

CENTRAL LOUISIANA STATE HOSPITAL
OFFICE OF BEHAVIORAL HEALTH

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Central Louisiana State Hospital

April 2020

Audit Control # 80200020

Introduction

The primary purpose of our procedures at the Central Louisiana State Hospital (Hospital) was to evaluate certain controls the Hospital uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

The Hospital is a part of the Louisiana Department of Health (LDH), Office of Behavioral Health.

Results of Our Procedures

We evaluated the Hospital'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 Hospital's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, purchasing card expenses, fuel card expenses, patient billings, payroll and personnel, contract expenses, and information technology access.

Cash

The Hospital maintains the following local bank accounts:

- Sundry account - consisting of funds from activities performed by patients as part of work therapy and used for employee recognition events,
- Chapel account - consisting of donations designated for construction of a chapel building,
- Petty Cash Fund - used for emergency purchases, and
- Patients' accounts - consisting of funds from Social Security benefits and private funds from family; used for patients' needs

We obtained an understanding of the Hospital's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations. We also examined supporting documents for selected patient account cash disbursements during the period July 1, 2018, through January 28, 2020. Based on the results of our procedures, the Hospital had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations; and that patient account disbursements were properly authorized, valid for the benefit of the patient, accurately recorded, and adequately supported.

Purchasing Card Expenses

The Hospital participates in the state of Louisiana's LaCarte purchasing card program to obtain and pay for operational purchases under \$5,000 that are not on state contract. We obtained an understanding of the Hospital's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through January 2, 2020, and reviewed selected transactions. Based on the results of our procedures, the Hospital had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Fuel Card Expenses

The Hospital participates in the state of Louisiana's FuelTrac Card program and uses the fuel cards to make gas and auto maintenance and repair purchases. We obtained an understanding of the Hospital's policies and procedures relating to fuel card activities. We reviewed listings of employees having access to the fuel cards and listings of transactions made by selected employees who terminated their employment at the Hospital during the two-year period ending June 30, 2020, as of February 24, 2020. Based on the results of our procedures, no exceptions were identified.

Patient Billings

Medicaid payments received by the Hospital are "crossover payments", which occur when a Medicare patient has Medicaid as a secondary payer and Medicaid pays the co-payments and deductibles. The majority of third-party billing performed by the Hospital is Medicare, private pay, and private insurance. If the patient is uninsured, the Hospital must provide free care as per LDH policy, and this goes into the Hospital's calculation of its disproportionate share/uncompensated care revenue, representing more than 70% of total revenues in fiscal year (FY) 2019.

We inquired of Hospital personnel and made observations to obtain an understanding of the patient billing and the revenues reconciliation processes. We examined supporting documents for selected patients' billings to determine whether the Hospital was timely billing at the correct rate based on the appropriate number of days. Based on the results of our procedures, no exceptions were identified.

Payroll and Personnel

Salaries and related benefits comprised approximately 75% of the Hospital's expenditures in FY 2019. We obtained an understanding of the Hospital's controls over pay changes and its time and attendance function. We analyzed employees' base salaries for the two-year period ending June 30, 2020, and examined selected employees' time statements, leave records, and pay changes for pay periods in the months of June 2019 and December 2019. Based on the results of our procedures, the Hospital had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Contract Expenses

For contracts in effect during the two-year period ending June 30, 2020, for neurological services, psychiatric services, training services, and the operation of the patients' food and clothing pantry, we examined contracts and invoice payments for the months November 2018, January 2019, March 2019, April 2019, September 2019, October 2019, November 2019, and December 2019 for proper approval, compliance with state laws and contract terms, as well as to ensure there was sufficient contract monitoring. Based on the results of our procedures, no exceptions were identified.

Information Technology Access

We performed procedures to determine whether information technology (IT) access was restricted to business-need only and adequately segregated. The Hospital uses the Asset Works system for property management, the Integrated Statewide Information System (ISIS) for general ledger data and financial information preparation, and stand alone systems for patient accounts and inventories. Based on the results of our procedures, the Hospital had adequate IT controls in place to ensure access was properly restricted and segregated.

