

METROPOLITAN HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED OCTOBER 8, 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

September 18, 2008

**METROPOLITAN HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
New Orleans, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Metropolitan Human Services District for the period July 1, 2006, through June 30, 2008. Our procedures included (1) a review of the district'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 year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected district 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 Annual Fiscal Reports of the Metropolitan Human Services District were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The district's accounts 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 the Metropolitan Human Services District, dated August 7, 2006, we reported findings relating to information system user access not effectively monitored, insufficient controls over receipts, payroll internal control weakness, and noncompliance with state movable property regulations. The finding relating to information system user access not effectively monitored has been resolved by management. The findings relating to insufficient controls over receipts, payroll internal control weakness, and noncompliance with state movable property regulations were not resolved and are addressed again in this report.

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

Noncompliance With State Movable Property Regulations

For the second consecutive engagement, the Metropolitan Human Services District (MHSD) did not comply with certain state laws, regulations, and policies over movable property and did not maintain adequate controls. Louisiana Administrative Code Title 34 Part VII Section 307 (A) requires all acquisitions to be tagged and information reported to the Louisiana Property Assistance Agency (LPAA) within 60 days after receipt. Section 313 (A) requires that a complete physical inventory of the property owned by the agency be conducted not more than 12 calendar months after the last physical inventory. In addition, efforts must be made to locate all movable property for which there is no explanation for the disappearance.

During procedures performed on MHSD's movable property items, the following deficiencies were noted:

- Twenty-three of 287 items (8%) totaling \$52,435 were reported as unlocated by MHSD as of February 29, 2008.
- Nine of 278 items (3%) were recorded in Protégé twice, which overstated MHSD's assets by \$12,975.
- Seventy-two of 287 items (25%) were not properly entered in Protégé. One item was not recorded in Protégé. Three items were listed under the wrong property location. Sixteen items contained the incorrect acquisition date, purchase order number, or acquisition cost. Forty-one items did not have a serial number entered. Eleven items had descriptions that did not identify the type of asset.
- Twenty-six of 67 items (39%) were not entered in Protégé within 60 days of the receipt date. Five items had not been entered when tested and ranged from 32 to 526 days late. The other 21 items were not entered timely, ranging from 67 to 550 days late.
- Three of 10 certifications (30%) were not approved by LPAA. Certifications were not approved because they were submitted late and/or contained too many discrepancies.
- One of 12 items (8%) could not be located during the audit.

Although the district had policies and procedures that contain many elements of a good internal control system, these procedures were not followed uniformly. Failure to maintain an accurate movable property system increases the risk of loss arising from unauthorized use and subjects the district to noncompliance with state laws and regulations. Also, the risk exists that confidential information may be improperly retrieved from any missing computers.

MHSD should comply with state laws and regulations related to movable property, monitor to ensure that movable property procedures and policies are followed consistently, and ensure that all property is tagged and reported accurately and timely to LPAA. Management concurred with the finding and outlined corrective action (see Appendix A, pages 1-3).

**Failure to Submit an Annual Report
to the Legislative Delegation**

MHSD did not submit a required annual report to its legislative delegation. Louisiana Revised Statute (R.S.) 28:864E requires the board to submit an annual written report to the legislative delegation representing the three parishes included within the district at least 30 days before each regular session. The report should include MHSD's audited financial statements as required by R.S. 24:513. The report should also include a summary of the utilization of traditional providers of mental health, developmental disabilities, and addictive disorder services in the parishes transferred to the district.

MHSD management stated that it was not preparing an annual report to its legislative delegation and was unaware of the law requiring the annual report. Failure to submit the annual report to its legislative delegation hinders the delegation's ability to monitor MHSD activities.

Management should ensure all legislative reports are prepared and submitted as required by law. Management concurred with the finding and outlined corrective action (see Appendix A, page 4).

Noncompliance With Governing Board Bylaws

MHSD did not comply with its governing board's bylaws requiring monthly board meetings and recording minutes for the board meetings. The board's bylaws state that the board shall meet monthly and the board's secretary shall record the minutes of all board meetings.

