

State of Louisiana
Louisiana Physical Therapy Board

Fiscal Year Ended June 30, 2018
Agreed-Upon Procedures Report

**State of Louisiana
Louisiana Physical Therapy Board**

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Louisiana Physical Therapy Board

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable".

Management of Louisiana Physical Therapy Board, a component unit of the State of Louisiana, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Louisiana Physical Therapy Board and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and, in evaluating management's assertions about the Louisiana Physical Therapy Board's compliance with certain laws and regulations during the year ended June 30, 2018.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Prior Year Findings

Ethics

We obtained the Board's policy relating to ethics to determine if policy included (1) the prohibitions as defined in LA R.S. 42:1111-1121, (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.

We selected four employees and all commissioners and obtained documentation to demonstrate that required annual ethics training was completed. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period ending June 30, 2017.

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Board was unable to provide documentation for one of the four employees that the employee completed the annual requirement of one hour of ethics training required by R.S. 42:1170(3)(a)(i). The statute requires that all public servants receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.

Management should ensure that all employees and commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. See *Ethics* below under current findings.

Inadequate Segregation of Duties

The Board has not established adequate segregation of duties over bank and credit card reconciliations. One employee performs the monthly bank reconciliations and the monthly credit card reconciliations and another employee reviews the work. Both of these employees have access to the general ledger and records transactions. Inadequate segregation of duties increases the risk of employee error or fraud, although no such errors or fraud were identified.

Adequate segregation of duties requires functions be segregated between processing transactions in the accounting system and reconciliation. If the controls cannot be adequately segregated due to limited staff, management should develop other monitoring procedures to help mitigate the risk of error or fraud.

The Board should consider assigning a Board member to routinely compare the monthly bank reconciliation and credit card reconciliation to payments, deposits, relevant supporting documentation, and the trial balance, which should partially compensate for the deficiency and serve as a monitoring function. Management concurred with the finding and outlined a corrective action plan.

We considered this prior year finding in our procedures for the current year. See *Bank Reconciliation* below under results of other procedures.

Contracts – Best Practice

We selected five disbursements and obtained supporting documentation for each one. After further review, one of the selected disbursements failed to comply with best practice guidelines.

La R.S. 39:1554(d)(8) requires that contracts be awarded through a competitive process. Board was unable to provide documentation regarding the competitive process used in the selection of firm to provide media/marketing (public relations) services to the Board.

Management should ensure that all disbursements follow best practice guidelines established by the State. Management concurred with the finding and outlined a plan of corrective action.



We considered this prior year finding in our procedures for the current year. See *Contracts* below under current findings.

Contracts - Advanced Payments

We examined the five disbursements previously selected to compare the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value.

In one instance, payment to the company providing public relations services was paid in advance of rendered services, thus violating Article 7, Section 14 of the Louisiana Constitution.

Management should ensure that all disbursements are made according to the proper timing as required by the Louisiana Constitution. Management concurred with the finding and outlined a plan of corrective action.

We considered this prior year finding in our procedures for the current year. Based upon procedures performed, we considered this issue resolved.

Current Year Findings

Ethics

Using the five selected employees from procedures under "Payroll and Personnel", we obtained ethics compliance documentation from management and report indicating whether the Board maintained documentation demonstrated that required annual ethics training was completed.

We obtained a listing of Board members from management. We randomly selected five of the Board members and reported whether the Board maintained documentation to demonstrate that required annual ethics training was completed.

We inquired of management whether any alleged ethics violations were reported to the Board during the fiscal period. If applicable, reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Based on the results of our procedures relating to ethics for employees, no exceptions were identified.

Board was unable to provide documentation for one of the five commissioners that the commissioner completed the annual requirement of one hour of ethics training required by R.S. 42:1170(3)(a)(i). The statute requires that all public servants receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of public employment or term of office.



Management should ensure that all employees and commissioners complete the required ethics training annually. Management concurred with the finding and outlined a plan of corrective action (See Appendix A).

