

Report To The Mississippi Legislature



A Compliance Review of Selected Areas of East Mississippi State Hospital, Including Patient Activity Funds and Inventory

November 13, 1997

PEER reviewed the adequacy of East Mississippi State Hospital's internal controls over resources and determined:

- The Patient Activity Fund, established to finance patients' social events and field trips, has no formal written policies and procedures governing receipts and disbursements of funds. EMSH did not consistently comply with generally accepted internal controls over this fund during fiscal years 1996 and 1997 and could not document that all funds were used for intended purposes.
- Although controls governing receipts and disbursement of the Weems Fund (a trust fund established to finance patient activities and provide allowances to indigent patients) are consistent with generally accepted internal control principles, EMSH did not consistently adhere to these policies and procedures during fiscal years 1995 through 1997.
- EMSH's Dietary Department's policies include sufficient internal controls over non-perishable food inventory, but EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures.
- The hospital's practices concerning use of arts and crafts supplies could allow theft or personal use of supplies. EMSH's system does not yield the documentation needed to demonstrate that supplies were used as intended.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A Compliance Review of Selected Areas of East Mississippi State
Hospital, Including Patient Activity Funds and Inventory**

November 13, 1997

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

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November 13, 1997

Honorable Kirk Fordice, Governor
Honorable Ronnie Musgrove, Lieutenant Governor
Honorable Tim Ford, Speaker of the House
Members of the Mississippi State Legislature

At its meeting of November 13, 1997, the PEER Committee authorized release of the report entitled **A Compliance Review of Selected Areas of East Mississippi State Hospital, including Patient Activity Funds and Inventory.**

A handwritten signature in cursive script, reading "Billy Bowles", written over a horizontal line.

Representative Billy Bowles, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Compliance Review of Selected Areas of East Mississippi State Hospital, including Patient Activity Funds and Inventory

November 13, 1997

Executive Summary

Introduction

East Mississippi State Hospital (EMSH) serves thirty-one counties covered by five of the state's fifteen mental health regions. PEER received allegations of personal use of patient resources by EMSH personnel, including: submittal of fraudulent receipts and embezzlement of money from the Weems Fund by an EMSH employee, theft of non-perishable foods from EMSH's kitchen, and theft of arts and crafts supplies from the Activities/Recreation Department.

Patient Activity Fund

EMSH's Patient Activity Fund is utilized to provide a variety of patient activities which are not provided for by state general funds, such as parties, field trips and social activities. Funds are received from donations from the public, chapel collections, and sales of employee craft items by the Activities/Recreation Department.

Weems Trust Fund

The last will of Charles S. Weems made Trustmark National Bank in Laurel, Mississippi, fiduciary of his estate upon the death of his brother, who was a patient at EMSH. The Chancery Court of the Second District of Jones County, via its decree of January 21, 1987, authorized expenditures by Trustmark for the needs of EMSH patients as follows:

- up to \$2,000 per quarter for miscellaneous activities;
- an allowance of \$30 per patient per month for indigent patients who have no funds or

income so as to provide such patients with an allowance that the state does not provide; and,

- an allowance of \$300 per indigent patient for personal clothes, with total expenditures not exceeding \$30,000 per twelve-month period.

The trustee also provides \$4,800 annually to EMSH for patients to attend the Mississippi Arts Fair for the Handicapped.

Conclusions

Patient Activity Fund

EMSH has not established formal written policies and procedures governing receipts and disbursements of Patient Activity funds.

EMSH had no formal written policies and procedures for the collection and disbursement of Patient Activity funds at the time of PEER's initial fieldwork session at EMSH. EMSH Accounting personnel provided PEER with informal policies and procedures—i.e., a description of their practice prepared for PEER's reference but not distributed to employees—during PEER's second fieldwork session.

Without formal written policies and procedures as standards, EMSH has no consistent basis for insuring accountability in utilization of Patient Activity funds. These control deficiencies expose the hospital's administration to allegations of employee wrongdoing that the hospital could not effectively refute in the absence of receipts showing that the funds were used for their stated purposes.

EMSH did not consistently comply with generally accepted internal controls during fiscal years 1996 and 1997, resulting in disbursement of \$2,919, or fifty-two percent, of Patient Activity funds without sufficient documentation to demonstrate that funds were used as intended.

PEER reviewed all Patient Activity expenditures for fiscal years 1996 and 1997 and found the following cases of noncompliance with practice as conveyed by the Director of Accounting:

- Fifty-two percent of the expenditures were not documented with receipts.
- Five of the transactions did not have memos requesting the expenditure of funds.

EMSH's failure to develop policies and to implement internal controls over the expenditure of Patient Activity funds poses significant risks to the integrity of the fund. Thirty-eight percent, or \$1,120, of the \$2,919 in Patient Activity Fund transactions PEER reviewed were not supported by receipts and were checks made payable to EMSH employees. EMSH has no verification or proof that Patient Activity funds paid to multiple vendors and employees, which were not documented with receipts as to proof of purchase, were used for their intended purpose.

Weems Trust Fund

EMSH policies and procedures governing receipts and disbursements of the Weems Fund are consistent with generally accepted internal controls. However, EMSH managers do not require internal auditors to conduct compliance audits periodically to determine the extent of the staff's adherence to these control procedures.

Although EMSH has established policies and procedures which, if consistently implemented, would insure adequate controls over the expenditure of Weems funds, the hospital does not routinely review employees' adherence to these controls. As a result, hospital managers do not receive periodic reports that would alert them to inconsistencies in staff members' adherence to these controls.

EMSH did not consistently adhere to its own policies and procedures governing receipts and disbursements of the Weems Fund during fiscal years 1995 through 1997.

A review of a sample of 111 of the 363 Weems Trust Fund expenditures for fiscal years 1995 through 1997 showed that EMSH did not consistently adhere to its own internal control procedures:

- Twenty-four percent of the expenditures were not documented with receipts.
- Forty-three percent of the transactions did not provide the names of the patients participating in the activity.
- Twelve percent of the expenditures did not have memos requesting the expenditure of funds.

Each of the above problems decreases accountability for funds of the Weems Trust. PEER found no evidence of theft, but EMSH's system of controls, as implemented, compromises the integrity of the system.

Inventory Controls

EMSH's Dietary Department's inventory control policies include sufficient internal controls over the department's non-perishable food inventory to safeguard those supplies. However, EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures.

EMSH Dietary Department's policies contain sufficient controls to deter personal use of nonperishable food inventory by Dietary Department employees. However, EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures. Thus EMSH does not have assurance that all food items requisitioned from the central warehouse are properly accounted for and legitimately used in the food service program.

The Activities/Recreation Department's failure to develop and implement internal controls over its arts and crafts supplies could allow personal use of inventory by employees.

The Activities/Recreation Department has not developed nor implemented policies and procedures for internal control over arts and craft inventory within the department. The department does not maintain a perpetual inventory of supplies. Other than the sewing inventory, EMSH cannot account for arts and crafts supplies once supplies are delivered to the Activities/Recreation building.

Current practices regarding use of arts and crafts supplies could allow for theft or personal use of supplies by EMSH employees. EMSH's system does not yield the documentation needed to demonstrate that supplies were used as intended. The department's lack of inventory controls exposes EMSH to allegations that the hospital could not refute because the department does not keep records comparing the depletion of supplies with their use in specific activities.

Recommendations

1. EMSH should formally adopt written policies and procedures governing the receipt and disbursement of Patient Activity funds. Such policies and procedures should include, but not be limited to:

- the submittal of written requests for the expenditure of funds; and,
 - receipts for disbursements.
2. The Director of Reimbursement should adhere to existing policies and procedures and should not release any Weems Trust Fund Account funds to EMSH employees unless employees submit names of patients participating in the activity to be funded by the Weems Trust.
 3. Although EMSH managers do not consider submission of names necessary in cases in which both indigent and non-indigent patients participate in group activities, EMSH managers should refrain from waiving this requirement (that all names be submitted) until receiving formal approval of this practice by the trustee.
 4. The Director of Reimbursement should place copies of all receipts in the Weems Trust Fund Account files.
 5. The Activities/Recreation Department should develop and implement policies and procedures governing internal control of arts and crafts inventory within the department. Such policies and procedures should include patients not only signing in for activities, but listing projects worked on during their visit.

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A Compliance Review of Selected Areas of East Mississippi State Hospital, Including Patient Activity Funds and Inventory

Introduction

Authority

The PEER Committee conducted a limited review of the patient activities and dietary services departments of East Mississippi State Hospital (EMSH). The Committee acted in accordance with MISS. CODE ANN. Section 5-3-57.

Scope and Purpose

In response to a citizen complaint, PEER reviewed financial records of EMSH's Patient Activity Fund and Weems Trust Fund for fiscal years 1995 through 1997 to determine whether controls were adequate to insure the proper expenditure of these funds by the Activities/Recreation Department. PEER also reviewed the safeguarding of Dietary Department inventory and Activities/Recreation inventory.

Method

During the course of this review, the PEER staff obtained and reviewed the following:

- FY 1995 through FY 1997 monthly receipts/disbursements reports of the Weems Trust Fund;
- FY 1996 through FY 1997 monthly receipts/disbursements reports of the Patient Activity Fund;
- EMSH policies and procedures governing inventory controls of the Dietary and the Activities/Recreation departments; and,
- EMSH policies and procedures governing disbursements from the Weems Fund.

