



Claire McCaskill

Missouri State Auditor

December 2005

MENTAL HEALTH

Springfield Regional Center – Management of Donations



Office Of
Missouri State Auditor
Claire McCaskill

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The following was discovered as a result of an audit conducted by our office of the Department of Mental Health, Springfield Regional Center – Management of Donations.

Our initial review of the Springfield Regional Center's (SRC) management and accountability over its donations program identified serious weaknesses. As a result, we are issuing a separate report on the management of donations.

Donations of property with an estimated value of at least \$222,313 were made to the SRC from July 1, 2003, to August 11, 2005, but were not accounted for properly. Donated property included a variety of items such as computers, swimming pools, hot tubs, trampolines, bicycles, swing sets, furniture, gift cards, toys, clothing, medical equipment, and personal care items. Monetary donations were also accepted by the community resource specialist, an employee of the SRC. Further, because of the lack of controls over the donations received, it is unclear whether some employees of the SRC, who have children that are clients of the regional center, may have received preferential treatment when donations were distributed.

Numerous internal control weaknesses, lack of accountability over distribution of donated property, and ineffective management oversight have been identified. We have made recommendations to improve the controls and accountability of the donations made to the regional center.

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YELLOW SHEET

DEPARTMENT OF MENTAL HEALTH
SPRINGFIELD REGIONAL CENTER MANAGEMENT OF DONATIONS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Mental Health Commission
and
Dorn Schuffman, Director
Department of Mental Health
and
Kent Stalder, Acting Division Director
Mental Retardation and Developmental Disabilities
and
Diana Garber, Director
Springfield Regional Center
Springfield, MO 65801

We are conducting an audit of the Department of Mental Health, Springfield Regional Center. Our initial review of the Regional Center's management and accountability for its donations program identified serious weaknesses. As a result, we are issuing a separate report on the center's Management of Donations. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2005 and 2004. The objectives of this audit were to:

1. Review internal controls relating to the donations program.
2. Review how the donations program is being used.
3. Evaluate the economy and efficiency of certain management practices and operations relating to the donations program.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the facility, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in

operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Mental Health, Springfield Regional Center's Management of Donations. An audit of the Springfield Regional Center is still in process, and any additional findings and recommendations will be included in a subsequent report.



Claire McCaskill
State Auditor

October 19, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Roberta Bledsoe

EXECUTIVE SUMMARY

DEPARTMENT OF MENTAL HEALTH
SPRINGFIELD REGIONAL CENTER - MANAGEMENT OF DONATIONS
EXECUTIVE SUMMARY

Our initial review of the Springfield Regional Center's (SRC) management and accountability over its donations program identified serious weaknesses. As a result, we are issuing a separate report on the management of donations.

Donations of property with an estimated value of at least \$222,313 were made to the SRC from July 1, 2003, to August 11, 2005, but were not accounted for properly. Donated property included a variety of items such as computers, swimming pools, hot tubs, trampolines, bicycles, swing sets, furniture, gift cards, toys, clothing, medical equipment, and personal care items. Monetary donations were also accepted by the community resource specialist, an employee of the SRC. Further, because of the lack of controls over the donations received, it is unclear whether some employees of the SRC, who have children that are clients of the regional center, may have received preferential treatment when donations were distributed.

Numerous internal control weaknesses, lack of accountability over the distribution of donated property, and ineffective management oversight have been identified and discussed in more detail throughout our Management Advisory Report.

The regional center's Community Resource Specialist, who left employment on September 8, 2005, was responsible for soliciting, receiving, recording, and distributing donations made to the SRC.

