

OFFICE OF PUBLIC HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



MANAGEMENT LETTER

ISSUED DECEMBER 20, 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

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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December 8, 2006

OFFICE OF PUBLIC HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
New Orleans, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2006, we considered the Office of Public Health's internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the office's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Office of Public Health is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The office'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 management letter on the Office of Public Health for the year ended June 30, 2005, we had findings on unlocated movable property and the lack of security over public funds. The finding on the lack of security over public funds was resolved by management. The finding on unlocated movable property was not resolved and is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Lack of Internal Control Over Movable Property

The Office of Public Health (OPH) failed to maintain adequate internal control over movable property acquired, in part, with funds of the federal Public Assistance Program, CFDA 97.036, and did not comply with federal program compliance requirements and Louisiana law. Good internal control requires that accurate financial records are maintained and adequate control procedures are in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use or theft. Federal

program compliance requirements for equipment management state, in part, that “a State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures.” State property control regulations, as defined in Louisiana Revised Statute (R.S.) 39:323-325 and in the Louisiana Administrative Code 34:VII.307, require all acquisitions of qualified property to be tagged and pertinent inventory information forwarded to the Louisiana Property Assistance Agency within 60 days of receipt of the property, and a complete physical inventory of movable property be taken annually. In addition, R.S. 24:523 states, “An agency head of an auditee who has actual knowledge of any misappropriation of public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation.”

During the examination of OPH’s movable property, valued at \$34,434,162, the following deficiencies were noted:

- A total of 314 acquisitions totaling \$2,235,412 were not tagged and added to the inventory system until more than 60 days after receipt of the property. As of September 18, 2006, items totaling \$1,632,328 acquired on September 3, 2005, were not tagged.
- Emergency response equipment totaling \$1,491,253 was missing or stolen and was not reported in writing to the legislative auditor and the district attorney. Adequate supporting documentation was not provided to determine which of three different amounts provided for the equipment items purchased is accurate.
- A total of 72 items totaling \$416,084 were not properly classified and recorded with the correct purchase order numbers matching the financial records of ISIS and Protégé.
- OPH’s Certification of Annual Property Inventory reported a total of \$417,017 in unlocated property for fiscal years ended June 30, 2003, through June 30, 2006, including \$218,342 of computers and computer-related equipment. A similar finding was noted in the prior year.

Management asserts that the items were not tagged timely because items were delivered directly to requesting departments, and the property manager was not notified timely. Most of the items of movable property reported missing/stolen were not reported to the appropriate level of OPH’s management by responsible employees until months after the employees said that the event occurred.

Failure to enforce existing policies and procedures subjects OPH’s movable property to increased risk of loss arising from unauthorized use or theft and to noncompliance with federal grant requirements. Because of the untimely notification to OPH’s management of stolen or missing property, investigation and recovery efforts are diminished and management is in noncompliance with R.S. 24:523. Furthermore, because of the nature

of services provided by OPH, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

OPH's management should strengthen its internal controls over movable property to accurately tag, record, and safeguard its movable property and to ensure compliance with state and federal laws and regulations. Management should submit the proper BF-11 documents to remove the movable property destroyed by the hurricane from its inventory. Management generally concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-9).

Insufficient Documentation of Program Expenditures

OPH did not comply with certain federal and state requirements for administering the Public Assistance Program (CFDA 97.036). Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300(b), requires states to establish internal control over federally funded programs to provide assurance that the state is managing federal awards in compliance with grant provisions. OMB Circular A-87 requires that costs must be documented, reasonable, and necessary for the proper and efficient performance and administration of the program to be allowable. Proper administration would include controls for ensuring that expenditures are supported by adequate documentation.

In a test of 16 overtime and premium pay records for the Public Assistance Program, the following 13 exceptions were noted:

- Three of the 16 (19%) employees had incomplete supporting documentation because their time sheets were not approved by the supervisor.
- One employee's time sheet (6%) showed that he earned more overtime than he was paid.
- Nine of the employees' time sheets (56%) showed that the employees were paid more overtime than they earned.

