



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

Contact: David A. Vaudt
515/281-5835
or Tami Kusian
515/281-5834

FOR RELEASE July 15, 2004

Auditor of State David A. Vaudt today released a report on a special investigation of the Glenwood Resource Center for the period June 21, 2002 through December 24, 2003. The special investigation was requested by officials of the Center as a result of alleged improprieties with certain client payroll transactions. Sara Ganske, a former Vocational Rehabilitation Specialist at the Center, was responsible for preparation of client wage reports and distribution of payroll to the clients' supervisors through the pay period ended December 18, 2003. As a result of an internal investigation conducted by the Center, Ms. Ganske was terminated from employment on January 28, 2004.

Vaudt reported the special investigation identified \$7,991.10 of misappropriated funds reported as client payroll disbursements. During the course of the investigation, original client timesheets were compared to information recorded on wage reports. Over 1,500 instances were identified in which the information recorded on wage reports exceeded the amount actually earned by the clients. Discrepancies were identified in each pay period from June 21, 2002 through December 18, 2003, except for the pay period ended August 14, 2003. Ms. Ganske was on vacation when payroll for this pay period was processed.

Copies of the report have been filed with the Glenwood Police Department, the Mills County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at www.state.ia.us/government/auditor/reports.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
GLENWOOD RESOURCE CENTER**

FOR THE PERIOD JUNE 21, 2002 THROUGH DECEMBER 24, 2003

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Auditor of State's Report

To the Superintendent of the Glenwood Resource Center:

As a result of alleged improprieties with certain client payroll transactions, we conducted a special investigation of the Glenwood Resource Center. We have applied certain tests and procedures to selected client payroll transactions of the Center for the period June 21, 2002 through December 24, 2003. Based on discussions with Center employees and a review of relevant information, we performed the following procedures:

- (1) Evaluated the internal controls surrounding the client payroll transaction cycle to determine whether adequate policies and procedures were in place and operating effectively.
- (2) For each job except Recycling and Delivery, compared client timesheets to wage reports to determine if the payroll amounts disbursed were appropriate. For Recycling and Delivery, we reviewed the comparisons and calculations made by the Center's personnel. We recalculated selected transactions.
- (3) When pay envelopes and journals were available, compared the amounts distributed to the authorized amounts to determine if amounts agreed.
- (4) Examined the personal bank statements of a former employee who prepared client payroll to determine if unauthorized client payroll disbursements had been deposited to her account.

These procedures identified \$7,991.10 of misappropriated funds reported as client payroll disbursements. Internal control weaknesses related to the client payroll transaction cycle were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** and **B** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures at the Glenwood Resource Center, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Glenwood Police Department, the Mills County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by personnel of the Glenwood Resource Center during the course of our investigation.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 6, 2004

Glenwood Resource Center

Investigative Summary

Background Information

The Glenwood Resource Center is a residential care facility for the mentally retarded which provides treatment, training, instruction, care, habilitation and support of persons with mental retardation or other disabilities. In accordance with Chapter 218 of the *Code of Iowa*, the Iowa Department of Human Services controls, manages, directs and operates the Center.

Clients are assigned to one of the Center's four residence areas. Assignments are based on each client's functional and mental capacities. Within each residential area, clients perform jobs appropriate for their individual capabilities. The following table summarizes the jobs available in each of the four areas of the Center.

Jobs	Area I	Area II	Area III	Area IV
Central Kitchen		✓	✓	
Contracts	✓	✓	✓	
Custodial	✓	✓	✓	
Delivery	✓	✓	✓	
Greenhouse		✓	✓	
Laundry	✓	✓	✓	
Packaging	✓			
Paper				✓
Recycling	✓	✓	✓	
Wood working	✓		✓	

Clients assigned to "Contracts" perform piece rate labor. The pay earned for these assignments is dependent on how many units are completed by the client. The labor performed is specific to contracts established by the Center with employers outside the Center. The contracts may call for work such as removing items packaged in large quantities and repackaging them in smaller quantities or placing labels on designated boxes, bags, and/or packages. Clients not paid piece rate are paid an hourly rate for the jobs they perform.

Timesheets are completed for the clients by the resident treatment workers or worksite supervisors. The timesheets are then provided to the Vocational Rehabilitation Specialist to determine the total amount of earned pay for each employed client.

