



**DEPARTMENT OF MENTAL HEALTH
BELLEFONTAINE HABILITATION CENTER**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-120
December 31, 2002
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AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2002

The following problems were discovered as a result of an audit conducted by our office of the Department of Mental Health, Bellefontaine Habilitation Center.

Non-appropriated client and facility monies are deposited into a fiduciary checking account that is maintained by personnel at the Bellefontaine Habilitation Center (BHC). All transactions and balances are maintained on the Non-appropriated Funds System (NAFS). BHC personnel are responsible for depositing receipts, disbursing funds, and reconciling the NAFS accounts for the BHC, St. Louis Developmental Disabilities Treatment Centers (SLDDTC), and the St. Louis Regional Center (SLRC). Our audit noted the following concerns:

- NAFS bank statement reconciliations for the BHC, SLDDTC, and SLRC contained over \$117,000 in adjustments. Adjustments are made to force bank statement balances to agree to the facilities' book balances and are not thoroughly reviewed or investigated.
- Bank statement reconciliations for the BHC, SLDDTC, and SLRC contained more than \$360,000 in outstanding checks. More than 100 of these checks were more than one year old.
- NAFS personnel do not perform monthly reconciliations of Mental Health Trust Fund (MHTF) balances.

The proper disposition of monies in a NAFS holding account at the BHC is unknown. NAFS personnel cannot provide a listing of clients who are entitled to \$22,981 of client monies in the holding account. Also, there is \$2,983 in miscellaneous subaccounts within the holding account that are unidentified.

Proper documentation is not maintained for all disbursements from the NAFS. Numerous NAFS checks were made payable to a local bank for cash. Because making checks payable to banks for cash increases the risk of misuse of monies, this practice should be prohibited.

North County Industries (NCI) is a not-for-profit corporation located on the grounds of the BHC to assist individuals in developing marketable skills and good work habits. Although NCI is set up as a private not-for profit corporation, its operations are primarily overseen by BHC personnel, who are paid from state monies. The total salaries paid to the 13 employees for time worked at NCI, from state funds, for the year ended June 30, 2002, was approximately \$234,000.

(over)

YELLOW SHEET

The BHC also provides NCI with five vehicles, fuel for these vehicles, utilities, and a facility on the BHC campus. In addition, during the year ended June 30, 2002, NCI billed BCH over \$13,150, for work that BHC clients, in the NCI program, performed on the campus. The Missouri Constitution prohibits the donation of public funds to a private corporation.

The Bellefontaine Habilitation Center's policy requires all client incidents and injuries be recorded, reviewed, and appropriately acted upon. Our review of ten incident and injury report files revealed the following concerns:

- All ten files contained at least two documents that were incomplete.
- None of the ten files contained any evidence of follow-up or disposition on the incident or injury.

Proper documentation is not maintained for all certified medical technicians. This certification is required for all employees who administer medications to clients. Upon our request for a current listing of medical technicians, personnel noted the listing contained more than 40 employees that no longer worked at the BHC. Documentation of meeting certification requirements was not kept for 139 technicians on the listing and 56 technicians on the listing had expired certifications.

The BHC has approximately 87 state-owned vehicles that are primarily used to transport clients, move goods between campus facilities and for employee travel. We noted vehicle logs were either incomplete or not used by some departments in accordance with BHC policy and that current check-out procedures do not provide adequate control over state-owned vehicles. Additionally, 45 of 87 vehicles were driven less than 5,000 miles during the year ended June 30, 2001. Low mileage can often indicate that a facility has too many vehicles or that a facility does not efficiently utilize vehicles.

The audit report also includes some other matters related to timekeeping procedures, employee recognition fund procedures, fire evacuation drills, and general fixed assets upon which the center should consider and take appropriate corrective action.

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DEPARTMENT OF MENTAL HEALTH
BELLEFONTAINE HABILITATION CENTER

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Mental Health Commission
and
Dorn Shuffman, Director
Department of Mental Health
and
Ralph J. Sneed, Ph.D., Deputy Director/Acting Superintendent
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Bellefontaine Habilitation Center
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We have audited the Department of Mental Health, Bellefontaine Habilitation Center. The scope of this audit included, but was not necessarily limited to, the two years ended June 30, 2002 and 2001. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain expenditures made by the Bellefontaine Habilitation Center.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the facility's expenditures, rules, regulations, and other pertinent procedures and documents, and interviewed various personnel of the Bellefontaine Habilitation Center.

As part of our audit, we assessed the facility's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the facility's management and the Statewide Advantage for Missouri (SAM II) system and was not subjected to the procedures applied in the audit of the Department of Mental Health, Bellefontaine Habilitation Center.

The Department of Mental Health Region XI is a consolidation of the St. Louis Regional Center, St. Louis Developmental Disabilities Treatment Centers, and the Bellefontaine Habilitation Center. The accompanying Management Advisory Report presents our findings arising from our audit of the Bellefontaine Habilitation Center. An audit report has been issued for the St. Louis Regional Center and for the St. Louis Developmental Disabilities Treatment Centers.



Claire McCaskill
State Auditor

August 16, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DEPARTMENT OF MENTAL HEALTH
BELLEFONTAINE HABILITATION CENTER
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Client Safety and Well-Being
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- A. The Bellefontaine Habilitation Center's (BHC) policy requires all client incidents and injuries be recorded, reviewed, and appropriately acted upon. BHC policy also requires instances of alleged abuse or neglect be reported to the Quality Assurance department.
- 1) The policy assigns the Assistant Superintendent of Habilitation with the responsibility of ensuring appropriate corrective action is taken for each incident or injury. Furthermore, the policy requires the department's Data Processing Coordinator to maintain an automated database of these reports and prepare monthly reports to be submitted to the Quality Assurance Officer for analysis. Our review of ten incident and injury report files revealed the following concerns:
- a. All ten files contained at least two documents that were incomplete. Some of the significant information omitted from the documents included the location of the injury on the client's body, the names of the individuals notified about the client's incident or injury, and the signatures of Quality Assurance personnel indicating their review of the incident. In addition, six files contained documents that were not signed. Therefore, we could not determine who completed these documents.
 - b. Two of ten incidents (20 percent) reviewed were not posted to the Department of Mental Health's (DMH) database. This database is used to collect and analyze incident data to track follow-up and quality improvement activities. These incidents occurred in February and March 2002.
 - c. None of the ten files contained any evidence of follow-up on the incident or injury. In many cases, the disposition of the incident or injury was not documented. For example, one incident report was filed because an employee left clients in an unattended, locked home. However, there was no documentation in the file to suggest the employee was disciplined. Furthermore, it was indicated that neglect was not suspected, even though one of the clients in the unattended home required direct supervision from no more than 15 feet away at all times.