Board minutes were requested from the executive director and deputy director on several occasions. Management did not provide minutes for the following months:

- December 2006
- January 2007
- February 2007
- April 2007
- May 2007
- July 2007
- September 2007
- November 2007

In addition, management could not confirm whether monthly meetings were held during these months.

Management has not ensured monthly board meetings are held and minutes are obtained from the meetings as required by the board's bylaws. Failure to hold monthly board meetings hinders the board's ability to exercise oversight of MHSD management and deprives the public of an opportunity for input. By not recording minutes to the meetings, management does not have evidence of the board's actions and/or decisions.

Management should ensure compliance with the board bylaws requiring monthly meetings and recording minutes for those meetings. Management concurred with the finding and outlined corrective action (see Appendix A, page 5).

Insufficient Controls Over Receipts

For the second consecutive engagement, MHSD did not maintain adequate internal control over cash receipts to ensure funds collected were recorded properly and deposited immediately, monthly ineligible patient fee reports were properly prepared, and cash was properly safeguarded. MHSD employees did not consistently follow control procedures for cash receipts. Good internal controls require that policies and procedures are implemented and enforced and that assets are safeguarded. MHSD policy requires that the cash receipts journal should be balanced daily. The deposit should equal the amount of cash and checks shown on the cash receipts journal for the period covered by the deposit and should include receipt numbers. Deposits should be made whenever the funds on hand total \$100 or more, or at least once a week.

A review of MHSD's controls over cash receipts disclosed the following:

- New Orleans East Behavioral Health Center did not account for cash receipts before October 2007.
- Ten of 16 (63%) cash receipts tested were not recorded on a cash receipt journal to reconcile collections to deposits.
- Thirteen of 16 (81%) cash receipts tested were not deposited when the funds on hand totaled \$100 or more, or at least once a week.
- Nine of 16 (56%) cash receipts were not properly recorded on the ineligible patient fee report.
- For two closed bank accounts, MHSD did not provide documentation proving the accounts had been closed. For two other closed bank accounts, MHSD did not provide documentation proving the last remaining balances were transferred to a new central bank account prior to the accounts being closed.

- The cash balance reported in the fiscal year 2007 annual fiscal report was understated by \$20,455, due to a bank account that MHSD erroneously noted as closed with the balance transferred before the end of the fiscal year. Our testing revealed the bank account was actually not closed until December 2007.

Management did not place sufficient emphasis on controls over cash receipts and did not adequately supervise employees responsible for maintaining the local bank accounts. Failure to establish and enforce controls over cash receipts increases the risk that receipts may be lost or stolen and that such losses will not be detected in a timely manner.

Management should provide adequate control and supervision over employees responsible for depositing and recording receipts and those maintaining the bank accounts to ensure that policies and procedures are followed. Management concurred with the finding and outlined corrective action (see Appendix A, pages 6-9).

Inadequate Controls Over Procurement

MHSD did not maintain adequate controls over procurement which resulted in contracts executed in noncompliance with MHSD policy, purchases that lacked proper approval, and payments that were incorrectly calculated and miscoded in the accounting system. For state contract purchases between \$5,000 and \$14,999, MHSD policy requires approval by the cost center manager, chief financial officer, and deputy director before purchase. For state contract purchases greater than \$15,000, MHSD policy requires approval by the cost center manager, chief financial officer, deputy director, and executive director before purchase. MHSD policy requires the executive director to sign all contracts and all amendments to contracts. For provider contracts exceeding \$600,000 per year, MHSD policy requires prior approval by the Board of Directors. Good internal controls require adequate supporting documentation for all contracts and review of invoice payments to ensure that amounts are mathematically correct and properly coded in the accounting system.

Our review of the district's controls over procurement disclosed the following conditions:

- MHSD executed a provider contract that exceeded \$600,000 without the required board approval.
- MHSD contracted with a former employee within two years of termination, possibly in violation of the Louisiana Code of Ethics.
- For two of 16 (13%) contracts tested, MHSD could not provide complete documentation for the contract.
- For two of 16 (13%) purchases tested, the purchase was not approved by the appropriate level of management.

