the Central Office.

\_\_\_\_\_ WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

## **SUMMARY OF AUDIT FINDINGS**

Number of This Audit Prior Audit

Audit findings 33

Repeated audit findings 10

Prior recommendations implemented  
or not repeated 22

## **SPECIAL ASSISTANT AUDITORS**

Martin & Shadid, CPAs were our special assistant auditors for this audit.

**ANDREW McFARLAND MENTAL HEALTH CENTER**  
**COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1995**

<b>EXPENDITURE STATISTICS</b>	<b>FY 1995</b>	<b>FY 1994</b>	<b>FY 1993</b>
● <b>Total Expenditures (All Funds)</b>	<b>\$10,989,411</b>	<b>\$10,452,501</b>	<b>\$9,560,407</b>
<u>OPERATIONS TOTAL</u> % of <b>Total</b> Expenditures	\$10,977,611 99.9%	\$10,440,701 99.9%	\$9,548,607 99.9%
Personal Services % of Operations Expenditures Average No. of Employees	\$8,100,273 73.8% 228	\$7,508,765 71.9% 227	\$6,957,996 72.9% 219
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$913,582 8.3%	\$859,058 8.2%	\$800,383 8.4%
Contractual Services % of Operations Expenditures	\$1,520,474 13.9%	\$1,638,586 15.7%	\$1,394,062 14.6%
All Other Operations Items % of Operations Expenditures	\$443,282 4.0%	\$434,292 4.2%	\$396,166 4.1%
<u>GRANTS TOTAL</u> (LIVING SKILLS PROGRAM) % of <b>Total</b> Expenditures	\$11,800 0.1%	\$11,800 0.1%	\$11,800 0.1%
● <b>Cost of Property and Equipment</b>	<b>\$15,162,053</b>	<b>\$14,398,941</b>	<b>\$13,850,770</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>FY 1995</b>	<b>FY 1994</b>	<b>FY 1993</b>
●Average Number of Residents Per Year	141	147	138
●Cost Per Day Per Residents	\$316	\$249	\$226
●Cost Per Year Per Resident	\$115,283	\$90,975	\$82,624
●National School Lunch Program Receipts	\$0	\$10,060	\$20,734

<b>FACILITY DIRECTOR(S)</b>
During Audit Period: Gail S. Huecker, MSSW, resigned Currently: Cathy Yeaman, Acting Director