

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



PROCEDURAL REPORT  
ISSUED DECEMBER 22, 2010

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

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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 New Orleans offices of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$16.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor’s Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3402 or Report ID No. 80100074 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne “Skip” Irwin, Administration Manager, at 225-339-3800.

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Our procedures at the Office of Public Health (OPH) for the period July 1, 2009, through June 30, 2010, disclosed:

- OPH did not perform the required one-to-one reconciliations of Food Instruments (FIs) and Cash Value Vouchers (CVVs) when administering the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program (CFDA 10.557), which prevents OPH from determining how much was expended as a result of error, fraud, or abuse.
- The United States Department of Agriculture (USDA) conducted a management evaluation of the Commodity Supplemental Food Program (CSFP - CFDA 10.565) and cited the following deficiencies: OPH does not have (1) a standardized way to examine whether participants are participating in both the CSFP and WIC programs or (2) a formal hearing procedure for fair hearings. Since management does not have the proper reports to determine dual participation, there is a risk that participants could be receiving dual benefits directly impacting the amount of commodities the state distributes. Failure to establish an appeals process denies participants the right to a fair hearing to dispute their discontinuance in the CSFP or WIC programs.
- The findings identified in the prior year report on OPH, dated November 16, 2009, relating to improper rate charged and unlocated movable property have been resolved by management.
- No significant control deficiencies or errors relating to movable property, federal and self-generated revenues, payroll expenditures, selected nonpayroll expenditures, professional services contracts, and compliance with the Public Bid Law were identified.

This work did not constitute an audit under auditing standards; however, we did perform certain procedures related to compliance with federal laws and regulations in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133. This report is a public report and has been distributed to state officials. We appreciate OPH's assistance in the successful completion of our work.

### **Office of Public Health Profile**

The OPH commitment is to enhance the quality of life in Louisiana by providing the information necessary for individuals to assume responsibility for their own health and by assuring the availability of basic health care services for those in need. Accomplishment of OPH's mission relies on its ability to capitalize on the diversity of the population and its employees so as to develop healthy and happy communities.

The mission of OPH is to:

- Promote health through education that emphasizes the importance of individual responsibility for health and wellness
- Enforce regulations that protect the environment and investigate health hazards in the community
- Collect and distribute information vital to informed decision-making on matters related to individual, community, and environmental health
- Provide leadership for the prevention and control of disease, injury, and disability in the state
- Provide assurance of essential preventive health care services for all citizens and a safety net for core public health services for the underserved



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 10, 2010

**OFFICE OF PUBLIC HEALTH  
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 Office of Public Health (OPH) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented a basic understanding of OPH's operations and system of internal controls, including internal controls over a major federal award program administered by OPH through inquiry, observation, and review of its policies and procedures documentation including a review of the related laws and regulations applicable to OPH.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using OPH's annual fiscal reports and/or system-generated reports and obtained explanations from OPH management of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. In our prior report on OPH, we reported findings relating to improper rate charged and unlocated movable property, which have been resolved by management.
- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA 10.557) program for the fiscal year ended June 30, 2010, as a part of the Single Audit for the State of Louisiana.
- Based on the documentation of OPH's controls and our understanding of related laws and regulations, additional procedures were performed on selected controls and transactions relating to movable property, federal and self-generated revenues, payroll expenditures, nonpayroll expenditures, professional services contracts, and compliance with the public bid laws.

- Our auditors prepared a Budgetary Comparison Schedule for OPH for the fiscal year ended June 30, 2010, using the Annual Fiscal Report of OPH and additional 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.

Based on the application of these procedures, we have reported findings relating to noncompliance with federal program compliance requirements. We found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other procedures on the selected controls and transactions that should be communicated to management.

The following significant findings are included in this report for management's consideration:

### **Noncompliance With WIC Program Requirements**

OPH did not comply with certain federal program requirements in administering the WIC program (CFDA 10.557). OPH did not perform the required one-to-one reconciliations of Food Instruments (FIs) and Cash Value Vouchers (CVVs) or comply with requirements relating to statewide cost neutrality assessments.