OPH did not establish and implement policies to effectively capture overtime and premium pay for emergency situations that occurred after Hurricane Katrina. Time sheet data were transferred from time sheets to spreadsheets and not reviewed by other parties causing errors to not be detected in a timely manner. Failure to institute sufficient internal control over the administration of the Public Assistance Program increases the risk of errors, fraud, and/or abuse and results in noncompliance with federal program regulations. These errors resulted in questioned costs of \$38,533 for the Public Assistance Program.

OPH should improve its internal control over the administration of the Public Assistance Program to ensure that expenditures are supported by accurate supporting documentation to comply with federal and state requirements. Management concurred in part with the finding and recommendation (see Appendix A, page 10).

Overpayment of Terminated Employees

OPH continued to pay certain employees after they terminated employment. OPH's internal policies and procedures state that it is the responsibility of the employee's supervisor to timely notify Human Resources that an employee is terminating his/her service with OPH. R.S. 42:460 provides the agency the ability to develop rules to recoup overpayments made to state employees. In accordance with the Office of State Uniform Payroll Memorandum 2005-41, it is the agency's policy to notify the employee in writing of the overpayment and to request reimbursement.

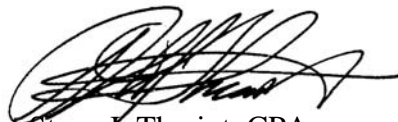
During fiscal year 2006, OPH made overpayments totaling \$298 to one employee for two pay periods after the official termination date. Also during fiscal year 2005, OPH made overpayments totaling \$1,476 to one employee for two pay periods after the official termination date. OPH has recouped 100% of these overpayments. These overpayments occurred because the terminated employees' supervisors did not follow established procedures to notify Human Resources in a timely manner so that the employees would be terminated in the ISIS-Human Resources System. In addition, even though OPH requires employees to complete a time sheet to document time and attendance and it is approved by the employee's immediate supervisor, OPH is not ensuring that there is an approved time sheet for all employees scheduled to receive a paycheck.

Management should emphasize and enforce its policy that supervisors notify Human Resources immediately upon an employee's termination and establish procedures to verify that all employees scheduled to be paid have submitted completed, approved time sheets. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 11).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the office. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the office should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the office 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 letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



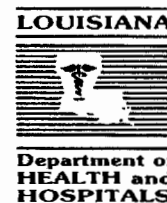
Steve J. Theriot, CPA
Legislative Auditor

FM:JR:PEP:dl
[OPH06]

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



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Frederick P. Cerise, M.D., M.P.H.
SECRETARY

November 20, 2006

Steve J. Theriot, CPA
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Agency 366 Legislative Audit
Office of Public Health

Dear Mr. Theriot:

Please accept this letter as the response to the audit performed regarding the lack of internal control of moveable property within the Office of Public Health.

The Operations and Support Unit monitors and tracks all moveable property tagged within this agency. Each section and region within the agency structure has designated property coordinators that assist this unit with the physical location, deployment and transfer of all moveable property. OPH does adhere to the DHH Policy 2424-81, which states all property with a value of \$1,000 dollars must be tagged.

Due to the hurricane recovery efforts that OPH participated in, and due to the closure and destruction of many of the agency's buildings in the New Orleans area, the implementation of the Protégé hand scanner equipment was not implemented last fall. OPH has purchased these scanners and we look forward to a full implementation by March 2007. We feel that this will add a stricter internal control and ensure accountability with all moveable property.

Please review the attached corrective action plan and advise if any further information is needed.

Sincerely,

Sharon G. Howard, Assistant Secretary
Office of Public Health



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Frederick P. Cerise, M.D., M.P.H.
SECRETARY

November 20, 2006

Mrs. Sharon G. Howard, Assistant Secretary
Office of Public Health
1450 L & A Road
Metairie, Louisiana 70001

Re: Legislative Audit Response
OPH Moveable Property #366

Dear Mrs. Howard:

This letter is in response to the Legislative Auditor findings dated November 14, 2006 regarding the lack of internal controls and unlocated equipment. This unit has answered each finding and has included the response and corrective action for your review and approval.