- d. Photographs of clients' injuries could not be located in four of seven applicable files (57 percent).
 - e. Reference numbers were not assigned to incident or injury reports. BHC policy requires personnel to assign a single document reference number to each incident and injury report. Furthermore, the policy requires all other related documents to be cross-referenced with the same document number.
- 2) BHC personnel initiate an investigation of alleged abuse or neglect incidents and report the results to the Board of Inquiry. Members of this board make recommendations to the Superintendent based upon the investigation reports. The Superintendent is responsible for the final disposition of each case. Five of ten abuse and neglect files (50 percent) reviewed contained incomplete documents. Some items omitted from the files included required incident and injury reports and follow-up on dispositions and recommendations.

It is imperative that personnel comply with BHC policy to ensure the safety and well-being of each client. All incident and injuries as well as alleged abuse and neglect incidents should be thoroughly documented and reviewed as required. In addition, all dispositions should be clearly documented and maintained in the clients' files.

- B. Proper documentation is not maintained for all certified medical technicians. The DMH and BHC policies require employees who administer medication to clients be certified under standards established by the Department of Elementary and Secondary Education. Employees must complete a written examination and administer medication under observation before obtaining certification. In addition, employees must be re-certified every two years.

Personnel within the Superintendent's office are currently responsible for monitoring the certification of medical technicians. The BHC's policy requires personnel to maintain a current listing of all medical technicians, including the term of certification as well as specific documentation, such as written examination scores. Upon our request for a current listing of medical technicians, personnel noted the listing contained more than 40 employees that no longer worked at the BHC, so a new listing was compiled. Our review of the revised listing, dated June 10, 2002, which included approximately 208 certified medical technicians, noted the following:

- 1) There was no supporting documentation for 139 (67 percent) technicians on the listing. Personnel did not maintain written test scores or clinical observation sheets for these technicians.

- 2) Numerous technicians' certification had expired. Fifty-six (27 percent) technicians' certification terms had ended, and there was no support to show the technicians had been re-certified as required by policy.
- 3) The term of certification was not listed for eight (4 percent) technicians. It could not be determined whether or not these technicians were properly certified.

Personnel stated that these exceptions appeared to be simply a lack of adequate record keeping and that the technicians were properly certified. Because of the lack of documentation, we could not verify the certification of numerous medical technicians. Without adequate documentation, BHC management cannot be assured medications are only being distributed to clients by certified personnel.

- C. It appears that fire evacuation drills were not always conducted as required by BHC policy. The policy requires fire evacuation drills to be conducted during each shift every quarter. Personnel at each client home contact the BHC switchboard operator when a drill is performed. The operator silences the alarm and records the beginning and ending time of the drill in a log book. Personnel conducting the drill then complete the required documentation. This documentation was forwarded to the Fire and Safety Specialist until December 2001. At that time, the specialist retired and the responsibility was given to personnel within the Quality Assurance department.

We determined that for the two quarters ended March 31, 2002, and December 31, 2001, 294 fire evacuation drills should have been performed in client homes. However, fire evacuation drill reports were only submitted for 288 drills, indicating that 6 required drills were not conducted. In addition, 75 (26 percent) of the fire evacuation drills conducted did not trace to an entry in the switchboard operator's log book. We could not determine if the switchboard operator failed to record the drill or if personnel submitted drill reports without actually conducting the drills.

Fire drills should be conducted as required by BHC policy to ensure clients and personnel are properly prepared in case of an emergency.

It is the responsibility of BHC management to ensure the safety and well-being of each client. Immediate attention and follow-up should be given to each of the deficiencies noted above.

WE RECOMMEND BHC management:

- A. Ensure all client incidents are fully documented as required by policy. In addition, BHC management should ensure a complete follow-up is performed and documented for each incident.

- B. Require personnel to maintain written test scores and clinical observations for each medical technician in accordance with policy and strictly monitor certification dates to ensure that only properly certified technicians are administering medication to clients. In addition, BHC management should ensure personnel keep an up-to-date listing of certified medical technicians.
- C. Ensure fire evacuation drills are conducted and properly documented in accordance with BHC policy.

AUDITEE'S RESPONSE

- A. *We concur. BHC has taken appropriate steps to ensure compliance with the policy.*
- B. *We concur. Documentation was incomplete in this area and procedures have been developed to address this problem. However, BHC was able to verify that all staff passing medications were certified.*
- C. *We concur. BHC will properly document fire drills according to BHC policy.*

2. Non-Appropriated Funds System Procedures
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Non-appropriated client and facility monies are deposited into a fiduciary checking account that is maintained by personnel at the BHC. Client monies, such as income and benefits, are used to pay for things such as care, treatment, and personal items. Facility monies, or funds received from fundraisers and donations, are mostly used to purchase items that benefit a group of clients.

All transactions and balances are maintained on the Non-appropriated Funds System (NAFS). BHC personnel are responsible for depositing receipts, disbursing funds, and reconciling the NAFS accounts for the BHC, St. Louis Developmental Disabilities Treatment Centers (SLDDTC), and the St. Louis Regional Center (SLRC). Our review of the NAFS revealed the following serious concerns:

- A. A proper follow-up is not performed on adjustments made on the bank statement reconciliations or on the outstanding check lists. A review of the June 30, 2002, bank statement reconciliations indicated the following:
 - 1) NAFS bank statement reconciliations for the BHC, SLDDTC, and SLRC contained over \$117,000 in adjustments, excluding outstanding checks and deposits in transit.

Entity	Positive Adjustments	Negative Adjustments
BHC	\$ 57,393	\$ 43,691
SLDDTC	0	5,628
SLRC	397	9,955
Total	\$ 57,790	\$ 59,274

Source: NAFS bank statement reconciliations, 06/30/02

Adjustments are made to force bank statement balances to agree to the facilities' book balances. These adjustments are not thoroughly reviewed or investigated. According to personnel, these adjustments are usually due to posting or recording errors. Positive adjustments represent entries that increase the book balance when individual NAFS accounts show less money than shown on the bank statements. Conversely, negative adjustments decrease the book balances when the accounts show more money than shown on the bank statements.

