

PINECREST SUPPORTS AND SERVICES CENTER

OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES

**LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA**

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued July 24, 2024**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Pinecrest Supports and Services Center

July 2024

Audit Control # 80240044

Introduction

The primary purpose of our procedures at the Pinecrest Supports and Services Center (Center) was to evaluate certain controls the Center uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

The Center is part of the Office for Citizens with Developmental Disabilities, Louisiana Department of Health (LDH).

Results of Our Procedures

We evaluated the Center'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 Center's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to Medicaid billing, purchasing card expenditures, payroll expenditures, and residents' account disbursements.

Current-report Findings

Weaknesses in Controls over Payroll

The Center did not maintain adequate controls over time and attendance to ensure that accurate records were processed and approved in the payroll system.

In our review of 15 employee time and attendance records, which included regular pay, overtime, shift differentials, and leave for the period July 1, 2022, to December 31, 2023, we noted the following exceptions:

- Two (13%) employees had time worked that was reported on their paper time sheet but was not recorded in Cross-Application Time Sheet (CATS), the electronic time and attendance system, nor was it included in their pay check for the pay period.

- One (6.7%) employee had missing leave approvals.
- One (6.7%) employee who certified their time in CATS had approval on a paper time sheet, but did not have approval within CATS.
- Of the 15 employee time and attendance records reviewed, nine employees recorded overtime for the pay period; however, three (33%) of these nine employees had their overtime approved after the scheduled work day had ended.

The Center utilizes paper time sheets and payroll documentation for a majority of its employees in accordance with the *Louisiana Department of Health Time Administration and Time Entry* policy, as most employees do not have computer access. According to the policy, employees who have computer access and an email account in the state email system submit their leave and attendance requests through Louisiana Employees Online, and employees whose hours are recorded within the electronic time system by the employee are required to have their approvals recorded in CATS. If circumstances prevent use of the online system, affected employees shall submit paper leave and attendance requests to their supervisor for approval and subsequent entry into the CATS system by the Unit Time Administrator. Furthermore, employees must request and obtain supervisory approval to work overtime prior to working the overtime by submitting an overtime request form to their supervisor.

Time from the paper leave and attendance requests are entered into the CATS system by the Time Administrators each pay period; however, there is no review of the time entered to ensure the information is entered accurately. In addition, documentation for the prior approval of overtime is not being obtained, but is verbally communicated, according to the Center.

Failure to implement good internal controls over time and attendance increases the risk that payroll errors and/or fraud could occur and not be detected. The Center should evaluate its internal controls over time and attendance to ensure required policies are followed and accurate records are processed and approved in the payroll system. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Inadequate Controls over Resident Accounts

The Center did not have adequate controls in place to ensure disbursements from the Center's resident accounts were disbursed in accordance with written policies and procedures.

In a review of 20 resident cash account disbursements that occurred between July 1, 2022, and February 29, 2024, we noted the following:

- Seven (35%) disbursements were issued as checks to cash.

- Two (10%) disbursements did not contain receipts.
- Two (10%) disbursements did not have the required Request for Expenditure of Personal Funds form per the Center's policy, which contains documentation of approvals for the disbursements.
- Six (30%) disbursements were not transacted timely in accordance with the Center's policy. For these six disbursements examined, the days between when the checks were issued and receipts and unspent funds were provided and returned to the residents' accounts ranged from 32 to 164 days. During these periods, funds were issued in cash and held by the employees making the purchases for the residents.

The Center's *Request for Expenditure of Personal Funds* policy over resident accounts states that to initiate a disbursement from a resident account the *Request for Expenditure Form* will be completed with all necessary approvals and include the necessary documentation that pertains to the purchase. In addition, the policy states that no checks from the resident's funds shall be written to cash. The policy sets a limit of seven calendar days between receiving a disbursement from Fiscal Services and returning receipts and/or change totaling the amount of the disbursement. All staff who participate in the expenditure of the funds are required to maintain the receipts for purchases along with other documentation based on the type of disbursement.

Lack of adequate controls over resident accounts increases the risk that fraud and/or errors could occur and not be detected. In addition, relying on employees for safeguarding of resident cash over long periods of time increases risk of theft or loss. The Center should strengthen its controls and procedures over the resident accounts to ensure the written policies are followed and not violated. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Medicaid Billing

Approximately 98% of the Center's revenue collections consist of billings for Medicaid Title XIX revenues, which totaled approximately \$121.2 million in fiscal year 2023. The Center submits monthly electronic billings to the Louisiana Medicaid Fiscal Intermediary, Gainwell Technologies system for Medicaid funds, which are received and directly deposited into the State Treasury by LDH for the Center's use. The billings are based on the number of residents and the days housed during each month and established Medicaid per diem rates entered in the HSys Electronic Billing Software for Medicaid and uploaded to the Gainwell Technologies system. We inquired of Center personnel and examined supporting documents for December 2022, March 2023, July 2023, and August 2023 billings. Based on the results of our procedures, no exceptions were identified.

