

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Board of Examiners of  
Nursing Facility Administrators  
Department of Health and Hospitals  
State of Louisiana  
Baton Rouge, Louisiana

February 17, 1998



*Financial and Compliance Audit Division*

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

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**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1997, and for the  
Years Ended June 30, 1997 and 1998  
With Supplemental Information Schedule**

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.

February 17, 1998

**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA**

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of June 30, 1997, and for the Years  
Ended June 30, 1997 and 1998  
With Supplemental Information Schedule

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January 21, 1998

**Independent Auditor's Report  
on the Financial Statements**

**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

We have audited the accompanying general purpose financial statements of the Louisiana Board of Examiners of Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and June 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of the Louisiana Board of Examiners of Nursing Facility Administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Louisiana Board of Examiners of Nursing Facility Administrators' accounting records were incomplete and contained major inadequacies as of the year ended June 30, 1995. As a result, we were unable to render an opinion on the Board's general purpose financial statements. Accordingly, we were unable to satisfy ourselves about the fund balance at July 1, 1995, as presented in the accompanying general purpose financial statements.

As discussed in our Report on Compliance and on Internal Control Over Financial Reporting (Exhibit A), the Louisiana Board of Examiners of Nursing Facility Administrators failed to provide adequate controls over the collection of fees for nurse aide certification cards. Accordingly, we were unable to satisfy ourselves regarding the completeness of certification card revenues, totaling \$194,019 and \$72,113, for the fiscal years ended June 30, 1997, and June 30, 1996, respectively.

Legislative Auditor

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA

Audit Report, June 30, 1967

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves about the beginning fund balance, and except for the effects of such other adjustments, if any, as might have been determined to be necessary had we been able to determine the completeness of certification (and revenue, as discussed in the previous paragraph), the general purpose financial statements presented fairly, in all material respects, the financial position of the Louisiana Board of Examiners of Nursing Facility Administrators, as of June 30, 1967, and the results of operations for the years ended June 30, 1967 and 1966, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 21, 1968, on our consideration of the board's internal control over financial reporting and our tests of its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Louisiana Board of Examiners of Nursing Facility Administrators. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

MMQ/THC:dl

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LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, June 30, 1987

	GOVERNMENTAL FUND - (GENERAL FUND)	ACCOUNT GROUPS		TOTAL AMOUNT/DOLLAR (TOTAL)
		CURRENT FUND	LONG TERM DEBT	
<b>ASSETS AND OTHER DEBITS</b>				
Cash - (Fund 1)	\$ 183,833			\$ 183,833
Accounts receivable - insured and fees	20,887			20,887
Due from others	28,480			28,480
Fund assets (Fund 2)		\$80,260		80,260
Other Debits - amount to be credited for compensated services			\$8,626	8,626
<b>TOTAL ASSETS</b>	<b>\$ 233,280</b>	<b>\$80,260</b>	<b>\$8,626</b>	<b>\$ 322,166</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$12,878			\$ 12,878
Payroll Accruals and withholdings payable	3,487			3,487
Compensated absences payable (Fund 2)			\$8,626	8,626
<b>Total Liabilities</b>	<b>\$ 16,365</b>	<b>\$ 0.00</b>	<b>\$ 8,626</b>	<b>\$ 25,000</b>
<b>Fund Equity and Other Credits:</b>				
Investment in governmental assets		\$69,260		\$ 69,260
Fund balance - unassigned - unexpended	147,000			147,000
<b>Total Fund Equity</b>	<b>147,000</b>	<b>\$ 69,260</b>	<b>\$ 0.00</b>	<b>216,260</b>
<b>TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>	<b>\$ 163,365</b>	<b>\$ 69,260</b>	<b>\$ 8,626</b>	<b>\$ 241,251</b>

This accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget  
(GAAP Basis) and Actual  
For the Years Ended June 30, 1997 and 1996