Listings of individual adjustments are maintained for those errors that have been identified; however, some adjustment amounts are simply carried forward because the source of the errors has not been identified. According to these listings, most of the adjustments are made due to keying errors such as:

- monies deposited in the bank but not posted to the NAFS
- check amounts either incorrectly posted or omitted from the NAFS
- client monies incorrectly deposited to the facility account
- receipt amounts incorrectly posted to the NAFS
- checks posted to the NAFS which were actually voided

Since these adjustments had not been reviewed or investigated, we could not verify the propriety of the adjustments made on the bank statement reconciliations. It is imperative that NAFS personnel research individual errors and make the appropriate corrections in the NAFS rather than simply carrying forward the adjustments on the bank statement reconciliation. Ignoring these errors could allow the misuse or theft of NAFS monies to go undetected.

- 2) Bank statement reconciliations for the BHC, SLDDTC, and SLRC contained more than \$360,000 in outstanding checks.

Entity	Outstanding Checks
BHC	\$ 22,731
SLDDTC	37,370
SLRC	300,535
Total	\$ 360,636

Source: Bank statement reconciliations, 06/30/02

There are no procedures in place to follow-up on outstanding checks in a timely manner. Our review noted more than 100 of these checks were more than one year old. The oldest check had been carried forward on the outstanding check list since 1997. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If payees cannot be located, Sections 447.550 through 447.585, RSMo 2000, which relate to unclaimed property, should be used to disburse these monies.

- 3) There is a discrepancy between the actual NAFS book balance at June 30, 2002, and the book balance amount reported on the BHC bank statement reconciliation. The NAFS book, or trial balance report, indicates a balance of \$291,810, while the bank statement reconciliation states a book balance of \$287,810, or a difference of \$4,000.

It appears the discrepancy is partially due to the amount of petty cash reported. The bank statement reconciliation includes an \$8,500 adjustment for petty cash, while the NAFS trial balance reports petty cash of \$4,500. However, neither amount is correct; NAFS personnel maintain petty cash of \$6,000.

It is important to investigate discrepancies between the trial balance report and bank statement reconciliations and make appropriate corrections to ensure all NAFS monies are accounted for properly.

- B. NAFS personnel do not perform monthly reconciliations of Mental Health Trust Fund (MHTF) balances. Facility personnel maintain MHTF balances for their individual institutions, while the DMH maintains records for the MHTF on a department-wide basis. BHC personnel deposit Parent Association donations and other earmarked monies in this fund. We found that the NAFS balances are not reconciled to the DMH balances. As a result, BHC management cannot be assured these monies are accounted for properly, and errors cannot be detected in a timely manner.

At June 30, 2002, NAFS records indicated a MHTF balance for BHC of \$20,896, while DMH records showed a negative balance of \$169. BHC personnel explained that in the past two fiscal years, some MHTF monies were deposited to the state's general fund in error. According to personnel, the monies deposited in error could not be transferred to the MHTF because the fiscal year had ended by the time the errors were discovered. In an attempt to correct the errors, BHC personnel began making MHTF disbursements from the state's general fund. However, adequate documentation was not maintained to show the incorrect amounts deposited to, and subsequently spent from, the state's general fund. Therefore, we could not determine whether the correct amounts were recouped from the state's general fund. In addition, personnel indicated this problem was

now corrected; however, the NAFS balance still does not agree to the DMH balance.

Monthly reconciliations of MHTF balances are necessary to ensure MHTF monies are accounted for properly. If reconciliations had been completed, the errors would have likely been detected and corrected in a timely manner.

- C. More than \$20,270 is maintained in a NAFS holding account at the BHC and the proper disposition of these monies is unknown. The following types of monies make up the holding account balance:

Description	Total
Client monies	\$ 22,981
Theft control accounts	(5,692)
Other	2,983
<u>Total</u>	<u>\$ 20,272</u>

Source: NAFS trial balance, holding account, 06/28/02

- 1) NAFS personnel cannot provide a listing of clients who are entitled to the \$22,981. Personnel indicated that sometimes client benefits are recorded in the holding account if received before a client's individual account is setup. However, once the account is setup, the monies are to be transferred from the holding account to the individual account. Personnel indicated that a significant portion of this balance has been unidentified and carried forward since 1998.
- 2) We were unable to determine what the balance in the "theft control accounts" represent. A former employee stole monies from the NAFS in 1993 and is required to make monthly restitution payments to the BHC. According to NAFS personnel, internal auditors for the DMH setup a subaccount within the holding account to adjust the NAFS for the amount of the stolen funds. However, there are also two other subaccounts which are used to account for the stolen funds. There is a deficit net balance in the subaccounts of \$5,692, which does not appear to accurately reflect the results of the 1993 theft.
- 3) Miscellaneous subaccounts within the holding account, totaling \$2,983, represent monies that are unidentified. The NAFS report categorizes these monies in subaccounts titled "nursing" and "keying errors." However, NAFS personnel could not identify the source or proper disposition of these monies.

Without documentation to identify the monies in the holding account, BHC management cannot be assured NAFS monies are accounted for properly. BHC management should investigate these accounts to determine why such a

significant amount of client and facility monies have been accumulated in the holding account. In addition, BHC management should implement a policy outlining procedures that require the disposition of unidentified monies to be determined in a timely manner.

- D. Proper documentation is not maintained for all disbursements from the NAFS. BHC policy requires all transactions to be completed within five working days from the time the monies are withdrawn. In addition, personnel are required to submit receipts or other documentation for all purchases. However, we noted the following instances where documentation was not available to support disbursements:

- 1) According to NAFS records, receipts for purchases supporting May 2002 client disbursements of \$2,956 were outstanding at June 30, 2002. NAFS personnel began tracking receipt slips in May 2002 using a spreadsheet that indicates the date, amount, and purpose of each disbursement as well as the client's name and the staff person requesting the monies.

We noted that at least five employees were allowed to withdraw \$1,240 of client monies even after they failed to return documentation to support prior withdrawals.

To ensure client monies are appropriately utilized, personnel who do not comply with BHC policy should be prohibited from withdrawing funds on behalf of clients.