The Vocational Rehabilitation Specialist is also responsible for calculating the amount of pay to be distributed to each client in cash. The cash distributions are limited to a \$30.00 personal needs allowance per client and are made in \$.25 increments to facilitate distribution and handling. The amount distributed to each client is based on directions provided by the client's Resident Treatment Supervisor, Treatment Program Manager or the client. Any payroll amount not distributed to the client in cash is deposited to the client's account held by the Center. The amounts distributed and deposited are recorded in the client payroll system.

Sara Ganske began employment with the Center in February 1982 and became a Vocational Rehabilitation Specialist in May 1984. As a Vocational Rehabilitation Specialist, she was responsible for calculating the payroll due to each client using timesheets provided to her by the client's resident treatment worker or worksite supervisor. She was also responsible for distributing the resulting cash payments in individual client pay envelopes to the resident treatment workers or worksite supervisors, who subsequently distributed the funds to the clients. A second Center employee also performed these job duties with Ms. Ganske until February 2002, at which time a reduction in staffing left Ms. Ganske solely responsible for these duties.

In January 2004, a resident treatment worker identified a discrepancy between the payroll recorded for particular clients and the amounts actually received for distribution to them. The Center requested certain records from Ms. Ganske in response to the resident treatment worker's concerns. Subsequently, Ms. Ganske called in sick each day beginning January 6, 2004. After performing an internal investigation, the Center suspended Ms. Ganske with pay on January 8, 2004 and terminated her from employment effective January 28, 2004. Because Ms. Ganske was not at the Center after January 5, 2004, the final payroll she processed was for the pay period ended December 18, 2003 which was paid on December 24, 2003. She did not process the payroll for the pay period ended January 1, 2004 or any subsequent pay period.

As a result of the concerns identified by personnel of the Glenwood Resource Center, the Office of Auditor of State conducted an investigation and performed the procedures detailed in the Auditor of State's Report for the period June 21, 2002 through December 24, 2003.

Detailed Findings

In addition to calculating the payroll amount for each client, Ms. Ganske calculated the total amount of funds to be withdrawn from the payroll bank account for distribution to clients. She was also responsible for completing a "Client Training Wages Record" which summarizes the amount earned by clients for each area. After preparing the "Client Training Wages Record," Ms. Ganske provided it to a second employee to enter certain data into the client payroll system referred to as "G-Link." At the end of each payroll period, a "Client Training Funds" payroll report was generated from "G-Link".

An accounting clerk from the Patient Accounts area of the business office compared each payroll report from "G-Link" to the "Client Training Wages Record" completed by Ms. Ganske. After the two reports were reconciled and the amount of payroll to be deposited directly to the clients' accounts was determined, the accounting clerk withdrew cash from the bank to distribute the remaining payroll. Ms. Ganske and the accounting clerk counted the cash together and each signed the "Client Training Wages Record" to document the money requested for distribution had been received by Ms. Ganske. Ms. Ganske then prepared individual pay envelopes for each client and she distributed pay envelopes to the resident treatment workers or worksite supervisors for subsequent distribution to clients.

We compared original client timesheets to information on various payroll documents, including available pay envelopes showing cash amounts distributed to clients. We identified 1,542 instances in which the amount of payroll was inappropriately increased. This resulted in \$7,991.10 of misappropriated funds reported as client payroll disbursements. Discrepancies were identified in each pay period from June 21, 2002 through December 18, 2003, except for the pay period ended August 14, 2003. Ms. Ganske was on vacation when payroll for this pay period was processed. Ms. Ganske was not on extended vacation during any other pay periods.

We identified two methods used to inappropriately increase payroll. A detailed explanation of each method follows.

- The total dollar amount of payroll was increased for clients employed in the Contracts and Packaging areas.

Appendix 1 includes a copy of a timesheet prepared by a resident treatment worker or worksite supervisor. We have withheld the names recorded on the timesheet. The copy illustrates Client D completed 192 units and was to be paid a piece rate of \$.0509 per unit. The last line of the timesheet shows the properly calculated payroll amount of \$9.77 for Client D. However, as illustrated in **Appendix 2**, the amount of payroll entered in the payroll system for Client D was \$19.77, resulting in a \$10.00 misappropriation. Ms. Ganske was responsible for providing the total calculated pay per client for posting to the payroll system.

As shown on **Exhibit A**, the misappropriations by pay period in the Contracts and Packaging areas were usually in whole dollar amounts. In most cases, this did not result in misappropriated funds being deposited to the clients' accounts at the Center.

- The number of hours worked was increased for clients employed in the Wood, Recycling and Delivery areas.