MANAGEMENT ADVISORY RREPORT –
SATE AUDITOR'S FINDINGS

DEPARTMENT OF MENTAL HEALTH
SPRINGFIELD REGIONAL CENTER - MANAGEMENT OF DONATIONS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Background Information

The Springfield Regional Center (SRC) is one of eleven regional centers established by the Department of Mental Health (DMH). The facility was established to provide, procure, or purchase comprehensive services for individuals with developmental disabilities. The SRC serves eligible citizens in the southwest Missouri counties of Christian, Dallas, Douglas, Greene, Hickory, Laclede, Ozark, Polk, Stone, Taney, Webster, and Wright. This facility began operations in June 1967.

The regional center serves as the entry and exit point for securing comprehensive mental retardation and developmentally disabled services for clients of the DMH whose parents or guardians reside in the region identified above. The facility is a focal point from which a developmentally disabled individual and family are directed to all essential services required to meet the needs of the client. The facility's staff, working in cooperation with the family, area organizations, state-operated habilitation centers, community placement facilities, and other service vendors, plans and provides for lifetime services to meet the needs of the clients. As of June 30, 2005, the facility had an active caseload of 1,992 clients and employed approximately 72 personnel assigned to various administrative, service, and support sections. Diana Garber serves as the SRC Director. Becky Dodds serves as the Assistant Center Director of Habilitation and oversees the daily operations of service coordination and providing resources to clients, including donations.

The Mental Health Trust Fund, established by Section 630.330, RSMo, allows the regional center to receive grants, gifts, donations, and bequests of property. Such gifts and donations are to be used to expand services provided to individuals rather than replace existing budget authority. In 1997, the SRC hired a community resource specialist to initiate contacts with individuals and groups, provide educational materials and presentations, and actively recruit donations. The Community Resource Specialist left employment on September 8, 2005, and this position is currently vacant.

1. Management of Donations

Poor management oversight of donations received and distributed by the SRC provides little or no assurance that donations were handled properly. Our review of the regional center's management of donations and the related accounting controls and records identified numerous concerns.

Donations of property with an estimated value of at least \$222,313 were made to the SRC from July 1, 2003 to August 11, 2005, but were not accounted for properly. Donated property includes a variety of items, such as computers, swimming pools, hot tubs,

trampolines, bicycles, swing sets, furniture, gift cards, toys, clothing, medical equipment, and personal care items. Monetary donations were also accepted by the community resource specialist.

The donation record or log maintained by SRC is not complete. Donated items totaling over \$30,000 were identified through donor contacts that were not recorded on the donation log. Additionally, the SRC failed to document the disposition of most donations received, and a system has not been established to distribute donated items to clients based on documented need or to prioritize the level of need for donated items.

Because of the lack of controls over the donations received, it is unclear whether some employees of SRC may have received preferential treatment while obtaining donations for their disabled children. For example, we observed several regional center employees' sorting through boxes of donated toys, and one employee stating she was taking toys for her son, who is a client of the SRC. Procedures have not been established to account for the donated items taken by employees.

Further observations included the removal of a donated copier/printer from the community resource specialist's office by an individual who was not an employee of the regional center. This individual works for a non-for-profit organization that contracts with the SRC.

Numerous internal control weaknesses, lack of accountability over distribution of donated property, and ineffective management oversight have been identified and discussed in more detail throughout our Management Advisory Report (MAR). Although some of the donated items individually do not represent a significant monetary value, this fact does not diminish the need to maintain adequate controls and accountability over all donations and to ensure these donations are used only for the benefit of the clients. After these audit concerns were discussed with employees of the SRC, other irregularities were discovered. The SRC and the DMH are investigating those instances and plan to take appropriate action.

WE RECOMMEND the SRC, along with the DMH, take the necessary action to properly account for all donated items.

AUDITEE'S REPOSE

The SRC and the DMH provided the following response:

We concur with this finding. A new process has been established to account for all donations. This process was shared with the auditors prior to the exit conference. No further solicitation of donations will be made and no donations will be accepted other than those already received or established and agreed to, until the tracking system is fully operational and the new Community Resource Specialist begins employment on December 16, 2005.