- 2) Numerous NAFS checks were made payable to a local bank for cash. We noted the following concerns relating to disbursements of NAFS facility funds for the year ended June 30, 2002:
 - a) Checks totaling \$7,370, were made payable to a local bank for cash from the Parent's Association fund. We specifically noted disbursements of \$1,300 and \$375 for which there was no documentation regarding the use of these monies.
 - b) Similarly, \$740 in checks were cashed from the North County Industries fund. Documentation was not available to support \$170 of these disbursements.
 - c) There was no documentation to support \$700 in cash disbursements from the Waiver Homes fund.
 - d) A withdrawal form was completed for \$150 from the Assistive Technology fund. The form originally indicated the payment was to a hotel for two employees to attend a conference. However, the hotel name was crossed out and changed to "cash". No

documentation regarding actual use of these funds accompanied the withdrawal form.

Due to the volume of checks made payable to a local bank for cash, we did not test or report all transactions. Because making checks payable to banks for cash increases the risk of misuse of monies, this practice should be prohibited or, if these types of transaction are absolutely necessary, strict accountability standards should be enforced for these transactions.

E. Required procedures are not followed to adequately monitor BHC's client balances. A client's eligibility for governmental benefits is jeopardized when their personal account balance exceeds \$1,000. Therefore, BHC policy requires action to be taken to reduce clients' balances when they exceed \$750. In addition, NAFS personnel are responsible for verifying client balances before disbursements are made. Based upon a review of a NAFS report dated June 30, 2002, we noted the following concerns:

- 1) Seventeen of the 380 client balances (4 percent) reached or exceeded \$1,000, jeopardizing future benefits. The largest client balance was \$1,631.
- 2) Three client accounts had negative balances. Overspending occurred because client balances were not adequately reviewed to ensure sufficient balances existed before disbursements were made. As a result, disbursements made on behalf of these three clients were made using, or borrowing, other clients' monies.

It is imperative that clients' balances and disbursements are closely monitored to ensure only a client's own funds are disbursed.

- 3) Sixteen (4 percent) of the client accounts, totaling \$1,881, have been designated as inactive. Accounts become inactive when the BHC no longer receives benefits on the client's behalf or when a client leaves or dies. Personnel should investigate these accounts and determine the proper disposition of these monies.

BHC management has a fiduciary responsibility to ensure its clients' balances and benefits are properly monitored. Without proper oversight and compliance with established procedures, management cannot be assured that client monies and benefits are protected.

F. Several negative subaccount balances exist within the NAFS facility funds. A review of a NAFS trial balance, as of June 30, 2002, noted negative subaccount balances within the following funds:

Facility Account Name	Subaccount Balance
Waiver Home	\$ (6,618)
Canteen	(5,871)
Cottage Program	(107)
Parents Association	(4,107)
Holding Account	(13,192)
Total Negative Balances	\$ (29,895)

Source: NAFS trial balance, 06/28/02

While these subaccounts were overspent, the facility funds contained other subaccounts with positive balances that offset the deficits. However, overspending indicates balances are not properly reviewed before disbursements are made. As a result, monies which are earmarked for other purposes are used to cover these deficit balances. BHC management should ensure disbursements which exceed individual subaccount balances are not made.

- G. There is no written guidance relating to the disbursement of the NAFS facility monies. According to a NAFS report dated June 30, 2002, approximately eight facility accounts were maintained, totaling \$78,096. Most of these monies are generated through fundraisers, donations, and contracts and are earmarked for specific purposes. However, NAFS personnel rely on verbal guidance in disbursing these monies which increases the risk that funds are not disbursed as intended. We noted one example where NAFS funds were used inappropriately.

Loans totaling \$827 were given to employees from the client welfare subaccount. According to BHC personnel, there were problems with the employees' paychecks, so the loans were given until the problems were resolved and then employees paid the monies back immediately. However, one employee currently makes \$10 payments to the BHC each pay period for a loan which was not immediately repaid.

Article VI, Section 23, of the Missouri Constitution prohibits any political subdivision of the state from granting or lending monies to an individual. BHC management should implement written policies for the disbursement of NAFS facility monies to ensure monies are used as intended.

BHC personnel have a fiduciary responsibility to ensure all non-appropriated monies, including clients' monies, are properly handled. Without proper controls and oversight, management cannot be assured these monies are utilized in a prudent and appropriate manner. Although no misappropriation of these monies was noted, it does not appear that current controls and procedures are adequate to detect the theft or misuse of non-appropriated monies. BHC management should take appropriate action to correct the deficiencies noted above.

WE RECOMMEND BHC management:

- A.1. Ensure personnel thoroughly investigate all errors, outstanding items, and adjustments and make appropriate corrections to the NAFS.
2. Ensure personnel follow-up on old outstanding checks and transfer all unclaimed checks to the state's Unclaimed Property program as provided by state law.
3. Investigate the difference between the NAFS trial balance and the amount shown on the bank reconciliation and make appropriate corrections to the NAFS.
- B. Require personnel to perform a monthly reconciliation of BHC and DMH MHTF records, investigate any differences, and make appropriate corrections when necessary.
- C. Implement a policy to ensure personnel determine the proper disposition of unidentified NAFS monies in a timely manner. In addition, personnel should make appropriate adjustments to properly account for the 1993 theft.
- D.1. Require personnel to submit receipt or other documentation to support all disbursements. In addition, BHC management should ensure that personnel who fail to submit documentation are prohibited from withdrawing additional client monies.
2. Prohibit the practice of making checks payable to a local bank for cash or, if these types of payments are absolutely necessary, enforce strict accountability and documentation standards for these transactions.
- E.1. Require monitoring of client account balances on a timely basis and ensure proper action is taken to reduce the balances when necessary.
2. Ensure expenditures are not made in excess of clients' balances.
3. Ensure each inactive account is investigated to determine the proper disposition of the account balance.
- F. Ensure expenditures are not made in excess of fund balances.
- G. Implement policies regarding the use of NAFS monies. In addition, BHC management should prohibit loans to BHC personnel.

