

**NORTHWEST LOUISIANA  
HUMAN SERVICES DISTRICT  
*LOUISIANA DEPARTMENT OF HEALTH*  
STATE OF LOUISIANA**

FINANCIAL AUDIT SERVICES

**Procedural Report  
Issued July 5, 2023**

**LOUISIANA LEGISLATIVE AUDITOR  
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**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



## Northwest Louisiana Human Services District

July 2023

Audit Control # 80230042

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## Introduction

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The primary purpose of our procedures at the Northwest Louisiana Human Services District (District) was to evaluate certain controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

## Results of Our Procedures

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We evaluated the District's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the District's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to cash, accounts receivable, revenue billings, and payroll and personnel.

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### Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the District's procedural report dated May 26, 2021. The prior-report finding related to Failure to Timely Submit Delinquent Account Balances for Collection has not been resolved and is addressed again in this report.

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### Current-report Findings

#### Failure to Timely Submit Delinquent Account Balances for Collection

For the second consecutive year, the District failed to timely submit delinquent accounts to the Office of Debt Recovery (ODR). The District submitted 518 delinquent claims for 34 accounts totaling \$38,542 to ODR between 82 and 2,341 days (or an average of 568 days) after the accounts became delinquent. Failure to submit these

delinquent debts for collection in a timely manner increases the risk that the outstanding balances will become uncollectible and potentially violates state law.

Louisiana Revised Statute 47:1676 requires that state agencies submit all delinquent debts to ODR when the debt has been final for 60 days. The District entered into an Agency Participation Agreement (APA) with ODR in June 2021 that requires the District to refer all delinquent debt to ODR for collection. However, the APA does not include a specified timeframe in which the delinquent debt is required to be referred. The District represented that a debt is considered "final" when a client is no longer receiving services and all efforts to collect the debt have been made. However, the District's policies do not identify the specific criteria used or procedures performed to determine a debt to be "final".

Management should define the procedures used for identifying delinquent debt as "final" within its policies and implement adequate internal controls to ensure timely submission to ODR for collection in accordance with the APA and state law. In addition, the District should consider amending the APA to include language outlining the required timeframe for submission of delinquent debt to ODR. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 1).

### **Inadequate Controls over Payroll**

The District did not maintain adequate controls over payroll processing, which resulted in untimely employee certification and supervisor approval of time and attendance records. Lack of adequate internal controls over payroll increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

District employees and supervisors utilize the Human Capital Module of the LaGov ERP System for the electronic certification and approval of timesheets. Based on our evaluation of time and attendance records for the pay periods ending May 1, 2022, and January 22, 2023, we identified the following:

- For the pay period ending May 1, 2022, 16 (17%) of the 94 time sheets were certified by the employee and/or approved by the supervisor on or after the payroll posting date. The certifications and/or approvals occurred between the payroll posting date and 306 days after (or an average of 43 days).
- For the pay period ending January 22, 2023, 20 (21%) of the 94 time sheets were certified by the employee and/or approved by the supervisor between three and 46 days (or an average of 22 days) after the payroll posting date.

The District does not have a formal written policy that contains specific deadlines to ensure that employees' time and attendance records are certified by the employee and approved by the employee's supervisor before the employee's paycheck is

issued. Good internal control requires that employee certification and supervisor review and approval of timesheets occur prior to the payroll posting date.

District management should establish policies and procedures that clearly define when employees must certify and supervisors must approve time and attendance records. Management should also establish monitoring procedures to ensure that timesheets are certified and approved prior to the payroll posting date. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 2).

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## **Cash**

The District maintains four bank accounts, one for each of the behavioral health clinics (BHC) located in Shreveport, Minden, Natchitoches, and Many. The cash balance at June 30, 2022, per the District's Annual Fiscal Report was \$46,159. We obtained an understanding of the District's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank reconciliations for the Many BHC bank account for the months of January 2022, April 2022, June 2022, October 2022, December 2022, and February 2023. In addition, we reviewed monthly remittances of collections to the State Treasury for all BHC's for the months of January 2022, June 2022, December 2022 and February 2023. Based on the results of our procedures, the District had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations; and to ensure that collections were accurately and timely remitted to the State Treasury.

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## **Accounts Receivable**

The District is required to report accounts receivable balances to the Office of Statewide Reporting and Accounting Policy (OSRAP) on a quarterly basis per Louisiana Revised Statute 39:79. We obtained an understanding of the District's methodology for determining accounts receivable balances to be reported to OSRAP. We reviewed the District's quarterly reports to OSRAP for the months July 2021 through December 2022. Based on the results of our procedures, the District had adequate controls in place to ensure that accounts receivable balances were reported to OSRAP quarterly, as required.

