

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



PROCEDURAL REPORT

ISSUED SEPTEMBER 6, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
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August 7, 2006

**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 years ended June 30, 2005, and June 30, 2006. Our procedures included (1) a review of the district's internal control; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. 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.

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

Information System User Access Not Effectively Monitored

The Metropolitan Human Services District (MHSD) did not effectively monitor access capabilities of district users of the Advantage Financial System (AFS), the Advanced Government Purchasing System (AGPS), the Integrated Statewide Information Systems Human Resources (ISIS/HR) System, and the Louisiana Property Assistance Agency Protégé System. Effective internal control provides that (1) users are assigned business-need only access to information systems; (2) access to information systems is disabled in a timely manner when users terminate employment; and (3) system reports are reviewed to ensure that access granted is appropriate.

The following deficiencies in controls were noted during a review of MHSD's security over user IDs:

- In AFS/AGPS, four of the 83 (4.8%) user IDs listed on the security report were assigned to former employees and were still enabled.
- In ISIS/HR, one employee was assigned system access that did not reflect a business need.
- In ISIS/HR, 12 employees were assigned timekeeper access, but they are no longer timekeepers.
- In Protégé, one of the 11 (9.1%) user IDs listed on the Protégé User List was assigned to a former employee and was still enabled.

Management did not implement effective procedures for assigning and monitoring access given to the information systems users and did not establish procedures for the review of system reports. Failure to establish adequate control procedures in an on-line data entry environment could result in fraud and/or errors that could remain undetected.

Management should develop and implement written procedures to ensure that user IDs and access capabilities are assigned on a business-need-only basis, terminations are reported to the security administrator in a timely manner, and system reports are reviewed to ensure that access granted is appropriate. Management concurred with the finding and outlined a corrective action plan (see pages 1-2, Appendix A).

Insufficient Control Over Receipts

MHSD 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 MHSD did not consistently follow existing policies for cash receipts. MHSD 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 MHSD's controls over receipts disclosed the following conditions:

- Supporting documentation was unavailable for two of four (50%) items selected for testing. Management expressed that the records were destroyed by Hurricane Katrina. No alternative records were available to support cash receipts.

- Cash receipts were not recorded properly for two of two items tested. Plaquemines Addictive Disorders office is not keeping a cash receipts journal. The deposit slips did not include receipt numbers.
- One of two (50%) items tested was deposited eight days late.
- Employees responsible for maintaining the local bank accounts did not transfer funds deposited into the local accounts to the State Treasurer's Office during fiscal year ending June 30, 2005. As of April 30, 2006, the cash balance in local accounts totaled \$33,406.

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.

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 pages 3-4, Appendix A).

Payroll Internal Control Weakness

MHSD did not enforce existing policies to ensure that payroll transactions were valid, approved, and correctly input into the payroll system. Currently, MHSD is following DHH's 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.

Audit procedures identified the following noncompliance with existing policy:

- Time sheets and supporting documentation were unavailable for two of four items tested (50%). Management expressed that the records were destroyed by Hurricane Katrina. No alternative records were available to support the hours worked for the pay period tested.
- For one of the two time sheets available (50%), the timekeeper entry and the remuneration statement did not match the hours worked on the employee's time and attendance sheets. The time sheets contain illegible and inaccurate entries and are incomplete.

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 over payroll to ensure proper approvals are documented and valid data are entered correctly. Management concurred with the finding and outlined a corrective action plan (see pages 5-6, Appendix A).

Noncompliance With State Movable Property Regulations

The MHSD did not maintain adequate control over movable property as prescribed by law. 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 the examination of MHSD's movable property items, the following deficiencies were noted:

- Four of four items tested were not tagged and entered into Protégé within 60 days after receipt. An additional review of the Protégé late additions report noted that during the fiscal year ending June 30, 2005, 13 items totaling \$32,515 were not reported to LPAA within the required 60 days. These items were reported to LPAA untimely, ranging from 77 to 268 days after receipt by MHSD.
- One of four items tested (25%) was not physically located. Management expressed that the item and the associated records were damaged during Hurricane Katrina and were irretrievable.
- Three of four items tested (75%) were not properly recorded on the Protégé asset listing for the assigned location. One item was paid for in November 2004. The item does not appear on any of MHSD's asset listings and appears to have never been tagged. Receiving documentation does not match acquisition dates posted in Protégé for the remaining two items.
- Two of four items tested (50%) were not physically located at the location assigned in Protégé.

