

MENTAL HEALTH AREA C  
OFFICE OF MENTAL HEALTH  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA



PROCEDURAL REPORT  
ISSUED MAY 14, 2008

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

April 18, 2008

**MENTAL HEALTH AREA C  
OFFICE OF MENTAL HEALTH  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA**  
Pineville, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at Mental Health Area C, for the period July 1, 2006, through April 18, 2008. Our procedures included (1) a review of the mental health area's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal controls and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected mental health area personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The financial information provided by the mental health area was not audited or reviewed by us, and, accordingly, we do not express an opinion on that financial information. The mental health area's accounts under the Office of Mental Health, Department of Health and Hospitals, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on Mental Health Area C, dated March 23, 2006, we reported a finding relating to control deficiencies in information technology. This finding has been substantially resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Noncompliance With Movable Property Regulations**

Mental Health Area C did not maintain adequate controls over its movable property to ensure compliance with state movable property regulations as prescribed by the

commissioner of administration and state law. The Louisiana Administrative Code Title 34 Part VII Section 307 (A) states that all items of movable property having an original acquisition cost of \$1,000 or more must be placed on the statewide inventory system. Furthermore, all qualified acquisitions must be tagged with a uniform State of Louisiana identification tag and all pertinent inventory information must be forwarded to the Louisiana Property Assistance Agency (LPAA) within 60 calendar days after receipt.

A review of the 11 Area C facility sites located throughout north Louisiana revealed the following:

- Six pieces of computer equipment valued at \$8,259 at three sites were entered into the Protégé System and tagged from 68 to 255 days after receipt for the fiscal year ending June 30, 2007.
- As of November 28, 2007, 90 pieces of computer equipment valued at \$144,082 at four sites were entered into the Protégé System and tagged from 64 to 209 days after receipt.

The discrepancies appear to have occurred because of the unexpected turnover in property control managers at the various sites and management's failure to have sufficient detailed policies and procedures in place specific to each site. Detailed policies and procedures would have allowed the facilities to comply with state law and LPAA regulations since another employee could have tagged and reported the necessary information to LPAA. The facilities' failure to have detailed policies and procedures in place resulted in the various facilities violating state law and LPAA regulations and subjected movable property items to risk of loss and/or misuse.

Mental Health Area C should immediately develop and implement detailed policies and procedures specific to each facility to ensure all required movable property is properly tagged and reported to LPAA in accordance with state law and LPAA regulations. Furthermore, management should ensure that back-up property managers are appointed and adequately trained so they can assume these responsibilities if necessary. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

### **Weaknesses in Controls Over Payroll**

Mental Health Area C does not have adequate controls to ensure that employees' time and attendance records are properly documented, supported, reviewed, and approved. Louisiana Department of State Civil Service Rule 15.2 requires an employee and his/her supervisor certify on the employee's time and attendance records the actual number of hours worked by the employee. The Louisiana Department of Health and Hospitals Policy 8131-98 and Mental Health Area C Human Resource Policy No. 4 state that no employee shall work overtime without prior approval unless a critical non-emergency or an emergency situation exists. In addition, good internal control requires (1) supporting documentation for all detailed transactions; (2) transaction review and approval by an

appropriate supervisor; and (3) validation (or reconciliation) of information entered into the accounting system to original documentation.

Area C consists of a psychiatric hospital, three regional medical centers, 18 mental health clinics, and one acute unit. A review of eight facilities within Area C revealed the following:

- Twenty-five of 28 (89.3%) employees' time sheets, leave slips, and overtime forms reviewed at the Acute Care Unit had no evidence of being reviewed and approved by a supervisor for three pay periods tested in October, November, and December of 2007. In addition, there was no evidence that the department head of the Unit reviewed or approved the timekeeping packets to ensure time records were complete based on the information entered in the payroll system by the timekeeper.
- Seven of eight (87.5%) employees' time sheets, leave slips, and overtime forms reviewed at the Ruston Clinic had no evidence of being reviewed and approved by a supervisor for four pay periods tested in June, July, and September of 2007. In addition, the clinic manager did not complete overtime forms or obtain the required approval to work overtime for six pay periods from June through December 2007. Furthermore, there was no evidence that the department head of the clinic reviewed or approved the timekeeping packets to ensure time records were complete based on the information entered in the payroll system by the timekeeper.

Management has not sufficiently emphasized to its employees the need to comply with established civil service and department regulations and rules relating to payroll policies and procedures. As a result, employees and supervisors have violated existing policies and procedures and increased the risk of errors and/or fraud.

Management should strictly enforce its policies and procedures and take disciplinary action against any employee or supervisor that fails to comply. In addition, management should periodically select a sample of payroll transactions to determine if employees and supervisors are complying. Furthermore, management should request that the Department of Health and Hospital's internal audit unit perform an audit for the area to determine if employees and supervisors are complying with established policies and procedures. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2-3).

### **Unauthorized Use of State Property**

Mental Health Area C, formerly Central Louisiana State Hospital, allowed a former employee and his son to occupy approximately one acre of state-owned property without requiring the former employee or his son to enter into a lease agreement or reimburse the state for the use of the property for an unknown number of years. Article 7, Section 14 of the Louisiana Constitution of 1974 states, in part, that the funds, credit, property, or

things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. Central Louisiana State Hospital purchased a track of land consisting of approximately 29 acres in 1927. A former employee at the hospital built two homes on approximately one acre of the property. When the former employee passed away, his son claimed squatter's rights and refuses to vacate the property. Area C management considers the two homes an eye sore and a health hazard to the community and the state.