- For two of 16 (13%) payments tested, the payment amount was not mathematically correct.
- For five of 16 (31%) expenditures tested, the expenditure was not properly coded in the accounting system. Four invoices for movable property greater than \$1,000 were coded to an object code for operating supplies rather than acquisitions. One invoice for a social service contract was coded as an administrative expense rather than a program expense.

Failure to follow established controls over the procurement of goods and services increases the risk that purchases and contracts will not be properly approved, executed, and processed.

Management should ensure that all contracts are reviewed and approved according to policy, that adequate documentation is maintained to support all contracts, and that employees consistently follow established internal control policies over procurement. Management concurred with the finding and outlined corrective action (see Appendix A, pages 10-13).

Payroll Internal Control Weakness

For the second consecutive engagement, MHSD did not enforce existing policies to ensure that payroll transactions were valid, approved, and correctly input into the payroll system. In addition, documentation was not maintained to support approved employee pay rates. Good internal controls require approval of time sheets by the appropriate supervisor, maintenance of documentation for approved employee pay rates, and processing of employee terminations in the payroll system before the close of the employee's last pay period to avoid overpayments. MHSD Policy #3008, Time Administration Policy and Procedures, requires each timekeeper to compare the time and attendance records to the Time Entry Audit Report (ZT02) to ensure that time entry was correct and take appropriate action to initiate corrections as necessary.

Audit procedures identified the following noncompliance with existing policy:

- Six terminated employees had claims outstanding in the payroll system totaling \$6,297.03 because separation transactions were entered after the close of the employee's last pay period. MHSD could not provide evidence that the six overpayments had been recovered from the employee.
- One of 12 (8%) employee time sheets was not approved by a supervisor.
- Two of 12 (16%) employee time sheets did not agree to the hours paid per the check stub.
- One of 12 (8%) employee's pay rate per the check stub did not agree to the approved pay rate according to the Employee Notification Form.

Management did not place sufficient emphasis on compliance with existing policies and procedures. Failure to comply with established policies and procedures may result in noncompliance with Civil Service, federal, and state rules and regulations and increases the risk that payroll related errors and/or fraud could occur and not be detected in a timely manner.

Management should enforce existing policies to ensure that payroll transactions and pay rates are valid, approved, and correctly input into the payroll system. In addition, employee overpayments should be researched and recovered from current and former employees. Management concurred with the finding and outlined corrective action (see Appendix A, pages 14-16).

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

This report is intended solely for the information and use of the district and its management and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



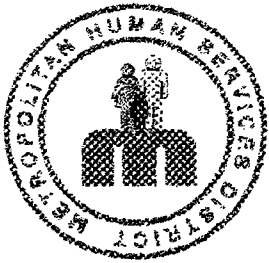
Steve J. Theriot, CPA
Legislative Auditor

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MHSD08

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



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130

Telephone: (504) 568-3130 • Fax: (504) 568-3134

June 10, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit finds as they relate to Movable Property. This is the official response of Metropolitan Human Services District regarding Noncompliance with State Movable Property Regulations.

TITLE OF FINDING:

Noncompliance with State Movable Property Regulations

RESPONSE TO FINDING:

MHSD concurs with the audits findings related to controls over movable property. Some findings relate to locations and/or supporting documentation that was destroyed by Hurricane Katrina.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Shannon F. Brown, Administrative Coordinator

Planned corrective actions:

1. The following corrective actions will be implemented immediately:
 - MHSD will conduct a monthly review of financial reports with procurement to record movable property purchases. All items will be input into Protégé within 60 days of acquisition.