Contracts

We obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were in effect during the fiscal period. We obtained management's representation that the listing is complete.

We selected five disbursements and obtained supporting documentation for each one.

We observed from the five selected vendors that there was a formal/written contract that supports the services arrangement and the amount paid. None of the contracts observed met the guideline for bidding in accordance with the Louisiana Public Bid Law. We observed the contracts to determine if Louisiana Procurement Code (e.g. solicited quotes or bids, advertised), was followed.

We inquired of a reviewed documentation to see whether the Board solicited quotes as a best practice. None of the contracts considered were amended during the fiscal period ending June 30, 2018. We selected the largest payment from each of the contracts and obtained the supporting invoice(s) and compared the invoice(s) to the contract terms. We reviewed documentation provided, including board minutes to determine if the board of commissioners had approved the execution of the contracts.

For one of the selected contracts, the Board failed to comply with best practice guidelines. La R.S. 39:1554(d)(8) requires that contracts be awarded through a competitive process. Board was unable to provide documentation regarding the competitive process used in the selection of firm to provide information technology services to the Board.

Management should ensure that all disbursements follow best practice guidelines established by the State. Management concurred with the finding and outlined a plan of corrective action (See Appendix A).

Results of Other Procedures

Written Policies and Procedures

We obtained the Board's written policies and procedures relating to financial/business functions as addressed in this report. Any exceptions are noted under current findings.

Annual Fiscal Report (AFR)

We obtained the financial statements from the AFR submitted to the Division of Administration's (DOA) Office of Statewide Reporting and Accounting Policy for the current and prior periods. We performed analytical procedures comparing current and prior period amounts by line item. In those instances where there was a variance of 10% or greater for line items that are 10% or more of the respective total assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position, revenues, and/or expenses, we obtained management's explanation of the variance. Investment



assets increased by 30%. Management indicated that Board classified additional assets to investments for possible future purchases of capital assets. Net Pension liability was increased by 39%. Management indicated this was normal increase in pension liability. Licenses, permits and fees increased by 24% for the year. Management responded that increase is due to increase in licensees and timing of payment of 2-year licensing fees.

Board Activity

We obtained and reviewed the board minutes for the fiscal year ended June 30, 2018. The Board meets a minimum of six times a year. For all meetings for the fiscal year, there was a quorum to conduct business for each of the meetings reviewed. We reviewed the minutes to determine if there was a reference to the introduction of monthly budget to actual comparisons financials and/or a reference that monthly budget comparative financials were provided to commissioners. Additionally, we accessed the Board's online information included in the DOA's boards and commissions' database to determine if the Board submitted board meeting notices and minutes for all meetings during the fiscal period. Based on the results of our procedures, no exceptions were identified.

Bank Reconciliations

We obtained the listing of bank accounts from management and the management's representation states that the listing is complete. We obtained the bank statements and reconciliations for all months of the fiscal year. We confirmed that bank account reconciliations are performed timely, and bank statements are reviewed timely. A member of management or a Board member who does not handle cash, post ledgers or issue checks has reviewed each reconciliation.

Bank reconciliations are performed on a monthly basis by external CPA. A Board member reviews and signs-off on the bank reconciliations. Based on the results of our procedures, no exceptions were identified.

Collections

We reviewed the Board's policy relating to receipts to determine if it contained procedures relating to the receiving, recording and preparation of deposits. We obtained existing documentation relative to insurance policies, policy manual and job descriptions to determine whether each person responsible for collecting cash is not responsible for depositing the cash in the bank, recording the related transactions, and reconciling the related bank account(s). Approximately 90% of the Board's revenue collections are related to annual licensing fees. We traced selected licenses that were granted to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the Board.

We selected the highest (dollar) week of cash collections from the general ledger for the fiscal period. Using deposit slips and bank statements, we traced daily collections to the deposit date on the corresponding bank statement. We also reviewed documentation to determine if deposits were made within one day of collection. Based upon our procedures, no exceptions were identified.



