

FLORIDA PARISHES HUMAN SERVICES AUTHORITY

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 2, 2018

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Florida Parishes Human Services Authority

May 2018

Audit Control # 80180010

Introduction

The primary purpose of our procedures at the Florida Parishes Human Services Authority (FPHSA) was to evaluate certain controls FPHSA uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

FPHSA was created as a local governmental entity governed by a local board of directors with the mission to provide a broad spectrum of integrated community-based services and continuity of care to consumers of behavioral health services (i.e., addictive disorders and mental health) and developmental disabilities services. FPHSA's services cover five parishes: Livingston, St. Helena, St. Tammany, Tangipahoa, and Washington. FPHSA is funded through a combination of General Fund appropriations, transfers from the Louisiana Department of Health (LDH), revenue from fees collected for its services, and a small amount of Federal revenue. FPHSA receives oversight from LDH.

Results of Our Procedures

We evaluated FPHSA'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 FPHSA'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 the reconciliation of revenue collections to accounting records, professional services contracts, purchasing card, FuelTrac card, imprest account, and payroll and personnel expenditures.

Current-year Finding

Weaknesses in Controls over Payroll

FPHSA did not maintain adequate controls over payroll records, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner. In our review of payroll documentation for 25 employees, we noted that four overtime request forms did not have the Executive Director's approval. In addition, one overtime request form for June 2017 was not

signed by the employee and supervisor until January 2018, the date of our request for the support, and the Executive Director's signature on the form was not dated.

FPHSA's policy states that no employee shall work overtime without prior approval unless a critical or emergency situation exists. In addition, overtime requests must be submitted on the standard FPHSA Overtime Request form, which requires the Executive Director's approval.

Management should emphasize and enforce its existing policy to ensure that adequate supporting documentation is obtained and maintained, including appropriate approvals, to support overtime payments made to employees. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Reconciliation of Revenue Collections to Accounting Records

FPHSA uses ICANotes, an electronic health record system to bill for services provided to clients at its clinics. FPHSA has established a process to reconcile payments received for client services to the bank statements, underlying accounting records, and patient accounts. We obtained an understanding of FPHSA's controls over the reconciliation process.

We selected the reconciliations performed for the months of June 2017 and October 2017 to review. Based on the results of our procedures, FPHSA had adequate controls in place to ensure timely preparation, review, and approval of revenue collection reconciliations and maintained sufficient documentation as evidence of the reconciliation processes performed.

Professional Services Contracts

FPHSA utilizes professional services contracts to provide an array of behavioral and mental health services to its patients. Each contract is assigned a monitor to ensure the contractor's performance, data submissions, and invoices are accurate and consistent with the contract terms. FPHSA's contracts in effect during the period under review totaled approximately \$2.5 million and \$2.2 million for fiscal years 2017 and 2018, respectively. We obtained an understanding of FPHSA's controls over the execution of and payment on these contracts.

We analyzed the listing of invoices paid during the period July 1, 2016, through November 30, 2017, and selected transactions and related contracts to review. Based on the results of our procedures, FPHSA had adequate controls to ensure contracts were properly executed in compliance with applicable laws and regulations; payments were approved and in accordance with contract terms; and sufficient documentation was maintained to support the payments.

Purchasing Card Expenditures

FPHSA participates in the State of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenditures. We obtained an understanding of FPHSA's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2016, through November 10, 2017, and reviewed selected transactions. Based on the results of our procedures, FPHSA 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.

FuelTrac Card Expenditures

FPHSA participates in the State of Louisiana's FuelTrac Card program for purchases of fuel and auto maintenance for its fleet of 11 vehicles. We obtained an understanding of FPHSA's controls over access to and use of these cards.

We analyzed FuelTrac card transaction listings for the period of July 1, 2016, through December 31, 2017, and reviewed selected transactions and supporting documentation including receipts, logs, and credit card statements. Based on the results of our procedures, FPHSA had adequate controls to ensure that purchases were approved and were for official state business; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to receipts and vehicle logs.

Imprest Account Expenditures

FPHSA uses the imprest account for certain travel, training, dues, and similar expenditures. We obtained an understanding of FPHSA's controls over imprest account expenditures.

We analyzed imprest account transaction listings for the period July 1, 2016, through November 30, 2017. We agreed selected transactions to supporting documentation and evaluated compliance with applicable laws and regulations. Based on the results of our procedures, FPHSA had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and FPHSA complied with relevant laws and regulations.

Payroll and Personnel Expenditures

Salaries and related benefits comprised approximately 71% and 79% of FPHSA's expenditures in fiscal years 2017 and 2018 through February 2018, respectively. We obtained an

understanding of FPHSA’s controls over the time and attendance function and reviewed selected employees’ time statements, leave records, and other related support.

