

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Doctor Walter Olin Moss
Regional Medical Center
Louisiana Health Care Authority
State of Louisiana
Lake Charles, Louisiana

October 15, 1997



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**DOCTOR WALTER OLIN MOSS
REGIONAL MEDICAL CENTER
LOUISIANA HEALTH CARE AUTHORITY
STATE OF LOUISIANA
Lake Charles, Louisiana**

**Management Letter
Dated September 2, 1997**

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 office of the Legislative Auditor and at the Calcasieu Parish Clerk of Court.

October 15, 1997



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September 2, 1997

**DOCTOR WALTER OLIN MOSS
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STATE OF LOUISIANA
Lake Charles, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1997, we conducted certain procedures at Doctor Walter Olin Moss Regional Medical Center. Our procedures included (1) a review of the medical center's internal control structure; (2) tests of financial transactions for the years ended June 30, 1997, and June 30, 1996; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 1997, and June 30, 1996.

The Annual Fiscal Reports of Doctor Walter Olin Moss Regional Medical Center are not within the scope of our work, and, accordingly, we offer no form of assurance on those reports. The medical center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected medical center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Meals Served Without Charge

The medical center served over 8,100 meals without charge for the period from July 1995, through February 1997, without adequate documentation as to whom many of those meals were served and why those persons qualified for free meals.

The Louisiana Constitution, Article VII, Section 14 prohibits using state funds when the state has no legal obligation. State travel regulations (PPM 49) provide that serving a meal is permissible in those occasions when it is in the best interest of the state to use public funds for provision of a meal to a person who is not otherwise eligible and where reimbursement is not available from another source. Policies of the Louisiana Health Care Authority (LHCA) and its predecessor organization list categories of persons to

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whom it is permissible to provide meals without charge and allow the hospital administrator the discretion to allow meals for others. LHCA requires regional medical centers to submit a count of these meals and to maintain records showing name and affiliation of persons receiving meals without charge.

In a test of meals served without charge in January 1997, we were not able to reconcile the number of free meals served with the names and affiliations of those receiving the meals or to determine if those charges to the state were justifiable. Also, we found that 37 percent of the free meals were provided to physicians even though no provision allows for free physician meals. Furthermore, we found that when the medical center provided LHCA with its count of meals served at state expense, the count did not include the meals served to physicians.

The medical center should maintain adequate documentation for free meals to comply with Article VII, Section 14; PPM 49; and LHCA policies. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, stated that management concurred with the finding and has adopted a policy of prohibiting meals served without charge that are not documented and allowable under state travel regulations (PPM 49). Physician meals will no longer be provided without charge.

Inadequate Controls Over Movable Property Records

The medical center did not maintain adequate internal controls over movable property as prescribed by the Commissioner of Administration and Louisiana law. The medical center did not have written control procedures in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the medical center's records; (2) the location of all movable items is monitored and updated frequently; and (3) amounts recorded in the financial statements are correct. In addition, the medical center did not comply with the state's movable property law, specifically R. S. 39:324(B), relating to timely tagging and reporting of acquisitions to the Louisiana Property Assistance Agency (LPAA). State movable property regulations require that new acquisitions of property be tagged and reported to LPAA within 45 days of receipt. Furthermore, good internal controls require that movable property is properly safeguarded against loss arising from unauthorized use, that movement of items from one location to another is recorded, and that errors in processing transactions are recognized and corrected.

Our audit disclosed that 8 items (\$23,885 of \$31,158) in a test of 14 acquisitions were not reported to LPAA until 54 to 243 days after receipt of the property. Two of the 14 items were not tagged, and 5 additional items observed during other tests were noted

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as being untagged. In addition, three of the items tested were not in the location noted in inventory records.

The medical center should develop written procedures that require adequate internal controls over movable property, including the timely tagging and reporting of acquisitions, as prescribed by the Commissioner of Administration and Louisiana law. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred with the finding and stated that the deficiencies have been corrected.

Electronic Data Processing Controls Weaknesses

The medical center has not established adequate internal controls relating to electronic data processing (EDP) to ensure that the integrity of data is maintained. Adequate internal controls require that individuals be permitted business-need-only access to data files and functions necessary to perform their normal duties. Each employee should have only one user ID so that incompatible functions can be easily detected. EDP security functions should be limited to those employees assigned responsibility for enabling and deleting users.

The medical center has no written procedures pertaining to the issuance of user identification (ID) codes or the deletion of user ID codes once an employee terminates or no longer has a legitimate need for access.

We reviewed the Integrated Statewide Information System (ISIS) security access tables and observed that one employee had two user ID codes, and three former employees of the medical center still had access to the Automated Governmental Purchasing System (AGPS).

