



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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DEPARTMENT OF HEALTH AND HOSPITALS

BATON ROUGE – The Department of Health and Hospitals should institute better internal controls and consider “re-instating the internal audit function” to reduce the chances of public funds being diverted for personal use, according to a report released Thursday by Legislative Auditor Daryl Purpera’s office.

The report and recommendations are the result of an investigative audit that alleges between March 2007 and February 2013 Deborah Loper, DHH’s former fiscal director, funneled at least \$1,058,446 in agency funds to a Capital One bank account she controlled. Auditors said they are still trying to identify the sources of more than \$93,000 in other funds that were deposited into this account.

The audit said that more than \$600,000 from the Capital One account was identified as used for cash withdrawals at gaming establishments and another \$500,000 allegedly was used for ATM withdrawals; to cover checks written to Loper, her son and her boyfriend; to pay utility bills and “miscellaneous debts;” and to buy items at “numerous stores,” including chain electronic, discount retail, and sporting goods outlets.

“DHH’s lack of adequate internal controls over incoming mail and funds transfers appears to have allowed Ms. Loper to divert these checks to a private bank account without detection,” the audit said.

The auditors recommended that all incoming checks be recorded and restrictively endorsed by the first agency employee who receives them; and one employee should be responsible for checking mail and receiving, logging and stamping all checks received by mail. The auditors further recommended that, as best possible, DHH should require the use of electronic funds transfer and/or a lock box to receive incoming payments. In addition, the report states that all checks issued by DHH to transfer funds should also be properly recorded, safeguarded and immediately restrictively endorsed. The findings called on DHH officials to consult with legal staff to determine the appropriate civil and criminal actions to be taken, including recovery of diverted funds.

Copies of the report were sent to the U.S. Attorney’s Office in Baton Rouge, the East Baton Rouge Parish District Attorney’s Office and other agencies. Interim DHH Secretary Kathy Kliebert said in the agency’s response that the agency “has initiated civil proceedings against the employee involved and the bank that accepted the misappropriated funds.”



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Officials of the Louisiana Legislative Auditor’s Office, state Attorney General’s office, the state Inspector General’s office, the FBI and the inspector general of the U.S. Department of Health and Human Services participated in the investigation. Investigators with the attorney general’s office arrested Loper Tuesday, June 4, 2013, on charges of theft by fraud, money laundering and malfeasance in office for using her position to defraud Louisiana’s Medicaid program. Loper had resigned her state position February 15, 2013.

“The diversion of public funds was not discovered by DHH but was instead discovered by Capital One Bank,” the audit said. The Capital One bank account was opened in 2006 for training and other functions in the state by the National Association of State Human Services Finance Officers, a national non-profit organization. Loper was instructed to close this account in 2009 after the last event in the state. However, she kept the account open and diverted DHH funds to this account until her actions were discovered in February 2013.

The audit also recommended that checks received by DHH be kept in a “secured location” and deposited within 24 hours of being received. It also recommended that DHH implement policies and procedures to ensure that health care “providers submit monthly reports of funds paid to DHH” and that “these reports should be reconciled to deposits by someone who has no access to the funds.”

Kliebert said in a response to the audit that DHH concurs with the Legislative Auditor’s recommendations and has already implemented some, including better controls over the processing and handling of incoming mail including recording checks received on a log and restrictively endorsing the checks when first received. She said the agency has hired a chief compliance officer to “develop an appropriate audit plan to review and mitigate areas of high risk.”

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