

MENTAL HEALTH AREA C
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED OCTOBER 13, 2010

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

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Our procedures at Mental Health Area C (MHAC) for the period July 1, 2008, through June 30, 2010, disclosed:

- For the second consecutive period, MHAC does not have adequate controls to ensure that employees' time and attendance records are properly reviewed and approved in accordance with Louisiana Department of Civil Service rules.
- Two of the findings identified in our prior report on MHAC dated April 18, 2008, regarding noncompliance with movable property regulations and unauthorized use of state property have been resolved by management.
- No significant control deficiencies or errors related to selected patient account transactions, self-generated patient fee revenues and miscellaneous receipts, and nonpayroll expenditures, including operating services, supplies, and professional and social services contracts were identified.

This work did not constitute an audit under auditing standards. This report is a public report and has been distributed to state officials. We appreciate MHAC's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 6, 2010

**MENTAL HEALTH AREA C
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Pineville, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at Mental Health Area C (MHAC), which is comprised of Central Louisiana State Hospital, Central Regional Laundry, and mental health clinics and pharmacies in Regions 6, 7, and 8, for the period from July 1, 2008, through June 30, 2010.

- Our auditors obtained and documented a basic understanding of the MHAC operations and system of internal controls through inquiry, observation, and review of its policies and procedures documentation including a review of the related laws and regulations applicable to the area.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the area's and laundry's annual fiscal reports and/or system generated reports and obtained explanations from area management of any significant variances.
- Our auditors reviewed the status of all findings identified in the prior year engagement. In our prior report on MHAC, dated April 18, 2008, we reported three findings relating to noncompliance with movable property regulations, weaknesses in controls over payroll, and unauthorized use of state property.
- Based on the documentation of the area's controls and our understanding of related laws and regulations, procedures were performed on selected controls and transactions relating to patient accounts, self-generated patient fee revenues and miscellaneous receipts, payroll expenditures, and nonpayroll expenditures (operating services, supplies, and professional and social services contracts).
- Our auditors prepared Budgetary Comparison Schedules for the MHAC and Central Regional Laundry for the fiscal year ended June 30, 2009, using the Annual Fiscal Reports of MHAC and the laundry and from additional data in the Integrated Statewide Information Systems (ISIS), the state's accounting system.

These schedules are presented as additional information but have not been subjected to auditing procedures.

Based on the application of these procedures, the prior year finding regarding weaknesses in controls over payroll has been repeated in this report. The prior year findings on noncompliance with movable property regulations and unauthorized use of state property have been resolved. We found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our procedures on selected patient account transactions, self-generated patient fee revenues and miscellaneous receipts, and nonpayroll expenditures, including operating services, supplies, and professional and social services contracts that should be communicated to management.

The following significant finding is included in this report for management's consideration.

Weaknesses in Controls Over Payroll

For the second consecutive period, Mental Health Area C (MHAC) does not have adequate controls to ensure that employees' time and attendance records are properly reviewed and approved in accordance with Louisiana Department of Civil Service rules. Louisiana Department of State Civil Service Rule 15.2 requires an employee and the supervisor to certify on the employee's time and attendance records the actual number of hours worked and absence by the employee. In addition, good internal control requires that transactions be reviewed and approved by the appropriate supervisor prior to the information being entered or finalized in the accounting system.

A review of five pay periods for Region 6, a unit within MHAC, revealed that time sheets for four of the five pay periods were not reviewed and approved by supervisors or were reviewed and approved from four to 98 days after the end of the pay period. Region 6 employs 73 employees and has a payroll of \$2,138,967 as of January 24, 2010. The time sheets which were not reviewed and approved timely involved 59 of the 73 employees. These 59 employees were paid \$1,781,278.

Management has not sufficiently emphasized to its employees the need to comply with established Civil Service rules relating to payroll policies and procedures. As a result, employees and supervisors have violated Civil Service Rule 15.2 and there is an increased risk of errors and/or fraud.

Management should strictly enforce all Civil Service rules and consider disciplinary action against any supervisor that fails to comply. In addition, management should request the Department of Health and Hospital's internal audit unit to perform an audit for the area to determine if supervisors are complying with Civil Service rules. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of MHAC. This finding relating to MHAC's compliance with applicable laws and regulations should be addressed immediately by management.

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 Reports of MHAC and the Central Regional Laundry were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. MHAC's and the Central Regional Laundry'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 MHAC, its management, others within the entity, the Department of Health and Hospitals, and the Louisiana Legislature. 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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MHAC 2010

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BUDGETARY COMPARISON SCHEDULES (UNAUDITED)

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**DEPARTMENT OF HEALTH AND HOSPITALS
AGENCY 331 - MENTAL HEALTH AREA C**

**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)
General Fund - direct	\$37,330,806		\$37,330,806	\$37,330,868	(\$62)
General Fund - fees & self-generated	375,590		375,590	375,590	
General Fund - inter-agency transfer	24,742,631		24,742,631	30,857,272	(6,114,641)
General Fund - statutory dedication	140,000		140,000	178,000	(38,000)
Federal aid	54,686		54,686	54,686	
Total Appropriated Revenues	\$62,643,713	NONE	\$62,643,713	\$68,796,416	(\$6,152,703)