AUDITEE'S RESPONSE

- A. *We concur. The recommendations will be implemented within the next three months.*
- B. *We concur. This has been implemented.*

- C. *We concur. BHC has implemented a policy to properly dispose of unidentified NAFS monies in a timely manner. BHC will continue to recoup the remaining balance of client funds stolen in 1993 in compliance with the court sentencing of the former BHC staff. BHC will also make appropriate adjustments to properly account for the 1993 theft.*
- D. *We concur. BHC has implemented the recommendations.*
- E. *We concur. BHC has taken appropriate action to address this finding.*
- F. *We concur. BHC staff will ensure sufficient client funds are available prior to authorizing NAFS expenditures.*
- G. *We concur. BHC will implement policies to control the use of the NAFS monies within the next three months. BHC in April 2001, discontinued the practice of loaning NAFS monies to staff when payroll errors occurred.*

3. Canteen Procedures

BHC personnel operate a canteen that sells food, beverages, and other miscellaneous items to clients and employees. Dietary Department personnel order the merchandise, prepare the food, and determine the selling prices. Personnel determine the cost of meals by calculating a per unit price for the items used in preparing the meal and applying a 40 percent markup; however, personnel stated adjustments are sometimes made depending on the prices of similar meals sold within the community. The selling price of all other merchandise is determined by applying the same markup rate to the actual purchase price. Canteen monies are transmitted to the NAFS office daily. We noted the following concerns relating to the canteen:

- A. The balance in the canteen fund is significantly overstated. Several subaccounts in the NAFS make up the canteen fund. The following balances were reported as of June 30, 2002:

Subaccount Description	Subaccount Balance
Petty Cash	\$ 4,000
Sales Tax Payable	1,743
Operating	(7,162)
Client Welfare	11,015
Canteen Fund Balance	\$ 9,596

Source: NAFS trial balance, 06/28/02

After analyzing each of these subaccounts, we determined the following:

- 1) The canteen is operating at a loss. Receipts and disbursements relating to the canteen are recorded in the operating subaccount. As shown above, the balance of the operating account is negative, indicating an overall operating loss for the canteen. However, NAFS personnel continue to disburse monies from this subaccount.
- 2) The client welfare subaccount is incorrectly maintained within the canteen fund. The purpose of client welfare monies is to provide assistance to specific clients who receive no other benefits. Most of the revenues for this fund come from vending machine receipts which are not related to the canteen. Furthermore, because this fund is maintained within the canteen fund, it distorts the operating results of the canteen by offsetting its operating loss.
- 3) The petty cash of \$4,000 does not exist. Personnel cannot explain why the petty cash balance is recorded in the canteen fund. The actual amount of beginning cash used by the canteen is approximately \$630; however, these monies are accounted for separately in the NAFS.

An accurate canteen fund balance, representing actual canteen operating results, should be maintained to provide management with information to make informed decisions.

- B. Neither canteen nor NAFS personnel adequately monitor canteen operating results. Canteen personnel do not track monthly receipts and disbursements, and NAFS personnel do not provide canteen personnel with monthly canteen fund balances. As a result, no actions were taken to identify the reasons for the canteen's poor operating performance. In fact, for the year ended June 30, 2002, the average monthly receipts totaled \$5,793, while the average monthly disbursements totaled \$6,176. There was an operating loss during 11 of 12 months during the year.

Without adequate monitoring of canteen operating results, BHC management cannot be assured that all canteen monies are accounted for appropriately. In addition, BHC management cannot be assured the misuse or theft of canteen monies or merchandise would be detected in a timely manner.

- C. Periodic inventories of canteen merchandise are not performed. Physical inventories should be periodically taken by someone independent of canteen operations. The inventory balances should then be compared to purchase and sales records to reduce the possibility of misuse or theft of canteen merchandise.

Without performing inventories, BHC management cannot analyze the current prices of merchandise to ensure the canteen is operating efficiently or detect any misuse of canteen monies.

WE RECOMMEND BHC management:

- A.1. Perform a detailed analysis of canteen operations and take necessary action to ensure the canteen operates within available resources.
2. Remove the client welfare subaccount from the canteen fund so that canteen operating results are not distorted and to ensure client welfare funds are properly used.
3. Make appropriate adjustments to remove the \$4,000 entry for petty cash in the canteen fund.
- B. Ensure canteen and NAFS personnel work together to establish a reporting system that allows adequate monthly monitoring of canteen operating results.
- C. Require personnel to perform a periodic inventory of canteen merchandise to reduce the possibility of misuse or theft.

AUDITEE'S RESPONSE

- A. *We concur. BHC is taking appropriate steps to implement the recommendations within the next three months.*
- B. *We concur. BHC has taken appropriate action to address this finding.*
- C. *We concur. BHC has implemented the recommendations.*

4. North County Industries

North County Industries (NCI) is a not-for-profit corporation located on the grounds of the BHC. According to the articles of incorporation, NCI was established in 1978 as a federally certified client work program. Its mission is to assist individuals in developing marketable skills and good work habits to equip clients with a greater opportunity for competitive employment and community integration. The entire NCI Board of Trustees, including the treasurer, is made up of mentally retarded/developmentally disabled BHC clients. The board does not meet or make decisions regarding the activities of NCI. NCI monies are held in the BHC's NAFS. Directives to disburse monies are given by NCI management (state employees). We noted the following concerns relating to NCI:

- A. Although NCI is setup as a private not-for-profit corporation, its operations are primarily overseen by BHC personnel, who are paid from state monies. NCI is

operated and managed by 13 state-paid BHC employees. This includes one habilitation program manager, one habilitation specialist, 11 developmental assistants, and one accounting clerk. NCI management indicated that the developmental assistants spend approximately 75 percent of their time at NCI; the rest of their time is spent performing duties at the BHC. The total salaries paid to employees for time worked at NCI, from state funds, for the year ended June 30, 2002, was approximately \$234,000.

The BHC also provides NCI with five vehicles, fuel for these vehicles, utilities, and a facility on the BHC campus. In addition, during the year ended June 30, 2002, NCI billed BHC over \$13,160, for work that BHC clients, in the NCI program, performed on campus.

The providing of office space and personnel to the NCI appears to be a donation to a not-for-profit corporation. Article III, Sections 38 and 39 of the Missouri Constitution prohibit the donation of public funds to a private corporation.

- B. It appears NCI is subject to substantial fines because of its failure to meet the reporting requirements of a private not-for-profit corporation. Section 501(c) of the Internal Revenue Code requires not-for-profits with annual gross receipts of more than \$25,000 to file annual tax returns. NCI meets this criteria but has not filed any tax returns with the federal government. Section 6652(1)(A) sets a fine, up to \$10,000 per year, for not filing as required.

Failure to comply with the Internal Revenue Code places a significant liability on NCI and possibly the BHC.