Ms. Ganske was also responsible for recording the number of hours clients worked. The client payroll was improperly increased by multiplying the correct hourly pay rate by the inflated number of hours worked. In some cases, the amount deposited to the client's account was also affected by the increased payroll amount.

Due to the volume of the client accounts, the nature of the records available and the time required to review each individual payroll transaction, we did not determine what portion of the misappropriated funds was deposited to the clients' accounts.

Because the payroll records included inflated amounts for individual clients, the total cash withdrawn for payroll distribution was greater than appropriate. After receiving the total amount of cash withdrawn, Ms. Ganske placed the proper amounts in each client's payroll envelope. As stated previously, the envelopes were then provided to the resident treatment workers or worksite supervisors for subsequent distribution to clients.

Exhibit A summarizes the excess payroll amounts identified for each pay period by area. **Exhibit B** summarizes the excess payroll amounts identified for each job by area of the Center.

During the Center's internal investigation, Ms. Ganske provided copies of her personal bank statements to the Center's officials. We reviewed copies of the statements and identified non-payroll deposits totaling \$7,854.66 and \$1,755.00 were made to Ms. Ganske's checking and savings accounts, respectively, between January 7, 2003 through December 5, 2003. Based on the recommendation of the County Attorney, we did not request access to additional bank records to determine the source of the deposits.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the Glenwood Resource Center to process client payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations.

Duties for processing client payroll were not adequately segregated. Ms. Ganske received the client timesheets, prepared related payroll records, calculated the amounts of payroll earned by the clients, received cash and placed the cash in the pay envelopes for distribution to the clients.

Current Status - In February 2004, the Center revised the procedures used to process client payroll. The Center improved the segregation of duties and assigned responsibilities to specific individuals. Also, the payroll envelopes are now labeled with the payroll date, client's name, house and amount of payroll cash to be distributed. The labels are generated from the client payroll system.

In addition, the Center established monitoring procedures for the client payroll process. At least 10% of the timesheets for each worksite are now compared to the amounts reported in the client payroll system each pay period by an independent party. Also, for at least 10% of the client payroll envelopes, the resident treatment workers or worksite supervisors compare the information on the pay envelope labels to the contents of the envelopes prior to distribution.

Recommendation - The resident treatment workers and worksite supervisors are currently the only individuals that both record payroll information and have access to the cash distributed to clients. An independent party should periodically review the timesheets prepared and submitted by the resident treatment workers and worksite supervisors for reasonableness.

Special Investigation of the Glenwood Resource Center

Exhibits

Report on
Special Investigation of the Glenwood Resource Center
Summary of Misappropriations by Pay Period
For the period June 21, 2002 through December 24, 2003

Pay Period	Contract Area II	Contract Area III	Packaging Area I	Wood Area I
06/21/02 - 07/04/02	\$ -	-	-	-
07/05/02 - 07/18/02	-	-	-	-
07/19/02 - 08/01/02	-	-	-	-
08/02/02 - 08/15/02	-	-	-	-
08/16/02 - 08/29/02	-	-	-	-
08/30/02 - 09/12/02	12.00	46.87	-	-
09/13/02 - 09/26/02	37.00	82.67	-	-
09/27/02 - 10/10/02	51.00	81.06	-	13.04
10/11/02 - 10/24/02	78.00	52.00	14.00	16.00
10/25/02 - 11/07/02	83.00	62.49	21.00	3.93
11/08/02 - 11/20/02	86.00	60.00	-	^
11/22/02 - 12/05/02	67.00	51.00	-	-
12/06/02 - 12/19/02	73.00	39.00	70.00	-
12/20/02 - 01/02/03	62.00	45.00	-	-
01/03/03 - 01/16/03	37.00	^	-	-
01/17/03 - 01/30/03	57.00	33.36	-	-
01/31/03 - 02/13/03	67.00	75.00	-	-
02/14/03 - 02/27/03	104.00	39.00	-	-
02/28/03 - 03/13/03	119.00	40.00	-	-
03/14/03 - 03/27/03	119.00	43.00	-	-
03/28/03 - 04/10/03	143.00	89.00	-	-
04/11/03 - 04/24/03	131.00	^	-	19.78
04/25/03 - 05/08/03	186.00	72.01	-	16.55
05/09/03 - 05/22/03	164.00	64.00	-	22.46
05/23/03 - 06/05/03	103.00	27.00	10.00	23.75
06/06/03 - 06/19/03	15.00	62.64	-	-
06/20/03 - 07/03/03	144.00	72.20	-	35.09
07/04/03 - 07/17/03	181.00	95.00	-	29.54
07/18/03 - 07/31/03	213.00	63.00	24.53	27.16
08/01/03 - 08/14/03	*	*	*	*
08/15/03 - 08/28/03	72.00	41.00	-	36.22
08/29/03 - 09/11/03	217.00	98.00	-	-
09/12/03 - 09/25/03	250.00	126.80	-	-
09/26/03 - 10/09/03	317.00	99.00	-	14.42
10/10/03 - 10/23/03	158.00	60.00	22.00	13.22
10/24/03 - 11/06/03	286.00	55.00	-	40.54
11/07/03 - 11/20/03	349.70	61.14	-	-
11/20/03 - 12/04/03	308.98	59.00	-	27.01
12/05/03 - 12/18/03	260.00	32.48	-	-
Totals	\$ 4,550.68	1,927.72	161.53	338.71
Number of discrepancies	846	452	38	77