The District is also required to submit delinquent debts to the Office of Debt Recovery (ODR) for collection when the debt has been final for 60 days per Louisiana Revised Statute 47:1676. We reviewed the District's submissions of delinquent debt to ODR between July 2021 through December 2022. Based on the results of our procedures, for the second consecutive year, the District failed to timely submit delinquent accounts to ODR for collection (see Current-report Findings section).

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## Revenue Billings

The District uses the Intuitive Computer-Assisted Notes (ICANotes) electronic health record system to bill for services provided to its clients and to maintain medical records for services rendered and amounts owed. We obtained an understanding of the District's controls over revenue billings. We reviewed system reports of charges billed and payments and adjustments made to clients' accounts for the period July 2021 through February 2023. We selected 20 transactions and examined supporting documentation for charges billed and amounts recorded in ICANotes. Based on the results of our procedures, the District had adequate controls in place to ensure services provided were billed properly and that payments and adjustments posted to the patient's account were supported.

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## Payroll and Personnel

Salaries and related benefits comprised approximately 67% of the District's expenditures in fiscal year 2022 and fiscal year 2023 through February 2023, respectively. District employees and supervisors utilize the Human Capital Module of the LaGov ERP System for the electronic certification and approval of timesheets. We obtained an understanding of the District's controls over these electronic certifications and approvals. We examined electronic time sheets and pay rate authorizations for selected employees for the pay periods ended May 1, 2022, and January 22, 2023. Based on the results of our procedures, the District did not maintain adequate controls over payroll processing resulting in untimely employee certification and supervisor approval of time sheets (see Current-report Findings section).

We also selected five employees who terminated their employment at the District during the two fiscal years ending June 30, 2023, as of April 24, 2023, and compared the employee's date of termination to the date access was removed from the LaGov and ICANotes systems. Based on the results of our procedures, the District had adequate controls in place to ensure terminated employees' accesses to the systems were removed timely.

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## Trend Analysis

We compared the most current and prior-year financial activity using the District's Annual Fiscal Reports and system-generated reports and obtained explanations from the District's management for any significant variances.

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

DG:CST:BH:BQD:aa

NLHSD2023



# APPENDIX A: MANAGEMENT'S RESPONSES

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Northwest Louisiana Human Services District \* 1310 N Hearne Ave, Shreveport, LA 71107 \* Phone (318) 676-5111 \* Fax (318) 676-5021

June 23, 2023

Michael J. "Mike" Waguespack, CPA, Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Per the written request by Carrie Thompson, CPA Audit Manager, on June 20<sup>th</sup>, 2023, we provide the following official response to the reportable audit finding "Failure to Timely Submit Delinquent Account Balances for Collection":

We concur with the findings.

Corrective Action Plan:

- 1) The person responsible for the corrective action will be Gloria Lott, Finance Director.
- 2) Corrective Action Plan: Our Finance Director will update our policies to clearly state what district accounts contain "Delinquent Debt", "Non-Final Delinquent Debt", or "Final Delinquent Debt" as defined by the Agency Participation Agreement (APA) with the Office of Debt Recovery (ODR). Our Finance Director will ensure timely submission to ODR of all "Final Delinquent Debt" in accordance with the APA. Our Finance Director will consider amending the APA to include language outlining the required time frame for submissions of delinquent debt to ODR.
- 3) The updated written policy will be in place by June 30<sup>th</sup>, 2023.
- 4) Any changes to the APA will be made when the agreement is re-negotiated or renewed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Doug Efferson".

Doug Efferson, Executive Director  
Northwest Louisiana Human Services District



Northwest Louisiana Human Services District \* 1310 N Hearne Ave, Shreveport, LA 71107 \* Phone (318) 676-5111 \* Fax (318) 676-5021

June 12, 2023

Michael J. "Mike" Waguespack, CPA, Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Per the written request by Carrie Thompson, CPA Audit Manager, on June 5<sup>th</sup>, 2023, we provide the following official response to the reportable audit finding "Inadequate Controls over Payroll":

We concur with the findings.

Corrective Action Plan:

- 1) The person responsible for the corrective action will be Michele Impson, Human Resource Director.
- 2) Corrective Action Plan: Human resource staff have already begun monitoring the eCertification process more closely to assure that the employees and supervisors are certifying the timesheets in a timely manner and utilizing the comments section to note why a certification may be delayed. A policy to formally address the Time Certification processes and procedures is being developed and will include human resource monitoring activities.
- 3) Monitoring is already in place. The written policy will be in place by June 30<sup>th</sup>, 2023.

Sincerely,

Doug Efferson, Executive Director  
Northwest Louisiana Human Services District

## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the Northwest Louisiana Human Services District (District) for the period July 1, 2021, through June 26, 2023. Our objective was to evaluate certain controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the District's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The District's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the District's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the District.
- Based on the documentation of the District's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, accounts receivable, revenue billings, and payroll and personnel.
- We compared the most current and prior-year financial activity using the District's Annual Fiscal Reports and system-generated reports to identify trends and obtained explanations from the District's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the District, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.