- Information Technology personnel will inform the Movable Property Custodian of all property changes
2. The following corrective action plan is being executed and will be completed by July 15, 2008:
 - All deficiencies listed in the audit finding report will be corrected and the corrective action will be notated in Protégé in the Notes tab
 - Items that cannot be rectified or located will have an explanation notated in Protégé in the Notes tab and a hard copy will be filed in the 2008 Audit binder with supporting documentation (located in the Movable Property Custodian's office)
 3. The following corrective action plans will be implemented to correct the internal control weaknesses within MHSD. All actions will be initiated no later than August 1, 2008
 - A staff meeting will be scheduled to inform all personnel directly affiliated with Movable Property of Louisiana Property Assistance Agency (LPAA) and MHSD Movable Property Policies and Procedures by August 1, 2008.
 - MHSD will assign a Movable Property custodian for each site location
 - MHSD will schedule all Movable Property Custodians and all Information Technology personnel for Movable Property training with LPAA
 - MHSD will schedule regular meetings with all Movable Property Custodians
 - MHSD Movable Property Custodians will be required to use the Notes tab to record relevant information about Movable Property
 - MHSD will conduct quarterly movable property audits at each site location
 - MHSD will conduct an inventory for each site location to account for all equipment.
 - All equipment will be recorded in Protégé. All new equipment will be with verified with procurement within 60 days of acquisition. Any existing equipment will be physically verified with inventory reports provided by Protégé or listed as unlocated in Protégé with an explanation notated in the Notes tab. Movable

Steve J. Theriot
June 10, 2008
Page Three

Property Custodians will be accountable for all equipment that is transferred. (internal, external, surplus or scrapped) until the transfer is physically completed.

- MHSD will purchase Electives, and supplemental software that will be used to account for Movable Property under \$1000.00

We appreciate the assistance provided by the Legislative Auditors in relation to these findings and our opportunities for improved internal controls. Please contact us if you have any other questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Calvin Johnson", with a long horizontal flourish extending to the right.

Judge Calvin Johnson
MHSD Executive Director



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130

Tel: (504) 568-3130 • Fax: (504) 568-3134

July 3, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit finds as they relate to Failure to Submit an Annual Report to the Legislative Delegation. This is the official response of Metropolitan Human Services District regarding Noncompliance with Failure to Submit an Annual Report.

TITLE OF FINDING:

Failure to Submit an Annual Report.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Judge Calvin Johnson, Executive Director

Planned corrective actions:

- The Annual Report was filed on July 3, 2008 and is attached with the distribution list of whom it was filed with. The current Administration is new and was unaware that this needed to be done. We have now been made aware of what is needed and will comply going forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Calvin", with a long horizontal line extending to the right.

Judge Calvin Johnson
MHSD Executive Director



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130

Tel: (504) 568-3130 • Fax: (504) 568-3134

July 3, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit findings as they relate to Noncompliance with Governing Board Bylaws. This is the official response of Metropolitan Human Services District regarding Noncompliance with Governing Board Bylaws.

TITLE OF FINDING:

Noncompliance with Governing Board Bylaws.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Judge Calvin Johnson, Executive Director

Planned corrective actions:

- Previously Board meetings were held but if a quorum was not available no minutes were kept. This was the reason for minutes not being available on all the months requested. Board meetings are now scheduled for the second Wednesday of every month. Public notice will be given of the Board meetings and the minutes are being prepared by a Court Reporter to be kept in the Executive Director's office both in hard copy and in electronic form.

Sincerely,

A handwritten signature in black ink, appearing to read "Calvin", is written over the typed name of Judge Calvin Johnson.

Judge Calvin Johnson
MHSD Executive Director



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130

Tel: (504) 568-3130 • Fax: (504) 568-3134

June 24, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit finds as they relate to Insufficient Controls over Receipts. This is the official response of Metropolitan Human Services District regarding Noncompliance with Insufficient Controls over Receipts.

TITLE OF FINDING:

New Orleans East Behavioral Health Center did not account for cash receipts prior to October 2007.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions:

- New Orleans East has been educated on cash handling policies. Quarterly audits will be performed by the Central office to confirm that New Orleans East is accounting for their cash receipts in accordance with the policy.

Steve J. Theriot
June 10, 2008
Page Two

TITLE OF FINDING:

Ten of 16 (63) cash receipts tested were not recorded on a cash receipt journal to reconcile collections to deposits.

RESPONSE TO FINDING:

MHSD concurs with the audits finding.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions:

- Any clinic personnel whom handles cash has been issued two cash receipt books and a journal for proper record keeping of all funds collected and deposited. A member of management of the clinic or the person assigned to collect or make deposits has signed an acknowledgement of receipt of the book. Quarterly Central office will perform audits to confirm that there is compliance with the policy of receipts being issued for cash payments.

