

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



PROCEDURAL REPORT  
ISSUED JUNE 2, 2010

**LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

May 6, 2010

**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 from July 1, 2008, through May 6, 2010. 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 other selected 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 Metropolitan Human Services District was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. 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 September 18, 2008, we reported findings relating to noncompliance with state movable property regulations, failure to submit an annual report to the legislative delegation, noncompliance with governing board bylaws, insufficient controls over receipts, inadequate controls over procurement, and payroll internal control weakness. The findings relating to failure to submit an annual report to the legislative delegation, noncompliance with governing board bylaws, inadequate controls over procurement, and payroll internal control weakness have been resolved by management. The findings relating to noncompliance with state movable property regulations and insufficient controls over receipts 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 third consecutive engagement, the Metropolitan Human Services District (MHSD) did not comply with state laws, regulations, and policies over movable property and did not maintain adequate control. Louisiana Administrative Code Title 34 Part VII Section 307 (A) requires all acquisitions to be tagged and inventory 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-one assets totaling \$291,242 were not entered in Protégé within 60 days of the receipt date. Thirteen items were entered late, ranging from 19 to 68 days late. Eight items had not been entered into Protégé when tested, of which four items could not be located.
- Twenty-three items in the Protégé current inventory were not entered with adequate information. Fourteen items totaling \$49,255 did not have serial numbers. Three items totaling \$4,005 had descriptions that did not identify the type of asset. Six items had duplicate serial numbers.
- Seven of 10 (70%) certifications were not approved by LPAA, including certifications that were submitted late and/or contained too many discrepancies.
- Forty-eight (12%) items totaling \$105,823 were reported as unlocated by MHSD as of October 31, 2009.

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 the 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 a plan of corrective action (see Appendix A, pages 1-2).

### **Insufficient Controls Over Receipts**

For the third consecutive audit, the MHSD did not maintain adequate internal control over cash receipts to ensure that (1) funds collected were recorded properly and deposited immediately; (2) monthly ineligible patient fee reports were properly prepared; and (3) cash assets were properly safeguarded. Also, employees of the MHSD did not consistently follow control procedures for cash receipts. Good internal controls require that assets are safeguarded. MHSD cash policy requires that the cash receipts journal is balanced daily; cash deposits 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; and a monthly report of ineligible patient fees and other fees collected during the month should be prepared.

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

- For six of 12 (50%) receipts tested, cash receipts were not recorded properly in a cash receipts journal.
- For 10 of 12 (83%) receipts tested, MHSD did not deposit cash receipts into local bank accounts when receipts totaled \$100 or at least weekly. The deposit ticket did not include receipt numbers for five of 10 receipts.
- For four of 16 (25%) receipts tested, MHSD did not properly prepare the monthly fee report. The report for the month did not equal the amount collected and deposited for that month.

Management did not place sufficient emphasis on controls over cash receipts and did not adequately supervise employees responsible for preparing the monthly fee reports. Failure to establish and enforce controls over receipts increases the risk that receipts may be lost and such losses will not be detected in a timely manner.

MHSD should ensure that (1) funds collected are recorded properly and deposited immediately; (2) monthly ineligible patient fee reports are properly prepared; and (3) cash assets are properly safeguarded. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

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 finding relating to the district's compliance with applicable laws and regulations should be addressed immediately by management.

## METROPOLITAN HUMAN SERVICES DISTRICT

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In addition, we have included a Budgetary Comparison Schedule, which was prepared from data in the Integrated Statewide Information System (ISIS), the state's accounting system. This schedule is presented as additional information but has not been subjected to auditing procedures.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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MHSD10

BUDGETARY COMPARISON SCHEDULE

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Agency 304 - Metropolitan Human Services District (Unaudited) .....9



UNAUDITED

**DEPARTMENT OF HEALTH AND HOSPITALS  
AGENCY 304 -- METROPOLITAN HUMAN SERVICES DISTRICT**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
State general revenue	\$22,016,707		\$22,016,707	\$22,016,707	
General fund - interagency transfers	8,319,524		8,319,524	13,464,176	(\$5,144,652)
Federal aid	963,214		963,214	1,326,876	(363,662)
General fund - self-generated revenue	645,954		645,954	670,378	(24,424)
2004 over collection fund	85,855		85,855	85,855	
<b>Total Appropriated Revenues</b>	<b>\$32,031,254</b>	<b>NONE</b>	<b>\$32,031,254</b>	<b>\$37,563,992</b>	<b>(\$5,532,738)</b>

**APPROPRIATED EXPENDITURES:**

	METROPOLITAN HUMAN SERVICES DISTRICT
Related benefits	(\$31)
Travel & training	92,226
Operating services	1,530,421
Supplies	3,590,054
Other charges	25,402,414
Capital outlay	183,296
Interagency transfers	336,533
<b>Total appropriated expenditures before adjustments</b>	<b>31,134,913</b>
<b>System adjustments</b>	<b>(49,948)</b>
<b>Total Appropriated Expenditures</b>	<b>31,084,965</b>
<b>Revised Budget</b>	<b>37,563,992</b>
<b>Variance Favorable (Unfavorable)</b>	<b>\$6,479,027</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system

Additional detail is available on request.