- C. Sixteen checks, totaling \$704, were made payable to the bank for cash during the year ended June 30, 2002. Furthermore, supporting documentation was not available to support two (29 percent) of seven cash disbursements reviewed, totaling \$170.

Making checks payable to cash increases the risk of misuse of monies; this practice should be prohibited. In addition, adequate documentation supporting each disbursement is necessary to ensure monies are spent appropriately.

WE RECOMMEND NCI and BHC management:

- A. Evaluate the benefits and necessity of NCI's classification as a not-for-profit corporation. NCI and BHC management should research whether the NCI program should be continued as a state operated, client-based work program.
- B. Understand the reporting requirements and properly file tax information as required by the Internal Revenue Code.
- C. Prohibit the practice of making checks payable to the bank for cash.

AUDITEE'S RESPONSE

- A. *We concur. BHC will evaluate North County Industries classification as a not-for-profit corporation and take appropriate action within the next three months.*
- B. *We concur. BHC will request the assistance of the Department's Legal Counsel to fully understand this issue and file all necessary documents required by the Internal Revenue Service.*
- C. *We concur. This practice has been discontinued.*

5. Timekeeping Procedures

- A. Employee exception sheet information does not always agree to leave balance information. Employees are required to submit a time and attendance input record, or exception sheet, to timekeepers when using annual, sick, or other types of leave. Timekeepers key the exception information into the state's accounting system, which updates employees' leave balances.

Twenty-five employees' attendance and exception sheets were reviewed for the months of April 2002 and 2001, and October 2001 and 2000. Timekeepers could not locate two exception sheets for employees who took leave. In addition, the type of leave taken by four different employees, according to their exception sheets, did not agree to the type of leave keyed into the computer system by the timekeepers. Timekeeping personnel stated these discrepancies occur when employees or supervisors fail to submit exception sheets in a timely manner or when an employee does not have an adequate leave balance for the type of leave taken. Under these circumstances, the timekeepers decide how to record the leave. Adequate communication between timekeepers and employees is necessary to ensure employees' leave balances are appropriately adjusted.

- B. Compensatory balances are not adequately monitored. BHC policy states that no employee shall accumulate more than 40 hours of compensatory and holiday leave. However, a report of leave balances, dated June 3, 2002, revealed that numerous employees were allowed to accrue balances in excess of 40 hours. Of 280 employees reviewed, 136 (49 percent) leave balances exceeded the maximum accrual allowed by policy, with the highest leave balance totaling 537 hours.

During June 2002, Department of Mental Health (DMH) personnel made a decision to reduce employee compensatory and holiday leave balances of certain facilities, which included the BHC, due to the significant liability associated with the facility's balances. Employees received payment for the total amount of compensatory time accumulated and total accrued holiday time in excess of 85 hours. It appears employees are still allowed to carry leave balances in excess of what is allowed by BHC policy since balances were only reduced to 85 hours.

Personnel should properly monitor leave balances for compliance with facility policy to avoid increasing its liability to provide monetary compensation to employees upon termination.

WE RECOMMEND BHC management:

- A. Ensure employee exception sheets are submitted to timekeepers in a timely manner. In addition, we recommend BHC management ensure the type of leave recorded on the exception sheets agrees with the type of leave deducted by the timekeepers.
- B. Require personnel to monitor compensatory and holiday leave balances and, where possible, compensate or grant time off to those employees with balances exceeding the maximum allowable hours.

AUDITEE'S RESPONSE

- A. *We concur. BHC has implemented this recommendation.*
- B. *We concur. BHC has implemented a policy to monitor leave balances to ensure balances do not exceed the maximum allowable hours.*

6. Employee Recognition Fund Procedures
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The Employee Recognition and Employee Relation Committees hold monies in a checking account called the Employee Recognition Fund. Cash awards and recognition gifts are given to employees for things such as perfect attendance, good performance, retirement, and holidays. In addition, the fund is used to pay for employee picnics and luncheons throughout the year.

Eighty-eight and 89 percent of Employee Recognition Fund receipts were from vending machine sales during the two years ended June 30, 2002 and 2001, respectively. These vending machines are placed throughout the BHC campus and are used by BHC employees, clients, and visitors. The remainder of receipts is from donations and fundraisers. The total disbursements from the fund for the years ended June 30, 2002 and 2001, were \$14,837 and \$14,122, respectively. The fund's ending balances were \$10,612 and \$6,419 for the same time periods.

Thirteen checks, totaling \$13,460, were made payable to cash during the two years ended June 30, 2002. In addition, there was inadequate documentation to support nine of thirteen disbursements (69 percent) reviewed. The following are examples of some of the transactions that were not adequately documented:

- Approximately \$9,530 in cash was distributed to employees during Christmas time in December 2002 and 2001. The cash was given to supervisors to be handed out to employees. Although supervisors signed for the monies, there was no listing of the individual employee names of those who actually received the monies.
- One supervisor requested \$25 to take client workers to lunch. However, no documentation regarding the use of these monies was provided.

Making checks payable to cash increases the risk of misuse of monies; this practice should be prohibited. In addition, adequate documentation supporting each disbursement is necessary to ensure monies are spent appropriately.

WE RECOMMEND the Employee Recognition and Relation Boards prohibit the practice of making checks payable to cash, and require supporting documentation to be maintained for all disbursements.

AUDITEE'S RESPONSE

We concur. BHC has implemented the recommendations.

7.	General Fixed Asset Procedures
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- A. The BHC has approximately 87 state-owned vehicles that are primarily used to transport clients, move goods between campus facilities, and for employee travel. BHC policy requires its Maintenance Department personnel to control vehicle usage by maintaining all keys and vehicles logs. We noted the following concerns regarding state-owned vehicles:
- 1) Vehicles logs were either incomplete or not used by some departments in accordance with BHC policy. Personnel indicated each department is responsible for controlling its own vehicles. We reviewed vehicle documentation for five departments (Security, Maintenance, Dietary, Mechanic, and North County Industries) at the BHC and determined that vehicle mileage and the purpose of the trip was not documented by personnel in the Mechanics, Maintenance, and North County Industries departments.
 - 2) Current check-out procedures do not provide adequate control over state-owned vehicles. Personnel indicated that vehicles and vehicle keys are sometimes misplaced because they are not returned to the location where they were checked out. In addition, personnel indicated that vehicles are sometimes returned damaged without police reports.