Overview

PEER received allegations of personal use of patient resources by EMSH personnel, including: submittal of fraudulent receipts and embezzlement of money from the Weems Fund by an EMSH employee, theft

of non-perishable foods from EMSH's kitchen, and theft of arts and crafts supplies from the Activities/Recreation Department.

Because no evidence exists for determining whether these specific allegations were true, PEER sought to determine the adequacy of controls to prevent these types of misuse. PEER reviewed EMSH's policies and procedures to determine the adequacy of controls over the Weems and Patient Activity funds and reviewed compliance with these policies and procedures. EMSH has not established formal written policies and procedures governing receipts and disbursements of Patient Activity funds and did not consistently comply with generally accepted internal controls during fiscal years 1996 and 1997. Although controls governing receipts and disbursement of the Weems Fund are consistent with generally accepted internal control principles, EMSH did not consistently adhere to these policies and procedures during fiscal years 1995 through 1997.

EMSH's Dietary Department's inventory control policies include sufficient internal controls over the department's non-perishable food inventory, but EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures. Current practices concerning use of arts and crafts supplies could allow theft or personal use of supplies by EMSH employees. EMSH's system does not yield the documentation needed to demonstrate that supplies were used as intended.

Background

East Mississippi State Hospital

East Mississippi State Hospital serves thirty-one counties covered by five of the state's fifteen mental health regions. EMSH's Institutional Care Program operates acute, intermediate, and continued psychiatric treatment units, a chemical dependency unit for adult males, a certified nursing facility, and an acute adolescent psychiatric unit designed to provide diagnostic evaluation and short-term treatment for adolescents with impaired emotional, social, psychological, and academic functioning. EMSH's Pre/Post Institutional Care Program provides transitional community-based care to the mentally ill through a network of group home services, halfway house services, supervised apartment services, case management, and psychological rehabilitation services. EMSH provides these two programs via the organizational structure provided in Exhibit 1, page 4.

Non-Appropriated Funds Utilized for Patient Activities

The Legislature appropriated \$41,171,416 to EMSH for FY 1997. EMSH utilizes several funds not provided by state general fund appropriations for additional operations and services to patients. These funds include the Weems Fund and the Patient Activity Fund.

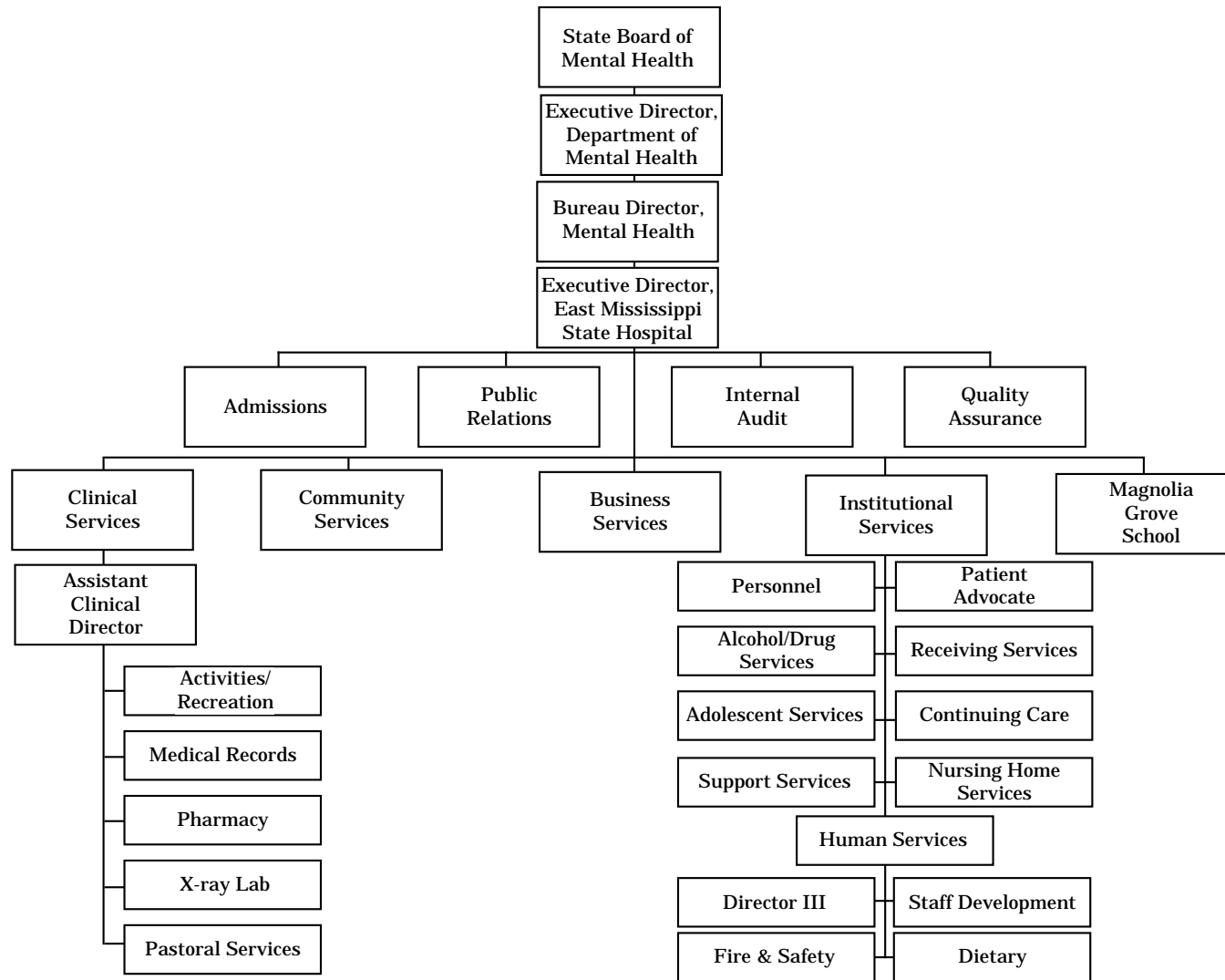
Weems Trust Fund

The last will of Charles S. Weems made Trustmark National Bank in Laurel, Mississippi, fiduciary of his trust estate upon the death of his brother, who was a patient at EMSH. The Chancery Court of the Second District of Jones County, via its decree of January 21, 1987, authorized expenditures by Trustmark for the needs of EMSH patients as follows:

- up to \$2,000 per quarter for miscellaneous activities (patient luncheons, outings, refreshments, or parties for both indigent and non-indigent patients) [NOTE: This amount was increased to \$2,500 per quarter effective March 1997];
- an allowance of \$30 per patient per month for indigent patients who have no funds nor income so as to provide such patients with an allowance that the state does not provide. Said allowance is to be paid to indigent patients who have been at EMSH for a minimum of three months and who are permanently assigned to the hospital. Said payments are to be made monthly for a maximum of 250 patients pursuant to EMSH's submittal of a

Exhibit 1

East Mississippi State Hospital
Organization Structure as of July 1, 1997



SOURCE: East Mississippi State Hospital FY 1998 Budget Request.

written report at the end of each month to the trustee listing the indigent patients for whom an allowance was furnished; and,

- an allowance of \$300 per indigent patient for personal clothes, with total expenditures not exceeding \$30,000 per twelve-month period.

The trustee also provides \$4,800 annually to EMSH for patients to attend the Mississippi Arts Fair for the Handicapped in Biloxi, Mississippi. These funds provide hotel rooms, meals, and entertainment for the patients on the trip.

The Trust Officer at Trustmark National Bank in Laurel who is in charge of the Weems Trust reviews all requests for payment by EMSH prior to disbursement of Weems funds by the bank. The Trust Officer stated that the bank has never questioned any Weems expenditure made by EMSH nor any documentation. The bank obtains approval from a Chancellor of the Jones County Chancery Court for all expenditures relevant to new programs or activities, other than those specified in the trust documents, requested by EMSH to be paid by the trust. Trustmark National Bank takes this step to insure that all expenditures paid for by the Weems Trust meet the intention of the trust fund.

Patient Activity Fund

EMSH's Patient Activity Fund is utilized to provide a variety of patient activities which are not provided for by state general funds, such as pizza parties, field trip social activities, or purchase of holiday supplies. Funds are received from donations from the public, chapel collections, and sales of employee craft items by the Activities/Recreation Department. (Proceeds from the sale of patients' crafts are deposited into their individual patient accounts.)

Risks Associated with Weems Trust and Patient Activity Funds

Weems and Patient Activity funds, although not appropriated by the Legislature, are to be managed by state hospital personnel and expended for the benefit of patients of East Mississippi State Hospital. Therefore, prudent expenditure of these funds becomes a concern and interest of PEER. EMSH received \$12,988 in FY 1995 from the Weems Trust; \$12,876 in FY 1996; and \$13,794 in FY 1997. The EMSH Patient Activity Fund received \$1,896 in FY 1995; \$3,240 in FY 1996; and \$2,391 in FY 1997.

EMSH procedures for the disbursement of both Weems and Patient Activity funds allow checks from these two accounts to be issued directly to EMSH employees. These procedures enable employees to receive advanced

payment or reimbursement for food and activity expenditures incurred by EMSH patients. During FY 1997, six percent of the Weems Trust transactions were checks issued to employees totaling \$155. Thirty-eight percent of Patient Activity funds transactions for the same period were checks issued to employees totaling \$885.