* - Ms. Ganske was on vacation when payroll for this pay period was processed.

^ - Timesheets were not available for review for this period.

Wood Area III	Recycling Area II	Delivery Area I	Total
^	10.17	8.10	18.27
^	9.39	2.73	12.12
^	10.17	-	10.17
^	10.17	-	10.17
^	14.84	-	14.84
-	15.02	-	73.89
-	19.53	-	139.20
^	10.14	10.92	166.16
^	10.17	-	170.17
^	3.85	9.93	184.20
^	16.11	26.48	188.59
11.40	18.24	6.62	154.26
5.00	12.78	-	199.78
^	23.67	9.94	140.61
-	22.39	13.24	72.63
-	25.02	-	115.38
-	19.74	19.86	181.60
-	25.04	-	168.04
-	15.17	13.24	187.41
^	23.91	-	185.91
-	61.46	9.94	303.40
-	16.14	-	166.92
-	20.25	-	294.81
-	29.40	4.96	284.82
10.46	19.56	9.93	203.70
9.76	9.90	-	97.30
^	16.85	-	268.14
7.67	12.73	19.86	345.80
22.40	21.63	-	371.72
*	*	*	-
7.98	28.55	-	185.75
7.69	33.54	-	356.23
^	34.54	-	411.34
10.46	13.01	-	453.89
12.64	27.14	-	293.00
5.58	29.93	-	417.05
^	-	-	410.84
14.46	15.32	-	424.77
15.74	-	-	308.22
<u>141.24</u>	<u>705.47</u>	<u>165.75</u>	<u>7,991.10</u>
19	89	21	1,542

Exhibit B

Report on
Special Investigation of the Glenwood Resource Center
Summary of Misappropriations within Residence Area/Job Assignment
For the period June 21, 2002 through December 24, 2003

Job Assignment	Area I	Area II	Area III	Area IV	Total
Contracts	\$ -	4,550.68	1,927.72	-	6,478.40
Delivery	165.75	-	-	-	165.75
Packaging	161.53	-	-	-	161.53
Recycling	-	705.47	-	-	705.47
Wood	338.71	-	141.24	-	479.95
Totals	\$ 665.99	5,268.05	2,068.96	-	7,991.10

Report on Special Investigation of the
Glenwood Resource Center

Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Ronald D. Swanson, CPA, Manager
Cory A. Warmuth, CPA, Staff Auditor
Shawn P. Limback, CPA, Staff Auditor

A handwritten signature in black ink that reads "Tamera S. Kusian". The signature is written in a cursive style with a large, stylized initial 'T'.

Tamera S. Kusian, CPA
Deputy Auditor of State

Appendix 1

Report on Special Investigation of the
Glenwood Resource Center

Copy of Client Timesheet

PAYROLL SHEET PIECE RATE

HOUSE: HOUSE 240 LOCATION: HOUSE 244 HOURS: AM/PM

DATE	CROW	A	B	C	D	E	F	G	TASK
11-18-02	5								
11-21-02	41	41	41	41	41	41	41	41	1) Packing Detergent
11-21-02	30	30	30	30	30	30	30	30	1) 0509
12-2-02	20	20	20	20	20	20	20	20	
12-2-02	25	25	25	25	25	25	25	25	
12-3-02	20	20	20	20	20	20	20	20	
TOTAL BAGS	6 hrs	6 hrs	6 hrs	6	6	6	6	6	
PIECE RATE	\$.0379 per bag								
TOTALS	192	192	131	192	192	192	192	192	
detergent	9.77	9.77	6.67	9.77	9.77	9.77	9.77	9.77	985.09

