

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Pinecrest Developmental Center
Office of Citizens With
Developmental Disabilities
Department of Health and Hospitals
State of Louisiana
Pineville, Louisiana

March 26, 2003



Financial and Compliance Audit Division

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**PINECREST DEVELOPMENTAL CENTER
OFFICE OF CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Pineville, Louisiana

Procedural Report
Dated March 14, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

March 26, 2003



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

March 14, 2003

**PINECREST DEVELOPMENTAL CENTER
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DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Pineville, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Pinecrest Developmental Center. Our procedures included (1) a review of the center's internal controls; (2) tests of financial transactions for the years ending June 30, 2003, and June 30, 2002; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2003, and June 30, 2002; and (4) a review of compliance with prior audit 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 center 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 Pinecrest Developmental Center was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Pinecrest Developmental Center, dated March 30, 2001, we reported a finding relating to noncompliance with movable property regulations. Management has significantly resolved this finding.

Based on the application of the procedures referred to previously, a significant finding is included in this report for management's consideration.

**Control Weaknesses Relating to
Payroll and Personnel Transactions**

Pinecrest Developmental Center and its satellite agencies do not have adequate controls in place to ensure that payroll transactions are properly authorized and only valid transactions are entered into the Integrated Statewide Information System Human Resource (ISIS/HR) component. Proper internal control requires that access be granted

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only to those individuals with a business-need. Furthermore, adequate internal controls would ensure that duties are adequately segregated and entries are properly reviewed and authorized before they are entered into the system. Pinecrest Developmental Center has three decentralized payroll/personnel departments located in Pineville (Pinecrest), Columbia, and Leesville. A review of the controls for payroll and personnel transactions disclosed the following deficiencies:

- The security administrator and management granted ISIS/HR access to 21 employees at Pinecrest Developmental Center without first determining if the employees needed the access to perform assigned duties. Seven of the employees were granted access to create a new position and enter a new hire, make current and retroactive changes to pay rates, enter merit increases, and input time sheet data while they were not responsible for performing these duties. Ten other employees were given the same access except they are unable to create a new position. The remaining four employees can enter new hires and merit increases; however, this is not their responsibility. Granting such access results in inadequate segregation of duties.
- Four employees at Columbia and Leesville Developmental Centers were granted access to perform incompatible duties, including creating a new position, entering a new hire, making current and retroactive changes to pay rates, entering merit increases, and entering time sheet data. While these employees do perform all of the duties relating to payroll and personnel neither center has compensating controls, such as independent review of system reports, to detect errors and/or fraud timely.
- Management has not assigned the review of all changes in employment (additions and terminations), salary and wage rates, and payroll deductions to a knowledgeable employee that does not have access to effect such changes.

The majority of the employees noted above were given access by the security administrator and management after receiving training on the new ISIS/HR payroll/personnel system in January and February of 2001. The deficiencies occurred because the security administrator and management were not knowledgeable of the access capabilities given the employees as it related to their job responsibilities. In addition, management has not monitored the access given users of the system or established compensating controls. Failure to establish such controls could result in errors and/or fraud not being detected timely.

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Pinecrest Developmental Center and its satellite agencies should first determine each employee's job responsibilities and if these responsibilities allow adequate separation of duties. If adequate separation of duties is achieved then management should instruct the security administrator to provide only the access necessary for the employee to perform his/her assigned duties. The center should also develop and implement the controls necessary to ensure that all authorized changes made to employee payroll and personnel records are entered into the system. Furthermore, management should periodically monitor these controls to ensure that they are operating as intended and providing the expected results. Management partially concurred with the finding because after performing a review of each individual's job responsibilities it feels two employees do have a business-need to keep their present level of access. However, management has determined the access for the other 19 employees did need to be limited and has implemented the necessary changes. Furthermore, management has instituted other favorable compensating controls for the three sites (see Appendix A, pages 1-2).

