

FLORIDA PARISHES HUMAN SERVICES AUTHORITY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED APRIL 19, 2006

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 3, 2006

**FLORIDA PARISHES HUMAN SERVICES AUTHORITY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Amite, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Florida Parishes Human Services Authority. Our procedures included (1) a review of the authority's internal control; (2) tests of financial transactions for the period from July 1, 2004, through April 3, 2006; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2004, through April 3, 2006. 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 authority 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 Report of the Florida Parishes Human Services Authority was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The authority's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

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

Insufficient Control Over Receipts

The Florida Parishes Human Services Authority (FPHSA) did not maintain adequate internal control over receipts to ensure that funds collected were recorded properly and deposited immediately and that patient fees deposited into local bank accounts were transferred timely to the State Treasurer's Office. Employees of the FPHSA did not consistently follow existing policies for cash receipts. FPHSA policy states that the cash receipts journal should be balanced daily. The deposit should equal the amount of cash and checks shown on the 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. Ineligible patient fee reports, along with a check transferring the ineligible patient fees to the State Treasurer's Office, should be submitted to the Department of Health and Hospitals (DHH) Fiscal Management on or before the 10th of each month.

A review of the authority's controls over receipts disclosed the following conditions:

- Cash receipts were not recorded properly. The cash receipts journal was not prepared for one facility from July 2004 to July 2005. The cash receipts journal was not balanced daily and deposits did not include receipt numbers. An October 2005 receipt for ineligible patient fees was prepared for funds that were never collected and the receipt was never voided. Pre-numbered receipts were available to use, but employees used two receipts with handwritten receipt numbers.
- FPHSA did not deposit cash receipts timely into the local bank accounts. A November 2004 receipt for ineligible patient fees was deposited three days late. An August 2005 receipt did not post to the local bank account and no deposit ticket was available to show that the deposit was made.
- Employees responsible for maintaining the local bank accounts did not transfer funds deposited into the local accounts to the State Treasurer's Office on a timely basis. Receipts totaling \$4,273.14 were transferred three to 18 days late.

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 controls over receipts increases the risk that receipts may be lost or stolen and that such losses will not be detected in a timely manner.

FPHSA management should provide adequate control and supervision over employees responsible for depositing receipts and maintaining the bank accounts to ensure that policies and procedures are followed. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 1).

Payroll Internal Control Weaknesses

FPHSA did not enforce existing policies to ensure that payroll transactions were valid, authorized, and correctly input into the payroll system. Currently, FPHSA is following DHH payroll policies because it has not established its own payroll policies. DHH Policy #1216-04 (Time Administration Policy and Procedure) states that the Timekeeper Unit Manager (or designee) shall be responsible for reviewing pay period records and maintaining pay period files that must include leave slips signed by the employee and approved by the supervisor. Policy #1216-04 also states the employees' time and attendance shall be entered in the ISIS/HR System based on the time and attendance sheet. DHH Policy #8131-98 (DHH Overtime Policy) states that normal overtime requests require approval of an appointing authority, department manager/division director, or supervisor with delegated authority.

Audit procedures identified the following noncompliance with existing policy:

- Two of 20 (10%) time sheets tested were not properly approved by a supervisor.
- One of 20 (5%) leave slips tested was not properly approved by a supervisor.
- One of two (50%) overtime requests tested was not properly approved by an appointing authority, department manager/division director, or supervisor with delegated authority.
- Six of 20 (30%) remuneration statements did not match the employees' time and attendance sheets. Three of these were due to leave not being entered correctly and three were due to hours being entered that were not recorded on the time and attendance sheets.

Management did not place sufficient emphasis on compliance with existing DHH policies and procedures. Noncompliance with procedures may result in incomplete data, inaccurate entries, and an increase in the risk of fraud or errors. The development and enforcement of policies and procedures ensures compliance with Civil Service, federal, and state rules and regulations and reduces the risk that payroll related errors and/or fraud could occur and not be detected in a timely manner.

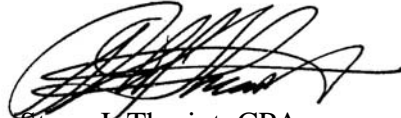
Management should monitor compliance with existing policies and procedures to ensure proper approvals are documented and valid data are entered correctly. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 2).