Our review of the security report for the Shared Medical System (SMS) for 17 user ID codes revealed that four former medical center employees still had access to SMS and four employees with current access had not signed onto the system in the last year, which indicates that EDP access is no longer needed. In addition, security functions had been performed by employees other than those authorized by management to enable and delete users.

Failure to establish adequate controls in an on-line data entry environment could result in the loss of data, inconsistent use of on-line data entry procedures, and failure to prevent or detect errors or irregularities in processing transactions in a timely manner.

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The medical center should establish written procedures to restrict access to application data files to current employees on a business-need-only basis. In addition, security administrators should regularly review user access to the EDP systems and eliminate unnecessary access. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred with the finding and stated that the deficiencies related to the ISIS/AGPS have been corrected. The HIS Coordinator is currently reviewing the Users ID listing for the SMS and will make all necessary changes to update status for inactive and terminated employees.

Inadequate Segregation of Duties

The medical center did not provide adequate segregation of duties over cash receipts and patient accounts receivable. Internal control policies should discourage incompatible functions that would permit an employee to both initiate and conceal errors and/or irregularities. We noted that three employees who receive cash payments for medical services also write off bad debts by adjusting patient classifications to "free care." In addition, one of these three employees also serves as security administrator for the computer system containing patient billings. Although this computer system provides reports of all adjustments, these reports are not regularly reviewed, and the security administrator is the employee responsible for this review of adjustments.

The medical center should establish an adequate segregation of duties within the cash receipts and patient accounts receivable functions. In addition, the security administrator for the computer system should be an employee who does not have access to accounting functions in that system. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred with the finding and stated that the medical center will take corrective actions.

Time and Attendance Records Not Signed

The medical center did not follow established internal controls over its payroll function relating to certification of time sheets and compliance with state regulations. Adequate controls and Department of Civil Service Rule 15.2 require the employee and supervisor to certify the number of hours of attendance or absence from duty on the time and attendance records. During our review and test of payroll controls, we noted that 13 of 13 time and attendance records tested were not certified by employees, and 9 of 13 time and attendance records tested were not certified by supervisors. Many of the employees and supervisors at the medical center perform services at irregular hours making the signatures difficult to obtain.

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Failure to follow established control procedures over the payroll function increases the risk that errors and/or irregularities could occur and not be detected in a timely manner and could subject management to noncompliance with state regulations.

The medical center should ensure that established control procedures over its payroll function are followed relating to state compliance. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred with the finding and stated that management will develop internal policies to correct and control this deficiency by September 1, 1997.

Inadequate Controls Over Payroll

The medical center has not provided adequate controls over its payroll function by having an employee who is independent of the payroll process review the Consolidated Listing Report. The payroll department inputs employee master file changes into the Uniform Payroll System with no subsequent review performed by an employee who is independent of the payroll process to ensure that only authorized changes were made to the employee master file. Good internal controls require proper review of transactions and independent checks on performance of the payroll function. The medical center did not verify the accuracy of payroll transactions. As a result, three employees were underpaid because of an adjustment in their pay rates. Without adequate internal controls over payroll, the risk exists that state assets could be impaired, and errors and/or irregularities could occur and not be detected in a timely manner.

The medical center should establish and maintain good internal controls by having an *employee who is independent of the payroll process review the Consolidated Listing Report* to ensure the propriety of employee master file updates to the Uniform Payroll System. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred with the finding and described procedures for corrective action.

Inadequate Controls Over Food Instruments

The medical center has not established adequate internal controls over the issuance of food instruments for the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557, WIC) program. The WIC program requires that an applicant be certified to be at nutritional risk by a competent professional authority, and that food instruments be controlled.

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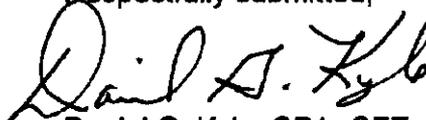
The medical center's registered nurse certifies applicants and submits written orders for food instruments. A clerk enters the recipient's name and instrument codes into the computer, which results in the issuance of food instruments. However, we noted that there is no subsequent supervisory review to determine if the food instruments are being issued properly and in accordance with program requirements. Without adequate controls over the issuance of food instruments, the risk exists that federal funds could be misused, and errors and/or irregularities could occur and not be detected in a timely manner.

The medical center should establish adequate internal controls over the issuance of food instruments to provide for subsequent supervisory review of the issuance of the food instruments to determine if the instruments are being issued properly in accordance with program requirements. In a letter dated August 6, 1997, Dr. Patrick Robinson, Acting Hospital Director, concurred in part with the finding and the Health Care Services Division has issued a program memorandum establishing a method of internal control.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the medical center. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the medical center should be considered in reaching decisions on courses of action. The findings relating to the medical center's compliance with applicable laws and regulations should be addressed immediately by management.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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