

STATE OF LOUISIANA LEGISLATIVE AUDITOR

East Louisiana State Hospital
Office of Mental Health
Department of Health and Hospitals
State of Louisiana
Jackson, Louisiana

April 30, 1997

**OFFICIAL
FILE COPY**
~~DO NOT SEND OUT~~
Clarification necessary
Sendin from the
copy and please
check in. EMBQ



Financial and Compliance Audit Division

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

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Representative Francis C. Thompson, Chairman
Senator Ronald C. Bean, Vice Chairman

Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig F. Romero
Representative F. Charles McMains, Jr.
Representative Edwin R. Murray
Representative Warren J. Triche, Jr.
Representative David Vitter

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

**EAST LOUISIANA STATE HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Jackson, Louisiana**

**Management Letter
Dated March 21, 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 office of the parish clerk of court.

April 30, 1997



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

March 21, 1997

**EAST LOUISIANA STATE HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**
Jackson, Louisiana

As part of our audit of the financial statements of the State of Louisiana for the year ending June 30, 1997, we conducted certain procedures at East Louisiana State Hospital. Our procedures included (1) a review of the hospital's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior report recommendations.

The Annual Fiscal Reports of East Louisiana State Hospital are not within the scope of our work, and, accordingly, we offer no form of assurance on those reports. The hospital'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 hospital personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the hospital for the year ended June 30, 1995, we reported findings relating to payroll controls, time and attendance records, patient billings, and the annual appropriation act. The findings relating to patient billings and the annual appropriation act have been resolved by management. The findings relating to payroll controls and time and attendance records have not been completely resolved by management and are addressed again in this report.

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

LEGISLATIVE AUDITOR

**EAST LOUISIANA STATE HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Management Letter, Dated March 21, 1997

Page 2

Inadequate Cash Controls

East Louisiana State Hospital does not have adequate internal controls over the collection and deposit of cash receipts. Louisiana Revised Statute 49:308 requires that funds received by state agencies be deposited immediately in the State Treasury. In addition, an adequate system of internal control requires that policies and procedures be established and implemented to safeguard assets, reduce the risk that funds could be lost, and ensure that errors and/or irregularities are prevented and/or detected in a timely manner. During our tests of the cash receipts from sources such as patient billings, refunds from vendors, workmen's compensation claims, retiree insurance premiums, sale of employee meal tickets, and other miscellaneous revenues, we noted the following:

- Receipt documents were not prepared immediately and restrictive endorsements were not immediately placed on checks and/or money orders received.
- We found that 16 of 18 deposits totaling \$48,074 were made between 11 and 75 working days after initial receipt of the monies.
- Funds are kept in an unsecured file cabinet. Although the file cabinet is not readily accessible, there are times when the office is unattended.

Since management has not placed sufficient emphasis on compliance with state law and adequate internal controls, the risk increases that funds could be lost or stolen or that errors and/or irregularities could occur and not be detected in a timely manner. In addition, untimely deposits result in the loss of interest earnings.

East Louisiana State Hospital should develop and implement adequate internal controls over cash to ensure that receipt documents are prepared immediately, checks and/or money orders are restrictively endorsed upon receipt, and funds are properly secured and deposited in a timely manner. In a letter dated March 21, 1997, Mr. Warren T. Price, Jr., Chief Executive Officer, concurred with the finding and recommendation and outlined a corrective action plan for the hospital.

Inadequate Time and Attendance Records

For the second consecutive audit, East Louisiana State Hospital has not ensured that all payroll records agree with supporting documentation or that there is supporting documentation for all hours worked and leave taken. Payroll records consist of sign-in

LEGISLATIVE AUDITOR

**EAST LOUISIANA STATE HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Management Letter, Dated March 21, 1997

Page 3

sheets, time and attendance forms, and payroll registers. Civil Service Rule 15.1 requires the maintenance of adequate payroll and attendance records and Rule 15.2 requires the certification of payroll and attendance (signed leave slips). In addition, Department of Health and Hospitals' (DHH) Policy 1215-92 regarding payroll policy and procedures and good internal controls require that all payroll records be complete and accurate.

Our test of 12 payroll records disclosed 8 records with the following 21 exceptions regarding hours worked and leave taken:

- . The hours worked on three sign-in sheets did not agree with the time and attendance forms.
- . The hours worked on two time and attendance forms did not agree with the payroll registers.
- . The leave taken on one time and attendance form did not agree with leave recorded on the payroll register.
- . No leave slips could be located for leave taken and recorded on five time and attendance forms.
- . Five time and attendance forms were not signed by the employee, and two were not signed by the supervisor.
- . Three sign-in sheets were not signed by the supervisor.

Furthermore, time and attendance data entered by 3 of the 9 timekeepers selected in our sample of 12 payroll records did not have indications (ticmarks or initials) that the data entered into the Uniform Payroll System had been verified by someone other than the timekeeper.

Management did initiate policies and procedures since the last audit, but has not enforced compliance with them. Because management has not placed sufficient emphasis on compliance with Civil Service rules and regulations or DHH policies and procedures, risk of payroll related errors and irregularities by employees and their supervisors is increased.

LEGISLATIVE AUDITOR

**EAST LOUISIANA STATE HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Management Letter, Dated March 21, 1997

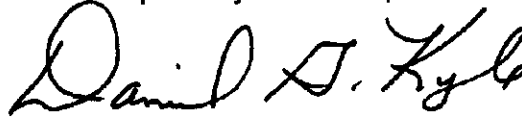
Page 4

The hospital should re-emphasize the need for all employees to follow Civil Service rules and regulations and DHH policies and procedures regarding the certification and verification of time and attendance records, and ensure that time and attendance data entered into UPS has been verified by someone other than the timekeeper. In a letter dated March 21, 1997, Mr. Warren T. Price, Jr., Chief Executive Officer, concurred with the finding and recommendation, and outlined a corrective action plan for the hospital.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the hospital. The varying nature of the recommendations, their implementation cost, and their potential impact on operations of the hospital should be considered in reaching decisions on courses of action. The findings relating to the hospital'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

DL:BJJ:dl

[ELSH]