	1997		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
<b>REVENUES</b>			
Licenses and fees	\$108,528	\$155,641	\$47,113
Use of money and property - interest earnings	3,580	794	(2,786)
Marriage and certification costs	228,080	184,019	(44,061)
Interagency agreement (note 8)	17,080	103,450	86,370
Total revenues	<u>463,268</u>	<u>447,904</u>	<u>15,364</u>
<b>EXPENDITURES</b>			
General government			
Personal services and related benefits	902,057	158,844	743,213
Operating services	138,288	178,248	40,060
Materials and supplies	32,780	60,104	27,324
Travel	18,010	11,215	6,795
Capital outlay	15,080	12,860	2,220
Total expenditures	<u>1,106,215</u>	<u>321,271</u>	<u>784,944</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>65,034</b>	<b>82,814</b>	<b>17,780</b>
<b>FUND BALANCE AT BEGINNING OF YEAR AS RESTATED (note 18)</b>	<b>18,086</b>	<b>88,842</b>	<b>70,756</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b><u>83,120</u></b>	<b><u>171,656</u></b>	<b><u>88,536</u></b>

The accompanying notes are an integral part of this statement.

1995		
BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable, F)
\$107,800	\$81,888	(\$25,912)
1,000	3,852	2,852
80,310	75,113	5,197
189,000	180,904	8,096
<u>297,210</u>	<u>244,443</u>	<u>(52,767)</u>
147,107	148,076	221
180,700	178,888	30,212
21,800	44,884	(12,884)
10,000	5,000	5,000
20,000	34,407	(14,407)
<u>384,207</u>	<u>364,887</u>	<u>19,320</u>
(95,150)	(110,448)	(15,298)
<u>171,251</u>	<u>168,280</u>	<u>30,000</u>
<u>\$18,000</u>	<u>\$18,842</u>	<u>(\$4,248)</u>

**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of June 30, 1997, and for the Years  
Ended June 30, 1997 and 1996

**INTRODUCTION**

The Louisiana Board of Examiners of Nursing Facility Administrators is a component unit of the State of Louisiana created within the Louisiana Department of Health and Hospitals (DHH), as provided by Louisiana Revised Statute (R.S.) 38:003. The board is composed of 13 members, ten of whom shall be ex-officio members from various health care agencies and three of whom shall be appointed by the governor and serve three-year terms each. The board is charged with the responsibility of developing, imposing, and enforcing standards for nursing facility administrators, issuing licenses, investigating complaints, and developing and maintaining a federally mandated Certified Nurse Aide Registry. The board collects a \$10 fee for each Nurse Aide Certification Card issued. Operations of the board are funded with self-generated fees and reimbursements through an interagency agreement with DHH. As of June 30, 1997, there are 843 licensed administrators in the state. The board has five employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The accompanying financial statements have been prepared in accordance with such principles.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The board is considered a component unit of the State of Louisiana because the state has financial accountability over the board in that the governor appoints all the board members and can impose his will on the board. The accompanying financial statements represent activity of the Louisiana Board of Examiners of Nursing Facility Administrators and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements.

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

**C. FUND ACCOUNTING**

The board uses a fund (General Fund) and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund. The General Fund is the general operating fund of the board and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of the General Fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund.

The board uses the following practices in recording revenues and expenditures in the General Fund:

**Revenues**

Revenues are recognized when they become measurable and available.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated vacation leave, which is recognized when paid.

**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**E. BUDGET PRACTICES**

Annually the board adopts a budget that is submitted to the Joint Legislative Committee on the Budget as prescribed by R.S. 50:1335. The budget for fiscal year ended June 30, 1997, was adopted on March 5, 1996, and the budget for fiscal year ended June 30, 1998, was adopted on March 5, 1995. The budget is prepared and reported on a modified accrual basis of accounting. Although budget amounts lapse at year-end, the board retains its unexpended fund balance to fund expenditures of the succeeding year. The budget amounts on Statement B reflect the final adopted budgets for fiscal years ended June 30, 1997 and 1998. There was one amendment made to the 1996 budget.

**F. CASH**

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the board may invest in time certificates of deposit at state banks organized under the laws of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federal or state chartered credit unions.

**G. GENERAL FIXED ASSETS AND  
LONG-TERM OBLIGATIONS**

Fixed assets are accounted for in the general fixed assets account group, rather than in the General Fund. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost. A summary of changes in general fixed assets is presented in note 3.