The Protégé Hand Scanner equipment was not fully implemented prior to the two major hurricanes that struck Louisiana last summer. Operations and Support Services has now received all of the equipment, purchased the software and license for each user and has the implementation scheduled with each section and region of the Office of Public Health. These scanners will be used during the next agency inventory scheduled for July 2007. In addition to the standard property policies of DHH and OPH, this unit will inform Program Managers and Regional Administrators on a quarterly basis when their section or region is non-compliant with these policies.

In closing, last year was an extremely difficult year for everyone. The lack of internal controls regarding moveable property at the Special Needs Shelter, Mobile Hospitals and Emergency Command Centers statewide proved to be a challenge to all concerned. It is the recommendation of this unit to have Operations and Support Services activated at the Command Center to work closely with the procurement unit and field sites to issue tags, track, deploy and monitor equipment. This would allow for a tighter control over moveable property in a mass distribution situation such as during Hurricanes Katrina and Rita.

If any further information is needed regarding this response, please contact me at (225) 765-0935.

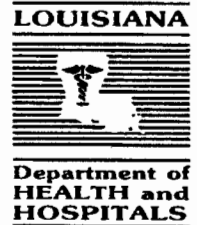
Sincerely,

Barbara Woodard, Executive Staff Officer
Operations and Support Services/Facility Management



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D.
SECRETARY

November 17, 2006

Ms. Barbara Woodard, Executive Staff Officer
Operations and Support Services
8919 World Ministry Ave. Suite B
Baton Rouge, LA 70810

Re: Legislative Audit Response
Property Location 366

Dear Ms. Woodard:

Please accept this letter in response to the audit performed by Legislative Auditors regarding the agency moveable property inventory for FY '06. The Operations and Support Unit (OSS) monitors and issues state tags on all moveable property tagged within this agency. Corrective actions to these findings will be implemented immediately.

Corrective Action Plan –Legislative Audit 2006

The persons responsible for the implementation of the corrective plan are as follows:

Barbara Woodard, Executive Staff Officer-Facilities and Leases
Jane Sledge, Administrative Manager 3, OPH Property Manager
Stephanie Maiden, Administrator Coordinator 4
Regional Administrative Staff
OPH Program Staff
Assigned Property Coordinators

Operations and Support Services (OSS) will continue with mandatory trainings for each program and region throughout the state. The emphasis of these trainings will be:

- A thorough review of Department of Health and Hospitals (DHH) Policy 2424-81 and Office of Public Health (OPH) moveable property policy 802 and State Property Control, Rules and Regulations as defined in Louisiana Revised Statute (R.S.) 39: 323-325 and Louisiana Administrative code 34:VII:307.
- Explanation of the use of all property forms and the importance of internal procedures pertaining to management of movable property.
- Tag issuance and receiving procedures.

OSS will also distribute copies of all policies to every OPH employee. OSS will continue to emphasize the importance of property controls and management within each department/ region /section of OPH. This will include the monthly e-mail blitz and quarterly newsletters.

OFFICE OF PUBLIC HEALTH
CENTER FOR ADMINISTRATIVE & TECHNICAL SUPPORT • OPERATIONS & SUPPORT SERVICES
6867 BLUEBONNET BLVD. • BATON ROUGE, LOUISIANA 70810
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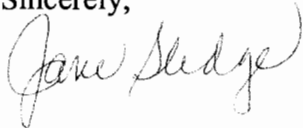
OSS will perform a complete audit and mandatory training of Emergency Medical Services (EMS) within thirty days. Future audits will include all OPH HQ sections and The nine OPH Regions beginning January 2007.

OSS will advise the Regional Administrators, Assistant Regional Administrators, Regional Administrative Managers, Information Services Staff and the designated property coordinators on a quarterly basis the status of the inventory for each of the locations in their regions.

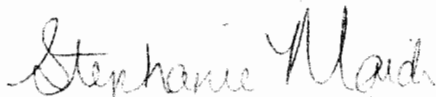
In preparation of another natural disaster or event that would require a mass distribution Of medical supplies and equipment, OSS has recommended to the OPH Assistant Secretary and to the Emergency Preparedness/Response Chief, to have the OSS unit activated within the Emergency Command Center to deploy equipment, tag, record and monitor equipment received and or deployed, and to work directly with a person assigned at each Special Needs Shelter, Mobile Hospital and Regional Command Center. OSS would also work directly with DHH Purchasing to issue state tags on any equipment shipped directly to the field sites. All state property responsibilities should be coordinated with a designated property coordinator at each of these sites. Staff would be trained on property rules/regulations annually.