- Eight of 12 certifications (67%) are past due for 2006. Three of the eight certifications (38%) are for locations that remain open, while five of the eight certifications (63%) are for locations that are closed because of Hurricane Katrina. MHSD has not received nor attempted to obtain guidance from LPAA on past due certifications, upcoming certifications, or removing destroyed property from asset listings.
- The certification of annual property inventory for New Orleans Mental Health (Property Control Number 390-58) submitted during the fiscal year ending June 30, 2005, disclosed that MHSD was unable to locate computers and computer-related equipment totaling \$15,062.
- The certification of annual property inventory for the Regional Pharmacy (Property Control Number 390-55) was due April 3, 2005. However, it was not submitted until May 17, 2005, and not received by LPAA until June 13, 2005.

Although MHSD has policies and procedures that contain many elements of a good internal control system, these procedures are 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.

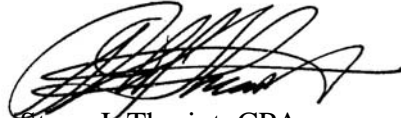
Management should ensure that its movable property procedures are followed consistently and that all property is tagged and reported timely to LPAA. Management concurred with the finding and outlined a corrective action plan (see pages 7-8, Appendix A).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements 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. Findings relating to the district's compliance with applicable laws and regulations should be addressed immediately by management.

METROPOLITAN HUMAN SERVICES DISTRICT

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 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

MHSD06

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



METROPOLITAN HUMAN SERVICES DISTRICT

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Andrea Turner

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Director of Health
Orleans Parish

Raymund Ferrer,
Superintendent of Health
Plaquemines Parish

July 6, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70802

DELIVERED BY HAND

Dear Mr. Theriot:

We have received a list of your reportable audit findings from our recent audit. We understand from Mr. Wesley D. Gooch, CPA that these findings are considered to be in "draft" form and will not be considered complete until the audit is completed. As requested, we are providing a response to these findings in a separate letter for each finding. The following is our response related to the indicated finding.

TITLE OF FINDING:

Information System User Access Not Effectively Monitored

RESPONSE TO FINDING:

We concur with your findings related to information system user access.

CORRECTIVE ACTION PLAN:

Name of contact person responsible for corrective action:

Drew Leven, Administrative Director

Planned corrective action:

We are reviewing all users assigned to the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), the Integrated Statewide Information Systems Human Resources System (ISIS/HR) and the Louisiana Property Assistance Agency Protégé System. We will determine that all users assigned to these systems have a "business-need" and we will correct any problems discovered.

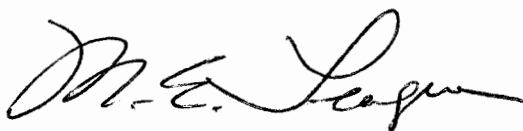
We are in the process of consolidating IT services under the direction of one District employee, who will implement procedures for assigning and monitoring access to information systems to ensure that user IDs and access capabilities are assigned on a business-need-only basis, terminations are reported to the security administrator in timely manner, and system reports are reviewed to ensure access granted is appropriate. This employee will perform site visits semi-annually and will review users assigned to the all information systems on a monthly basis.

Anticipated completion date of the corrective action:

Users assigned to information systems as of this date have been reviewed and corrections made. New assignment and monitoring procedures will be developed and forwarded to the Board of Directors for approval by July 31, 2006 related to the information systems.

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

Yours truly,



M. E. Teague
Interim Executive Director



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TITLE OF FINDING:

Insufficient control over receipts

RESPONSE TO FINDING:

We concur with your findings related to controls over receipts. As noted in the finding supporting documentation requested was destroyed by Hurricane Katrina.

