

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



PROCEDURAL REPORT
ISSUED JANUARY 25, 2012

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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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. One copy of this public document was produced at an approximate cost of \$4.31. 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. When contacting the office, you may refer to Agency ID No. 3402 or Report ID No. 80110072 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

PROCEDURAL SUMMARY

Our procedures at the Office of Public Health (OPH) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- For the second consecutive year, OPH, which administers the federal Commodity Supplemental Food Program (CSFP), does not have a formal hearing procedure for fair hearings as required. Failure to establish an appeals process denies participants the right to a fair hearing to dispute their discontinuance in the CSFP or the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program.
- OPH reported unlocated movable property items with an original cost of \$1,270,077 as a result of its physical inventory procedures. Of that amount, items totaling \$341,813 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on OPH's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled approximately \$744,188.
- OPH did not properly identify and record equipment purchased with WIC funds. Although the items were properly tagged and valued at \$69,532, nine network servers were not identified in Protégé, the state's inventory system, as purchased with WIC funds. Also, OPH purchased 151 MICR printers valued at \$309,514 and failed to accurately record extended warranties and freight associated with the acquisition of these printers causing the total amount of these assets to be understated by \$137,238.
- For the second consecutive year, OPH did not comply with certain federal program requirements in monitoring the WIC program. As a result, OPH cannot effectively detect error, fraud, or abuse related to WIC expenditures. However, we found no errors, fraud, or abuse during our audit.
- Other than the findings previously noted, no significant control deficiencies, errors, or noncompliance relating to movable property, selected nonpayroll expenditures, and professional services contracts were identified and no significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget Circular A-133 were identified for the WIC program and the Immunization Program for fiscal year ended June 30, 2011.

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

January 5, 2012

**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, 2010, through June 30, 2011.

- 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, dated December 10, 2010, we reported findings relating to noncompliance with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program requirements and failure to comply with Commodity Supplemental Food Program requirements, which have been partially 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 WIC program (CFDA 10.557) and the Immunization Program (CFDA 93.268) for the fiscal year ended June 30, 2011, 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, nonpayroll expenditures, and professional services contracts.

Based on the application of these procedures, we have reported findings relating to noncompliance with federal program compliance requirements and lack of internal control over movable property. We found no other significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other procedures, including our procedures on federal programs, that should be communicated to management.

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

**Noncompliance With Special Supplemental Nutrition Program
for Women, Infants, and Children Requirements**

For the second consecutive year, 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 above-50-percent vendors and the statewide cost neutrality assessment.

Audit procedures disclosed the following:

- 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. In addition, the Public Health Automated Management Enabler (PHAME) System, used by OPH, does not produce a report that summarizes the disposition of FIs into categories required by federal regulations. United States Department of Agriculture (USDA) Food and Nutrition Service can establish a claim against any state agency that has not accounted for the disposition of all redeemed FIs and CVVs and take appropriate follow-up action on all redeemed FIs and CVVs that cannot be matched against valid enrollment and issuance records. During fiscal year 2011, food costs of \$88,834,052 were expended for the WIC program.
- According to 7 Code of Federal Regulations (CFR) 246.12, OPH must ensure that the cost of participant transactions at above-50-percent vendors is no greater than the cost would have been if the participant transactions occurred at regular vendors. Vendors that derive more than 50 percent of their annual food sales revenue from WIC FIs are referred to as "above-50-percent vendors." OPH did not request the above-50-percent vendors to reimburse the program for excess amounts charged for WIC food items. The billing for overages has not been completed since September 2009 because the Statistical Analysis System (SAS) report needed to determine the amount to bill the above-50-percent vendor had not been updated to include additional food items from implementation of a revised USDA food rule.

- According to 7 CFR 246.12 (g)(4)(i)(D), cost neutrality assessments should be conducted at least quarterly by calculating and comparing the average redemption amounts for FIs redeemed by regular vendors against those of above-50-percent vendors. OPH did not conduct all the fiscal year 2011 quarterly statewide cost neutrality assessments. The only cost neutrality assessment completed was for October 1, 2010, through December 31, 2010.