Because these two accounts involve non-state funds, they are not subject to pre-audit conditions imposed by the state. Procedures EMSH uses in spending Weems and Patient Activity funds should control for the special risks associated with funds that are issued directly to employees and that are not subject to pre-audit requirements that help control expenditure of Treasury funds.

Dietary Department's Non-Perishable Food Inventory

EMSH's Dietary Department prepares approximately 600 breakfasts, 650 lunches, and 600 dinners each day. The larger number of lunches is due to employees' meals purchased in the cafeteria. Dietary staff prepare all meals in the central kitchen and serve all meals in the cafeteria or in satellite kitchens. The central kitchen/cafeteria serves patients with ground privileges and employees, while satellite kitchens only serve patients.

Vendors deliver non-perishable foods to EMSH's central warehouse, where warehouse personnel store the foods. The Dietary Director requisitions non-perishable food needed for the subsequent day's meals and department personnel pick up the requisitioned non-perishable foods and deliver the order to the central kitchen, where they are stored in the dry goods ingredient room. Dietary Department employees' frequent contact with non-perishable food items used in preparing 1,850 meals per day creates significant risk for misuse or theft of the department's inventory.

Activities/Recreation Department's Indoor Activities Inventory

EMSH's Activities/Recreation Department provides four types of indoor activities for patients which require supplies: ceramics, plaster of Paris, sewing, and arts and crafts. The department orders arts and crafts supplies, other than fabric, via the state purchasing system from various area vendors, and orders fabric directly from an area fabric store. These supplies are stored in the Activities/Recreation building. Basic, non-intrusive controls are needed for arts and crafts supplies due to the relatively low financial risk associated with these supplies.

Conclusions

PEER reviewed EMSH's policies and procedures to determine the adequacy of controls over the Weems and Patient Activity funds and to determine EMSH's compliance with relevant policies and procedures. EMSH has not established formal written policies and procedures governing receipts and disbursements of Patient Activity funds and did not consistently comply with generally accepted internal controls during fiscal years 1996 and 1997. Although controls governing receipts and disbursement of Weems funds are consistent with generally accepted internal controls, EMSH did not consistently adhere to its policies and procedures during fiscal years 1995 through 1997.

Patient Activity Fund

EMSH has not established formal written policies and procedures governing receipts and disbursements of Patient Activity funds.

As stated earlier on page 5, the Patient Activity Fund is used to provide a variety of patient activities which are not provided for by state general funds, such as pizza parties, field trip social activities, or purchase of holiday supplies. Funds are received from donations from the public, chapel collections, and sales of employee craft items by the Activities/Recreation Department. Having received complaints of misuse of Weems funds by Activities/Recreation personnel, PEER also reviewed the Patient Activity Fund because these funds are released to employees for the benefit of patients and therefore are subject to the same risks as are Weems Trust funds.

To maintain good internal controls, an organization should implement procedures which prevent: (1) the person having custody of assets from maintaining records of those assets; (2) those persons responsible for maintaining accounting records from initiating transactions; and (3) those persons responsible for maintaining records from having responsibility for reconciling those records to information received from outside parties or to control accounts. Organizations should also utilize pre-numbered documents and require submittal of receipts to verify expenditure of funds. An adequate system of controls should also include periodic internal audits to determine whether EMSH staff consistently adhere to control procedures.

EMSH had no formal written policies and procedures for the collection and disbursement of Patient Activity funds at the time of PEER's initial fieldwork session at EMSH. EMSH Accounting personnel provided PEER with informal policies and procedures--i.e., a description of their

practice prepared for PEER's reference but not distributed to employees--during PEER's second fieldwork session.

Exhibit 2, page 9, depicts the procedures for the collection and disbursement of Patient Activity funds, according to PEER interviews with EMSH's Accounting Director. The recreation or social worker submits a written request to the Director of Accounting for Patient Activity funds to pay for an activity. The Director of Accounting issues a check to the place of business and writes the check number on the memo requesting the funds. The recreation or social worker purchases the goods and submits the receipt to the Director of Accounting, who attaches it to the memo requesting the funds.

EMSH practices regarding internal controls over Patient Activity funds provide for the Director of Accounting to maintain financial records related to the funds and for an Accounting Technician in EMSH's Accounting Department to reconcile the monthly bank statements to the books. The Director of Accounting makes all deposits for EMSH, including those to the Patient Activity Fund Account.

Without formal written policies and procedures as standards, EMSH has no consistent basis for insuring accountability in utilization of Patient Activity funds. These control deficiencies expose the hospital's administration to allegations of employee wrongdoing that the hospital cannot effectively refute in the absence of receipts showing that the funds were used for their stated purposes.

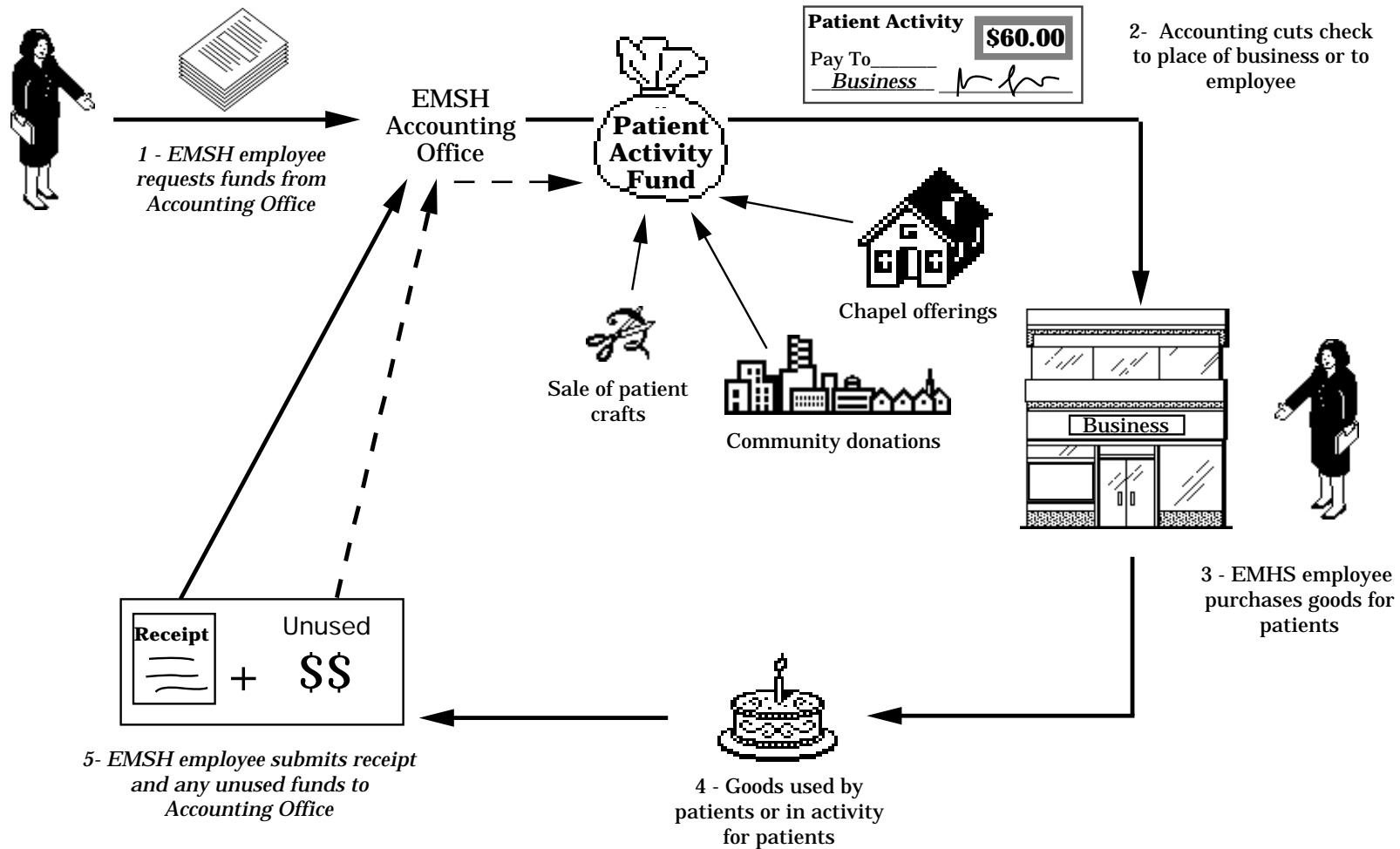
EMSH did not consistently comply with generally accepted internal controls during fiscal years 1996 and 1997, resulting in disbursement of \$2,919, or fifty-two percent, of Patient Activity funds without sufficient documentation to demonstrate that funds were used as intended.

PEER considers the internal controls over receipt and expenditure of Weems Trust funds to be adequate (with the exception of the absence of requirements for periodic internal audits) and used those controls as criteria for judging the adequacy of EMSH's actual practices for ensuring that Patient Activity funds were used as intended.

PEER sought to conduct a random sample of EMSH's Patient Activity Fund account expenditures for fiscal years 1995 through 1997. However, EMSH personnel could not locate FY 1995 records which reportedly had been stored at the site of the former Matty Hersee State Hospital. Therefore, PEER reviewed all Patient Activity expenditures for fiscal years 1996 and 1997 (see Appendix A, page 21) and found the following cases of non-compliance with practice as conveyed by the Director of Accounting:

Exhibit 2

Patient Activity Fund: Expenditure and Reimbursement Processes



NOTE: *Italicized type indicates areas of noncompliance with EMSH practice.*

SOURCE: PEER interviews with EMSH personnel.

