

# Cedar Hills Alcohol Treatment Facility Accounting Procedures & Staffing Levels

Report No. 94-4

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## TABLE OF CONTENTS

▶ [Introduction and Background](#)

▶ [Objective and Scope](#)

▶ [Summary Statement of Findings](#)

▶ Major Findings:

▶ [Finding](#) - Internal controls governing the client personal and incidental (CPI) expense account were inadequate.

▶ [Finding](#) - Deficiencies were found in the reconciliation process for the CPI account.

▶ [Finding](#) - CHAT maintains an unauthorized "in-house" account of cash.

▶ [Finding](#) - The staff at CHAT considered the current staffing level to be adequate.

▶ [Finding](#) - The report of unclaimed property was not filed in accordance with the timeframe established by RCW 63.29.

▶ [Finding](#) - CHAT has not paid the fees to obtain public performance rights to show rented videos.

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## INTRODUCTION AND BACKGROUND

The management audit of the Cedar Hills Alcohol Treatment (CHAT) Facility accounting procedures and staffing levels was approved by the King County Council in the 1993 Auditor's Office work program. The audit was prompted by a complaint submitted to the King County Office of Citizen Complaints - Ombudsman (hereinafter referred to as "Ombudsman") regarding several issues, including the adequacy of staffing on the evening shift, responsiveness to complaints, and accounting procedures.

CHAT provides residential alcohol and drug treatment services to clients, which are funded by Washington State's Alcohol and Drug Addiction Treatment and Support Act (ADATSA). The facility's residential treatment programs include both short-term and long-term programs, ranging from 21 to 90 days.

## OBJECTIVE AND SCOPE

The audit objectives were to determine the effectiveness of accounting procedures for handling client funds and miscellaneous purchases; to determine the supervisory staff to client ratios, primarily for the evening shift, and whether those ratios were sufficient to provide effective supervision of clients; and to determine whether incident and observation reports were being filed as required.

The audit was limited to a review of issues identified in the complaint submitted to the Ombudsman. Audit methodology included a review of available policies, procedures, and regulations; interviews with Cedar Hills staff and staff from the Alcohol and Substance Abuse Division in the Department of Public Health; an analysis of CHAT accounting records; and a review of the incident and observation reports filed.

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## SUMMARY STATEMENT OF FINDINGS

The general conclusion of the audit was that the internal controls and procedures governing CHAT's accounting system needed improvement to provide a reasonable level of assurance that misappropriations of resources or errors would be detected and that client funds and miscellaneous purchases were effectively handled. The audit also concluded that supervisory staffing levels were sufficient, and that incident and observation reports were being filed as required.

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## MAJOR FINDINGS AND RECOMMENDATIONS

Finding II-A. Internal controls governing the client personal and incidental (CPI) expense account were inadequate.

The CPI account is a trust account where the clients' personal funds are held on their behalf during their stay at CHAT. The account balance ranged from \$641 to \$2522, and had an average balance of \$1565. A CPI account balance log sheet to record individual deposits and withdrawals was created for each client with personal funds. The CPI account balance log sheets were maintained in a loose-leaf binder, were not prenumbered, and were not tracked in any way. Clients' signatures were not verified and the potential existed for social security numbers to be seen and used by other clients. The duties for handling the incoming checks register and cash were inadequately separated.

*The audit recommended* that CHAT create separate signature cards that included a client's social security number to use for verification of identity, establish a separate register for tracking assignment of prenumbered log sheets, and eliminate the Office Technician's access to the incoming checks register.

Finding II-B. Deficiencies were found in the reconciliation process for the CPI account.

Not only were reconciliations not performed weekly and reconciliation sheets not dated and initialed as required by CHAT accounting procedures, but the cash and book amounts of the CPI account never balanced during 1993. The discrepancies between the cash and book amounts averaged \$12.96, with a range of -\$108.47 to +\$161.73. CHAT procedures also did not provide guidance for handling discrepancies. The employee responsible for recordkeeping performed the reconciliations. In addition, an excess of cash was maintained in a safe to which employees with recordkeeping or authorization responsibilities had access.

*The audit recommended* that CHAT establish and consistently follow appropriate written procedures that specify how to properly handle reconciliation differences and that an employee with recordkeeping responsibilities not perform reconciliations. The audit also recommended that an employee from the Fiscal and Administrative Services Section of the Alcohol and Substance Abuse Division conduct periodic, random, and independent reconciliations of the client CPI account.

Finding II-C. CHAT maintains an unauthorized "in-house" account of cash.

CHAT's "in-house" account was established to collect revenues generated by client pay-phone usage, information requests, and gifts or donations for expenditures for the purpose of enhancing either the facilities or the program for the benefit of the clients. This unauthorized account bypasses both Account and Resources Management System (ARMS) and County purchasing procedures, and uses unauthorized sources of revenue for unauthorized expenditures. The duties related to running this account were inadequately separated, the policies and procedures governing the account were inadequately documented, and the balance of the account was inadequately safeguarded.

*The audit recommended* that CHAT obtain authorization from the Alcohol and Substance Abuse Division to have the in-house account and seek guidance from OFM regarding proper accounting and handling of this account.

Finding III-A. The staff at CHAT considered the current staffing level to be adequate.

Although there are no legal mandates specifying the proper level of supervisory staff for clients, the Group Leaders considered their staffing level to be adequate to effectively handle day to day responsibilities, as well as most of the relatively infrequent incidents that occur. Incident and observation reports were being filed as required. However, there was concern that CHAT administration needed to improve its communication with staff regarding serious issues that arose.

*The audit recommended* that CHAT administration improve communication with its employees.

Finding III-B. The report of unclaimed property was not filed in accordance with the timeframe established by RCW 63.29.

RCW 63.29 requires that CHAT forward to the State of Washington Department of Revenue any money in the CPI account that is not claimed by clients who leave the program. CHAT's Reports of Unclaimed Property covered time periods that were not in accordance with RCW 63.29.

*The audit recommended* that CHAT revise its reporting to comply with RCW 63.29.

Finding III-C. CHAT has not paid the fees to obtain public performance rights to show rented videos.

Video showings to the public or a group of people outside a normal family circle is considered to be a public performance, and not paying a fee for a public performance license constitutes a violation of federal copyright law. CHAT staff reported that they rented videos to show groups of clients, which would be classified as a public performance, instead of borrowing them from the King County Library system. CHAT staff were unaware that an annual public performance fee was required even when renting videos.

*The audit recommended* that CHAT incorporate the public performance license fee into its annual budget and borrow videos from the King County Library system to avoid paying a rental charge. The audit also recommended that the Executive take action to ensure that other County agencies refrain from any violation of the public performance provisions of the copyright laws.

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