Management should establish procedures relating to performing one-to-one reconciliations of FIs and CVVs and comply with program requirements relating to above-50-percent vendors and statewide cost neutrality assessments. Management concurred with the finding and outlined corrective action (see Appendix A, pages 1-2).

Failure to Comply With Commodity Supplemental Food Program Requirement

For the second consecutive year, OPH which administers the Commodity Supplemental Food Program (CSFP - CFDA 10.565) does not have a formal hearing procedure for fair hearings. Federal regulation requires 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 has not completed its implementation. Failure to establish an appeals process denies participants the right to a fair hearing to dispute their discontinuance in the CSFP or WIC program.

Management should implement corrective action to address the lack of a fair hearing appeals process as required by federal regulation. Management concurred with the finding and outlined corrective action (see Appendix A, page 3).

Unlocated Movable Property

OPH reported significant amounts of movable property that could not be located in its annual certification of property inventory to the Louisiana Property Assistance Agency on September 26, 2011.

The certification of property inventory disclosed \$35,774,187 in total movable property administered by OPH. OPH reported unlocated movable property items with an original cost of \$1,270,077 as a result of its physical inventory procedures. Of that amount, items totaling \$341,813 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on OPH's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled approximately \$744,188.

Management noted that the move and consolidation of personnel to the Benson Towers and items moved from one program to another program were contributing factors to the unlocated movable property amounts. Good internal control requires that adequate procedures be in place to ensure that the locations of all movable property items are monitored and updated frequently to record the movement of items from one location to another. Failure to adequately monitor, secure, and account for all movable property subjects the movable property of OPH to increased risk of loss and/or unauthorized use. Also, Louisiana Administrative Code Title 34 Part VII Section 313 (A) states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance.

OPH management should comply with internal policies and state regulations to safeguard assets and devote additional efforts to locating movable property previously reported as unlocated. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 4-5).

Control Weaknesses Over Equipment

OPH did not properly identify and record equipment purchased with federal funds. Tests of equipment for the WIC program (CFDA 10.557) revealed the following deficiencies:

- Although the items were properly tagged and valued at \$69,532, nine servers were not identified in Protégé, the state's inventory system, as purchased with WIC funds.
- OPH purchased 151 MICR printers valued at \$309,514 and failed to accurately record extended warranties and freight associated with the acquisition of these printers causing the total amount of these assets to be understated by \$137,238.

OMB Circular A-133, *Compliance Supplement*, Part 3, Section F stipulates that non-federal entities should maintain proper records for equipment, which would include proper identification and accurate valuation.

OPH personnel responsible for equipment failed to adhere to federal regulations regarding equipment acquired with federal funds. Failure to adequately record and account for equipment purchased with federal funds increases the risk of loss and/or unauthorized use and places OPH in noncompliance with federal regulations.

Management should strengthen its controls over equipment to ensure that items purchased with federal funds are properly accounted for and recorded and federal regulations are followed. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 6).

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 findings relating to federal compliance testing of the WIC program are 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 2011

Appendix A

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



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

December 9, 2011

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, 2011.

Finding: Noncompliance to WIC Program Requirements

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

OPH does not reconcile its records to issued Food Instruments (FIs) and Cash Value Vouchers (CVVs) on a one to one basis.

Explanation: Nutrition Services concurs that complete 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. It is our opinion that this process is partially being conducted and the WIC program is underway to have the full process implemented. The following describes the current processes in place to conduct one to one reconciliation of food instruments.

- WICFIN1010-This report provides a summary of FI issuance and redemption for a given month. The PHAME system generates this report on a monthly basis.
- WICINT1002-This report identifies every food instrument that was voided during a given month. This report is also generated on a monthly basis.
- Flow chart showing the process of matching redemption records to enrollment data that is conducted by the contracted banking system, Solutran.

The final part of the one to one reconciliation process that was not being completed is a manual process involving investigation and analysis of paid errors (exceptions). Since the audit, the Louisiana WIC program has been able to fill a critical position within the State Agency and supplement with additional student workers to go back and conduct the analysis of the paid errors/exceptions. While this process is not yet completed, it is well underway.