OMB Circular A-133 and the Code of Federal Regulations [7 CFR 246.12 (q)] require state agencies to account for all FIs and CVVs within 120 days of the first valid date for participant use. The state agency must identify all FIs and CVVs as either issued or voided and identify issued FIs and CVVs as either redeemed or unredeemed. Redeemed FIs and CVVs must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records.

The Public Health Automated Management Enabler (PHAME) System, used by OPH, does not produce a report that summarizes the disposition of FIs into the above mentioned categories. In fiscal year 2010, food costs of \$91,000,856 were expended for the WIC program. Since OPH does not reconcile its records to issued FIs and CVVs on a one-to-one basis, it cannot be determined how much was expended as a result of error, fraud, or abuse. United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) can establish a claim against any state agency that has not accounted for the disposition of all redeemed FIs and CVVs and taken appropriate follow-up action on all redeemed FIs and CVVs that cannot be matched against valid enrollment and issuance records.

OPH did not conduct any fiscal year 2010 quarterly statewide cost neutrality assessments. The last cost neutrality assessment was completed in June 2009. OPH management noted that the lack of resources has affected its ability to perform these duties.

OPH management should establish procedures relating to performing one-to-one reconciliations of FIs and CVVs and complying with requirements relating to statewide cost neutrality assessments to ensure compliance with program regulations. Management concurred with the finding and outlined corrective action (see Appendix A, pages 1-3).

### **Failure to Comply With Commodity Supplemental Food Program Requirements**

The USDA conducted a management evaluation of the Commodity Supplemental Food Program (CSFP) (CFDA 10.565) and cited the following deficiencies: OPH does not have (1) a standardized way to examine whether participants are participating in both the CSFP and the WIC program (CFDA 10.557) and (2) a formal hearing procedure for fair hearings.

OPH lost the ability to generate reports determining dual-state participation when it changed software from Participant Access System - Program Operations Reporting and Tracking (PASPORT) to PHAME although PHAME does have the ability to determine dual participation in WIC and CSFP. In CFR 7, Section 247, the regulations require a plan to prevent and detect dual participation and that the state agency must work with local agencies to prevent and detect dual participation. Failure to implement a standardized format of checking dual participation increases the risk of fraud and abuse of federal funding, which may lead to questioned or disallowed cost. According to the USDA Management Evaluation, Louisiana has the second highest CSFP participation in the nation with 74,689 cases. Since management does not have the proper reports to determine dual participation, there is a risk that participants could be receiving dual benefits directly impacting the amount of commodities the state distributes.

Federal regulations require that whenever an individual's participation in CSFP is discontinued the local agency must notify the individual of the discontinuance. The individual may appeal the discontinuance through the fair hearing process. The appeals process had been handled by Catholic Charities and the City of New Orleans Health Department, but this contract ended in 2009. When the contract ended, OPH was required to implement an appeals process, but failed to do so. Failure to establish an appeals process denies participants the right to a fair hearing to dispute their discontinuance in the CSFP or WIC programs.

Management of OPH should comply with recommendations issued by USDA's Management Evaluation and implement corrective action to address dual participation and lack of an appeals process. Management concurred with the finding and outlined corrective action (see Appendix A, pages 4-5).

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

management. Our finding relating to federal compliance testing of the WIC program is included in this procedural report and will be included in the Single Audit Report for the State of Louisiana.

While we did not perform an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we did perform certain procedures related to compliance with federal laws and regulations in accordance with those standards. 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.

The Annual Fiscal Report of OPH was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. OPH's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

This report is intended for the information and use of OPH and its management, others within the entity, 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 a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

FWM:JR:EFS:THC:dl

OPH 2010

\_\_\_\_\_ BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

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UNAUDITED

**DEPARTMENT OF HEALTH AND HOSPITALS  
AGENCY 326 - OFFICE OF PUBLIC HEALTH**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2010**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
State general revenue	\$48,622,104		\$48,622,104	\$48,622,104	
General Fund - self-generated	21,184,882		21,184,882	26,193,283	(\$5,008,401)
General Fund - interagency transfers	26,991,606		26,991,606	26,550,766	440,840
Federal aid	221,902,252		221,902,252	241,259,475	(19,357,223)
Vital Records Conversion Fund	65,479		65,479	65,479	
Emergency Medical Tech Fund	19,553		19,553	19,553	
Oyster Sanitation Fund	95,950		95,950	95,950	
Louisiana Fund	7,183,482		7,183,482	7,183,482	
<b>Total Appropriated Revenues</b>	<b>\$326,065,308</b>	<b>NONE</b>	<b>\$326,065,308</b>	<b>\$349,990,092</b>	<b>(\$23,924,784)</b>