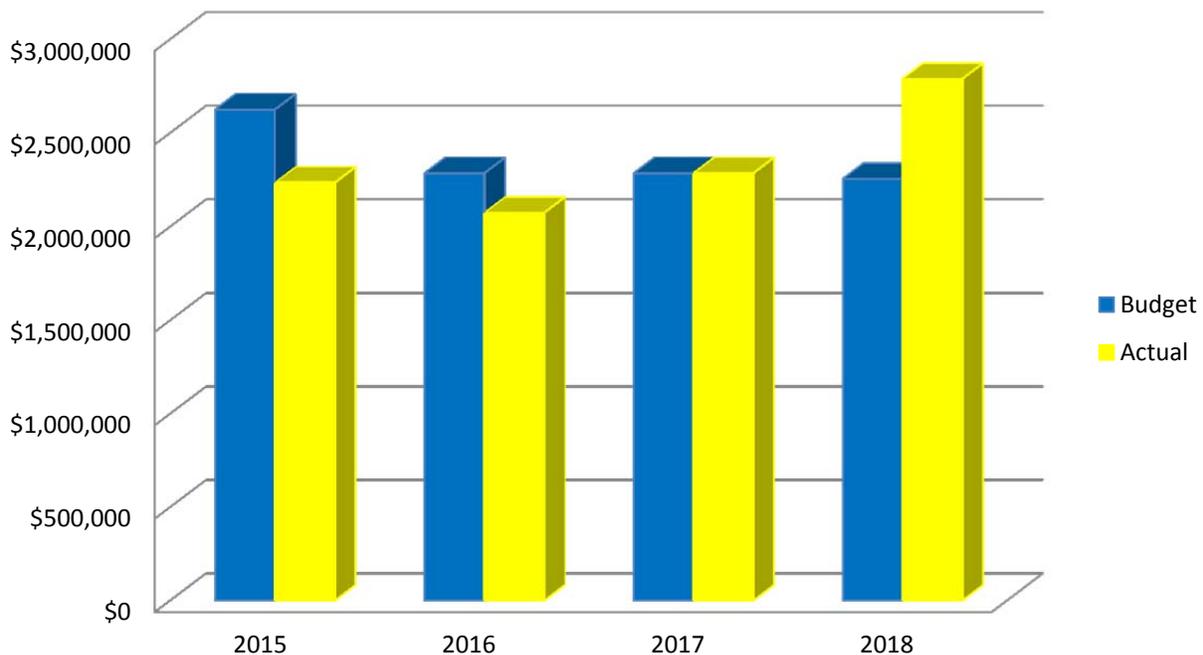
Based on the results of our procedures, except as noted in the Current-year Finding section, FPHSA had adequate controls in place to ensure timely review and approval of employee time statements and overtime requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Trend Analysis

We compared the most current and prior-year financial activity using FPHSA Annual Fiscal Reports and/or system-generated reports and obtained explanations from FPHSA management for any significant variances. Management provided reasonable explanations for all significant variances.

We also prepared an analysis of fees and self-generated budget to actual revenues. In our prior report, it was noted that FPHSA’s inability to achieve its budgeted self-generated revenue affected FPHSA’s ability to provide services to its clients. Due to a greater reliance on fee-for-service billing and FPHSA’s collection efforts, FPHSA fees and self-generated revenues have generally increased over the past four fiscal years. In the first eight months of fiscal year 2018, FPHSA’s collections have exceeded its fees and self-generated revenue budget by \$533,572, or 24%.

**Exhibit 1
Fees and Self-generated Budget to Actual Revenues**



Source: Fiscal year-end 2015-2017 ISIS Reports; fiscal year 2018 ISIS Report as of 2/28/18

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ELE:CST:WDG:EFS:aa

FPHSA2018

APPENDIX A: MANAGEMENT'S RESPONSE



Florida Parishes Human Services Authority

Livingston Parish
Ligia Soileau
Carol Stafford, Chair

St. Tammany Parish
David Cressy
Timothy Lentz
Vacant

Tangipahoa Parish
Ganesa Garofalo Metcalf, MD
Mona Pellichino

St. Helena Parish
Gary Porter

Executive Director
Richard J. Kramer

Washington Parish
Danielle Keys, Vice Chair

March 16, 2018

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE
P.O. Box 94397
Baton Rouge, LA 70804-9397
ATTN: Carrie Thompson, CPA
Audit Manager

Dear Mr. Purpera:

I am in receipt of the draft findings from the audit of Florida Parishes Human Services Authority concluded by your agency's staff earlier this month. We agree with the finding of Weakness in Controls Over Payroll. FPHSA, through its own internal auditing, had previously identified this weakness in August 2017 and sought to correct this weakness by reeducating all staff on the requirements to have overtime approvals processed timely according to the policy. It should be noted that approximately 75% of the sample audited was prior to this activity. However, we have since determined that due to the geographically distant locations of our operations and the typically unplanned nature of the need for overtime, the current written policies and procedures governing overtime approval are impractical and likely to produce similar results if not revised. By April 16, 2018 Janet Gordon, Director of Human Resources, will revise Overtime Policy and Procedure 544 and 544.1 and any other applicable policies or procedures for consideration by the FPHSA Governing Board at their next scheduled meeting. The policy changes will include delegating authority to approve overtime to managers located at the worksite as well as enhanced centralized auditing responsibilities for Human Resources and other administrative staff.

It is also of note that it is this agency's intention to transition employee time and attendance requests and approvals to the CATS system which will require electronic supervisor approval for any overtime requests before they are processed by the system. As we are not yet able to put a time frame on when this part of the transition will happen I cannot submit it as a corrective action but would like to note that it is a planned step that will further strengthen controls over this area.

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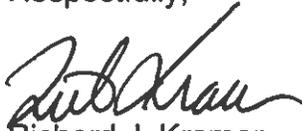
www.fphsa.org

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Please pass on my thanks to your staff for their professional and courteous work throughout this process.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard J. Kramer". The signature is fluid and cursive, with a prominent initial "R" and "K".

Richard J. Kramer
Executive Director
Florida Parishes Human Services Authority

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Florida Parishes Human Services Authority (FPHSA) for the period from July 1, 2016, through March 31, 2018. Our objective was to evaluate certain controls FPHSA 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 FPHSA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. FPHSA's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated FPHSA'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 FPHSA.
- Based on the documentation of FPHSA's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to the reconciliation of revenue collections to accounting records, professional services contracts, purchasing card, FuelTrac card, imprest account, and payroll and personnel expenditures.
- We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from FPHSA'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 FPHSA and not to provide an opinion on the effectiveness of FPHSA'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.