

## Agency Name and Address:

Metropolitan Human Services District  
1010 Common Street, Suite 600  
New Orleans, Louisiana 70112

Website: [www.mhsdla.org](http://www.mhsdla.org)

**Solicitation Number:** 13-7353

**Type of Engagement:** Agreed-Upon Procedures (Must use the AUP report attached below because it has special procedures for testing movable property at the district.)

**Contract Period:** June 1, 2013 - September 1, 2017

**Periods to be Examined:** Years ending June 30, 2013; June 30, 2015; and June 30, 2017

### Description of the State Agency:

- Metropolitan Human Services District is a budget unit of the Department of Health and Hospitals, but was created as a separate agency as provided by Louisiana Revised Statute (R.S.) 28:912 (B)(d). The district is responsible for directing the operation and management of mental health, developmental disabilities, and addictive disorder services in the parishes of Orleans, Plaquemines, and St. Bernard.
- The district is governed by a board of nine members. Seven members must be residents from the parish of Orleans, one resident must be from the parish of St. Bernard, and the other member must be from the parish of Plaquemines. The members are appointed by the chief executive officer of each respective parish subject to the approval of the governing authority of each parish. Members do not receive a per diem but are authorized by R.S. 28:913(C) to be reimbursed for actual expenses and mileage in accordance with state travel regulations as prescribed by the Division of Administration.
- The board holds 12 meetings per year. The board has a monitoring calendar it sets at the June meeting each year, and reports reviewed at each meeting are delineated in this calendar. A budget to actual statement is provided to the board each month.
- The district has 145 employees. There are seven employees in the accounting department.
- The district has one bank account. The district has two purchase cards and one travel card. The Department of Health and Hospitals is the fiscal agent for all of the district's activities. The district is responsible for accurate coding of revenues and expenses but does not make any journal entries. All journal entries are made by the Department of Health and Hospitals at the request of the district.
- Operations of the district are primarily funded by state appropriations federal block grants. The district also bills Medicaid, Medicare, and some private insurance as part of its clinic operations. The district is engaged in governmental activities. The following activity/balances were reported as of and for the year ended June 30, 2012:

|                   | Statement of Net Assets/<br>Statement of Revenues,<br><u>Expenses and Changes in Net Assets</u> |
|-------------------|---|
| Total Assets      | \$7,521,634   |
| Total Liabilities | \$9,421,074   |
| Net Assets        | \$(1,899,440)   |
| Revenues          | \$29,763,265  |
| Expenses          | \$26,988,691  |

**Accounting System:** Automated

**Financial Statements:** The district will provide a general ledger and trial balance.

**Estimated Start of Fieldwork:** No later than July 15 following each period

**Engagement Completion Date:** No later than September 1 following each period

**Special Requirements:**

- The successful ICPA will prepare the Agreed-Upon Procedures Report developed by the Louisiana Legislative Auditor. (The AUP report attached on page 1 must be used because it has special procedures for testing movable property at the district.)

**State Agency Assistance:** The district will provide supporting schedules as required.

**Last Engagement:** Limited control procedures performed as part of the Department of Health and Hospitals Management Letter issued for the year ended June 30, 2012. (Please email Nancy Clement if you would like to view the district's compiled year ended June 30, 2012 AFR.)

**Results of Last Engagement:**

- No findings

**Prior Auditor:** Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

**Prior Engagement Fee:** Not applicable

**Proposers' Conference:**

- A proposers' conference will **not** be held.
- Any questions regarding the SFP or state agency should be sent to Nancy Clement at [nclement@lla.la.gov](mailto:nclement@lla.la.gov).

**Proposal Due Date and Time:** Monday, May 6, 2013; 5:00 p.m.

**AGREED-UPON PROCEDURES REPORT**

[Name of Primary Government Entity]

Independent Accountant's Report  
On Applying Agreed-Upon Procedures**For the Year Ended [date]**

To the (Management of Primary Government Entity):

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the [Primary Government Entity], a component unit of the State of Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the [Primary Government Entity] and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the [Primary Government Entity] compliance with certain laws and regulations during the year ended [date].