The Board doesn't accept cash payments for fees; therefore, no procedures were performed relating to sequentially numbered receipts and verification of cash collections.

We reviewed the process as outlined in the Board's policy regarding completeness of all collections, including electronic transfers. Documentation is placed in the file of each licensee showing payments and form of payment. For electronic payments, reports are uploaded and compared to the record of payments to each licensee's file. A separate person verifies payments and recording of payment than person making deposits.

We obtained a list of initial and renewal licenses granted during the period from management and management's representation that the listing is complete. We randomly selected 10 individual applicants from the listing and obtained the supporting documentation (e.g. application, copy of check) from management. We verified if the fee paid for license was the appropriate fee based on the applicable fee schedule established by the board or statute. We reviewed to see if any penalty was assessed; if so was assessed penalty collected in accordance with the board's policies. Based upon our procedures, no exceptions were identified.

Credit Cards/Debit Cards

We reviewed the Board's written policy regarding credit cards (including debit cards, fuel cards, and P-Cards). We reviewed the policy to determine if procedures included (1) how cards are to be controlled, (2) allowable business uses; (3) documentation requirements, (4) required approvers, and (5) monitoring card usage. We obtained a list from the Board of all active credit cards and bank debit cards, including the card numbers and the names of the persons who maintained possession of the cards. The Board maintains one credit card that is possessed solely by the Executive Director. We reviewed the Chase Visa credit card that was used during the fiscal period ending June 30, 2018. We obtained the monthly statements with the largest dollar activity for each account selected. We looked for evidence that the monthly statements along with supporting documentation for transactions were reviewed and approved, in writing, either by the Executive Director or a Board member. Additionally, we reviewed the selected statements to determine if any finance charges and/or late fees had been assessed. Based upon our procedures, no exceptions were identified.

Using the monthly statements for the credit card reviewed above, we obtained supporting documentation for all transactions for the credit card. For each transaction, we looked to see if an original itemized receipt was presented. We looked for documentation to address the business/public purpose of the transaction. If meal charges were involved in the transaction, we looked to see if there was documentation indicating the individuals participating in the transaction. For each transaction we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Board's written purchasing/disbursement policies and the Louisiana Public Bid Law. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. Based on the results of our procedures, no exceptions were identified.



Travel Expenditures

We obtained the Board's policy relating to travel and expense reimbursement. We reviewed policy to determine if it included (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, (4) time-frame in which requests must be submitted and (5) required approvers. We obtained from the Board a listing of all travel and related expense reimbursements, by person during the fiscal year ending June 30, 2018. We compared the amounts in the policies to the per diem and mileage rates established by the state's travel rules and regulations (i.e., PPM 49) to determine if there were any reimbursements that exceeded the rates established by PPM 49. Based on the results of our procedures, no exceptions were identified.

From documentation provided we selected the three individuals who incurred the most travel costs during the fiscal period ending June 30, 2018. We obtained the expense reimbursement reports of each person selected, including the supporting documentation, and we choose the largest travel expense for each person to review in detail. We compared expense documentation to written policies to determine whether each expense was reimbursed in accordance with written policy. We looked to determine if an original itemized receipt that identified precisely what was purchased and if the documentation provided indicated the business/public purpose of the transaction. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. For the transactions considered there were no instance whereby the request for travel and/or expense reimbursement was submitted more than 30 days following the date of travel. Based on the results of our procedures, no exceptions were identified.

Contracts

We obtained the Board's policy relating to contracting for services. We reviewed policy to determine if policy included guidelines relating to (1) types of services requiring written contracts, (2) standard terms and conditions, (3) approval process, and (4) monitoring process. We obtained a list of all contracts in effect during the fiscal year ending June 30, 2018. We randomly selected five contract vendors that were paid during the fiscal period. We looked to determine if a formal/written contract that supported the services arrangement and the amount(s) paid to vendors. Based on the results of our procedures, no exceptions were identified. We compared each contract's detail as it related to the Louisiana Public Bid Law or Procurement Code. None of the contracts selected met the requirements under the Louisiana Public Bid Law.

