

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Peltier-Lawless Developmental Center
Department of Health and Hospitals
State of Louisiana
Thibodaux, Louisiana

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June 4, 1997



Financial and Compliance Audit Division

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

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**PELTIER-LAWLESS DEVELOPMENTAL CENTER
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Thibodaux, Louisiana**

**Management Letter
Dated May 9, 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.

June 4, 1997



OFFICE OF
LEGISLATIVE AUDITOR
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May 9, 1997

PELTIER-LAWLESS DEVELOPMENTAL CENTER
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Thibodaux, 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 the Peltier-Lawless Developmental Center. Our procedures included (1) a review of the center's internal controls; (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 for the years ending June 30, 1997, and June 30, 1996; and (4) a review of compliance with prior audit report recommendations.

The Annual Fiscal Reports of the Peltier-Lawless Developmental Center are not within the scope of our work, and, accordingly, we offer no form of assurance on those 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.

Our procedures included interviews with management personnel and selected center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter on the Peltier-Lawless Developmental Center for the year ended June 30, 1995, we reported a finding relating to commodity inventory procedures. This finding has been resolved by management.

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

Lack of Segregation of Duties

Management for the Peltier-Lawless Developmental Center does not have proper segregation of duties to ensure adequate internal accounting controls over its revenue/receipts and payroll/personnel functions. An adequate system of internal accounting

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**PELTIER-LAWLESS DEVELOPMENTAL CENTER
DEPARTMENT OF HEALTH AND HOSPITALS
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Management Letter, Dated May 9, 1997

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controls provides for the segregation of duties of employees such that no one employee is in a position to both initiate and approve transactions. Our review of the revenue/receipts and payroll/personnel functions disclosed the following instances of improper segregation of duties:

- An accounting specialist is responsible for receiving checks, endorsing checks, preparing deposit slips, making the deposits, signing checks written on the accounts, recording transactions in the accounting records, and preparing the bank reconciliation.
- The personnel analyst is responsible for preparing and obtaining upper management approval on all personnel action documents and has the capability of entering changes in the EDP master payroll system. The personnel analyst also acts as the "back up" when the payroll clerk is not at work.
- The payroll clerk maintains and updates the personnel files in the payroll section and is responsible for maintaining the EDP master payroll files.

Because of budget cuts over the years, employees have had to assume more duties; however, a review of incompatible duties assigned to various employees has not been performed. Failure to provide adequate segregation of duties increases the risk that errors and/or irregularities could occur and remain undetected.

Management of the Peltier-Lawless Developmental Center should review the duties performed by the accounting specialist, personnel analyst, and the payroll clerk to determine if adequate segregation of duties of these employees can be achieved. In a letter dated May 1, 1997, Ms. Lorain R. Cazenave, MRDD Regional Administrator, concurred with the finding and stated that certain procedures were being instituted and duties were being reassigned to provide an adequate segregation of duties.

The recommendation in this report represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the center. The varying nature of the recommendation, the implementation costs, and the potential impact on operations of the center should be considered in reaching decisions on courses of action.

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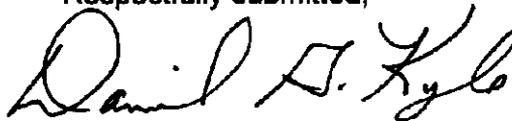
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DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Management Letter, Dated May 9, 1997

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This report is intended for the information and use of the center 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,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

STD:WMB:dl

[PLDC]