2.**Donation Accounting Controls and Procedures**

The SRC failed to ensure an effective system of accounting and administrative controls was in place to monitor donation activity. Donations of property valued by the community resource specialist at over \$200,000 were distributed, and the regional center has very little or no assurance that the items were distributed properly. Additionally, it is unclear whether some employees of SRC may have received preferential treatment while obtaining donations for their disabled children. Further, SRC is not properly monitoring the collection of monetary donations.

- A. The duties of soliciting, receiving, recording, and distributing donations to clients or service coordinators are not adequately segregated, and there is no indication that a supervisory review of the accounting records is conducted. The community resource specialist solicits, receives, records, and distributes donated property received from individuals and organizations. Some items are distributed directly to regional center clients by the community resource specialist, and some are given to service coordinators who are then responsible for delivery of the item to a regional center client. Service coordinators act as case managers for the clients and perform duties such as making client contacts and assessments, planning for the client, and documenting client information.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and recording donations from distributing donations to clients. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The SRC does not always track property and monetary donations to ensure all donations are properly received and recorded in the regional center's accounting records. Donations received are recorded on a log; however, the log is not complete. Based on contacts made with three donors who maintained records of donations made to the SRC, we identified property and monetary donations valued at \$33,068 which were not recorded on the log for the two years ended June 30, 2005. Examples include:

<u>Donated Item</u>	<u>Value</u>
90 boxes of new toys	\$ 32,052
Trampolines	686
Three-wheel bike	288
Monetary donation for scooter	42

Additionally, a community resource specialist's email and team meeting notes indicated the SRC had received donations during the year ending June 30, 2004, of seven pallets of medical supplies (no value documented) and a "truckload" of

food valued at \$1,600; however, these donations were not recorded on the donation log.

Since donated property is received from a variety of sources, including individuals and organizations, we could not determine the extent donated items were received and not recorded or distributed to clients. Further, one donor indicated she made a \$1,000 donation to the community resource specialist based on an advertisement in a local paper which indicated a client of the regional center needed a certain piece of furniture (also see Part E below). The Assistant Center Director of Habilitation was not aware the community resource specialist advertised in local papers for donations, and indicated that advertising for donations was not an approved practice.

Without adequate tracking procedures in place, the SRC is unable to ensure donation items have been accounted for properly. A complete log of donations received should be maintained to ensure all donated property are adequately safeguarded.

- C. Adequate controls have not been established to track the disposition of donated items. The current donation log only shows the donor's personal information, date of donation, description and value of donated item, and whether a "thank-you" letter has been sent to the donor. It does not document the disposition of the donated item. According to the donation log, property and monetary donations with an estimated value of \$187,645 had been received during the period July 1, 2003 to August 11, 2005, and additional donations totaling \$34,668 were identified (as noted in Part B.). The SRC could not provide us with detailed documentation regarding who received most of the donated items valued at a total of \$222,313.

For example, the SRC has little or no assurance toys and gift items valued at approximately \$18,875 were distributed to clients as intended. The SRC received over 7,000 toys and other gift items valued at \$32,052 in December 2004. SRC employees indicated most of the toys were given out immediately to clients as Christmas gifts in December 2004, and the remaining items were placed in the regional center's storage shed. The community resource specialist indicated service coordinators are supposed to complete a toy bank withdrawal slip for each toy distributed to a client to document the disposition of each toy; however, while approximately 59 percent or approximately 4,100 of the donated toys have been distributed, only 13 withdrawal slips for toys were maintained. Our initial concerns relating to the distribution of donations were based on our observation in August 2005 of several employees' sorting through boxes of new toys. SRC employees indicated the toys were being distributed by the community resource specialist because she wanted to request another shipment of toys for Christmas gifts in December 2005.

In another example, the community resource specialist indicated she left cosmetics valued at \$554 in the employee break area for service coordinators to take to clients. The regional center has no assurance these items were delivered to clients.