**APPROPRIATED EXPENDITURES:**

	VITAL RECORDS AND STATISTICS	PERSONAL HEALTH SERVICES	ENVIRONMENTAL HEALTH SERVICES	TOTAL
Salaries	\$2,760,607	\$63,090,337	\$20,191,042	\$86,041,986
Other compensation	484,862	4,068,005	224,794	4,777,661
Related benefits	850,396	24,381,352	5,738,554	30,970,302
Travel & training	14,543	1,352,683	611,502	1,978,728
Operating services	712,201	9,789,882	641,289	11,143,372
Supplies	39,835	12,031,606	250,126	12,321,567
Professional services		8,363,208	278,275	8,641,483
Other charges	713,454	152,524,919	586,853	153,825,226
Capital outlay	11,379	2,128,568	24,220	2,164,167
Interagency transfers	102,884	11,724,850	1,586,016	13,413,750
<b>Total appropriated expenditures before adjustments</b>	<b>5,690,161</b>	<b>289,455,410</b>	<b>30,132,671</b>	<b>325,278,242</b>
System adjustments	(437)	(527,345)	(380)	(528,162)
<b>Total Appropriated Expenditures</b>	<b>5,689,724</b>	<b>288,928,065</b>	<b>30,132,291</b>	<b>324,750,080</b>
<b>Revised Budget</b>	<b>7,191,414</b>	<b>310,424,530</b>	<b>32,374,148</b>	<b>349,990,092</b>
<b>Variance Favorable (Unfavorable)</b>	<b>\$1,501,690</b>	<b>\$21,496,465</b>	<b>\$2,241,857</b>	<b>\$25,240,012</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





**State of Louisiana**  
Department of Health and Hospitals  
Center for Preventive Health

October 21, 2010

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

Dear Mr. Purpera,

This letter is in response to the findings in the audit conducted in Office of Public Health, Nutrition Services June through August, 2010. Nutrition Services administers two USDA funded programs; The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food Program (CSFP)

**Finding:** Noncompliance to WIC Program Requirements

**Response:** Nutrition Services concurs with the identified deficiencies. The full explanation follows.

**Deficiency:** OPH should establish procedures relating to reconciliation of Food Instruments (FIs) and Cash Value Vouchers (CVVs) on a one to one basis.

**Explanation:** Nutrition Services concurs that one to one reconciliation of FIs and CVVs is not being achieved through the web based application (PHAME) used to certify WIC Participants and print FIs/CVVs. However, there is a report available to identify FIs/CVVs that were redeemed and those that are rejected. A separate report identifies FIs/CVVs that have been voided and indicates the reason. (see the attached examples of the reports WICFIN 1010 and WICINT 1001) There is no report currently available in this system that provides the summary detail needed to conduct one to one reconciliation of food instruments. In an effort to resolve this finding from the Louisiana Legislative Auditor, Nutrition Services has done the following:

1. Submitted a request to the contracted software developer to work with Louisiana WIC and DHH-IT in developing the needed report in PHAME. The developer has indicated they will be able to begin working on the needed changes on November 1, 2010.
2. After a year and half of vacancy, a staff position that is crucial to conducting one to one reconciliation is being filled. It is anticipated that this individual will be hired by early November.
3. Allowing for adequate training for this new staff, we estimate that the one to one reconciliation process will be in place by February 1, 2011.

Cheryll Sheard, Nutrition Services Financial Manager and Joetta Ferrell, Nutrition Services Analyst will be the contacts for implementing the corrective action. Ms. Sheard can be reached at 504-361-6890

**Deficiency:** OPH did not conduct any fiscal year 2010 quarterly statewide cost neutrality assessments.

**Explanation:** Nutrition Services concurs with the deficiency relating to quarterly analysis of the prices submitted by the above-50-percent vendors to ensure cost neutrality is maintained.