Purchasing Card Expenditures

The Center participates in the state of Louisiana’s LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of the Center’s controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2022, through December 31, 2023, and reviewed selected transactions. Based on the results of our procedures, the Center 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.

Payroll Expenditures

Salaries and related benefits comprised approximately 77% of the Center’s expenditures in fiscal year 2023. We obtained an understanding of the Center’s controls over the time and attendance function and reviewed selected employee time and attendance records for the period July 1, 2022, through December 31, 2023. As noted in the Current-report Findings section, our procedures revealed the Center did not maintain adequate controls over time and attendance to ensure that accurate records were processed and approved in the payroll system.

Residents’ Account Disbursements

The Center maintains resident account balances for each of the residents within the Center. Funds are added to the resident accounts when received and disbursed based on the needs and desires of the residents. We obtained an understanding of the Center’s policies and procedures and controls over the residents’ account disbursements and reviewed selected disbursements for the period July 1, 2022, through May 3, 2024. As noted in the Current-report Findings section, our procedures revealed that the Center did not have adequate controls in place to ensure disbursements from the Center’s resident accounts were disbursed in accordance with written policies and procedures.

Trend Analysis

We compared the most current and prior-year financial activity using the Center’s financial information and/or system-generated reports and obtained explanations from the Center’s management for any significant variances.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

WMS:REW:JPT:BQD:ch

PSSC 2024

APPENDIX A: MANAGEMENT'S RESPONSES



State of Louisiana
Louisiana Department of Health
Office for Citizens with Developmental Disabilities
Pinecrest Supports and Services Center

June 26, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Weaknesses in Controls Over Payroll

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated June 21, 2024, regarding a reportable audit finding related to Weakness in Controls over Payroll for Pinecrest Supports and Services Center. LDH appreciates the opportunity to provide this response to your office's finding.

Finding: Weaknesses in Controls Over Payroll

Recommendation: PSSC should evaluate its internal controls over time and attendance to ensure required policies are followed and accurate records are processed and approved in the payroll system.

LDH Response: PSSC concurs with the findings of weaknesses in controls over payroll.

Corrective Action Plan: PSSC developed the following corrective action plan.

- Policies to be reviewed, revised and provide education to employees to be completed by 9/30/2024:

IV.B.11-01 Internal Payroll
- Timekeepers and other designated Human Resources staff to audit 100% of employee timesheets and payroll entries to identify need for prior period adjustments and to submit those adjustments on

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Wednesdays after payroll Mondays. Human Resources leadership will track and trend the number of prior period adjustments required each pay period.

- Email addresses have been assigned to day services staff and residential leadership. Human Resources will provide LEO/CATS education (time entries, time statement certification requirements and process and Administration Unit Manager roles and responsibilities) to those with email addresses and as other employees are assigned email addresses.
- Human Resources leadership will complete reports each pay period to verify completion of time statement certification requirements. Those employees not meeting the certification requirements will be notified via email of compliance requirements.

You may contact Wynn Ware, Director of Human Resources, by telephone at (318) 641-2172 or by email at Wynn.Ware@LA.GOV.

Sincerely,



Michael Harrington, MBA, MA
Secretary

MH: NB



State of Louisiana
Louisiana Department of Health
Office for Citizens with Developmental Disabilities
Pinecrest Supports and Services Center

June 26, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Inadequate Controls Over Resident Accounts

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated June 21, 2024, regarding a reportable audit finding related to Inadequate Controls Over Resident Accounts for Pinecrest Supports and Services Center. LDH appreciates the opportunity to provide this response to your office's finding.

Finding: Inadequate Controls Over Resident Accounts

Recommendation: PSSC should strengthen its controls and procedures over the resident accounts to ensure the written policies are followed and not violated.

LDH Response: PSSC concurs with the findings of inadequate controls over resident accounts.

Corrective Action Plan: PSSC developed the following corrective action plan.

- Policies to be reviewed, revised and provide education to employees to be completed by 9/30/2024:
 - II.B.07-01 Review of Personal Funds
 - II.B.07-02 Expenditure of Personal Funds (to include disbursement will require purpose or benefit and to include documented approval)

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II.B.07-02a Request for Expenditure of Personal Funds

- A log of disbursed funds will be maintained daily. An email will be sent to employee(s) supervisor when the receipt or return of funds has not been completed within two (2) business days to ensure timely return of receipts and refunds within seven (7) business days.

You may contact Caryn Givens, Chief Financial Officer, by telephone at 318-484-6343 or by email at Caryn.Givens2@LA.GOV.

Sincerely,



Michael Harrington, MBA, MA
Secretary

MH: NB

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Pinecrest Supports and Services Center (Center) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls the Center uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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 Center's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Center's accounts, under the Office for Citizens with Developmental Disabilities, Louisiana Department of Health, are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Center'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 Center.
- Based on the documentation of the Center's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to Medicaid billing, purchasing card expenditures, payroll expenditures, and residents' account disbursements.
- We compared the most current and prior-year financial activity using the Center's financial information and/or system-generated reports to identify trends and obtained explanations from the Center'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 Center and not to provide an opinion on the effectiveness of the Center'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.