

# STATE OF LOUISIANA

**Mental Health Area C  
Office of Mental Health  
Department of Health and Hospitals  
State of Louisiana  
Pineville, Louisiana**

April 14, 2004



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**LEGISLATIVE AUDITOR**

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

Report Dated March 29, 2004

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 office of the parish clerk of court.

April 14, 2004



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March 29, 2004

**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. Act 193 of the 2001 Regular Session of the Louisiana Legislature gave the assistant secretary of the Office of Mental Health the authority to reorganize the Office of Mental Health into an area management structure. The act provided for the consolidation of Central State Hospital, the Mental Health Clinics, and acute psychiatric units throughout north Louisiana. Our procedures included (1) a review of the area's internal controls; (2) tests of financial transactions for the period from July 1, 2002, through March 29, 2004; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2002, through March 29, 2004; and (4) a review of compliance with prior report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal controls and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and other selected area personnel and 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.

The Annual Fiscal Reports of Mental Health Area C were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The area's accounts, under the Office of Mental Health, Department of Health and Hospitals, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior report on Mental Health Area C, dated April 12, 2002, we reported findings relating to professional service contracts not monitored and inventory controls. These findings have been substantially resolved by management.

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

**Payroll and Personnel Control Weaknesses**

Mental Health Area C does not have sufficient policies and procedures to ensure that payroll and personnel transactions are valid, properly authorized, and correctly entered into the Integrated Statewide Information Systems Human Resources (ISIS/HR) System. Sound internal controls require that (1) duties are adequately segregated; (2) assets are

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adequately safeguarded; and (3) transactions are independently reviewed and audited timely. For the fiscal year ended June 30, 2003, payroll and related benefit expenses totaled \$29,448,870 or 63% of total expense for Area C. For the period July 1, 2003, through November 30, 2003, payroll and related benefit expenses totaled \$12,568,427 or 66% of total expenses for Area C. A review of payroll and personnel controls and transactions disclosed the following:

- All six human resource employees in central payroll have access to the master records. They have the ability to establish new employees, approve and input updates to existing employee records, and enter time and attendance data into the ISIS/HR System without review by a person independent of the payroll/personnel process.
- No one independent of the timekeeper at the Conway Acute Unit audits the timekeeping packets. As a result, one employee on military leave from January 6, 2003, to September 18, 2003, was overpaid \$7,525. The overpayment occurred when a timekeeper entered incorrect leave codes after the employee exhausted the 15 days of military leave allowed by Civil Service. The employee refuses to repay the \$7,525.

Management has not devoted the time and personnel to properly evaluate, develop, and implement Area-wide policies and procedures to ensure there is adequate separation of duties and that transactions are consistently and accurately processed, recorded, reported, and audited. As a result, errors and/or fraud could occur and not be detected timely.

Mental Health Area C should develop and implement policies and procedures to ensure (1) duties are adequately segregated; (2) assets are adequately safeguarded; and (3) transactions are reviewed and audited timely. Management should then periodically monitor the controls to ensure they are operating as intended and providing the expected results. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A).

The recommendations in this report represent, in our judgement, those most likely to bring about beneficial improvements to the operations of Mental Health Area C. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the area should be considered in reaching decisions on courses of action.

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This report is intended for the information and use of Mental Health Area C and its management and is not intended to be, and should not be, used by anyone other than these specified parties. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with a large initial "G" and "A".

Grover C. Austin, CPA  
First Assistant Legislative Auditor

BAC:WJR:RR:ss

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