- 3) Forty-five of 87 vehicles (52 percent) were driven less than 5,000 miles during the year ended June 30, 2001. Information regarding vehicle mileage for the year ended June 30, 2002, was not available. Low mileage can often indicate that a facility has too many vehicles or that a facility does not efficiently utilize vehicles. In fact, we noted instances where personnel received mileage reimbursements when using their personal vehicles for business travel instead of utilizing state-owned vehicles.

Adequate vehicle records are necessary to ensure state vehicles are properly accounted for and used for business purposes. In addition, based upon the utilization information that was available, it appears BHC management should consider reducing the size of its fleet.

- B. The BHC maintains a listing of general fixed assets. Since May 2001, a part-time employee became responsible for maintaining fixed asset listings and conducting inventories for the SLRC, SLDDTC, and the BHC. We noted the following concerns regarding general fixed assets at the BHC:

- 1) Numerous fixed assets could not be accounted for properly. We selected ten items on the general fixed asset listing but could not locate six, or 60 percent, of those items. Similarly, an additional six items located at the facility could not be found on the general fixed asset listing.
- 2) A physical inventory of general fixed assets was not conducted for the year ended June 30, 2002. State regulation 15 CSR 40-3.031 indicates that an annual physical inventory of all fixed assets should be performed and reconciled to the general fixed asset listing.

Adequate general fixed asset records are necessary to secure better internal controls over property and provide assurance to the public that assets purchased with taxpayer monies are properly utilized.

WE RECOMMEND BHC management:

- A.1. Ensure vehicle logs are accurately completed for all vehicles in accordance with BHC policy.
2. Enforce policies to ensure accountability of state-owned vehicles.
3. Evaluate the usage and necessity of all vehicles to ensure they are properly utilized.
- B.1. Ensure that the general fixed asset listing includes accurate information for all BHC assets.

2. Perform an annual physical inventory of assets in accordance with state regulation.

AUDITEE'S RESPONSE

- A. *We concur. BHC will evaluate the usage of vehicles to ensure vehicles are being used effectively.*
- B. *We concur. BHC will implement policies and procedures to address this issue within the next three months.*

This report is intended for the information of the management of the Bellefontaine Habilitation Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

DEPARTMENT OF MENTAL HEALTH
BELLEFONTAINE HABILITATION CENTER
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Bellefontaine Habilitation Center (BHC) is located in North St. Louis County. The facility was opened in 1924 and was operated by the City of St. Louis. The State of Missouri began operating the facility in 1948. Prior to 1983, the facility was known as the St. Louis State School and Hospital.

The BHC is currently certified as an Intermediate Care Facility for the Mentally Retarded Individuals (IFC/MR). The facility serves individuals living in St. Louis City, St. Louis County, St. Charles County, and Jefferson County. The St. Louis Regional Center (SLRC) evaluates individuals and serves as the entry point to the BHC. The BHC's primary purpose is to provide individual habilitation services to individuals who are mentally retarded or developmentally disabled.

The BHC campus is composed of units, Individualized Supported Living Arrangements, and administrative offices. The campus is located at 10695 Bellefontaine Road.

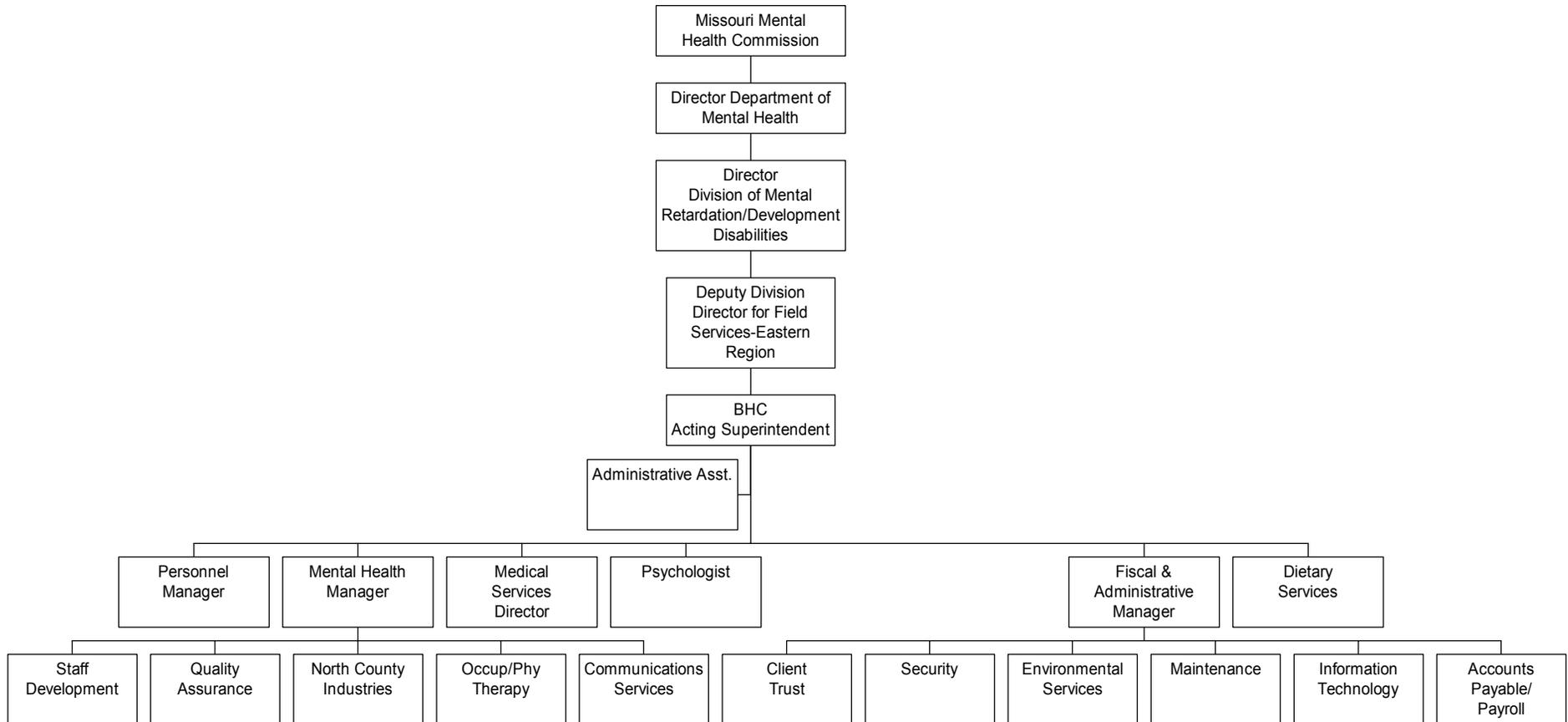
As of June 30, 2002, the BHC housed approximately 391 clients and employed approximately 875 personnel assigned to various administrative, service, and support sections.