This unit remains committed to enforcing State Property Rules and Regulations. Should additional information be needed, please advise.

Sincerely,



Jane Sledge, Property Manager OPH
Administrative Manager 3 Operations and Support Services



Stephanie Maiden, Administrative Coordinator 4
Statewide Property Coordinator, Operations and Support Services

Response-Lack of Internal Control over Movable Property

Bullet 1

314 acquisitions totaling \$2,235,412 were not tagged and entered into the Protégé system within 60 days. OSS was not aware of the equipment that was purchased and direct shipped to Command Centers, Special Needs Shelters, mobile hospitals and rescue staging sites across the state to assist in the rescue and recovery efforts. Standard Agency policy is that all invoices are sent to the Fiscal Services section located at 1010 Common Street in New Orleans. During the aftermath of the hurricanes, mail directed to the New Orleans area was being redirected to Houston, Texas and was held there for four months. This complicated OSS responsibilities because the invoices were not being forwarded to this unit for verification. In addition, and due to the inaccessibility of the city of New Orleans, all agency offices located at 1010 Common Street and 325 Loyola Street were displaced. When mail service was resumed in January 2006, and invoices were being received by fiscal services, this unit was able to begin tracking and monitoring tag issuance of movable property.

- The equipment received on September 3, 2005 with a value of \$1,156,216 was entered into the Protégé system on September 22nd and 25th. **(Leg. Auditors report cut-off date of September 18th; property valued at \$2,235,412 did not reflect the corrections made after the 18th.)**
- Also included in this figure were items classified as medical supplies **(supporting documentation is included)** and thereby ruled by Louisiana Property Assistance Agency (LPAA) as items not required to have tags issued. Supplies listed below are medical supplies with an acquisition cost above \$1,000. These are sundries and are consumable and therefore are not required to be tagged.
 - 80 Rull Broselow/Hinkle Systems S 159,324.00
(80 @ 1991.55 each)
 - 1 10M Rescue Pack for Hospital \$ 10,000.00
 - 1 USAR Kit for SMRT team \$ 32,000.00
 - 1 Emergency Kit A \$ 2,600.00
 - 1 Emergency Kit B \$ 2,600.00
 - 1 Emergency Kit C \$ 3,095.00
 - 1 Type C Kit \$ 5,280.00
 - 1 Type D Kit \$ 7,510.00
 - 1 Model 300 Sealing Kit \$ 2,010.00
 -
- **Total for medical supplies: \$ 224,419.00**

Bullet 2 – Theft of Equipment

Emergency Response equipment totaling \$1,491,253.00 was reported as missing. On January 17, 2006, Evon Smith, Program Manager with the Bureau of EMS informed OSS of the missing equipment. She informed us that it was believed to have been stolen by different ambulance companies across the nation. Immediately on this day, OSS reported the possibility of this theft to Sonya Pulliam of DHH and asked for an investigation by Mr. George Allspach.

The police report filed and the ensuing investigation, which included the FBI, was handled through Bureau of Emergency Medical Services (BEMS). Contacts at BEMS office is Evon Smith, Program Manager and Sharon Hinchey, EMS Specialist at (225) 763-5700. OSS was informed that an investigation was underway, but was told that no information could be released until the investigation is complete. OSS opened a claim file with the Office of Risk Management. Information regarding the investigation with the FBI and EMS was limited and OSS had no knowledge or update of the investigation until August 2006. At that time, it was reported that twenty of the Lifepack's were located by the FBI. In addition to this and during multiple warehouse searches, some additional equipment was located in warehouses and in the decontamination trailers. The equipment totaled \$125,000.

EMS and the Center for Community Preparedness are still in the process of moving and consolidating warehouses and organizing property utilized during the hurricane recovery phase. The total balance of stolen or missing property is \$1,366,253.

This unit has forms and procedures in place in the event of theft, break-in and or missing property for all section within OPH. This topic will be in the mandatory trainings scheduled for OPH in January 2007.