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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 • Tel: (504) 568-3130 • Fax: (504) 568-3365

March 23, 2010

Mr. Daryl G. Purpera, CPA, CFE  
Temporary Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

Metropolitan Human Services District (MHSD) has reviewed the audit findings as they relate to Movable Property. This is the official response of MHSD 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 of movable property.

**CORRECTIVE ACTION PLAN:**

**Name of person responsible for the corrective action:**

Charlotte Cunliffe, CFO

**Planned corrective action:**

1. The following corrective action 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 in writing.
  - The CFO will receive drafts of the LPAA reports 5 days prior to the due date to ensure timeliness of submission.

2. The following corrective action plan is being executed and will be completed by July 1, 2010.
  - All deficiencies listed in the audit findings 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 in Protégé in the Notes tab. A hard copy will be filed in the 2010 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 July 1, 2010.
  - A staff meeting will be scheduled to inform all personnel directly affiliated with Movable Property to review MHSD Movable Property Policies and Procedures; the audit findings and the corrective actions required.
  - 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.
  - All equipment will be recorded in Protégé. All new equipment will be 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 Property Custodians will be accountable for all equipment that is transferred (internal, external, surplus, scrapped) until the transfer is physically complete.

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,



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

Judge Calvin Johnson, Executive Director

March 17, 2010

Mr. Daryl G. Purpera, CPA, CFE  
Temporary Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Metropolitan Human Services District has reviewed the audit finding related to “Insufficient Controls over Receipts” and presents the following responses as requested.

TITLE OF FINDING:

For six of 12 (50%) receipts tested, cash receipts were not recorded properly in a cash receipts journal.

RESPONSE TO FINDING:

MHSD concurs with the audit finding.

CORRECTIVE ACTION PLAN:

Name of Person responsible for corrective action:

Charlotte Cunliffe, CFO

Planned Corrective actions:

- MHSD has reviewed the MHSD Cash Receipts Policy. Effective immediately, MHSD will develop procedures that ensure that all interested parties are able to complete the tasks needed to comply with the policy. Procedures will be designed to clearly assign responsibility for the tasks needed with emphasis on proper segregation of duties. And MHSD will develop a procedure for training and an employee acknowledgement of the MHSD policies and procedures regarding cash management. MHSD will begin development immediately and complete training on this new policy with a target date for implementation of July 1, 2010.
- Effective July 1, 2010, the Central Office will conduct quarterly audits to confirm compliance with the policies.

TITLES OF FINDINGS:

For ten of 12 (83%) receipts tested, MHSD did not deposit cash receipts into the local bank account when receipts totaled \$100 or at least weekly. The deposit ticket did not include receipt numbers for five of ten receipts.

For four of 16 (25%) receipts tested, MHSD did not properly prepare the monthly fee report. The report for the month did not equal the amount collected and deposited for that month.

RESPONSE TO FINDING:

MHSD concurs with the audit finding.

CORRECTIVE ACTION PLAN:

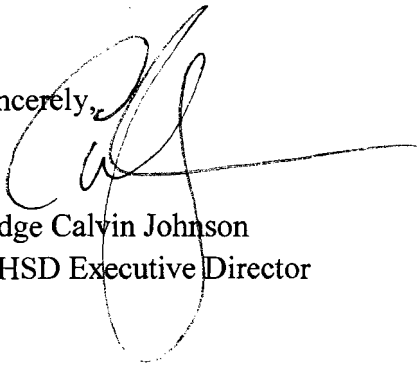
Name of Person responsible for corrective action:

Charlotte Cunliffe, CFO

Planned Corrective actions:

- Effective immediately, the Central Office will receive weekly faxes from each facility of the bank deposits, and will notify facility management if the checks/cash exceed \$100 in any given period less than a week.
- Facilities will also be required to make the final deposit of the month on/about the 27th; fax copies of the final deposit, and the monthly fee reports to the central office for review and to allow for reconciliation of ineligible patient fees from the report to the bank deposits and follow up on any findings.

Sincerely,



Judge Calvin Johnson  
MHSD Executive Director