Long-term obligations expected to be financed from the General Fund are accounted for in the general long-term obligations account group. A summary of changes in long-term obligations is presented in note 7.

**H. EMPLOYEE COMPENSATED ABSENCES**

Employees of the board earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination. The cost of current leave privileges,

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

computed in accordance with GASB Codification Section 090, is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

**1. TOTAL COLUMN ON BALANCE SHEET**

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**2. CASH**

At June 30, 1997, the board has cash (book balances) totaling \$103,032 as follows:

Netty cash	\$58
Interest-bearing demand deposits	<u>102,982</u>
Total	<u>\$103,032</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At June 30, 1997, the board has (\$58,641) in deposits (collected bank balances). These deposits are secured from risk by \$85,641 of federal deposit insurance (GASB Category 1).

**3. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

	<u>Furniture Equipment</u>
Balance, July 1, 1995	\$94,116
Adjustment for assets expensed in fiscal year 1995	<u>(8,775)</u>
Adjusted balance, July 1, 1995	74,341
Additions	25,073
Deletions	<u>NONE</u>
Balance, June 30, 1996	<u>\$99,414</u>
Balance, July 1, 1996	\$99,414
Additions	9,289
Deletions	<u>(18,309)</u>
Balance, June 30, 1997	<u>\$90,394</u>

4. PENSION PLAN

Substantially all employees of the board are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (TERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

Generally, all full-time employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36-months average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504) 922-0608 or (800) 258-3000.

Members are required by state statute to contribute 7.5 percent of gross salary and the board is required to contribute at an actuarially determined rate as required by R.S. 11:902. The contribution rate for the fiscal year ended June 30, 1997, increased to 12.4 percent of annual covered payroll from the 12.0 percent required in fiscal year ended June 30, 1996, and 11.0

LOUISIANA BOARD OF EXAMINERS OF  
 NURSING FACILITY ADMINISTRATORS  
 DEPARTMENT OF HEALTH AND HOSPITALS  
 STATE OF LOUISIANA  
 Notes to the Financial Statements (Continued)

percent required for fiscal year ended June 30, 1995. The board's contributions to the System for the years ending June 30, 1997, 1998, and 1999, were \$10,000, \$12,287, and \$13,643, respectively.

**5. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

The board provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the board's employees become eligible for these benefits if they reach normal retirement age while working for the board. These benefits for retirees and similar benefits for active employees are provided through the state's insurance program whose monthly premiums are paid jointly by the employee and the board. The board's costs of providing retirees health care and life insurance benefits are recognized as expenditures when the liability has been incurred. There were no costs paid for postretirement health care or life insurance benefits for the years ended June 30, 1997 and 1999.

**6. LEASE OBLIGATIONS**

The board has no capital leases. The board has operating leases for office space and a copy machine. The future annual operating lease payments are presented as follows:

Nature of the Operating Lease	<u>1997-98</u>	<u>1998-99</u>
Office space	\$12,140	
Copy machine	<u>9,839</u>	<u>\$8,758</u>
Total	<u>\$19,979</u>	<u>\$8,758</u>

**7. LONG-TERM OBLIGATIONS**

General long-term obligations consist entirely of compensated absences. The following is a summary of the long-term obligation transactions:

LOUISIANA BOARD OF EXAMINERS OF  
 NURSING FACILITY ADMINISTRATORS  
 DEPARTMENT OF HEALTH AND HOSPITALS  
 STATE OF LOUISIANA  
 Notes to the Financial Statements (Concluded)

Long-term obligations at July 1, 1996	\$7,266
Additions	4,167
Deductions	<u>(4,123)</u>
Long-term obligations payable at June 30, 1997	<u>\$7,310</u>
Long-term obligations at July 1, 1996	\$7,300
Additions	4,908
Deductions	<u>(5,077)</u>
Long-term obligations payable at June 30, 1997	<u>\$7,131</u>

**8. RISK MANAGEMENT**

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation.