CORRECTIVE ACTION PLAN:

Name of contact person responsible for corrective action:

Drew Leven, Administrative Director

Planned corrective action:

We are in the process of meeting with all employees and managers responsible for receiving cash, recording cash receipts, reporting cash receipts, reconciling cash receipt journals, depositing cash received in the bank and remitting cash received to the State Treasurer's Office. We are reviewing existing policies for cash receipts with these individuals and emphasizing the importance of following these polices in the future.

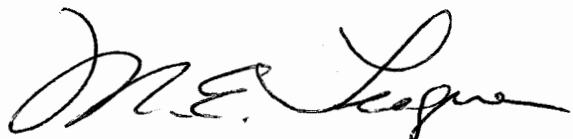
We are in the process of establishing one bank account for the District. We will establish procedures to monitor controls over cash receipts, which will include reviews of financial reports at least monthly as well as on-site periodic reviews performed at least semi-annually.

Anticipated completion date of the corrective action:

We will have met with all employees and managers responsible for the "cash receipts system" by July 15, 2006. We will have completed a review of the internal control procedures by July 31, 2006. After our review of existing procedures our revised internal control procedures concerning cash and deposit receipts and supervisory oversight will be forwarded to the Board of Directors for approval by July 31, 2006.

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

Yours truly,



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TITLE OF FINDING:

Payroll internal control weakness

RESPONSE TO FINDING:

We concur with your findings related to controls over payroll. As previously noted, supporting documentation requested was destroyed by Hurricane Katrina.

CORRECTIVE ACTION PLAN:

Name of contact person responsible for corrective action:

Drew Leven, Administrative Director

Planned corrective action:

We are in the process of meeting with all managers and timekeepers regarding internal controls over the payroll system and preparation of timesheets. We are reviewing existing policies for payroll with these individuals and emphasizing the importance of following these policies in the future.

We plan to review the procedures for preparing time sheets with all employees and to have timekeepers notify managers for employees not following these procedures, including timesheets that contain ineligible and inaccurate entries.

We are in the process of bringing the entire payroll function to a central location within the District. We will establish procedures to monitor controls over the payroll system, which will include monthly financial reports as well as on-site periodic reviews performed at least semi-annually to ensure proper approvals are documented and valid data are entered correctly.

Anticipated completion date of the corrective action:

We anticipate that we will have completed these procedures and forwarded our recommendations for enhancements to the Board of Directors by July 31, 2006.

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

Yours truly,



M. E. Teague
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TITLE OF FINDING:

Non-compliance with state movable property regulations

RESPONSE TO FINDING:

We concur with your findings related to controls over movable property. It should be noted that some of the findings relate to entire locations and/or supporting documentation that was destroyed by Hurricane Katrina.

CORRECTIVE ACTION PLAN:

Name of contact person responsible for corrective action:

Drew Leven, Administrative Director

Planned corrective action:

We are in the process of performing a complete physical inventory for all locations. We are reviewing reports from the Protégé system to determine what items from the inventory reports have not been reported in Protégé. We also physically inspecting each asset to determine that it has been properly tagged and the tag number properly corresponds with the number in the Protégé system.

We have begun discussions with the state to coordinate training for all employees and managers with responsibilities related to movable property.

We are in the process of hiring a procurement manager, who will be located within the District office and will oversee the development and monitoring of procedures related to movable property.

We will implement procedures to ensure annual inventory and certification procedures are followed. We will review procedures over the initial purchase of items and subsequent "tagging" and reporting responsibilities of employees. We are reviewing existing policies for movable property with these individuals and emphasizing the importance of following these policies in the future.

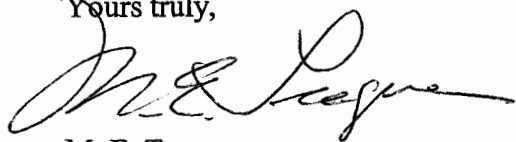
We will establish control procedures over the movable property system, which will include review of monthly financial reports as well as on-site periodic reviews performed at least semi-annually to ensure movable property procedures are followed consistently and that all property is tagged and reported timely to Louisiana Property Assistance Agency (LPAA).

Anticipated completion date of the corrective action:

We will have completed our review of these procedures and forwarded our recommendations for enhancements to the Board of Directors by July 31, 2006.

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

Yours truly,



M. E. Teague
Interim Executive Director