According to the requirements of 7 CFR 246.12 (q), the State Agency must ensure that the computer application meets the requirements for a WIC Information system in the Functional Requirements Document Version 2008 2.0 Section 3 Food Benefit Redemption, Settlement and Reconciliation, specifically section 3.5.2. The State agency must account for the disposition of all food instruments as either issued or voided, and as either redeemed or

unredeemed. Redeemed food instruments must be identified as validly issued, lost, stolen, expired, duplicate or not matching valid enrollment and issuance records. It is our belief that WICFIN 1010 meets the requirements of identifying disposition of food instruments issued, redeemed and unredeemed. WICFIN1002 meets the requirements of identifying food instruments that have been voided and the reasons for voiding such as lost, stolen, unredeemed, printer problems, etc.

OPH has not billed above 50% vendors for excess charges since 2009

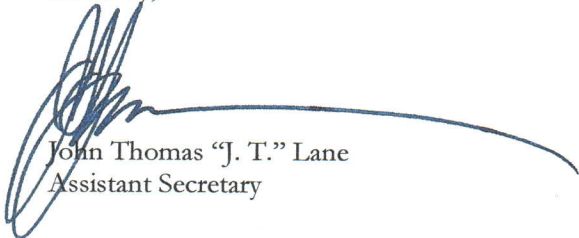
Explanation: The cost neutrality report that should be generated by the Statistical Analysis System has not yet been modified to include the new food items added as a result of the USDA food rule. Many factors have contributed to the delay, primarily, lack of staffing and resources within the department. However, Nutrition Services will contact DHH-IT and request the ability to run this quarterly report by January 1, 2012. Nutrition Services will go back to re-execute the reports since 2009 and bill the above 50% vendors for excessive charges accordingly. The report will then be executed on a scheduled, quarterly basis.

OPH did not conduct all the fiscal year 2011 quarterly statewide cost neutrality assessments. The only cost neutrality assessment was completed for the period October 1, 2010 through December 31, 2010.

Explanation: This is a report that was set up to generate on a quarterly basis automatically. The report has failed to run for the past 3 quarters. Since USDA requires that the State Agency submit the results of the analysis for the fourth quarter only, it was not a report being monitored on a quarterly basis. The WIC Vendor Manager will contact DHH-IT to re-establish the schedule of reports generated. This will be monitored during the year to ensure it is running and the analysis is conducted on schedule. Anticipate this will be available in January 2012.

Nutrition Services Chief, Denise Harris (225-342-8064) is the contact persons responsible for these corrective actions.

Sincerely,



John Thomas "J. T." Lane
Assistant Secretary



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

December 9, 2011

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

Dear Mr. Purpera,

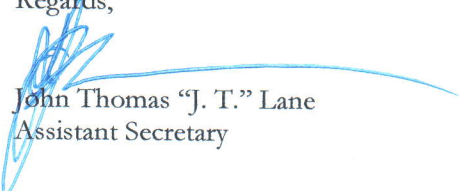
This letter is in response to the findings in the audit conducted in Office of Public Health, Nutrition Services June through August, 2011.

Finding: Failure to comply with Commodity Supplemental Food Program Requirements -
Lack of a formal process for fair hearings

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

Explanation: OPH has been and is continuing to work with Catholic Charities along with Division of Administrative Law and DHH Legal to coordinate the fair hearing process for the Commodity Supplemental Food Program (CSFP). The Division of Administrative Law has been established as the impartial hearing official, in accordance with the CSFP Program fair hearing regulation within §247.33. A preliminary draft of the fair hearing process has been created. Please see attached copy of the draft. DHH Legal advised the OPH to ensure that all participants have a signed copy of the revised certification form on file. In accordance with program regulation §247.8(4)(b), a pre-printed statement informing the applicant of possible information sharing with other organizations, program violations, and penalties for deliberate misrepresentation was added to the revised form. The applicant's signature below the statement is an acknowledgement that they have been informed and that the information provided is accurate. OPH experienced challenges accomplishing this task because of delays with the Division of Administrative Law and the nature of the program's distribution process. Catholic Charities has been given a deadline of March 30, 2012 to implement and ensure participants have a signed copy of the revised certification form on file. The fair hearings process will begin upon completion of above. OPH, Nutrition Services Chief, Denise Harris (225-342-8064), and the CSFP Manager, Tamara Dangerfield (225-342-8254) are the contact persons responsible for the corrective actions.