The cost neutrality assessments are programmed in SAS (Statistical Analysis System) format by a DHH IT employee. After set up of the SAS report, an employee in Nutrition Services runs the report on a monthly basis. This report was run from October 2007 through January 2009. Once the February 2009 report was to be generated, the SAS server had been switched and as a result, the WIC employee could not access the SAS system. Not having been told of the switch to a new server, the WIC employee contacted the DHH IT staff and was able to resolve the issue and gain access to SAS again. In September 2009, the WIC program was mandated to add several new food items to its package thereby requiring more changes to the SAS report which time took to develop and test to ensure accuracy of data. Although the employee in DHH-IT has always been willing to assist the WIC Program with requests for and/or changes to "ad hoc" reports, the WIC Program is not his first priority. Since the WIC Program does not have anyone on staff with skills for SAS programming, if any changes need to occur with this specific report, the WIC Program's only option is to request assistance from DHH IT staff. As a result of the identified deficiency the following steps have been taken:

1. On October 13 and October 27, 2010, we successfully generated the revised report and sent correspondence to Vendors in question to recoup monies overpaid to above-50-percent Vendors.

Nutrition Services concurs that statewide quarterly cost neutrality assessments were not conducted in fiscal year 2010 due to issues with the Statistical Analysis System. In order to address this, the following has been implemented to ensure full compliance with the federal regulation:

1. DHH IT will set it up this project to run automatically on the last day of each quarter. A request will be submitted through the DHH-IT Service desk for immediate implementation.

The following steps will be followed in order to be in full compliance with this federal regulation:

1. WIC staff will access SAS and print the results quarterly.
2. The results will then need to be added to the spreadsheet that is supplied by USDA and then be submitted to USDA.

Nutrition Services agrees with the Legislative Auditor in stating, "OPH management noted that the lack of resources has affected their ability to perform these duties".

Tricia Guidroz, WIC Vendor Manager can be reached at 504-361-6718 if further explanation is needed.

If there are further questions, please contact Denise Harris, Chief Nutrition Services at 225-342-7891.

Sincerely,



Clayton Williams, MPH  
Assistant Secretary

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E:\Nutrition Services\...



**State of Louisiana**  
Department of Health and Hospitals  
Center for Preventive Health

October 21, 2010

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

Dear Mr. Purpera,

This letter is in response to the findings in the audit conducted in Office of Public Health, Nutrition Services June through August, 2010. Nutrition Services administers two USDA funded programs; The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food Program (CSFP)

- Finding:** Management of OPH should comply with recommendations issued by USDA's Management Evaluation related to CSFP.
- Response:** Nutrition Services concurs with this finding. The explanations and corrective actions are below.
- Deficiency:** Nutrition Services does not have a standardized way to determine dual participation in CSFP and WIC programs.
- Explanation:** Nutrition Services concurs there is not a standard method in place to determine dual participation. Currently participants are informed during certification for both WIC and CSFP that it is a violation to participate in both programs at the same time. Corrective action is as follows:
1. A formal work request was submitted to DHH-IT on August 24, 2010 for assistance in developing a method to determine dual participation. Requests to IT must be submitted through Clarity, a project portfolio management system, for approval before IT begins work.
  2. We have requested an estimate from DHH-IT of when this can be accomplished. At this time we don't have a date for implementation. We are aware of the importance and urgency of this and are requesting updates from IT on a monthly basis.

**Deficiency:** Lack of a formal hearing procedure for fair hearings:

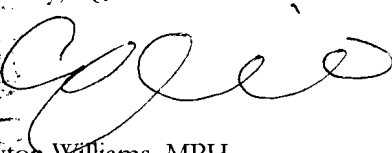
**Explanation:** The State Agency concurs that there is no formal hearing process established. The State Agency has been working with the Division of Administrative Law (DAL) for approximately one year to implement a fair hearing process. Corrective action is as follows:

1. DAL has offered suggestions to program documents that will improve the flow of appeals through their office. These documents have been modified.
2. DAL has given CSFP a date of implementation of the Fair Hearing Process for January 1, 2011.

Tamara Dangerfield, Louisiana CSFP Manager can be reached at 225-342-8254 if further explanation is needed.

If there are further questions, please contact Denise Harris at 225-342-7891

Sincerely,



Clayton Williams, MPH  
Assistant Secretary