- Fifty-two percent of the expenditures were not documented with receipts. Although the Director of Accounting stated that receipts are required for all transactions, Patient Activity Fund account files contained receipts for only twenty-six of the forty-five checks written during fiscal years 1996 and 1997. These twenty-six checks represented \$2,722 of the total \$5,641, with \$2,919, or fifty-two percent, of the expenditures not being verified by receipts. When receipts are not required, the potential increases for staff members to retain funds intended for patients' benefit.
- Five of the transactions did not have memos requesting the expenditure of funds. Five transactions did not include memos requesting Patient Activity funds. Failure to require this documentation consistently increases the potential for misuse of funds.

EMSH's failure to develop policies and to implement internal controls over the expenditure of Patient Activity funds poses significant risks to the integrity of the fund. Thirty-eight percent, or \$1,120 of the \$2,919 in Patient Activity Fund transactions PEER reviewed, were not supported by receipts and were checks made payable to EMSH employees. EMSH has no verification or proof that Patient Activity funds paid to multiple vendors and employees, which were not documented with receipts as to proof of purchase, were used for their intended purpose.

Weems Trust Fund

EMSH policies and procedures governing receipts and disbursements of the Weems Fund are consistent with generally accepted internal controls. However, EMSH managers do not require internal auditors to conduct compliance audits periodically to determine the extent of the staff's adherence to these control procedures.

As stated on page 3, the Weems Trust Fund provides services and activities for indigent patients of EMSH. The Weems Trust Fund also pays for patients' annual participation in the Mississippi Arts Fair for the Handicapped. Having received complaints of misuse of the Weems Fund by EMSH personnel relative to the Arts Fair for the Handicapped trip, PEER reviewed EMSH controls to determine whether they helped to insure proper utilization.

As stated earlier, to maintain good internal controls, an organization should implement procedures which prevent: (1) the person having custody of assets from maintaining records of those assets; (2) those persons responsible for maintaining accounting records from initiating transactions; and (3) those persons responsible for maintaining records from having responsibility for reconciling those records to information

received from outside parties or to control accounts. Organizations should also utilize pre-numbered documents and require the submittal of receipts to verify expenditure of funds. (The presence of and the adherence to a policy requiring receipts does not insure validity of submitted receipts. However, requiring receipts deters misuse of funds by employees.) An adequate system of controls should also include periodic internal audits to determine whether EMSH staff consistently adhere to control procedures.

EMSH's Accounting Department receives \$2,500 quarterly from Trustmark National Bank for miscellaneous expenses and charges related to these activities. As shown in Exhibit 3, page 12, EMSH Business Services' policy and procedures require the following for the disbursement of Weems funds:

- The employee (e.g., social worker, recreation worker) must submit in writing to the Director of Reimbursement the names of patients participating in the activity and the amount requested.
- The Director of Business Services and the Director of Reimbursement must sign the check made out to the place of business (trips to amusement parks, fairs, etc., are written to the person requesting funds).
- The employee (social worker or recreation worker) must submit receipts for the activity to the Reimbursement Department for verification of expenditures. The Reimbursement Department submits any unused funds to the Accounting Department for re-deposit into the Weems Trust Fund Account.

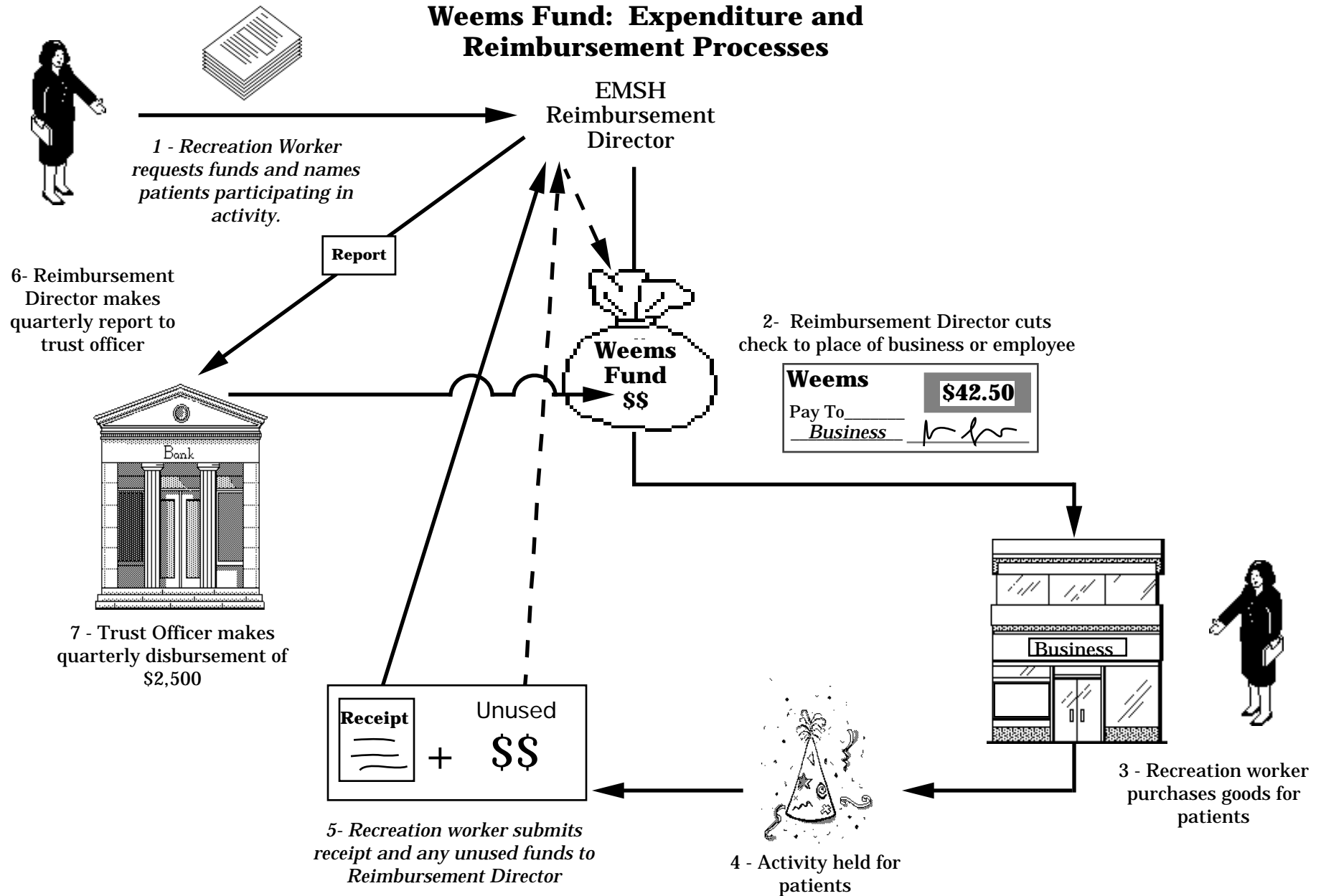
The Director of Reimbursement posts monthly expenditures in EMSH's computer files and submits a monthly itemized report of expenditures to the Director of Accounting and the Director of Business Services. The Director of Accounting submits copies of all deposits to the Director of Reimbursement, who reconciles them to bank statements quarterly. The Director of Accounting reconciles monthly bank statements to EMSH financial records.

The Weems Trust Fund Account utilizes pre-numbered checks. The Accounting Office keeps copies of all canceled checks. The Director of Reimbursement keeps copies of receipts with the request for funds memos and forwards original receipts to Trustmark National Bank in Laurel in EMSH's quarterly report on the utilization of funds as required in the court decree.

According to the Director of Reimbursement, procedures for the disbursement of Weems funds for the Arts Fair for the Handicapped are slightly different (see Exhibit 4, page 13). The Director of Activities/Recreation Department submits a written request for funds to the Director of Business Services, who then requests funds from Trustmark