Bullet 3

Equipment not properly classified and recorded with the correct purchase order numbers. Once this unit received the re-routed mail, invoices and financial statements, and upon discovery of the discrepancies on the financial records, corrections were made in this office to the Protégé system as reflected on the invoices.

Because invoices were unavailable to us at the time of tag issuance, corrections could not be made until we received the original invoices from fiscal services verifying what we thought was a discrepancy.

As of this date, corrections to the system have been made. See attached Protégé print out of purchase order numbers.

Bullet 4

The Division of Administration Policy states that unlocated property must be maintained on the agency master listing for three consecutive years. This unit does agree. The 2003 unlocated property for \$81,500 was submitted to the Division of Administration for removal due to the third year discrepancy report. In addition, OPH has recovered some state property. To date, OPH unlocated property for fiscal years ending June 30, 2004 through June 30, 2006 is in the amount: \$329,713.10.

Please see the attached Protégé print out of the transfer detail that was submitted and approved to Louisiana Property Assistance Agency (LPAA). The current three year unlocated property listings for OPH are also attached.

CONCLUSION

In closing, OSS would like to emphasize that extenuating circumstances of a natural disaster of enormous proportions occurred and disrupted procedures currently in place. As a rule, OSS makes every effort to remain compliance with rules and regulations for governing state owned property.

All regions, departments and programs were focused on the shelter and care of hurricane evacuees, as well as rescue and recovery efforts. The focus was directed at the field and to get the needed equipment and supplies to shelters, rescue and recovery personnel as quickly as possible.

It must be brought to the attention of the Legislative Auditors that equipment and a vast number of persons and departments, including but not limited to the Governor's office, DHH Executive Staff and the Bureau of Emergency Medical Services, was ordering supplies. The emergency equipment and supplies were ordered and direct shipped to the field units for use by the first responders.

This unit will address each finding with the directors and staff of every section within the Office of Public Health. The focus of this unit is to insure compliance with all Louisiana Property Rules and Regulations.

Should additional information be needed, please contact this office at (225) 765-5055.



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

LOUISIANA



Department of
HEALTH and
HOSPITALS

Frederick P. Cerise, M.D., M.P.H.
SECRETARY

November 28, 2006

Steve J. Theriot, CPA, Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This letter is in response to the audit finding issued by your office on October 27, 2006 in regard to Insufficient Documentation of Program Expenditures.

We concur with the finding that one employee earned more overtime than he was paid. This has been corrected in the ISIS-HR system, and the employee has been paid for one additional hour of overtime.

We concur that three employees had incomplete supporting documentation because the time sheet was not approved by the supervisor. This has been corrected. Approval signatures of supervisors have been obtained.

We concur in part with your finding that nine of the employees' timesheets showed that employees were paid more overtime than they earned. We have carefully reviewed the time sheets in question. In the case of Juliette Stefanski and Stephanie Whiting, the numbers of hours on the time sheet were added incorrectly. The amounts paid to these employees as reflected on the spreadsheets were correct. My staff is in the process of entering corrective actions into ISIS-HR to recoup the overpayments. This process will be completed before the end of this pay period (12/3/06).

These corrective actions are being performed by Carol Henderson, Human Resource Manager 3.

If you need further information, please contact Joan Ward, Human Resource Director, at 225/342-8407.

Sincerely,

Sharon G. Howard
Assistant Secretary

SGH/JW



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Coriba, M.D., M.P.H.
SECRETARY

November 6, 2006

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

Dear Mr. Theriot:

This letter is in response to the audit finding issued November 1, 2006, in regard to "Overpayment of Terminated Employees".

We concur that two terminated employees were overpaid during fiscal year 2006 due to the failure of supervisors to notify Human Resources that the employees had separated from employment with OPH.

A memorandum has been distributed reminding staff of the need to notify Human Resources immediately upon an employee's separation and that no employee is to be paid or have time entered into the ISIS-HR system unless a completed, signed time sheet is submitted. The person responsible for this action is Joan Ward, Human Resource Director. This task will be completed no later than November 30, 2006.

I hope these actions will adequately address the audit finding. If you have questions or need further information, please contact me.

Sincerely,

Sharon G. Howard
Assistant Secretary

SGH/JW