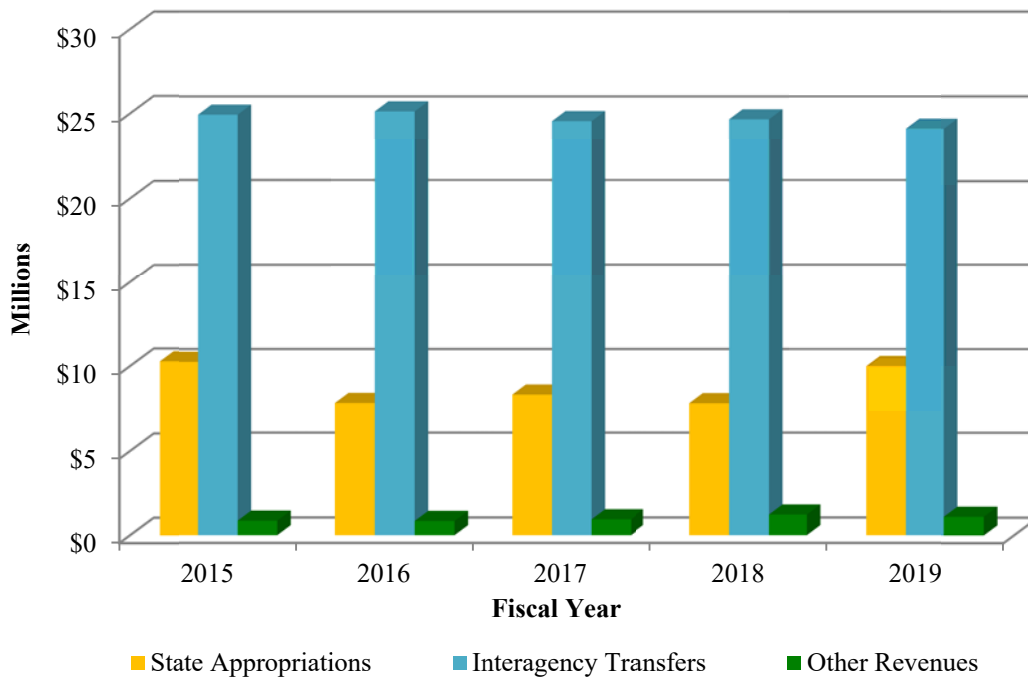
Trend Analysis

We compared the most current and prior-year financial activity using the Hospital's financial information and/or system-generated reports and obtained explanations from Hospital management for any significant variances. We also prepared an analysis of the Hospital's

revenues, expenses, and census data over the last five fiscal years to identify trends, as shown in Exhibits 1 and 2 below.

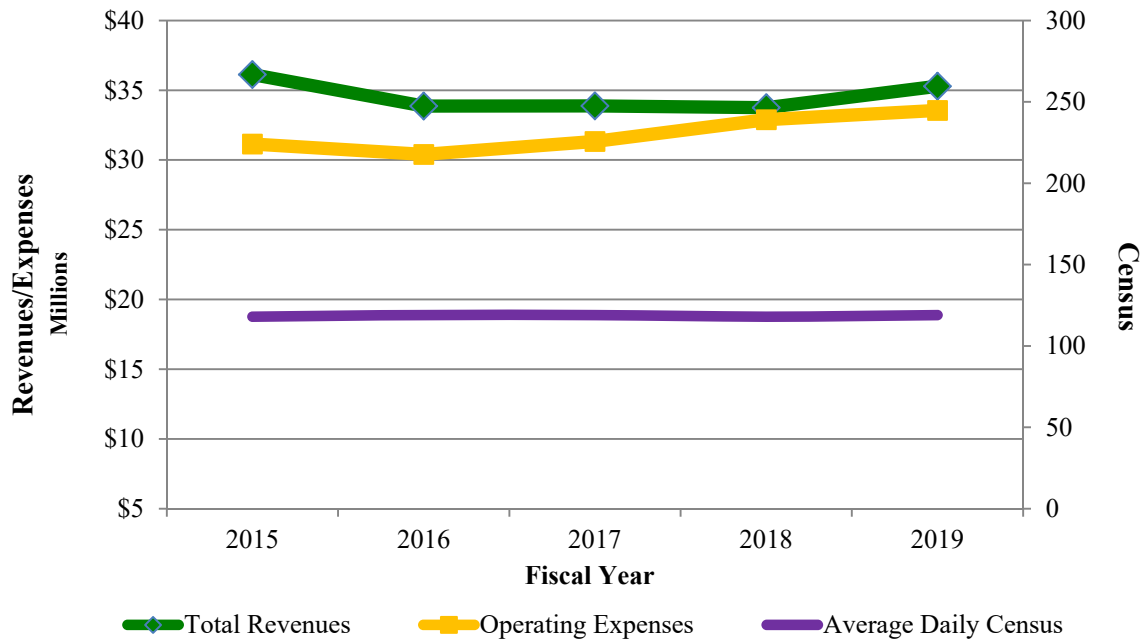
In the past five fiscal years, interagency transfer funds, which consist mainly of Medicaid uncompensated care payments, have remained fairly stable and in line with the census count. State appropriations decreased in FY 2016 when the Shamrock Street Pharmacy was moved from the Hospital’s budget unit, and increased in FY 2019 with the improved state budget situation that allowed the Hospital to cover salary increases. While revenues exceeded expenses during the five-year period, expenses increased closer to revenues in FY 2018 due to salary market adjustments paid to employees; and in FY 2019 due to the special entrance pay rates paid to psych aides and nurses, as well as an increase in the number of job appointments to maintain ratios required on the patient units.

**Exhibit 1
Five-Year Revenue Trend**



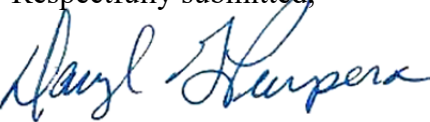
Source: Business Objects Financial Reports

**Exhibit 2
Fiscal/Census Trends**



Source: Business Objects Financial Reports and Patient Information Program Population Movement Reports

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

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CLSH 2020

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Central Louisiana State Hospital (Hospital) for the period from July 1, 2018, through March 12, 2020. Our objective was to evaluate certain controls the Hospital uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are 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 Hospital's financial information, and accordingly, we do not express an opinion on that information. The Hospital's accounts, under the Louisiana Department of Health, Office of Behavioral Health, are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Hospital'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 Hospital.
- Based on the documentation of the Hospital'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, purchasing card expenses, fuel card expenses, patient billings, payroll and personnel, contract expenses, and information technology access.
- We compared the most current and prior-year financial activity using the Hospital's financial information and/or system-generated reports to identify trends and obtained explanations from the Hospital'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 Hospital, and not to provide an opinion on the effectiveness of the Hospital'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.