TITLE OF FINDING:

Thirteen of 16 (81) cash receipts tested were not deposited when the funds on hand totaled \$100 or more, or at least once a week.

RESPONSE TO FINDING:

MHSD concurs with the audits finding.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions

- Effective immediately all bank deposits will be made weekly and prior to the 27th of the month to allow for reconciliation. The deposit slip will be forwarded to the billing clerk for proper posting of the deposit. This process will be audited quarterly to verify it is functioning properly.

TITLE OF FINDING:

Nine of 16 (56%) cash receipts were not properly recorded on the ineligible patient fee report.

RESPONSE TO FINDING:

MHSD concurs with the audits finding.

CORRECTIVE ACTION PLAN:

- By having all sites deposit monies by the 27th of the month will allow Central office to prepare a reconciliation of ineligible patient fees from the report to the bank and follow up on any findings.

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions

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TITLE OF FINDING:

For two closed bank accounts, MHSD did not provide documentation proving the accounts had been closed. For two other closed bank accounts, MHSD did not provide documentation proving the last remaining balances were transferred to a new central bank account prior to the accounts being closed.

RESPONSE TO FINDING:

MHSD concurs with the audits finding.

Steve J. Theriot
June 10, 2008
Page Four

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions

- Documentation will be provided that to show that the two accounts were closed.

TITLE OF FINDING:

The cash balance reported in the fiscal year 2007 annual fiscal report was understated by \$20,455, due to a bank account that MHDS erroneously noted as closed with the balance transferred prior to the end of the fiscal year. Our testing revealed the bank account was actually not closed until December 2007.

RESPONSE TO FINDING:

MHSD concurs with the audits finding.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Stanford P. Keller, Billing Supervisor and Teresa A. Felix, CFO

Planned corrective actions

- All accounts are now closed and the bank will send all bank statements to the Central office.

Sincerely,



Judge Calvin Johnson
MHSD Executive Director



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130
Tel: (504) 568-3130 • Fax: (504) 568-3134

July 21, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit findings as they relate to Inadequate Controls over Procurement. This is the official response of Metropolitan Human Services District regarding Inadequate Controls over Procurement.

TITLE OF FINDING:

MHSD executed provider contract that exceeded \$600,000 without the required board approval.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Diane Hargrove-Roberson, Contract Officer

Planned corrective actions:

- Effective with the new fiscal year 2008-2009 a review checklist will be attached to each new contract that will contain a section for whether Board approval is required for the contract. This will be signed by the Contract Officer and the Executive Director.

TITLE OF FINDING:

MHSD contracted with a former employee within two years of termination possibly in violation of Louisiana Code of Ethics.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Calvin Johnson, Executive Director and Diane Hargrove-Roberson Contract Officer

Planned corrective actions:

- This contract has been terminated and this item will be added to our checklist of review items for contracts so that it does not occur again.

TITLE OF FINDING:

For two of 16 (13%) contracts tested, MSHD could not provide complete documentation for the contract.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Diane Hargrove-Roberson, Contract Officer

Planned corrective actions:

Effective with the new fiscal year 2008-2009 a review checklist will be attached to each new contract. Each contract will be reviews for complete documentation and signatures. This will be signed by the Contract Officer and the Executive Director and filed in our file room which is locked in the evenings and weekends.

TITLE OF FINDING:

For two of 16 (13%) purchases tested, the purchase was not approved by the appropriate level of management.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Cory Turner, Chief of Administration

Planned corrective actions:

The first step of correction action was to hire a Procurement Officer. The second step is to redefine our procurement policy as to what the appropriate approval levels of authorization are and define these levels within our computerized PO system. This should prohibit any unauthorized Pos from being processed in the system.

TITLE OF FINDING:

For two of 16 (13%) payments tested, the payment amount was not mathematically correct.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Teresa Felix, Chief Financial Officer

Planned corrective actions:

Effective with the new fiscal year 2008-2009 all invoices received from contractors will be recalculated with a calculator tape attached to the invoice evidencing this recalculation. The initials of the individual doing the recalculation will be noted by the total on the invoice.