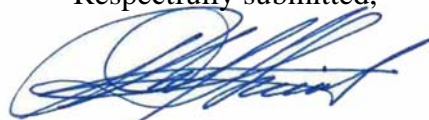
Area C management communicated this problem to its legal department over two years ago; however, no action has been taken to resolve the issue. As a result, Area C is not exercising its oversight responsibility or enforcing the state laws. Furthermore, failure to prohibit access to the property and the homes increases the risk for the state since someone could be injured and the state could be held liable because of the condition of the property and homes.

Management should immediately take the action necessary to remove the homes and restrict access to the property. It should also consider taking the action necessary to collect compensation from the former employee's son for occupying the property. Management partially concurred with the finding and recommendations. Area management feels that this is a complex legal issue that dates back to the 1940s and it has had numerous communications with the legal department concerning this issue. However, management has not received the necessary legal opinion and authority to evict the occupants, demolish the structures, and seek past compensation for the use of the land (see Appendix A, pages 4-5).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of Mental Health Area C. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the mental health area should be considered in reaching decisions on courses of action. Findings relating to the mental health area's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of Mental Health Area C and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



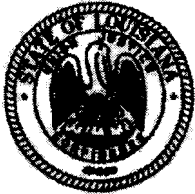
Steve J. Theriot, CPA  
Legislative Auditor

BAC:WJR:THC:sr

MHAC08

Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations





Bobby Jindal  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF HEALTH AND HOSPITALS



March 26, 2008

Steve J. Theriot, CPA  
Legislative Auditor  
State of Louisiana  
Office of Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: Audit Finding: Noncompliance With Movable Property Regulations**

Dear Mr. Theriot:

This letter is our formal written response to the above referenced finding noted in the Control and Compliance Audit.

We concur with the finding and recommendation.

Mental Health Area C management will revise and/or develop and implement detailed policies and procedures specific to each facility to ensure all required movable property is properly tagged and reported to LPAA in accordance with state law and LPAA regulations. Management will also ensure that back-up property managers are appointed and adequately trained so they can assume these responsibilities if necessary.

The contact person responsible for corrective action for this finding is Tina Darbonne, CPA, Accountant Administrator 3. Corrective actions are expected to be in place by May 31, 2008.

Sincerely,

Jo Pine  
Acting Deputy Assistant Secretary

tg



Bobby Jindal  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF HEALTH AND HOSPITALS



Alan Levine  
SECRETARY

March 26, 2008

Steve J. Theriot, CPA  
Legislative Auditor  
State of Louisiana  
Office of Legislative Auditor  
P.O. Box 94397  
Baton Rouge Louisiana 70804-9397

**RE: Audit Finding: Weaknesses in Controls Over Payroll**

Dear Mr. Theriot:

This letter is our formal written response to the above referenced finding noted in the Control and Compliance Audit.

We concur with the finding and recommendation.

The contact person responsible for the corrective action for this finding is Tom Crout, Human Resources Director.

Corrective actions have been implemented in December 2007 for Region 6 and include a permanent change in record keeping procedure.

Corrective actions have been implemented in March 2008 for Region 8.

Management has addressed the importance of compliance with established DSCS rules as well as agency/department, policies and procedures relating to time-attendance pay administration. Additionally OMH Area C Human Resources offered AREA wide time and attendance training to all timekeepers across Area C during February 2007.

DHH's Regional HR Offices who facilitate the hiring process for the OMH offices address time and attendance rules regulations policies and procedures with new hires. This is routinely documented in each new employee's file.

The OMH Area C Human Resources office has a random payroll audit schedule for 2008 established.

Please do hesitate to contact me should you require anything further.

Sincerely,



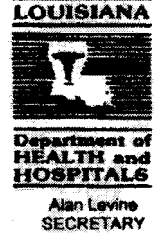
Jo Pine  
Acting Deputy Assistant Secretary

tc



Bobby Jindal  
GOVERNOR

STATE OF LOUISIANA  
DEPARTMENT OF HEALTH AND HOSPITALS



March 26, 2008

Steve J. Theriot, CPA  
Legislative Auditor  
Office of Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: Audit Finding: Unauthorized Use of State Property**

Dear Mr. Theriot:

This letter is our formal written response to the above referenced finding noted in the Control and Compliance Audit.

The Administration of Central Louisiana State Hospital concurs only in part with this finding. Please refer to the following:

**Do concur that:** "Area C Management considers the two homes an eyesore and a health hazard to the community and state."

**Do concur that:** Area C Management communicated this problem to the Legal Department several times, including communications dated from 2005-2007.

**Do concur that:** "Failure to prohibit access to the property and the homes increases the risk for the state..."

**Do not concur that:** "Area C is not exercising its oversight responsibility or enforcing the laws of the state." This is a complex legal issue that dates back to the 1940's. There have been numerous communications with the Legal Department during the years 2005-2007 in an attempt to resolve this issue. To date, Area C has not received the necessary legal opinion and authority to evict the occupants of the property, attempt to collect compensation, or raze the structures.

**Corrective Action Planned:**

Area C will continue to attempt to resolve this issue by working closely with the Legal Departments of Both DHH and the Department of Administration to obtain the legal authority necessary to evict the occupants, demolish the structures and seek past compensation for use of the land.

**Anticipated Correction Date:**

Due to the legal complexities involved, it is anticipated that this action will not be completed until October, 2008.

**Contact Person:**

Mr. Paul Benoit, Associate Administrator, Central Louisiana State Hospital.

Please do not hesitate to contact me should you require additional information.

Sincerely,



Jo Pine  
Acting Deputy Assistant Secretary