Payroll and Personnel

We obtained a copy of the Board's policies relating to payroll/personnel issues. We reviewed policies to determine (1) payroll processing; and (2) process for reviewing and approving time and attendance records, including leave and overtime worked. We obtained a listing of employees with their related salaries. We selected four employees



and obtained their personnel files. We reviewed compensation paid to each employee during the fiscal period to determine if payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. We noted no changes in hourly pay rates/salaries during the fiscal period. Therefore, no procedures were performed relating to changes in hourly pay rates/salaries. Based on the results of our procedures, no exceptions were identified.

We obtained attendance and leave records and randomly selected one pay period in which leave had been taken by at least one employee. We looked to determine if all employees' documentations were approved by a supervisor and there were appropriate documentation relating to written leave records. Based on the results of our procedures, no exceptions were identified.

We obtained from management a list of those employees that were terminated during the fiscal period. Management indicated that there were no terminations during the fiscal period reviewed and therefore, there were no procedures performed. Based on the results of our procedures, no exceptions were identified.

Non-Payroll Disbursements – Other General

We obtained the Board's policy relating to disbursements. We reviewed the policy to determine if policy addressed procedures relating to processing, reviewing and approving disbursements. We obtained a listing (general ledger) of the Board's disbursements from management. From the listing we randomly selected five disbursements. We obtained supporting documentation for each of the disbursements. We looked to see if an original itemized receipt or invoice existed that identified precisely what was purchased or acquired. We looked to see if the documentation provided for the business/public purpose of the transaction. For each transaction selected we compared the Board's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge or donation of funds, credit, property, or things of value. We looked to determine if documentation in writing existed indicating who reviewed and approved the transaction and determined if that individual is someone other than the person who initiated the purchase. Based on the results of our procedures, no exceptions were identified.

Budget

We obtained a copy of the Board's policy regarding budgetary procedures. We reviewed the policy to determine if it included steps relating to the preparation, adopting, monitoring and amending the budget. We obtained a copy of the legally adopted budget for the fiscal year ending June 30, 2018. We traced the budget adoption to the minute documentation of the Board and compared the total revenues and total expenditures of the final budget to actual total revenues and total expenditures on the financial statements. We inquired of management on line items with a variance 10% or greater. The line items Cash and Equivalents had a variance over 10%, the explanation of management is that the variance is due to the result of an increase in cash flows from operations. The line item Accounts Receivable had a variance over 10%, the explanation from management is the payment on previous installment plans exceeded new installment payment plans established. The line item Investment had a variance over 10%, the explanation from management is that result of LAPTB collecting funds in



advance; had a build-up of cash that was invested. The line items Capital Assets and Depreciation variance over 10%. The explanation from management is that Depreciation schedule was studied and removed items that the Board no longer had. Line item Deferred Outflows, Net Pension Liability and Deferred inflows variance over 10%, the explanation of variance is result of GASB 68 report. The line items Salaries, wages & related benefits variance over 10%the explanation from management is current year had some payroll liability (retirement and tax) pending payments whereas at prior year these amounts had been paid as of year-end. The line item Professional Services Payable, Use of Money & Property Revenue and Other Operating Revenue variance over 10%, is due to the difference in calculation on the AFR report. The line item Compensated Absences Payable variance over 10%, the explanation from management is LAPTB had an additional employee meet the maximum of 300 hours in year end June 2018 plus had another employee (new hire) that accumulated about 80 hours; in addition, rates of pay increased from 6/17 to 6/18 for classified employees. The line items OPEB Payable variance over 10%, the explanation had to adopt GASB 75 in June 2018, so now 100% of liability is recorded. The Fund balance/Net Position in 2018 restatement was affected by implementation of GASB 75, the restatement was a decrease to fund balance. The Sales of Commodities & Services Revenue variance over 10%, the explanation is total revenue earned for continuing education dramatically increased. In August 2016, a fee increase was effective for course applications, doubling the fee for course application review. We inquired of management whether the Board has updated its budget information into the DOA's boards and commissions' database for the fiscal period ending June 30, 2018. We accessed the online database to obtain the budget information for the fiscal period ending June 30, 2018. We noted no differences between the budget information contained in the database and the budget adopted by the Board of Commissioners. Based on the results of our procedures, no exceptions were identified.