Report on Special Investigation of the
Glenwood Resource Center

Copy of Payroll Report

PAYROLL DATE: 12-27-2002						CLIENT TRAINING FUNDS			
						HCURS	TOTAL	CASH	DEPOSIT
4	CTR. PL	248	WH	010337	1	000.00	000.00	000.00	000.00
5	CTR. PL	248	WH	010886	1	001.50	004.91	004.75	000.16
6	CTR. PL	355-1	WH	010804	1	000.75	003.00	003.00	000.00
7	CTR. PL	467	WH	010840	1	003.00	010.77	010.75	000.02
8	CTR. PL	473	WH	010845	1	001.50	005.99	005.75	000.24
9	CTR. PL	473	WH	010850	1	005.00	005.97	005.75	000.22
10	CUST	248	WH	010837	1	005.00	029.40	029.00	000.40
11	CUST	248	WH	010909	1	004.00	022.84	022.00	000.84
12	CUST	248	WH	010921	1	003.00	016.85	016.00	000.85
13	CUST	248	WH	010915	1	000.00	000.00	000.00	000.00
14	CUST	248	WH	010927	1	005.00	020.70	020.00	000.70
15	CUST	248	WH	010760	1	005.00	028.55	028.00	000.55
16	CUST	248	WH	010855	1	005.00	028.55	028.00	000.55
17	CUST	248	WH	010793	1	003.00	015.15	015.00	000.15
18	CUST	248	WH	010868	1	003.00	015.63	015.00	000.63
19	CUST	248	WH	010711	1	004.00	022.52	022.00	000.52
20	CUST	248	WH	010897	1	005.00	029.80	029.00	000.80
21	CUST	248	WH	010888	1	000.00	000.00	000.00	000.00
22	CUST	248	WH	010803	1	005.00	020.30	020.00	000.30
23	CUST	248	WH	010875	1	004.00	022.52	022.00	000.52
24	CUST	248	WH	010886	1	003.00	015.42	015.00	000.42
25	CUST	355-1	WH	010820	1	002.75	011.39	011.00	000.39
26	CUST	355-1	WH	010804	1	002.75	011.39	011.00	000.39
27	CUST	355-1	WH	010842	1	000.00	000.00	000.00	000.00
28	DLIVERER	240	WH	010319	1	000.00	000.00	000.00	000.00
29	DLIVERER	240	WH	010138	1	000.00	000.00	000.00	000.00
30	DLIVERER	248	WH	010608	1	003.50	023.17	010.00	013.17
31	DLIVERER	355-1	WH	010802	1	005.00	033.10	000.00	033.10
32	PKG	240	WH	010227	1	006.00	019.77	019.50	000.27
33	PKG	240	WH	010092	1	006.00	019.77	019.50	000.27
34	PKG	240	WH	010014	1	004.00	016.57	016.50	000.07
35	PKG	240	WH	008511	1	006.00	019.77	019.50	000.27
36	PKG	240	WH	010319	1	006.00	019.77	019.50	000.27
37	PKG	240	WH	010412	1	006.00	019.77	019.50	000.27
38	PKG	240	WH	010138	1	006.00	019.77	019.50	000.27
39	RECYC	248	WH	010345	1	000.00	000.00	000.00	000.00
40	RECYC	355-1	WH	010913	1	006.25	019.06	019.00	000.06
41	RECYC	355-1	WH	010820	1	003.25	015.70	015.00	000.70
42	RECYC	355-1	WH	010926	1	007.00	029.68	029.00	000.68
43	RECYC	355-1	WH	010504	1	003.00	012.48	012.00	000.48
44	RECYC	355-1	WH	010814	1	009.25	047.06	030.00	017.06
45	RECYC	355-1	WH	010802	1	015.25	075.03	030.00	045.03
46	RECYC	355-1	WH	010896	1	005.00	018.65	018.00	000.65
47	RECYC	355-1	WH	010873	1	003.25	014.82	012.00	000.82
48	RECYC	355-1	WH	010842	1	004.25	022.36	022.00	000.36
49	RECYC	467	WH	010176	1	006.75	008.57	008.00	000.57
50	RECYC	467	WH	010630	1	000.75	001.59	001.50	000.09
51	RECYC	467	WH	010111	1	004.50	008.01	008.00	000.01
52	RECYC	467	WH	009761	1	000.50	001.00	001.00	000.00
53	RECYC	467	WH	009524	1	005.50	007.48	007.00	000.48
54	RECYC	467	WH	010127	1	005.25	005.35	005.00	000.35