The BHC, SLRC, and St. Louis Developmental Disabilities Treatment Centers (SLDDTC) make up the Department of Mental Health Region XI. The consolidation of these facilities was initiated in fiscal year 1989 to enhance the efficiency among the data processing, accounting, and record keeping departments.

In December 2000, Dr. Anne Deaton became the Director of the Division of Mental Retardation and Developmental Disabilities. At June 30, 2002, Dr. Ralph J. Sneed serves as Deputy Division Director for Field Services, Eastern Region, and is responsible for supervising and coordinating operations for Region IX. Kathy Hubbard served as BHC Superintendent until July 2002. As of August 1, 2002, Dr. Ralph Sneed serves as Acting BHC Superintendent.

An organization chart and statistical data follow:

DEPARTMENT OF MENTAL HEALTH
 BELLEFONTAINE HABILITATION CENTER*
 ORGANIZATION CHART
 JUNE 30, 2002



* Only personnel at the departmental level are included on this organization chart. There are numerous staff within each department and client units which include Unit managers, Unit Program Supervisors, Developmental Assistants, Clinical Social Workers, Registered Nurses, Physicians, Psychologists, Physical Therapists, Habilitation Specialists, Cooks, Dieticians, Custodians, and other personnel.

DEPARTMENT OF MENTAL HEALTH
 BELLEFONTAINE HABILITATION CENTER
 STATISTICAL DATA-CLIENT OCCUPANCY

	<u>June 30,</u>	
	<u>2002</u>	<u>2001</u>
Bellefontaine Habilitation Center Campus:		
Unit I	78	80
Unit II	68	70
Unit III	71	74
Unit IV	76	76
Unit V	86	87
Independent Supported Living Arrangements:	<u>12</u>	<u>12</u>
Total Clients:	<u><u>391</u></u>	<u><u>399</u></u>

Appendix A

DEPARTMENT OF MENTAL HEALTH
 BELLEFONTAINE HABILITATION CENTER
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2002			2001		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Personal Service	\$ 19,350,963	18,924,765	426,198	21,071,794	20,627,642	444,152
Expense and Equipment	1,794,102	1,572,170	221,932	1,824,102	1,824,098	4
Total General Revenue Fund - State	21,145,065	20,496,935	648,130	22,895,896	22,451,740	444,156
DEPARTMENT OF MENTAL HEALTH FUND						
Personal Service	978,080	965,199	12,881	742,775	707,611	35,164
Expense and Equipment	526,906	526,905	1	361,906	361,897	9
Total Dept Mental Health Fund	1,504,986	1,492,104	12,882	1,104,681	1,069,508	35,173
Total All Funds	\$ 22,650,051	21,989,039	661,012	24,000,577	23,521,248	479,329

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the State Treasurer, as fund custodian, and the Office of Administration provide administrative control over the fund resources within the authority prescribed by the General Assembly. This schedule does not represent all expenditures of the facility. Some expenditures relating to state facilities are charged to department-wide appropriations and are not identified by facility. Expenditures charged to department-wide appropriations that are identified to Bellefontaine Habilitation Center are noted in Appendix B.

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2002	2001
Personal Service	\$ 424,639	318,752
Expense and Equipment	221,932	0
Total	\$ 646,571	318,752

Appendix B

DEPARTMENT OF MENTAL HEALTH
 BELLEFONTAINE HABILITATION CENTER
 COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

		Year Ended June 30,			
		2002		2001	
		Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For BHC	Expenditures From Facility Appropriations	Expenditures From Department-Wide Appropriations For BHC
Salaries and Wages	\$	19,889,964	2,214,535	21,335,253	352,231
Travel Expenditures		19,223	444	18,941	0
Fuel and Utilities		0	679,710	1,147	766,659
Communication Services and Supplies		108,928	7,632	91,057	0
Other Supplies		1,415,156	85,710	1,543,160	50,069
Professional Services		386,645	42,774	265,899	8,363
Maintenance and Repair Expenditures		49,957	0	79,656	0
Equipment Expenditures		79,286	0	139,906	307
Property and Improvements		723	1,049,201	419	2,125,394
Building and Equipment Lease Payments		16,841	100	16,072	0
Miscellaneous Expenditures		22,316	111	29,738	11
Total Expenditures	\$	21,989,039	4,080,217	23,521,248	3,303,034

Appendix C

DEPARTMENT OF MENTAL HEALTH
BELLEFONTAINE HABILITATION CENTER
COMPARATIVE STATEMENT OF CLIENT RECEIPTS, DISBURSEMENTS, AND
CASH BALANCES (FROM NON-APPROPRIATED FUNDS)

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
CASH BALANCE, JULY 1	\$ 136,201	187,234
RECEIPTS	1,451,179	1,421,274
DISBURSEMENTS	<u>1,346,636</u>	<u>1,472,307</u>
CASH BALANCE, JUNE 30	\$ <u>240,744</u>	<u>136,201</u>

Note: The receipts and disbursements presented in this schedule include client benefits as well as vending, canteen, client payroll, and other facility monies.

Appendix D

DEPARTMENT OF MENTAL HEALTH
 BELLEFONTAINE HABILITATION CENTER
 COMPARATIVE STATEMENT OF MENTAL HEALTH TRUST FUND RECEIPTS,
 DISBURSEMENTS, AND CASH BALANCES (FROM NON-APPROPRIATED FUNDS)

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
CASH BALANCE, JULY 1	\$ (6,628)	4,018
RECEIPTS	9,472	112
DISBURSEMENTS	3,013	10,758
CASH BALANCE, JUNE 30	\$ <u>(169)</u>	<u>(6,628)</u>

Note: The receipts and disbursements presented in this schedule primarily represent donations from the Parent's Association. According to BHC personnel, the negative balances occurred as a result of incorrectly depositing these monies to the state's general fund. See Management Advisory Report for more information about this fund.

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