APPROPRIATED EXPENDITURES:

	ADMINISTRATIVE	CLIENT SERVICES	UNALLOTTED	TOTAL
Salaries	\$2,513,127	\$24,479,163		\$26,992,290
Other compensation	57,041	1,258,920		1,315,961
Related benefits	2,929,783	6,258,113		9,187,896
Travel/training	18,745	205,172		223,917
Operating services	2,166,231	1,539,507		3,705,738
Supplies	464,993	3,299,808		3,764,801
Professional services		2,028,720		2,028,720
Other charges		12,740,539		12,740,539
Acquisitions	67,250	276,121		343,371
Major repairs	48,400	242,737		291,137
Interagency transfers	1,746,596	302,775		2,049,371
Total appropriated expenditures before adjustments	10,012,166	52,631,575	NONE	62,643,741
Agency adjustments	(5,975)	(97,225)		(103,200)
Total Appropriated Expenditures	10,006,191	52,534,350	NONE	62,540,541
Revised Budget	10,506,068	58,255,111	\$35,237	68,796,416
Variance Favorable (Unfavorable)	\$499,877	\$5,720,761	\$35,237	\$6,255,875

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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**DEPARTMENT OF HEALTH AND HOSPITALS
AGENCY 796 - CENTRAL REGIONAL LAUNDRY**

**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)
Internal Service Fund - interagency transfer	\$883,337	NONE	\$883,337	\$900,304	(\$16,967)

APPROPRIATED EXPENDITURES:

	LAUNDRY
Salaries	\$257,239
Other compensation	12,893
Related benefits	119,726
Operating services	111,479
Supplies	40,945
Acquisitions	1,251
Interagency transfers	11,335
Total Appropriated Expenditures	554,868
Revised Budget	900,304
Variance Favorable (Unfavorable)	\$345,436

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
Plan and Response to the
Finding and Recommendation



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

July 21, 2010

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

SUBJECT: Legislative Audit Finding Report Dated July 8, 2010
Office of Behavioral Health/Region VI – Community Mental Health
(File: SingleAuditofLOUISIANA.MHAC CORRPLAN Request_Pyrrl.pdf)

Dear Mr. Purpera:

Thank you for the subject report for formal written response including the development and implementation of a corrective action plan for OBH/Region VI – Community Mental Health.

OBH/Region VI – Community Mental Health agrees with the payroll findings and recommendations contained in the audit report.

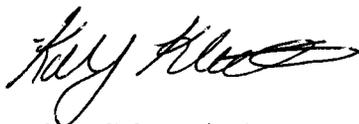
In accordance with your recommendations and pursuant to Office of Management and Budget Circular A-133, the contact persons responsible for the attached corrective action plans are Tricia Hensarling, Regional Director OBH/Region VI – Community Mental Health and Sharon Reynolds, Manager DHH-HR-Region VI. We will take the following action to correct these findings:

CORRECTIVE ACTION PLAN

AUDIT RECOMMENDATION	ACCOUNTABILITY/ACTION	ANTICIPATED COMPLETION DATE
Emphasize to employees the need to comply with CS Rule 15.2 [and DHH Policy 1216-04: Time Administration Policy and Procedure.]	A. Sharon Reynolds office conduct meetings with key clinic managers and time administrators of all OBH/Region VI Community Mental Health Clinics; agenda to include: <ul style="list-style-type: none"> ➤ Summary of types of errors reported in the audit. ➤ DSCS Rule and DHH Policy 1216-04: Time Administration Policy and Procedure. ➤ Provide managers with talking points and attendance sheet for managers to conduct meetings with all of their employees on DSCS Rule and DHH Policy 1216-04: Time Administration Policy and Procedure. 	August 30, 2010.
	B. Clinic Managers conduct employee meetings as prescribed above.	September 30, 2010.
	C. Documentation of in-service placed in each employee's personnel file.	September 30, 2010.
Appropriate personnel actions will be implemented for any employees who fail to comply with established Civil Service Rules and DHH payroll policies and procedures.	A. Training will be provided for all employees as noted above and appropriate personnel action will be taken for any failure to comply.	September 30, 2010 and ongoing.
Request that DHH Internal Audit Unit perform an audit to determine if supervisors are complying with CS Rules.	A. Pursuant to DHH-HR FLOW OF INFORMATION, DHH-HR shall conduct payroll audits as required.	To be scheduled by DHH-HR-Region VI
	B. Will request a DHH Internal Audit no sooner than 6-months after the above action items have been completed.	TBA by T. Hensarling and S. Reynolds.

Thank you for the report, including your constructive recommendations. Please let me know if you require anything further.

Sincerely,



Kathy Kliebert, Assistant Secretary
Office of Behavior Health

cc: Barbara Clements – Legislative Auditor - bclements@lla.la.gov
 Kathy Kliebert - Assistant Secretary, OBH - Kathy.Kliebert@LA.GOV
 Sharon Reynolds – DHH-HR – Region-6 - Sharon.Reynolds@LA.GOV
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