Exhibit 3

Weems Fund: Expenditure and Reimbursement Processes

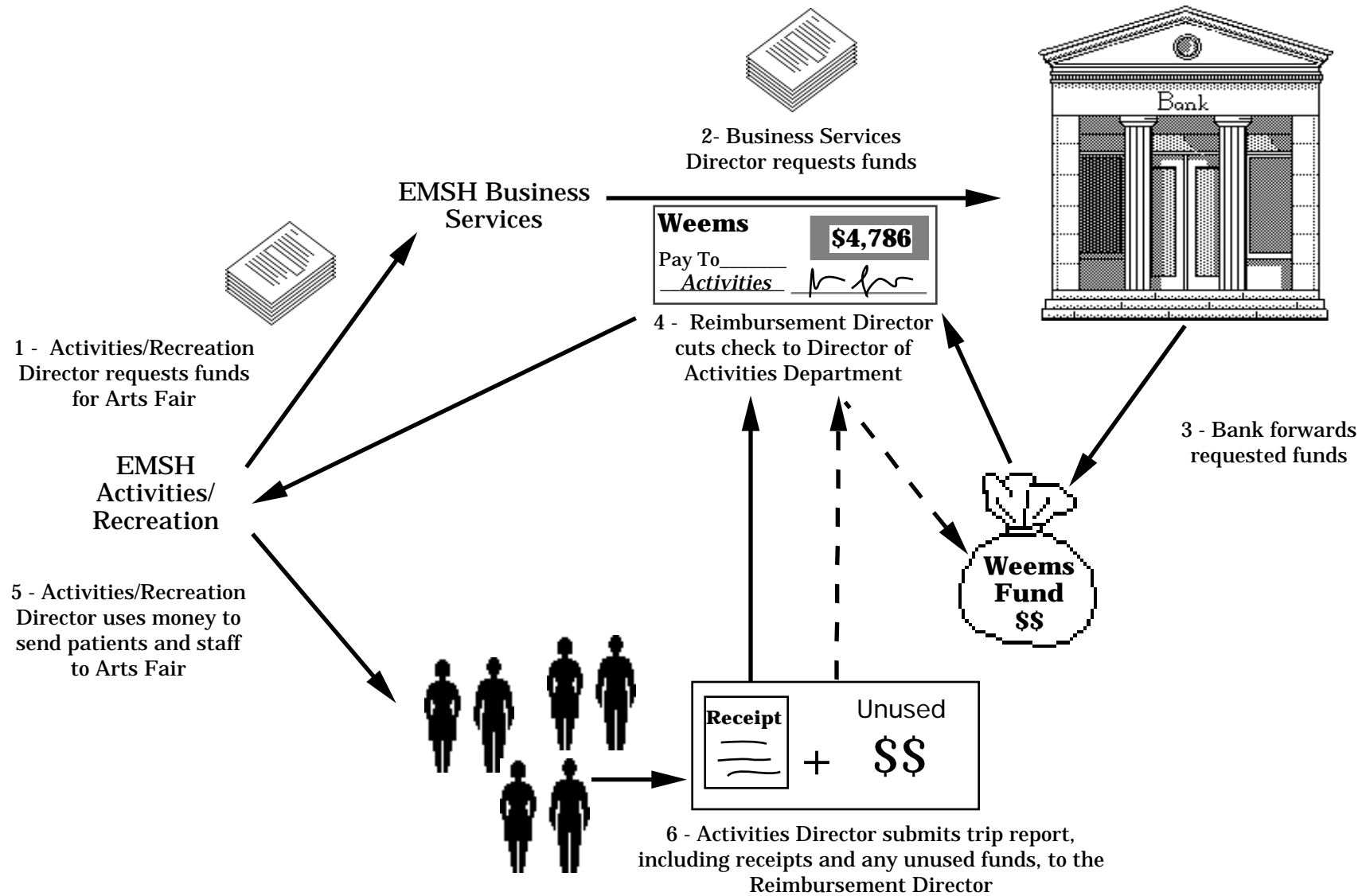


NOTE: *Italicized type indicates areas of noncompliance with EMSH policies and procedures.*

SOURCE: PEER analysis of EMSH policies and procedures.

Exhibit 4

Weems Fund (Mississippi Arts Fair for the Handicapped): Expenditure and Reimbursement Processes



SOURCE: PEER analysis of EMSH policies and procedures and interviews with EMSH Business Services personnel.

National Bank. The funds are deposited into EMSH's Weems Trust Fund Account and a check is sent to the hotel for the room deposit. The Director of Activities/Recreation receives the balance of the requested funds approximately one day prior to departure for the trip and then submits a trip report, accompanied by receipts, upon returning to EMSH.

These procedures are consistent with the criteria mentioned above because:

- the employee given custody of the assets (i.e., the person receiving the check) is different from the person maintaining records of those assets (the Director of Reimbursement);
- the person responsible for maintaining records (the Director of Reimbursement) is different from employees initiating transactions (i.e., employees in the Activities/Recreation Department);
- the person responsible for maintaining records (i.e., the Director of Reimbursement) is different from the person responsible for reconciling those records to information received from outside parties or to control accounts (i.e., the Director of Accounting); and,
- the employee given custody of the assets (i.e., the person receiving the check) is to submit receipts to verify expenditure of funds.

Although EMSH has established policies and procedures which, if consistently implemented, would insure adequate controls over the expenditure of Weems funds, the hospital does not routinely review employees' adherence to these controls. As a result, hospital managers do not receive periodic reports that would alert them to inconsistencies in staff members' adherence to these controls.

EMSH did not consistently adhere to its own policies and procedures governing receipts and disbursements of the Weems Fund during fiscal years 1995 through 1997.

A review of a sample of 111 of the 363 Weems Trust Fund expenditures (see Appendix B, page 23) for fiscal years 1995 through 1997 showed that EMSH did not consistently adhere to its own internal control procedures:

- Twenty-four percent of the expenditures were not documented with receipts. Although the Director of Reimbursement stated that she keeps copies of all receipts in the file, with the original receipts being submitted to Trustmark National Bank, Weems Trust Fund Account files contained receipts for only 97 of the 111

checks included in PEER's sample. These 97 checks represented \$10,814 of the total \$14,301. As a result, \$3,487 in Weems funds were disbursed without required documentation to demonstrate that funds were used as intended. Of this amount, \$3,388 was for newspaper subscriptions for patient use and could be verified through third-party sources. PEER does not question the need for or propriety of this expenditure, but takes exception to the fact that these expenditures were not accompanied by proper documentation. Beginning in FY 1998, for which no transactions were included in PEER's sample, EMSH administrators recognized the need to enforce internal control procedures consistently and began filing documentation for each newspaper expenditure.

- Forty-three percent of the transactions did not provide the names of the patients participating in the activity. Forty-eight of the 111 transactions did not include memos requesting Weems funds which specified the names of patients participating in the activity. Workers submitted memos stating that the funds were to be used for "all the patients on B-4 ward" or "for treats for approximately 100 patients in January." In compliance with provisions of the Weems Trust, EMSH policies and procedures require the social worker or recreation worker to submit in writing the names of patients participating in the activity.
- Twelve percent of the expenditures did not have memos requesting the expenditure of funds. Thirteen transactions did not include memos requesting Weems funds. Twelve of these thirteen transactions were for monthly newspaper subscriptions, but the invoice did not accompany the check for payment. EMSH policies and procedures require written requests for funds. Failure to require memos or invoices consistently increases the potential for misuse of funds.

Each of the above problems decreases accountability for funds of the Weems Trust. PEER found no evidence of theft, but EMSH's system of controls, as implemented, compromises the integrity of the system.

Because of allegations of misuse of funds related to the Mississippi Arts Fair for the Handicapped, PEER purposively reviewed expenses for the 1996 and 1997 arts fairs, as well as expenses for the 1995 Arts Fair which had been selected in the random sample. The allegations of misuse of funds involved the falsification of submitted receipts. The Director of Activities/Recreation submitted a detailed trip report for all three years, accompanied by receipts and unused funds. Thus, the Director of Activities/Recreation submitted the documentation required in compliance with EMSH policies and procedures governing expenditure of Weems funds.

Inventory Controls

PEER received allegations of the theft of non-perishable foods from EMSH's kitchen and of arts and craft supplies from the Activities/Recreation Department. In response to these allegations, PEER reviewed controls over Dietary Department and Activities/Recreation Department supplies.

EMSH's Dietary Department's inventory control policies include sufficient internal control over the department's non-perishable food inventory to safeguard those supplies. However, EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures.

Effective internal controls of inventory help to ensure that the needed type of inventory is available, properly used, and accounted for. Sufficient controls also help prevent the personal use of inventory by employees, deter theft, and increase the likelihood of detection of theft. An adequate system of controls should include periodic internal audits of the EMSH central kitchen's non-perishable food inventory. Periodic internal audits would review the central kitchen's perpetual inventory and reconcile inventory with central warehouse requisitions and daily menus.

EMSH's Dietary Department's inventory control policies include sufficient internal controls over the department's non-perishable food inventory. EMSH's Dietary Director orders inventory monthly via state bidding procedures. Vendors deliver non-perishable foods to EMSH's central warehouse, where warehouse personnel store the foods and enter the inventory on computer. The central warehouse provides a monthly order summary to the Dietary Department of the non-perishable inventory received and of inventory sent to the central kitchen for that month.

EMSH policy requires that each day the Dietary Director requisition non-perishable food needed for the next day's meals from the central warehouse, except for Fridays when he may order food needed for Saturday, Sunday, and Monday due to closure of the central warehouse on weekends. Dietary personnel pick up the requisitioned non-perishable foods and deliver the order to the central kitchen, where they are stored in the dry goods ingredient room. EMSH personnel reported that there is no running inventory of the central kitchen's non-perishable inventory because there is only inventory on hand for three days' meals at most.

According to EMSH policy, the dry goods ingredient room manager or shift leader is the only employee allowed in the dry goods ingredient room. The policy requires that the storeroom be locked as soon as the goods for the meal being prepared are pulled. The key to the storeroom must be

kept in the office and only the dry goods ingredient room manager should have a key to the office. The Assistant Dietary Director also has a key because he/she works from 4:30 a.m. to 1:00 p.m. and because this is the shift in which dry goods items are pulled for the day. During an unannounced inspection of the central kitchen, PEER observed the assistant storeroom manager, who was in the storeroom due to the manager's absence that day, locking the storeroom without being instructed to do so by Dietary management upon his leaving the storeroom, which demonstrated proper implementation of this control.