TITLE OF FINDING:

For five of 16 (31%) expenditures tested, the expenditure was not properly coded in the accounting system. Four invoices for movable property greater than \$1,000 were coded to an object code for operating supplies rather than a program expense.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

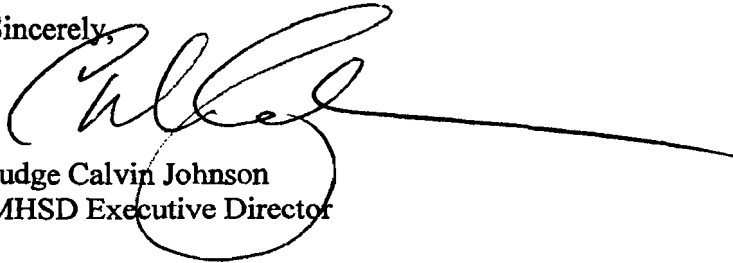
Name of the person responsible for the corrective action:

Cory Turner, Chief of Administration and Teresa Felix, Chief of Administration

Planned corrective actions:

Effective with the new fiscal year 2008-2009, all Pos will reviewed before being authorized and as part of that review the account coding will be confirmed.

Sincerely,

A handwritten signature in black ink, appearing to read "Calvin Johnson", with a long horizontal line extending to the right. The signature is written over a circular stamp.

Judge Calvin Johnson
MHSD Executive Director



METROPOLITAN HUMAN SERVICES DISTRICT

400 Poydras Street, Suite 1800 • New Orleans, Louisiana 70130

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July 28, 2008

Mr. Steve J. Theriot, CPA Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

MHSD has reviewed the audit findings as they relate to Inadequate Controls over Payroll Internal Control Weakness. This is the official response of Metropolitan Human Services District regarding Payroll Internal Control Weakness.

TITLE OF FINDING:

Six terminated employees had claims outstanding in the payroll system totaling \$6,297.03, because separation transactions were entered after the close of the employee's last pay period. MHSD could not provide evidence that the six overpayments had been recovered from the employees.

RESPONSE TO FINDING:

MHSD concurs with the audits findings

CORRECTIVE ACTION PLAN:

The District's Recoupment of Overpayments, Policy #8139-05; and Certification of Compliance of Personnel Actions, Policy #8112-03 will be reviewed with all Human Resources Staff to emphasize the importance of following all policy requirements to ensure compliance. Completion date July 27, 2008.

Name of the person responsible for the corrective action:

Ethel Stagg, HR Director

TITLE OF FINDING:

One of 12 (8%) employee timesheets was not approved by a supervisor.

Mr. Steve J. Theriot
Page 2
July 28, 2008

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

Name of the person responsible for the corrective action:

Ethel Stagg, HR Director

Planned corrective actions:

A team from District management and Human Resources will conduct a series of meetings with supervisors/managers, timekeepers and employees to emphasize the importance of following the requirements of MHSD Policy #3008 (Time Administration Policy and Procedures), MHSD Policy #3011 (Time and Attendance Policy – Hours of Work) and the Metropolitan Human Services District Time Administration Procedures issued by the Executive Director on 04/07/2008. The series of meetings will be completed on October 31, 2008.

TITLE OF FINDING:

Two of 12 (16%) employee timesheets did not agree to the hours paid per the check stub.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

The Human Resource Analyst reviews all time entry prior to the deadline. A report is will be ran on the Monday of a payroll submission week. This would be after the payroll has already been entered into ISIS. Any errors are notated on the report and a “prior period adjustment” will be completed.

Name of the person responsible for the corrective action:

Ethel Staff, HR Director

Mr. Steve J. Theriot
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TITLE OF FINDING:

One of 12 (8%) employee's pay rate per the check stub did not agree to the approved pay rate per the Employee Notification Form.

RESPONSE TO FINDING:

MHSD concurs with the audits findings.

CORRECTIVE ACTION PLAN:

When a promotion is back dated a notation will be made on the Employee Notification Form and to the date the change was made and the implementation date of any payroll changes.

Name of the person responsible for the corrective action:

Ethel Staff, HR Director

Sincerely,



Judge Calvin Johnson
MHSD Executive Director