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

FLORIDA PARISHES HUMAN SERVICES AUTHORITY _____

This report is intended solely for the information and use of the authority and its management 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

CV:WG:PEP:dl

FPHSA06

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

Florida Parishes Human Services Authority

Livingston Parish
Judge Zoey Waguespack
Margie Mason

St. Helena Parish
Sarah Kent

St. Tammany Parish
John Tobin
Patrick Berrigan
Stephen M. Crow

Tangipahoa Parish
Chris Miaoulis, Chairman
Mark Waller

Washington Parish
Atwood J. Luter

Executive Director
Melanie Watkins



March 2, 2006

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

Re: Insufficient Control Over Receipts

Dear Mr. Theriot,

Please be advised that Florida Parishes Human Services Authority was established by statute effective July 1, 2004. Since that time, we have been in the diligent process of establishing our administrative infrastructure, as well as our policies and procedures. Until such time as we have all of our appropriate policies and procedures approved and in operation, we are attempting to follow the policies and procedures as set forth by DHH. Regrettably, the recent legislative audit revealed there were some issues of noncompliance with existing policies for cash receipts.

Please be advised that we are in the process of establishing an Accountant Supervisor position in order to oversee the accounting operations of FPHSA. It is our intent to have this position maintain and ensure controls over the handling of cash receipts in an efficient and effective manner. The goal date for establishing and filling this position is estimated to be six months, September 15, 2006, depending on approval by DOA to fill the position once it has been established by Civil Service.

The name of the person responsible for the corrective action is Melanie Watkins, Executive Director.

The action plan is to develop a specific policy and procedure for FPHSA pertaining to cash receipts. The goal date for the FPHSA policy development is July 1, 2006.

Until that time, FPHSA staff will be reminded to follow the DHH Policies and Procedures. An in-service training will be held with all FPHSA accounting and billing staff to review the current DHH Policies and Procedures and to reinforce compliance with those guidelines until we have the FPHSA guidelines approved and in operation. The goal date for the in-service training is April 30, 2006.

Please be assured that FPHSA Management will strive to improve and ensure compliance with existing policies and procedures.

Sincerely,

Melanie Watkins, LCSW
Executive Director

FLORIDA PARISHES HUMAN SERVICES AUTHORITY – ADMINISTRATIVE SERVICES
P.O. BOX 8630 • MANDEVILLE, LOUISIANA 70470-8630
PHONE (985) 626-6444 • FAX (985) 626-6418
fphsa@dhh.la.gov
AN EQUAL OPPORTUNITY EMPLOYER

Florida Parishes Human Services Authority

Livingston Parish
Judge Zoey Waguespack
Margie Mason

St. Helena Parish
Sarah Kent

St. Tammany Parish
John Tobin
Patrick Berrigan
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Tangipahoa Parish
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Melanie Watkins

March 2, 2006

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

Re: Payroll Internal Control Weakness

Dear Mr. Theriot,

Please be advised that Florida Parishes Human Services Authority was established by statute effective July 1, 2004. Since that time, we have been in the diligent process of establishing our administrative infrastructure, as well as our policies and procedures. Until such time as we have all of our appropriate policies and procedures approved and in operation, we are attempting to follow the policies and procedures as set forth by DHH. Regrettably, the recent legislative audit revealed there were some issues of noncompliance with existing payroll policies as outlined by DHH.

Please be advised that we have recently hired some of our Human Resources staff, the HR Director and HR Manager, and they are in the process of developing our Human Resources Department, as well as policies and procedures on behalf of the Florida Parishes Human Services Authority. One of the main functions of the new HR Manager, who was just hired on February 13, 2006, is to ensure total compliance with payroll policies and procedures. Also, we will be meeting with the FPNSA payroll staff in the near future to review the policies and procedures, as well as the expectations involved. If deemed appropriate, we will also require payroll staff to attend and complete the ISIS Time Administrator course to ensure that coding and procedures are accurate and correct.

The name of the person responsible for the corrective action is Margaret Reed, HR Director.

The action plan is to develop a specific policy and procedure for FPNSA pertaining to payroll transactions. The goal date for the policy development is July 1, 2006.

Until that time, FPNSA staff will be reminded to follow the DHH Policies and Procedures. An in-service training will be held with all FPNSA payroll staff to review the current DHH Policies and Procedures and to reinforce compliance with those guidelines until we have the FPNSA guidelines approved and in operation. The goal date for the in-service training is April 15, 2006.

We will also require payroll staff assessed to need refresher courses to attend and complete the ISIS Time Administrator course. The goal date for the completion of this will be based on need and class availability by July 1, 2006.

Please be assured that FPNSA Management will strive to improve and ensure compliance with existing policies and procedures.

Sincerely,


Melanie Watkins, LCSW
Executive Director

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P.O. BOX 8630 • MANDEVILLE, LOUISIANA 70470-8630
PHONE (985) 626-6444 • FAX (985) 626-6418
fphsa@dhh.la.gov
AN EQUAL OPPORTUNITY EMPLOYER