The policy requires that at night, the supervisor/shift leader be the last person out of the building and that this supervisory staff member watch the employees leave, turn on the security alarm, and then leave the key with the switchboard.

These policies contain sufficient controls to deter personal use of non-perishable food inventory by Dietary Department employees. However, EMSH managers do not require internal auditors to determine the extent of the staff's adherence to these control procedures. The EMSH central kitchen's recordkeeping system of central warehouse requisition forms and daily menus would allow reconciliation of food requisitioned to food used. EMSH's Internal Auditor stated that he would only conduct an audit of the Dietary Department's inventory controls at the request of EMSH's Executive Director and that he has never conducted an audit of this type. Thus EMSH does not have assurance that all food items requisitioned from the central warehouse are properly accounted for and legitimately used in the food service program.

The Activities/Recreation Department's failure to develop and implement internal control over its arts and crafts supplies could allow personal use of inventory by employees.

As stated above, effective internal controls of inventory help to ensure that the needed type of inventory is available, properly used, and accounted for. Sufficient controls would also help prevent the personal use of inventory, deter theft, and increase the likelihood of detection of theft.

Basic, non-intrusive controls are needed for arts and crafts supplies due to the relatively low financial risk associated with these supplies. Policies and procedures which require patients signing in for activities and listing projects worked on during their visit provide documentation necessary to reconcile inventory on hand to inventory used. An adequate system of controls should also include periodic internal audits of inventory.

The Activities/Recreation Department has not developed nor implemented policies and procedures for internal control over arts and crafts inventory within the department. The department does not maintain a perpetual inventory of supplies. Other than the sewing inventory, EMSH

cannot account for arts and crafts supplies once supplies are delivered to the Activities/Recreation building.

EMSH's Activities/Recreation Department orders office and building supplies from EMSH's central warehouse in accordance with EMSH policies and procedures. The department orders arts and crafts supplies, other than fabric, via the state purchasing system from various area vendors and orders fabric directly from an area fabric store. Relatively minor financial risks are associated with arts and crafts inventory, as the Activities/Recreation Department ordered \$10,993 worth of arts and crafts supplies during FY 1997.

According to the department's director, each activity area's therapist is responsible for maintaining the inventory needed for his or her area. The therapist submits a request for needed arts and crafts items to EMSH's Coordinator of Activities/Recreation, who then orders the needed inventory. The department does not have a central storage room; inventory for each activity area is stored in that area. Patients sign in each time they participate in an activity, but the log does not reflect the type of project upon which the patient is working. Therefore, no written record exists as to the usage of arts and crafts supplies for projects. The sewing therapist maintains a record of materials taken from and added to the sewing inventory, but other activity areas do not.

Current practices regarding use of arts and crafts supplies could allow for the theft or personal use of supplies by EMSH employees. EMSH's system does not yield the documentation needed to demonstrate that supplies were used as intended. The department's lack of inventory controls exposes EMSH to allegations that the hospital cannot refute because the department does not keep records comparing the depletion of supplies with their use in specific activities.

Recommendations

1. EMSH should formally adopt written policies and procedures governing the receipt and disbursement of Patient Activity funds. Such policies and procedures should include, but not be limited to:
 - the submittal of written requests for the expenditure of funds; and,
 - receipts for disbursements.
2. The Director of Reimbursement should adhere to existing policies and procedures and should not release any Weems Trust Fund Account funds to EMSH employees unless employees submit names of patients participating in the activity to be funded by the Weems Trust.
3. Although EMSH managers do not consider submission of names necessary in cases in which both indigent and non-indigent patients participate in group activities, EMSH managers should refrain from waiving this requirement (that all names be submitted) until receiving formal approval of this practice by the trustee.
4. The Director of Reimbursement should place copies of all receipts in the Weems Trust Fund Account files.
5. The Activities/Recreation Department should develop and implement policies and procedures governing internal control of arts and crafts inventory within the department. Such policies and procedures should include patients not only signing in for activities, but listing projects worked on during their visit.

Appendix A

Patient Activity Fund Expenditures Fiscal Years 1996 and 1997

Check	Date	Payee	Amount	Request Memo Purpose	Check Purpose	Receipt Amount
665	7/14/95	Pizza Hut	\$7.02	Birthday personal pan pizza for 2 named patients		
666	7/14/95	EMSH	60.00	Adolescent clients to water park for afternoon	Adolescent-Water Park	\$51.00 *
667	7/19/95	Pizza Hut	3.51	Birthday personal pan pizza for named patient	Adolescent	3.51
668	7/21/95	Pizza Hut	9.84	Birthday personal pan pizza for 3 named patients	Adolescent	9.79 *
669	7/26/95	Pizza Hut	70.00	Pizza Party for Adolescent Services Patients	Adolescent	70.00
670	8/9/95	Clare Sims	300.00	Craft items	Art supplies	
671	8/10/95	McDonald's	3.51	Birthday value meal for named patient	Adolescent	
672	8/1/95	Pizza Hut	3.51	Birthday personal pan pizza for named patient	Adolescent	3.51
673	8/11/95	Pizza Hut	3.51	Birthday personal pan pizza for named patient	Adolescent	
674	8/17/95	Sack & Save	20.00	Icecream cups for birthday party	Adolescent	20.72 *
675	8/23/95	Ultimate Fun	100.00	Party for Adolescent Patients	Adol.	100.00
676	8/24/95	VOID		VOID	Adolescent	
677	8/28/95	Medline Fabrics	299.90	Material purchased	Supplies	299.90
678	8/30/95	Pizza Hut	70.00	Pizza Party for Adolescent Services Patients	Adolescent	72.87 *
679	9/7/95	Vanessa Jones	30.00	Reimbursement for water park expenses	Water Slide Tickets	30.00
680	9/29/95	Pizza Hut	10.53	Birthday personal pan pizza for 3 named patients	Adolescent	10.53
681	10/13/95	Teresa Labiche	10.00		Reg. Fee	10.00
682	11/28/95	Walmart	19.74	CD and tape	Parade supplies	19.74
683	11/28/95	Diane Griffin	10.00	Cokes and cookies for adolescent unit	Adolescent Party	
684	11/30/95	Morgan's Horticulture	119.50	10 poinsettias for chapel	Flowers for chapel	119.50
685	11/30/95	Claudia Rowland	20.00	Trophys to winners of parade	Trophies	20.00
686	12/7/95	Clare Sims	57.33	Needed Christmas supplies	Christmas Supplies	57.33

* Denotes an item for which the check amount varies from the supporting receipt. Checks totalling \$2,721.63 were supported by receipts totalling \$2,702.19, with the difference being returned to EMSH.

SOURCE: PEER analysis of fiscal years 1996 and 1997 Patient Activity Fund files.

Check	Date	Payee	Amount	Request Memo Purpose	Check Purpose	Receipt Amount
687	12/8/95	Diane Griffin	10.00	Christmas cards for patients	Christmas Cards	8.56 *
688	2/21/96	Eddie Conn	500.00	Patients who have no money	Patients Chapel Fund	500.00
689	3/20/96	CAHHS Volunteer	85.00			
690	3/27/96	Clare Sims	500.00	Costume rental for Arts Fair	Arts Fair Expense	
691	5/30/96	Ads for Art Fair	910.00		Ads for Arts Fair	
692	6/20/96	MISS. Arts Fair	100.00	Advertising	Ad	
693		VOID		VOID		
694		VOID		VOID		
695	10/7/96	Susan Easley	60.00	Spending money for 12 patients at state fair	Adolescent-Fair Money	
696	10/10/96	Clare Sims	350.00	Christmas Float supplies	Parade Supplies	342.42 *
697	11/8/96	American Bible Society	616.40	300 Bibles		616.60
698	11/13/96	Cassie Bynum	50.00	Prizes for Fall Fest booths for adolescents	Fall Fest	46.94 *
699	12/2/96	Wendy Eggler	25.00	Christmas decorations for adolescent wards	Adol. supplies	
700	12/3/96	Morgan's Horticulture	115.50	Poinsettias for chapel during Christmas	Poinsettias	115.50
701	12/20/96	Robert Frazier	70.00	Christmas activities on Adolescent Unit	Adolescent party	
702	12/30/96	Tiffany Walters	80.00	New Year's Eve pizza party for Adolescent Unit	Adolescent party	
703	1/23/97	Tiffany Walters	25.00	Supplies for monthly birthday parties	Adolescent party	
704	1/24/97	Walmart	60.00	Girls' makeup storage boxes	Adolescent supplies	
705	3/5/97	Christina Scott	15.00	Expenses for a named patient on adol unit		
706	3/26/97	Clare Sims	25.00	Music for the 1997 Arts Fair for Handicapped	Art fair supplies	25.00
707	3/26/97	CAHHS Volunteer	55.00			
708	4/1/97	MS Arts Fair	575.00		Ads	
709	4/4/97	Willie Brown	35.48	Aquarium supplies for Magnolia Grove School	Adolescent school supplies	
710	4/10/97	Claire Sims	30.00	Paint for Arts Fair backdrop	Arts Fair supplies	29.78 *
711	4/23/97	George Anderson	20.87	Game supplies for picnic	Adolescent supplies	20.87
712	5/7/97	Clare Sims	100.00	Paint for Arts Fair backdrop	Art supplies	98.12 *
TOTAL			\$5,641.15			\$2,702.19