Upon our request to determine disposition of some donated items, the regional center reviewed emails, case logging information, and held team meetings with service coordinators in an attempt to identify distribution of some of the above donated items. The regional center staff was unable to find adequate supporting documentation to support the distribution of the most of the donated items.

In addition, documentation provided by the facility indicated a donated computer was given to a contracted day habilitation service provider. The SRC paid this vendor approximately \$54,000 annually to provide activities for clients as part of the day habilitation program. Similarly, we observed an employee of a not-for-profit organization, who contracts with the regional center for client services, removing a donated copier/printer from the community resource specialist's office.

Without adequate records to track and control the disposition of donated property, the SRC cannot be assured that all donations were properly distributed to clients. Records and other case logging information indicating the ultimate disposition of each donated item should be maintained to ensure all donations have been accounted for properly and used for the benefit of the clients.

- D. The SRC has not established a written policy regarding the distribution of donations received, and it is unclear if some SRC employees who received donated items for family members received preferential treatment. In addition, procedures have not been established to distribute donated items on the basis of documented client need or to prioritize the level of need.

Donated items are distributed to clients at the discretion of the community resource specialist or other regional center staff. For example, the community resource specialist indicated a trampoline and hot tub were given to two different clients that have parents who work for the SRC. The clients' files did not show a documented need for either of these items. However, the Assistant Center Director of Habilitation indicated the trampoline and hot tub were being used as part of the client's therapy. Further, according to the Assistant Center Director of Habilitation, the donation of the hot tub was originally made for another client. However, after the donation was received by the SRC, the client's family indicated it would be unable to maintain the hot tub. The hot tub was then distributed to the son of an individual that works for the SRC. This situation gives the appearance of preferential treatment being given to clients that have parents who work for the SRC.

Additionally, the community resource specialist gave donated property to another employee for personal use in July 2003. This employee did not have a disability or a family member with a disability. After an unrelated disagreement between the community resource specialist and the employee, the donated item was returned to the community resource specialist. The community resource specialist's supervisor indicated she discussed the situation with her; however, management oversight procedures were not implemented to ensure the practice of distributing donated items to employees for personal use was discontinued.

Further, our initial concerns relating to the distribution of donations were based on our observation in August 2005 of several employees' sorting through boxes of new toys, and one employee stating she was taking a toy for her son. The Assistant Center Director of Habilitation indicated the employee was taking the toy for her disabled son; however, the normal process should have been for the client's service coordinator to obtain the item and deliver it to the disabled client. The employee that was taking an item for her son was not a service coordinator.

Without a process to distribute items on the basis of documented need or without a prioritization of the level of need, the regional center cannot be assured that donated property is distributed in a fair and consistent manner. A process of prioritization would introduce increased objectivity and help the regional center distribute donated items on the basis of greatest client need. Further, the lack of an established policy, with specific provisions to handle situations involving employees, may lead to confusion and assertions of inequity and preferential treatment.

- E. The SRC is not properly monitoring the collection of monetary donations. Although management of the SRC indicated the community resource specialist did not accept monetary donations, we were informed by two donors that monetary donations were made to the community resource specialist. In one instance, \$1,000 was sent to the community resource specialist to purchase furniture for a client. The \$1,000 was deposited into a bank account maintained by the Disabilities Advocacy and Support Network, which is a not-for-profit organization that raises private funds to benefit disabled residents. The SRC did not have any documentation to ensure the donated funds were used to purchase furniture for the disabled client. Another donor indicated she wrote a \$42 check directly to the community resource officer for her to cash and purchase a scooter for a needy client. The SRC did provide case information to show that a client received a scooter; however, it did not have documentation to verify the cost of the scooter or how it was obtained.

These practices weaken controls surrounding monetary donations and increase the possibility of loss or misuse of funds. Section 630.330, RSMo, allows the regional center to receive grants, gifts, donations, and bequests of property and requires such donations to be deposited into the Mental Health Trust Fund. Also,

the practice of allowing employees to accept personal checks on behalf of the SRC should be discontinued.