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**General**

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1. Determine if there are adequate written policies and procedures for the primary financial/business functions of the entity (budgeting, receipts, purchasing, disbursements, payroll/personnel, contracting, travel, related parties, ethics).
2. Using the financial statements or AFR, perform analytical procedures comparing current and prior year financial statements, by line item. Identify and obtain explanations for variances of 10% or greater for line items that are 10% or more of the respective total assets, liabilities, equity, revenues, or expenses.

**Cash**

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1. Prepare a proof of cash for the period covered by the financial statements.
2. Determine if cash collection responsibilities are adequately segregated to ensure that the person responsible for cash collections is not responsible for posting accounts receivable or making deposits.
3. Determine if bank reconciliations have been prepared for all months in the period covered by the financial statements. Determine if there is evidence of management review of the bank reconciliations. Determine if the reconciled balance for the final month of the fiscal year agrees to the general ledger.

**Credit Cards**

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1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.
2. Obtain the monthly statements for all credit/debit cards used during the period under examination and select for detailed review the largest (dollar amount) statement for the two cards with the most (dollar amount) activity:
  - A. Obtain the entity's supporting documentation for the largest purchase/charge shown on each selected monthly statement:
    - Determine if each purchase is supported by:
      - An original itemized receipt (i.e., identifies precisely what was purchased)
      - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
      - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
    - Determine if selected purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).
  - B. Determine if there is evidence of management review of the two selected statements.

**Travel and Expense Reimbursement**

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1. Obtain a listing of all travel and related expense reimbursements during the period under examination and trace to the general ledger for completeness. Select for review the three persons who were reimbursed the most money:
  - A. Obtain all of the expense reimbursement reports of each selected person, including the supporting documentation, and choose the largest expense report from each person to review in detail:
    - Determine if each expenditure is:
      - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.) and applicable laws.
      - For an appropriate and necessary business purpose relative to the travel
    - Determine if each expenditure is supported by:
      - An original itemized receipt (i.e., identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
      - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)
- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

## **Contracts**

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1. Review accounting records (e.g., general ledgers, accounts payable reports, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five “vendors” that were paid the most money during the period and determine if there is a formal/written contract that supports the services arrangement.
2. Obtain a listing of all active contracts and the expenditures made during the period under examination and trace to the general ledger for completeness. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

(1) Services

(2) Materials and supplies

(3) Public works

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction by obtaining management’s representation.
- Determine if the transaction is subject to the Louisiana Public Bid Law or Procurement Code:
  - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
  - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.
- Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.
- Select the largest payment from each of the 3 largest contracts selected above and determine if the invoice(s) received and payment complied with the terms and conditions of the contract.
- Determine if there is documentation of board approval, if required.

***Payroll and Personnel***

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1. Obtain a listing of employment contracts/salaries in force during the period under examination and trace to the general ledger for completeness. Select the five highest paid employees and:
  - Determine if payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract or pay rate structure.
  - Determine if changes made to hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.
2. Select the attendance and leave records for one pay period in which leave has been taken by at least one employee and:
  - Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - Determine if supervisors are approving, in writing, the attendance and leave of all employees.
  - Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.
3. Select the two largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.

***Movable Property***

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1. Determine if written policies and procedures exist in regards to movable property and maintenance of movable property records.
2. Obtain the annual certification(s) of property inventory and determine if the certification(s) was approved by the Louisiana Property Assistance Agency (LPAA). Consider the impact of unlocated property reported on the annual certification as it relates to the entity's controls over movable property and its compliance with movable property laws.
3. Select a sample of xx acquisitions to determine if the entity:
  - Tagged all acquisitions having an original acquisition of cost of \$1,000 or more and accurately forwarded the required information (description, serial number, original cost, etc.) to the LPAA within 60 days of receipt of the property.
4. Select a sample of xx deletions to determine that disposals have been in accordance with state property regulations.

***Corrective Action***

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1. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of [Primary Government Entity] and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

(date)

(signature)