Appendix B

Sample of Weems Trust Fund Expenditures Fiscal Years 1995 - 1997

Check	Date	Payee	Amount	Patient Names	Request Memo Purpose	Check Purpose	Receipt
1518	7/5/94	L&J Candy Co.	\$40.00		Annual Carnival Day activities	Carnival Day Party C.C.	\$40.00
1525	7/5/94	Winn Dixie	40.00	X	Named patients on B3 ward	Luncheon 9 patients	40.00
1526	7/14/94	Coca Cola	171.00		Refreshments for approximately 275 patients	National Hospital Week	171.00
1530	8/5/94	Johnson Backyard BBQ	53.01	X	Named patients on A4 ward	A4-8 patients	53.01
1536	9/1/94	Butch Hawkins	263.25			Newspapers 8/94	
1537	9/1/94	Cake Etc.	60.00		B-4 ward patients	B4 party 9/14	60.00
1538	9/1/94	VOID			VOID		
1543	9/7/94	Beard Canteen	74.38		August treats for approximately 150 patients	Refreshments 8/94	74.38
1545	9/16/94	Trustmark	2.83		Service charges		2.83
1548	9/26/94	Butch Hawkins	263.25			Newspapers 9/94	
1557	11/4/94	Fred's Store	19.36		Halloween treats for approximately 50 patients	Halloween Party	19.36
1558	11/14/94	Sack and Save	54.90		Thanksgiving dinner for all B4 ward patients	B4 - Thanksgiving Dinner	54.90
1559	11/15/94	Sack and Save	97.00		Thanksgiving dinner for all A3 ward patients	Thanksgiving Dinner - A3	97.00
1564	12/5/94	Beard Canteen	36.74		November treats for approximately 50 patients	Refreshments 11/94	36.74
1570	12/8/94	Sack and Save	96.03		A4 ward patients	A4 party	96.03
1571	12/8/94	Sack and Save	74.82		B3 ward patients	B3 Party	74.82
1574	1/2/95	Butch Hawkins	263.25				
1575	12/19/94	Radio Shack	92.87		Prizes for Christmas bingo party	Christmas radios	92.87
1576	1/3/95	Patty Cake	96.25		Cookies for 200 patients @ Christmas party	Christmas Party	96.25
1580	1/12/95	Golden China	59.15	X	Named patients on B2 ward	B2 luncheon - 13 patients	59.15
1583	1/12/95	McDonalds	50.00	X	Named patients on A3 ward	Luncheon A3 - 10 patients	50.00
1584	1/12/95	Kentucky Fried Chicken	40.95	X	Named patients on B3 ward	Luncheon B3 - 9 patients	40.95
1590	1/30/95	Trustmark	4.12		Service charges		4.12
1591	1/30/95	Beard Canteen	64.23		January treats for approximately 100 patients		64.23
1593	2/9/95	Winn Dixie	30.00		Named patients on A3 ward		30.00
1600	3/8/95	Pizza Hut	14.29	X	Named patients on B3 ward	B3 party	14.29

* Denotes an item for which the check amount exceeds the supporting receipt. Checks totalling \$10,814.85 were supported by receipts totalling \$10,709.24, with \$105.61 being returned to EMSH.

SOURCE: PEER analysis of fiscal years 1995-1997 Weems Trust Fund files.

Appendix B (continued)

Check	Date	Payee	Amount	Patient Names	Request Memo Purpose	Check Purpose	Receipt
1606	3/10/95	Super Eight	1193.40		Room deposit for MS Arts Fair	Room deposit - MS Arts Fair	1,119.40 *
1608	4/3/95	Patty Cake	96.25		St Patrick's Day cookies for approximately 125 patients		96.25
1610	4/4/95	Walmart	27.10		Easter Egg hunt supplies for approximately 100 patients		27.10
1612	4/4/95	Kentucky Fried Chicken	42.64	X	Named patients on B2 ward		42.64
1613	4/4/95	Winn Dixie	40.00	X	Named patients on A4 ward		40.00
1614	4/4/95	M & B Grocery	39.95	X	Named patients on A3 ward		39.95
1617	4/5/95	McDonald's	50.00	X	Named patients on B4 ward		50.00
1620	5/4/95	Beard Canteen	57.58		April treats for approximately 75 patients		57.58
1625	5/5/95	Sack and Save	50.00	X	Named patients on B1 ward		49.13 *
1626	5/5/95	M & B Grocery	30.00	X	Named patients on B4 ward		30.00
1629	5/31/95	Clare Sims	3592.60		Balance on MS Arts Fair	MS Arts Fair	3,575.93 *
1635		Butch Hawkins	263.25			Newspapers 6/95	
1639	7/17/95	Winn Dixie	50.00	X	Named patients on A3 ward	Luncheon A3 patients	50.00
1640	7/17/95	Cake, Inc.	27.00	X	Named patients on B4 ward	B4 party	18.26 *
1642	7/17/95	Golden China Rest.	45.50	X	Named patients on B4 ward	Party B4 7/24	45.50
1643	7/17/95	Sack and Save	75.00	X	Named patients on B1 and B2 ward	B1 and B2 party 7/24	75.00
1645	7/17/95	Shoney's Rest.	70.00	X	Named patients on A3 ward	A3 luncheon 7/27	70.00
1646	7/17/95	Beard Canteen	68.33		June treats for approximately 100 patients	refreshments 6/95	68.33
1647	7/17/95	Coca Cola	175.50		Refreshments for approximately 200 patients	Nat. Hosp. Week Party	175.50
1648	7/20/95	Trustmark	1.28		Service charges	Service Charge	1.28
1653	8/3/95	Golden China Restaurant	45.50	X	Named patients on A3 ward	Luncheon A3 8/17	45.50
1654	8/3/95	Winn Dixie	50.00	X	Named patients on B4 ward	Luncheon B4 8/18	50.00
1657	8/3/95	Howard Sims	120.00	X	Jackson Zoo trip for named patients	Jackson Zoo - 6 patients A4	120.00
1659	9/1/95	Indy's Rest.	88.00		40 combo meals for adolescents	Luncheon - Adolescent Unit	85.17 *
1662	9/5/95	Butch Hawkins	263.95			Newspapers 8/95	
1667	9/5/95	Shoney's Rest.	70.00	X	Named patients on A4 ward	Luncheon A4 9/13/95	70.00
1668	9/5/95	Golden China Rest.	36.40	X	Named patients on B3 ward	Luncheon B3 9/13	36.40
1672	10/5/95	Morrison's Rest	14.00	X	Named patients on A3 ward	Luncheon A3	14.00
1678	10/6/95	Dixie Bowl Lanes	48.00	X	Named patients on A4 ward	Outing 5 patients	48.00
1679	10/6/95	Coca Cola	126.75		Cokes for approximately 200 patients	Special event	126.75
1684	11/3/95	Butch Hawkins	284.70			Newspapers 10/95	
1685	11/3/95	Patty Cake	87.50		Cookies for approximately 175 patients	Halloween cookies	87.50
1686	11/9/95	Save and Save	70.00	X	Named patients on B4 ward	Luncheon B4 - 12 patients	70.00

Appendix B (continued)

Check	Date	Payee	Amount	Patient Names	Request Memo Purpose	Check Purpose	Receipt
1691	11/15/95	Sack and Save	44.31	X	Named patients on A4 ward	A4	44.31
1695		VOID			VOID		
1696	12/1/95	Butch Hawkins	306.60			Newspapers 11/95	
1698	1/2/96	Trustmark	5.60		Service charges	Service charge 12/95	5.60
1700	1/2/96	Trustmark	3.62		Service charges	Service charge	3.62
1701	12/7/95	Coca Cola	146.25			Halloween Treats	146.25
1704	1/8/96	Subway Sandwiches	62.40	X	Named patients on B2 ward	Luncheon B2 - 15 patients	62.40
1715	1/25/96	Trustmark	6.11		Service charges	Service charge	6.11
1719	2/9/96	Burger King	25.44	X	Named patients on B1 ward	Luncheon B1 - 8 patients	25.44
1726	2/16/96	Corr Williams	27.36		2 dozen decks of cards for patients' recreation	Cards	27.36
1729	3/2/96	Butch Hawkins	295.65			Newspapers 2/96	
1731	3/6/96	Super Eight	1193.40		Room deposit for MS Arts Fair		1193.40
1741	4/3/96	James Gardner	69.00		23 of 32 adolescents who don't have money for zoo trip	Adolescent outing 4/26/96	
1746	5/8/95	Sack and Save	37.18	X	Named patients on B2 ward	Party 5/10 B2	37.18
1747	5/8/96	Cakes, Etc.	27.00	X	Named patients on B4 ward	Party B4 5/14	27.00
1750	5/22/96	VOID			VOID		
1752	5/23/96	Garretts Sports	16.10		Fishing trip for approximately 14 patients	Adolescent outing	16.10
1755	6/4/96	Morrison's Rest.	49.00	X	Named patients on A3 ward		49.00
1757	6/10/96	Wendy's	85.00	X	Named patients on B1 and B2 ward	B1 and B2	85.00
1759	6/14/96	Golden China	45.50	X	Named patients on B3 ward	Luncheon B3	45.50
1766	7/18/96	Cypress Lodge	77.00	X	Named patients on A3 ward	Luncheon A3 7/18/96	77.00
1768	7/19/96	Trustmark	3.29		Service charges		3.29
1771	7/23/96	Popeye's	42.79	X	Named patients on A3 ward	A3 luncheon 7/25	42.79
1775	8/2/96	Beard Canteen	37.79		July treats for approximately 50 patients	Refreshments 7/96	37.79
1776	8/8/96	Subway	30.72		Named patients on B1 ward	Luncheon B1	30.72
1777	8/12/96	Golden China	45.50	X	Named patients on B3 ward	Luncheon B3 8/12	45.50
1785	8/20/96	KOA Waterpark	95.00		Admission to waterpark for 19 students	Admission for adolescent trip-10 patients	95.00
1786	8/23/96	Trustmark	3.29		Service charges	Service charge	3.29
1788	9/10/96	Burger King	28.58	X	Named patients on A4 ward	Luncheon A4 6 pts 9/11/96	28.58
1792	9/16/96	Dorman Pope	30.00		All patients on B1 ward	Luncheon B1	
1794	9/16/96	Temple Theatre	55.00	X	Named patients on B4 ward	Outing B4 9/27	55.00
1795	10/4/96	Butch Hawkins	295.65			Newspapers 9/96	