There is no pending litigation or claims against the board at June 30, 1997, which if asserted, in the opinion of the board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

**9. INTERAGENCY AGREEMENT**

The Louisiana Department of Health and Hospitals (DHH) entered into an interagency agreement with the board to provide reimbursement of costs for the maintenance of a Certified Nurse Aide Registry in accordance with Public Law 900-203. The board's reimbursements from DHH for the years ending June 30, 1997 and 1998, were \$100,480 and \$100,104, respectively.

**10. PRIOR-YEAR RESTATEMENT OF FUND BALANCE**

A prior period adjustment of \$7,353 was made to remove nonrecurrent compensated absences payable recognized as current liabilities in the General Fund at June 30, 1995, but which should have been reflected in the General Long-Term Debt Account Group.

Fund balance at June 30, 1996, as previously reported	\$161,635
Nonrecurrent portion of compensated absences payable	<u>7,353</u>
Fund balance at June 30, 1996, as restated	<u>\$168,988</u>

LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Years Ended June 30, 1987 and 1986

**PER DIEM PAID BOARD MEMBERS:**

The schedule of per diem paid board members is presented in compliance with House-  
Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Board  
members are paid a per diem of \$50 for each board meeting they attend and for attending to  
duties assigned by the board, as authorized by Louisiana Revised Statute 37:2503.

LOUISIANA BOARD OF EXAMINERS FOR  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
GENERAL FUND

Schedule of Per Diem Paid Board Members  
For the Years Ended June 30, 1997 and 1998

	<u>JUNE 30, 1997</u>	<u>JUNE 30, 1998</u>
A. A. Kelley, Jr.	\$7,700	\$2,900
Fray Haggin	1,800	800
Robert Rimes	800	700
Harold Gumburg	300	900
Joe Conchella	300	150
John Malossino	1,400	1,800
Erica Simpson	50	150
Joseph Merrick	300	300
Margie McCullough		400
Elizabeth Humphrey	300	400
Ed Smith	200	50
	<u>          </u>	<u>          </u>
<b>Total</b>	<u>\$17,550</u>	<u>\$17,850</u>

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal controls as required by Government Auditing Standards, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



EMILY G. BROWN, CPA, CMA  
LEGISLATIVE AUDITOR

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January 21, 1998

**Report on Compliance and an Internal Control Over Financial  
Reporting Based on an Audit of the General Purpose Financial Statements  
Performed in Accordance With Government Auditing Standards**

**LOUISIANA BOARD OF EXAMINERS OF  
NURSING FACILITY ADMINISTRATORS  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the Louisiana Board of Examiners of Nursing Facility Administrators, a component unit of the State of Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated January 21, 1998. The scope of our audit was limited in that we were unable to satisfy ourselves about the fund balance at the beginning of the year, and we were unable to determine the completeness of nurse aide certification card revenue. This resulted in a qualified opinion on the general purpose financial statements. Except for these scope limitations, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Louisiana Board of Examiners of Nursing Facility Administrators' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under *Government Auditing Standards*.

**Inadequate Payroll Controls**

The Louisiana Board of Examiners of Nursing Facility Administrators (board) did not follow established procedures to ensure that all time and attendance records were properly approved and that all leave was posted to the leave records. State Civil Service Rule 15.2 requires employees and supervisors to certify the number of hours of attendance or absence from duty on the time and attendance records. In our

## LEGISLATIVE AUDITOR

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examination of time and attendance records for all eight employees of the board for the two years ended June 30, 1987, we noted that the executive director (employees' supervisor) did not approve the time and attendance records for May and June 1987. Furthermore, we noted that leave taken, totaling 128 hours, was not posted to the leave records on eight time sheets for two employees.

Failure to approve time and attendance records and post leave taken to the leave records increases the risk that the board will compensate employees for hours they have not worked or for leave hours they do not leave. Because leave taken was not posted to leave records, two employees' annual leave balances were overstated during the year, causing one employee to use 11 annual leave hours that were not available.