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

This report is intended solely for the information and use of the center 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,



Grover C. Austin, CPA
First Assistant Legislative Auditor

BAC:WJR:AJR:dl

[PDC03]

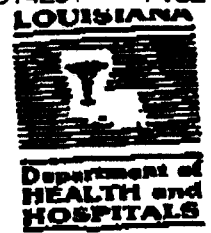
Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



M. J. "Mike" Foster
Governor

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



March 7, 2003

Grover C. Austin, CPA
First Assistant Legislative Auditor
P O Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Austin,

This is in response to the Legislative Auditor's finding concerning **Control Weaknesses Relating to Payroll and Personnel Transactions.**

We concur that adequate controls have not been in place to ensure that personnel/payroll transactions are properly authorized and entered into the Integrated Statewide Information System Human Resources component. We partially concur with the portion of the finding citing problems with the security access granted. Steps have already been taken to answer many of these concerns.

The person responsible for implementing these corrective actions is Susan Harrison, Human Resources Director at Pinecrest Developmental Center.

After initial talks with auditors, Ms. Harrison met with our Information Technology (IT) staff and Human Resources staff to implement changes in ISIS permissions and an internal control system.

Individual job functions have been reviewed to ensure separation of duties, and the presence of controls. Ms. Harrison and the IT staff have also reviewed security for all the employees with ISIS HR permissions, including the twenty-one employees cited in the auditor's finding. We concur with the finding that nineteen of these employees had more permissions than they needed. However, we determined that two of the employees do have a business need to keep the permissions that they currently have.

ISIS permissions have been changed to allow staff only the permissions which are essential to perform their job. The number of employees with permission to create new positions has been reduced from seven to four. HR staff members with this authority include two of the Analysts on our position control/audit team. The two IT staff members, who troubleshoot problems for the HR staff and monitor their actions, also have organizational management permissions. These IT staff members perform organizational management functions for Foster Grandparents and Client employees. Compensating controls have been put in place to verify that no unauthorized transactions are entered by the IT staff. Permissions formerly granted to a third analyst, two HR managers, and the HR Director have been removed.

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Master data permissions have been replaced by Inquiry only permissions on all of the EA Managers. The IT staff members have retained the master data permissions to perform necessary changes for Foster Grandparents and clients. Controls have been put in place to verify that only authorized changes are made by the IT staff. We have instituted, effective January 20, 2003, a series of reports each Human Resources Manager must run biweekly and monthly on his or her subordinate analysts who are entering actions into ISIS/HR. Our position control/audit team (one manager and three analysts who do not enter actions into ISIS) also runs these reports to ensure the managers are catching and having analysts correct errors. The position control/audit team also runs reports by User ID (ZP111) to check on the HR and IT staff, and the IT staff is performing the same function for the audit team. The HR Director is running periodic reports on actions and by User ID to review data entered into the system.

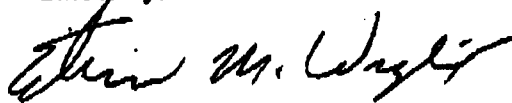
The HR actions at Columbia and Leesville are being checked by the Pinecrest audit team. On February 14, 2003, these decentralized departments were directed to start faxing copies of all permission documents to the Pinecrest Human Resources Director so the documents can be validated against actions entered into ISIS/HR. They are complying with this request. Additionally, the Pinecrest HR audit team makes periodic visits to Columbia and Leesville Developmental Centers to review payroll records. Personnel records audits will be added to all future visits.

We have separated the post payroll audit functions from the checking of payroll actions as they are being entered. We have a Human Resources Manager who supervises three analysts who do benefits, worker's compensation and current pay period monitoring. They run reports to monitor timekeepers as they are entering time.

The Pinecrest Human Resources Director will be the person assigned to review changes in employment, salary and wage rates for all three facilities. Her permissions have been removed for all except master data necessary for her to run reports and view time entry detail. She no longer will be authorized to make changes in organizational management, or have retroactive or transfer authority.

These controls will be monitored by the associate administrator responsible for fiscal management.

Sincerely,



Edwin M. Wright
MR/DD Regional Administrator-Pinecrest