WE RECOMMEND the SRC:

- A. Adequately segregate the duties of soliciting, receiving, recording, and distributing donations. At a minimum, there should be a documented supervisory review of the donation accounting records.
- B. Ensure the donation log is accurate and complete.
- C. Develop procedures to track the disposition of all donated items.
- D. Establish a formal written policy regarding the use of donations received with specific provisions to address the use of donations by employees. This policy should also provide specific guidance detailing how donations should be distributed (prioritization of need) and to prohibit donated items from being distributed in an arbitrary manner. Client needs should also be documented in each client's case file. Additionally, the SRC should reconsider the practice of providing donated items to service providers or related not-for-profit organizations.
- E. Deposit all monetary donations in accordance with state law and discontinue the practice of allowing employees to accept personal checks on behalf of the regional center.

AUDITEE'S REPOSE

The SRC provided the following responses:

We concur with recommendations 2A- 2E. A formal written policy will be developed to establish a system to properly solicit, receive, record, distribute and track all donations. This is currently in progress. This will include segregation of the duties of soliciting, receiving, recording, and distributing donations to ensure the donation log is accurate and complete and adequately tracks the disposition of all donated items. There will also be a regular and documented supervisory review of the donation accounting records.

The written policy regarding donations received shall also include specific provisions to address the use of donations and specifically detail how donations should be distributed to prohibit donated items from being distributed in an arbitrary manner. Client needs will be documented in each client's case file. In addition, the policy will reflect that the Springfield Regional Center will not provide donated items to service providers or related not-for-profit organizations and that all monetary donations will be deposited in accordance with state law. All employees will be reminded that no employee is allowed to sign contracts or agreements, accept personal checks or any other form of payment or deposit on behalf of the regional center without administrative approval and tracking.

3.**Community Resource Specialist Position**

The SRC has not clearly defined the job responsibilities and duties associated with the community resource specialist position, and it is unclear if the community resource specialist was always acting on behalf of the regional center. Examples include:

- In addition to soliciting donations for the regional center, the community resource specialist also spent time soliciting donations for the Recovering Wishes for Families program operated by the Disabilities Advocacy and Support Network, which is a not-for-profit organization that receives funding from the SRC and also raises private funds to benefit disabled residents. The SRC paid this vendor approximately \$69,800 during the year ended June 30, 2005, which is a significant portion of the organization's funding, to provide community outreach and development of natural supports to clients.
- The community resource specialist also worked as a store assistant for Maggie's Boutique. The boutique is the distribution point for items donated to The Kitchen, which is a not-for-profit organization that raises funds to benefit needs of the homeless and disadvantaged. The community resource specialist was also compensated by this non-profit organization. According to Disabilities Advocacy and Support Network employees, The Kitchen also operates a food bank which makes donations to the Recovering Wishes for Families program.
- The community resource specialist also has a child with a disability, and it is unclear if she also spent time obtaining resources for her child.

A detailed job description is necessary to document the duties, responsibilities, and qualifications for the position, and help ensure that qualified people fill the position. A detailed job description could also help the SRC clarify job duties and establish supervisory responsibilities for this position. Also, allowing a state paid employee to perform duties associated with the Disabilities Advocacy and Support Network appears to be a violation of Article III, Sections 38 and 39 of the Missouri Constitution, which prohibits state agencies from making donations to not-for-profit corporations.

WE RECOMMEND the SRC more clearly define a detailed job description which includes duties, responsibilities, qualifications, and oversight provisions to clarify the community resource specialist position and ensure compliance with state law.

AUDITEE'S RESPONSE

The SRC provided the following response:

We concur with this finding. The Springfield Regional Center will review the current job qualifications and job description and develop a more detailed description which includes

duties, responsibilities, qualifications, and identifies and provides appropriate oversight for this position.