The Louisiana Board of Examiners of Nursing Facility Administrators should follow Civil Service Rule 15.2 and established procedures to ensure that all time and attendance records are properly approved and that leave is accurately posted to the leave records. In a letter dated December 11, 1987, Mr. Kemp Wright, Executive Director, stated that management of the board concurred with the finding and reappropriation. As of November 15, 1987, management has established procedures ensuring that all time and attendance records are properly approved and that leave is accurately posted to leave records. The hours for the two employees that were not posted to their leave records have since been rectified and posted with no adverse consequence to the board.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Board of Examiners of Nursing Facility Administrators' internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Louisiana Board of Examiners of Nursing Facility Administrators' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the following paragraphs, in addition to the condition relating to inadequate payroll controls mentioned previously in the compliance section of this report.

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### Nurse Aides' Certification Card Fees

The Louisiana Board of Examiners of Nursing Facility Administrators has not established adequate control procedures over its nurse aides' certification card fees to ensure that all fees are collected and deposited. Nurse aides' certification card fees reported by the board totaled \$72,113 and \$184,010 for fiscal years 1996 and 1997, respectively. A good internal control system should include a reconciliation of certification cards issued to certification card fees collected.

In our review of the board's revenue controls for 1996 and 1997, we determined that the board's computer system used to produce the nurse aide certification cards does not pre-number the cards nor does it identify replacement cards (no fee charged) or cards that are misprinted and unusable. As a result, the board could not reconcile the number of cards issued to the certification card fees collected for fiscal years 1996 and 1997. Because of the failure to reconcile certification cards issued to certification card fees collected, the board cannot provide reasonable assurance that the certification card fees are complete and properly rounded.

The Louisiana Board of Examiners of Nursing Facility Administrators should establish procedures to reconcile nurse aide certification cards issued to the certification card fees collected. In a letter dated December 11, 1997, Mr. Kemp Wright, Executive Director, stated that management of the board concurred with the finding and recommendation. Mr. Wright is researching means for reconciling nurse aide certification cards issued to the certification card fees collected. The anticipated completion date is June 30, 1998.

### Improper Use of State Funds

The Louisiana Board of Examiners of Nursing Facility Administrators improperly used state funds in granting educational leave with pay to a permanent employee (Secretary 2) to pursue an associate degree at Southeastern Louisiana University. The cost of the educational leave was approximately \$2,400 for 60 days taken in fiscal year 1997.

We understand the board's executive director is requiring this employee to pursue an associate degree in office administration because he intends to promote the employee to the position of assistant director in the future. It is the executive director's belief that Civil Service Rule 11.24(b) allows him to authorize the educational leave with pay. This rule states:

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Educational leave with pay may be granted an employee for a maximum of thirty calendar days in one calendar year if the course of instruction to be taken is pertinent to the work of the employee in his Department, provided that a permanent employee may be granted such leave for a maximum of ninety calendar days in one calendar year if the Department requires him to take special training.

In response to an inquiry by us regarding the quantity of educational leave, Mr. Allen Reynolds, Director of the Department of State Civil Service, stated, in a letter dated November 20, 1967, the following:

In our opinion, the terminology of the rule which states that up to 90 days may be taken if the Department requires him to take special training means, for example that an Accountant could be required to take a certain number of hours in accounting to help his/their perform better in the current job. An appointing authority's requirement for an employee to get a degree in order to be able to promote further is, in our opinion, an overly generous use of taxpayer's money to further the general education of employees.

Furthermore, providing educational leave with pay for an employee to obtain a college degree may not be an efficient or prudent use of state funds.

The Louisiana Board of Examiners of Nursing Facility Administrators should discontinue granting educational leave to this and all other employees for the purpose of pursuing a college degree. In a letter dated January 5, 1968, Mr. Kemp Wright, Executive Director, stated the following:

The management of the Louisiana Board of Examiners of Nursing Facility Administrators concurs with this finding and recommendation. However, management would like to note that the degree being pursued is very pertinent to her current position, Secretary 2, as well as the position of Assistant Executive Director. The board is working with the Department of Civil Service to eliminate those concerns. Kemp Wright, Executive Director for the Board of Examiners of Nursing Facility Administrators, can be contacted regarding this response and plan of correction.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the condition relating to nurse aide certification card fees to be a material weakness.

This report is intended for the information and use of the board and its 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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