Appendix B (continued)

Check	Date	Payee	Amount	Patient Names	Request Memo Purpose	Check Purpose	Receipt
1802	10/18/96	Trustmark	1.47		Service charges	Service Charge	1.47
1803	11/7/96	Butch Hawkins	295.65			Newspapers 10/96	
1808	11/18/96	Ryan's	48.00	X	Named patients on A3 ward	Luncheon A3 11/21	48.00
1811	11/20/96	Radio Shack	102.85		10 radios and batteries for Christmas Bingo Party		102.85
1812	11/20/96	Carolyn Tinsley	20.00	X	Jackson Zoo trip for named patients on A4	Outing - 1 pt - A4	20.00
1821	12/18/96	Beard Canteen	112.92		Oct/Nov treats for approximately 150 patients	Refreshments 10/96 & 11/96	112.92
1822	12/19/96	Trustmark	3.47		Service charges	Service Charge 11/96	3.47
1828	1/9/97	Beard Canteen	49.04		December treats for approximately 75 patients	Refreshments 12/96	49.04
1830	1/9/97	Burger King	63.75	X	Named patients on B4 ward	Luncheon B4 15 pts 1/30	63.75
1832	1/9/97	Rib McCoy	69.65	X	Named patients on A4 ward	Luncheon A4 7 pts	69.65
1835	2/4/97	Butch Hawkins	295.65				
1837	2/4/97	Popeye's Rest.	49.32	X	Named patients on B2 ward	Luncheon B2 2/5	49.32
1838	2/4/97	Kentucky Fried	24.00	X	Named patients on B1 ward	B1 Luncheon 2/10	24.00
1842	2/4/97	Pizza Hut	29.40	X	Named patients on A4 ward	Luncheon A4 2/26	29.40
1845	2/26/97	Trustmark	3.16		Service charges		3.16
1847	3/10/97	Golden China	58.20	X	Named patients on B2 ward		58.20
1852	3/10/97	Tiffany Walters	35.00		St. Patrick's Day party and monthly birthday party for adolescents		35.00
1856	4/3/97	Butch Hawkins	296.65			Newspapers 3/96	
1858	4/14/97	Pizza Hut	20.00	X	Named patients on B1 ward		20.00
1859	4/16/97	Jackson Planetarium	67.50	X	Named patients on B1 and B2 ward		65.00 *
1862	4/22/97	Taco Bell	46.08	X	Named patients on B2 ward		46.08
1864	4/22/97	Burger King	25.60	X	Named patients on A4 ward		25.60
1865	4/22/97	Dixie Bowl Lanes	32.00	X	Named patients on B1 and B2 ward		32.00
TOTAL			\$14,301.35				\$10,709.24 *

EAST MISSISSIPPI STATE HOSPITAL

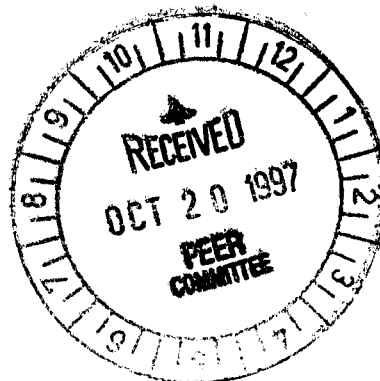
P.O. BOX 4128, WEST STATION, MERIDIAN, MISSISSIPPI 39304-4128

(601) 482-6186

RAMIRO J. MARTINEZ, M.D., DIRECTOR



October 16, 1997



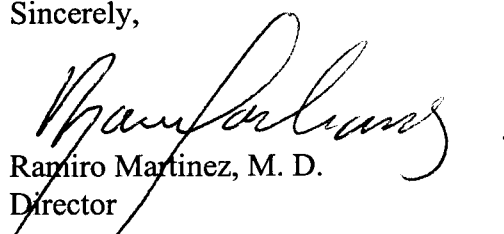
MR MAX ARINDER
EXECUTIVE DIRECTOR
PEER COMMITTEE
POB 1204
222 NORTH PRESIDENT STREET
JACKSON MS 39215

Dear Mr. Arinder:

Please find enclosed our response to those recommendations offered at the conclusion of your compliance review of selected areas of East Mississippi State Hospital, including Patient Accounts and Inventory.

We appreciate the professional and courteous manner in which the review was conducted.

Sincerely,


Ramiro Martinez, M. D.
Director

/je

Enclosures (2)

A COMPLIANCE REVIEW OF SELECTED AREAS OF EAST MISSISSIPPI STATE HOSPITAL, INCLUDING PATIENT ACCOUNTS AND INVENTORY

1. RECOMMENDATION:

EMSH should formally adopt written policies and procedures governing the receipt and disbursement of Patient Activity funds. Such policies and procedures should include, but not be limited to:

the submittal of written requests for the expenditure of funds: and

receipts for disbursements.

RESPONSE:

A written policy and procedure governing receipt and disbursement of Patient Activity Funds has been formulated and made a part of the Policies and Procedures of the Accounting Office. Copies of the policy will be distributed to unit directors and department heads, and an inservice will be held on 10/16/97.

2. RECOMMENDATION:

The Director of Reimbursement should adhere to existing policies and procedures and should not release any Weems Trust Fund Account funds to EMSH employees unless employees submit names of patients participating in the activity to be funded by the Weems Trust.

RESPONSE:

On January 15, 1997, the Director of Business Services met with the Trust Officer of Trustmark National Bank to obtain approval of expenditures for campus wide parties and ward parties where indigent and non-indigent patients are served cokes, popcorn, ice cream, treats, snacks, etc.. These parties are for special events such as holidays, birthdays, bingo parties, etc.. As a result of this meeting, approval was granted and Reimbursement policies and procedures pertaining to the Weems Trust Fund were amended as such:

"2.4. Group activities such as birthday parties, special events or holiday parties, and parties awarding bingo prizes are not limited to indigent patients and are therefore exempted from the eligibility requirements as stated in 2.1.2." This statement clearly covers the legitimacy of allowing co-mingling of refreshments, activities, etc. between indigent and non-indigent patients; however, it does not address the procedure to be followed when requesting funds. It is therefore recommended that upon approval from

A COMPLIANCE REVIEW OF SELECTED AREAS OF EMSH , INCLUDING
PATIENT ACCOUNTS AND INVENTORY
PAGE 2

the Trust Officer of Trustmark National Bank, the Reimbursement policies and procedures be amended to specify that names not be required for group activities.

3. RECOMMENDATION:

Although EMSH managers do not consider submission of names necessary in cases in which both indigent and non-indigent patients participate in group activities, EMSH managers should refrain from waiving this requirement (that all names be submitted) until receiving formal approval of this practice by the trustee.

RESPONSE:

A request has been submitted to the trustee for formal approval to waive the requirement that all names of patients (indigent and non-indigent) participating in group activities be submitted.

4. RECOMMENDATION:

The Director of Reimbursement should place copies of all receipts in the Weems Trust Fund Account files.

RESPONSE:

Copies of all receipts will be placed in the Weems Trust Fund Account files. Original copies of receipts are forwarded to the Weems Trust and are on file. Copies of all receipts will be placed in the Weems Trust Account files maintained at EMSH.

5. RECOMMENDATION:

The Activities/Recreation Department should develop and implement policies and procedures governing internal control of arts and crafts inventory within the department. Such policies and procedures should include patients not only signing in for activities, but listing projects worked on during their visit.

RESPONSE:

The Activities/Recreation Department has developed and implemented policies and procedures that will provide internal control of the arts and crafts inventory. The policy and procedures will include the listing of projects each patient worked on during his/her visit.

PEER Staff

Director

Max Arinder, Executive Director
Ava Welborn

Administration and Support Division

Steve Miller, General Counsel and
Controller

Shirley Anderson
Thelisa Chapman
Louwill Davis
Sam Dawkins
Larry Landrum
Pat Lockett
Mary McNeill
Pam Sutton

Evaluation Division

James Barber, Division Manager
Kathleen Sullivan, Division Manager

Michael Boyd
Ted Booth
Katherine Stark Frith
Barbara Hamilton
Jacqui Hatfield
Dale Hetrick
Kelly Lockhart
Joyce McCants
David Pray
John Ringer
La Shonda Stewart
Linda Triplett
Larry Whiting
