

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



————— RUSTON DEVELOPMENTAL CENTER —————
OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

PROCEDURAL REPORT
ISSUED NOVEMBER 24, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Three copies of this public document were produced at an approximate cost of \$6.24. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3556 or Report ID No. 04500531 for additional information.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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February 12, 2004

**RUSTON DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Ruston, Louisiana**

As required by Louisiana Revised Statute (R.S.) 24:513, we conducted certain procedures at the Ruston Developmental Center. Our procedures included (1) a review of the center's internal controls; (2) tests of financial transactions for the period from July 1, 2002, through February 12, 2004; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2002, through February 12, 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 control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected center personnel and 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.

The Annual Fiscal Reports of the Ruston Developmental Center were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The center's accounts 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 the Ruston Developmental Center, dated January 24, 2003, we reported a finding relating to noncompliance with movable property regulations. Management has resolved that finding.

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

LEGISLATIVE AUDITOR

**RUSTON DEVELOPMENTAL CENTER
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DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Procedural Report, Dated February 12, 2004

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Failure to Submit a Document Retention Schedule to State Archives

The Ruston Developmental Center failed to submit a document retention schedule to State Archives as required by state law. R.S. 44:411(A)(1) requires the head of every agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency.

Management was not aware of the requirement to submit the required documentation to State Archives. Failure to submit and receive an approved retention schedule increases the risk of the untimely destruction of vital information that could be needed in the future or the center incurring excessive storage cost for documents that will never be needed.

Ruston Developmental Center should obtain the necessary information to prepare and submit a suitable retention schedule to State Archives as soon as possible. Once the retention schedule is approved, it should be implemented immediately. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 1).

Misappropriation of Client Funds

Acting in its fiduciary capacity, the Ruston Developmental Center has the responsibility to protect and safeguard client funds from loss or misuse. On August 26, 2003, agency personnel became aware of a possible misappropriation of client funds by one of its employees. The regional administrator of the center received a memo from the Director of Internal Audit for the Department of Health and Hospitals dated December 12, 2003, indicating that more than \$18,000 of client funds was not managed in accordance with agency policies. The regional administrator of the center was advised by an official of the Department of Health and Hospitals in Baton Rouge to not report the misappropriation to the Legislative Auditor until the matter was fully investigated, which contradicts state law.

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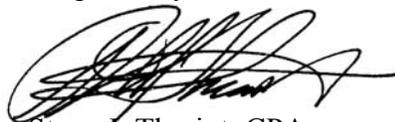
We have learned that this matter is currently under investigation by the Lincoln Parish Sheriff's Office. The employee involved resigned in lieu of termination on January 22, 2004, and \$17,482 of General Fund monies was reimbursed to the client fund and distributed to the appropriate clients' accounts.

The regional administrator of the Ruston Developmental Center should immediately notify the Legislative Auditor in writing of any misappropriation of public funds or assets that may occur in the future. Management concurred with the recommendation and outlined a plan of corrective action (see Appendix A, page 3).

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

This report is intended solely for the information and use of the center and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BAC:WJR:AJR:dl

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

David W. Hood
SECRETARY

January 26, 2004

Mr. Grover C. Austin
First Assistant Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Austin,

This is Ruston Development Center's written letter in reply to Mr. William J. Ryder's request for a response to the audit finding "Failure to Submit a Document Retention Schedule to State Archives" dated January 20, 2004.

Concurrence with finding/Clarification of Perspective

We concur with the finding. The finding accurately states that Ruston Developmental Center failed to submit a Document Retention Schedule to State Archives. Although Ruston Developmental Center has a Record Retention Policy, we were not aware until just recently, that we were required to submit the above-mentioned policy to State Archives. We had already begun to address this issue. This document will be completed and sent to State Archives. Once it is approved it will be implemented immediately.

However, it should be noted that Ruston Developmental Center did follow approved Louisiana Public Records Act (RS44:1-427) in destruction and retention of state records and documents.

Name of Contact Person: Ms. Janis Ballard
Title: Employee Administration Director
Mailing Address: Ruston Developmental Center
Post Office Box 907
Ruston, Louisiana 71273
Telephone Number: (318) 247- 4201
Fax Number: (318) 247- 8908



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Mike Babin
GOVERNOR

David W. Hood
SECRETARY

**Ruston Developmental Center's
Response to the audit finding
"Failure to Submit a Document
Retention Schedule to State Archive"
(continued)**

| Deficiency | Plan of Correction | Completion Date | Implementation Date |
|--|--|-------------------|--|
| Ruston Developmental Center failed to submit a document retention schedule to State Archives as required by state law. Louisiana Revised Statute 44:411 (A)(1) requires the head of every agency to submit to the state archivist record retention schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency. | Ruston Developmental Center will complete its' Records Retention and Destruction Policy. This policy will be sent to State Archives for approval. Once approval is received, the policy will become effective immediately. | February 13, 2004 | Immediately upon approval from State Archives. |

If there are any questions, please feel free to contact me.

Sincerely,

Janis K. Ballard
Janis Ballard
Employee Administration Director



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Fred Cerise, M.D.
SECRETARY

February 12, 2004

Mr. Grover C. Austin
First Assistant Legislative Auditor
Post Office 94397
Baton Rouge, Louisiana 70804-9397

Re: Failure to Notify Legislative Auditor of Misappropriation of Funds

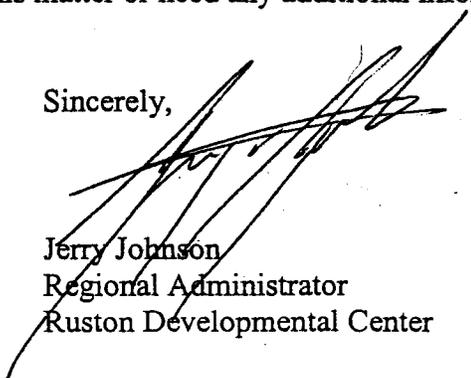
Dear Mr. Austin:

This office has reviewed the finding listed above and we concur with it. In accordance with Louisiana Revised Statute 24:523, this office notified the Legislative Auditors office in writing of the misappropriation of funds on February 10, 2004.

The corrective action plan of the agency will be as follows. In the future, the agency head will report any misappropriation of funds immediately to Office of Legislative Auditor and local district attorney with respect to all misappropriations in writing as required by R.S. 24:523.

If you have any questions about this matter or need any additional information, please advise.

Sincerely,



Jerry Johnson
Regional Administrator
Ruston Developmental Center

JJ/hg