Debt Service

The Board issued no debt obligations for the fiscal year ending June 30, 2018. Also, they do not have any outstanding debt therefore; no procedures were performed relating to debt service.

Other

We inquired of the management of the Board had there been any misappropriations of public funds or assets. Management indicated that they were unaware of any misappropriation of public funds or assets from the Board.

The Board did not enter into a contract for the audit of the Board's financial statements for the fiscal year ending June 30, 2018.

Corrective Action

We obtained management's response and corrective action plan for exceptions noted in the above agreed-upon procedures. See Appendix A for management's response and corrective action plan.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do



not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Louisiana Physical Therapy Board and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Walker & Company, APC
Lake Charles, Louisiana
September 26, 2018



Appendix A

JOHN BEL EDWARDS
GOVERNOR



State of Louisiana
DEPARTMENT OF HEALTH AND HOSPITALS
Louisiana Physical Therapy Board

CHARLOTTE F. MARTIN, M.P.A.
EXECUTIVE DIRECTOR

October 1, 2018

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Contracts – Best Practice and Advanced Payments

Dear Mr. Purpera,

The Louisiana Physical Therapy Board (LPTB) concurs with the reviewer that management should ensure that all disbursements follow best practice guidelines established by the Louisiana Legislative Auditor. The LPTB also concurs that management should ensure that all disbursements are made according to the proper timing as required by the Louisiana Constitution.

In summary, here is a listing of the corrective action items, including the individuals responsible for completion of each item:

- 1) Review the internal policy and procedures document, cross-referencing the Louisiana Legislative Auditor's best practices guidelines, specifically to adhere to La R.S. 39:1554(d)(8), which requires that contracts be awarded through a competitive process. Create template forms to be used to document the competitive bid process in the selection process. Revise the policy if needed. Have board staff, board members and legal counsel review and sign policy.
Responsible: Charlotte Martin, Executive Director.

Thank you,

A handwritten signature in cursive script that reads "Karl Kleinpeter".

Karl Kleinpeter, PT
Secretary/Treasurer of the Board

JOHNNY BEL EDWARDS
GOVERNOR



CHARLOTTE F. MARTINI, M.P.A.
EXECUTIVE DIRECTOR

State of Louisiana
DEPARTMENT OF HEALTH AND HOSPITALS
Louisiana Physical Therapy Board

October 1, 2018

Daryl G. Purpera, CPA, CFE,
Legislative Auditor
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Ethics

Dear Mr. Purpera,

The Louisiana Physical Therapy Board (LPTB) concurs that management should ensure that all employees and commissioners complete the required ethics training annually. Management has required the completion of the government ethics course by all full-time staff, part-time staff, volunteers and all appointed members of the board and advisory committee no later than December 31st of the calendar year. It has been advised that management require the completion of the government ethics course within 60 days of appointment or employment with the state agency, and every year on, or within 60 days of the anniversary of each individual.

In summary, here is a listing of the corrective action items, including the date of completion and individuals responsible for completion of each item:

- 1) Revise the internal policy for annual professional development requirements to be reviewed and approved by the board and board attorneys at the board meeting for board approval. Revision of policy includes the reflection of the new timeframe for completing the Ethics course.
Responsible: Charlotte Martin, Executive Director.
- 2) Require that certificates of completion are submitted to the board office upon completion. Management keeps track of who has submitted the certificate
Responsible: Charlotte Martin, Executive Director

Thank you,

Handwritten signature of Karl Kleinpeter in black ink.

Karl Kleinpeter, PT
Secretary/Treasurer of the Board