Regards,



John Thomas "J. T." Lane
Assistant Secretary



State of Louisiana
Department of Health and Hospitals
Office of Public Health

December 6, 2011

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
2400 Veterans Memorial Blvd. Ste. 260
Kenner, LA. 70062

**RE: Office of Public Health
Unlocated Moveable Property**

Dear Mr. Purpera,

Please consider this an official response to your request pertaining to the finding of improper accountability of unlocated property as follows:

Findings:

The Office of Public Health (OPH) reported significant amounts of moveable property that could not be located in its annual certification of property inventory to the Louisiana Property Assistance Agency (LPAA) on September 26, 2011.

The certification of property disclosed \$35,774,187 in total moveable property administered by OPH. OPH reported unlocated moveable property items with an original cost of \$1,270,077 as a result of its physical inventory procedures. Of that amount, items totaling \$341,813 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on OPH's physical inventory certification, the amount of unlocated computers and computer-related equipment totaled approximately \$744,188. .

Corrective Action(s)

Operations and Support Services (OSS) has requested that all programs forward a room to room listing of all assets housed within each location. OSS has been using the listings to recover unlocated property. OSS has also been recovering computers using Webmaster.

Since the completion of OPH's Annual Property Inventory, OSS has recovered a total of \$217,783.99 in unlocated assets; approximately \$8,000.00 is attributed to property that was removed from the OPH's records due to the third year discrepancy.

OSS will begin conducting field audits on December 13, 2011 in an effort of recovering unlocated property. The anticipated completion date is June 29, 2012.


OSS concurs with the individual and recommendations proffered by the Legislative Auditors. The corrective action set forth will be an ongoing process.

Contact persons responsible for the corrective action plan are as follows:

Cabrenia M. Thomas
Administrative Program Manager II
(225) 342-8929

Rick Davis
Administrative Program Manager I
(225) 342-2826

Regards,



John Thomas "J. T." Lane
Assistant Secretary



State of Louisiana
Department of Health and Hospitals
Office of Public Health

December 6, 2011

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
2400 Veterans Memorial Blvd. Ste. 260
Kenner, LA. 70062

**RE: Office of Public Health
Controlled Weaknesses over Equipment**

Dear Mr. Purpera:

Please consider this as an official response to your request pertaining to the finding of controlled weaknesses over equipment as follows:

Findings:

The Office of Public Health (OPH) did not properly identify and record equipment purchased with federal funds. Tests of equipment for the Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC) Program (CFDA 10.557) revealed deficiencies.

Corrective Action(s)

OSS has implemented a system of checks and balances which includes adding another person to review the information that is entered on each asset in an attempt to prevent inaccurate identification and valuation.

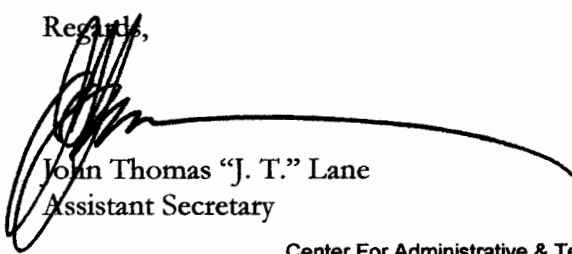
OSS concurs with the recommendations proffered by the Legislative Auditors. The corrective action set forth will be an ongoing process.

Contact persons responsible for the corrective action plan are as follows:

Cabrenia M. Thomas
Administrative Program Manager II
(225) 342-8923

Rick Davis
Administrative Program Manager I
(225) 342-2826

Respectfully,


John Thomas "J. T." Lane
Assistant Secretary