

LOUISIANA BEHAVIOR ANALYST BOARD
LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED APRIL 5, 2017

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana Behavior Analyst Board
Louisiana Department of Health



April 2017

Audit Control # 80160159

Introduction

The primary purpose of our procedures at the Louisiana Behavior Analyst Board (Board) was to evaluate certain controls that the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

The Board was created within the Louisiana Department of Health as provided by Louisiana Revised Statute (R.S.) 36:259(E) (25). The Board was created to provide for the licensure, certification, and registration of individuals practicing Applied Behavior Analysis in the State of Louisiana.

Results of Our Procedures

We evaluated the Board'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 Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenditures, contracts, payroll and personnel, budget, and ethics.

Current-year Findings

Inadequate Segregation of Duties

The Board did not establish policies requiring adequate segregation of duties over cash receipts and cash disbursements. In fiscal years 2015 and 2016, the same employee who collected receipts, prepared, and made deposits also prepared, signed, and remitted checks for cash disbursements without anyone reviewing them for appropriateness.

Although the Board contracted with a certified public accountant (CPA) in fiscal year 2016 to post payments to the general ledger and prepare bank reconciliations, the CPA was not in a position to evaluate the appropriateness of Board disbursements. In addition, the Board disclosed that the prior executive director made advanced payments to herself for future amounts due under her consulting contract with the Board.

Adequate segregation of duties requires that the initiation, execution, and approval of a financial transaction be performed by separate individuals. However, the Board had limited staff to accomplish adequate segregation without Board member participation. Inadequate segregation of duties and lack of written policies and procedures increases the risk of employee error or fraud.

The Board Chair or other designated Board member should routinely compare the fees deposited to the expected fees, based on the number of licenses issued or renewed, and should further review payments on the bank statement for reasonableness. In addition, evidence of Board member review should be documented and maintained as part of the Board's accounting records. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Control over Bank Reconciliations

The Board's bank reconciliations for its operating bank account did not contain evidence of preparer's signature or management's review and approval for fiscal year 2015 or fiscal year 2016. Bank reconciliations provided to the auditor for the two fiscal years were all dated January 10, 2017.

Untimely reconciliations increase the risk that employee error or fraud could occur and not be detected timely. Good internal control requires a monthly reconciliation of bank account balances to the accounting records with supervisory approval completed and reviewed in a timely manner.

Board policy should require evidence of review of monthly bank reconciliation to payments to serve as a monitoring function. Evidence of Board member review should be documented and maintained as part of the Board's accounting records. Management partially concurred with the finding and provided a plan of corrective action (see Appendix A, pages 3-4).

Inadequate Control over Debit Card and Travel Expenses

The Board did not maintain adequate supporting documentation including itemized receipts, documentation of the business purpose, and/or proper approval for debit card and travel expenses. The Board failed to establish policies and procedures regarding the use of debit cards and also failed to ensure compliance with state travel regulations. Inadequate internal controls and lack of supporting documentation increases the risk of employee error or fraud.

Our review of debit card and travel transactions revealed the following:

- Ten debit card transactions tested totaling \$1,730 did not have evidence of approval, and five of these transactions totaling \$308 had no itemized receipts or documentation of the business purpose.
- For nine travel expenditure transactions totaling \$312, we found no supporting documentation such as itemized receipts, documentation of the business purpose, and/or proper approval.

- One ATM transaction totaling \$142 had no itemized receipt, no supporting documentation of the business purpose, and/or no proper approval.

Good internal controls over debit card usage should require that transaction documentation is retained and used for reconciliation with the bank statement each month. State travel regulations require that the Board maintain supporting documentation, including original receipts.

The Board should develop written policies and procedures to ensure adequate supporting documentation is maintained and that debit card and travel expenses are properly approved. Management partially concurred with the finding and provided a plan of corrective action. Management noted that expenditures totaling \$1,422 included in the first bullet of the finding were for a documented business purpose (see Appendix A, pages 5-7).

Additional Comments: The Board did not concur that there was no documentation of the business purpose for five transactions totaling \$1,422 (\$1,730 - \$308). However, the finding does not question the business purpose documentation on the five expenditures totaling \$1,422. The finding questioned the documentation of business purpose for the other five expenditures totaling \$308.

Other Results of Our Procedures

Cash

The Board maintains a checking account for general operations. Cash balances totaled \$90,286 and \$170,972 for the fiscal years ended June 30, 2015, and June 30, 2016, respectively. We performed procedures to reconcile cash transactions to the Board's general ledgers, evaluated the segregation of duties between Board staff, and confirmed the timely preparation and review of bank account reconciliations. During our review of cash receipts and disbursements, we noted that the Board has not established adequate segregation of duties. During our review of bank reconciliations, we noted the Board does not have adequate controls over bank reconciliations (see Current-year Findings section).

Licensing Fees

Approximately 98% of the Board's revenue collections for the fiscal years ended June 30, 2015, and June 30, 2016, are application, examination, and 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. No exceptions were noted.

Credit Cards

The Board has one debit card that is used by the executive director for general operating expenses, office supplies, and other. Based on the results of our procedures, we determined the

Board did not establish adequate internal control over the use of the debit card and maintenance of adequate supporting documentation (see Current-year Findings section).

Travel Expenditures

Travel expenditures include travel for the Board's former executive director for reimbursement of travel expenditures. Travel expenditures totaled \$480 for fiscal year 2015 and 2016. Based on the results of our procedures, we determined the Board did not comply with laws and regulations and did not maintain adequate supporting documentation. This issue was reported as a finding (see Current-year Findings section).

Contracts

The Board contracted with several parties to perform accounting, legal, consulting, and website services. Contract expenditures totaled \$21,113 for fiscal year 2015 and 2016. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. During the examination, the Board reported that the former executive director made advance payments to herself in a manner that did not comply with the professional services contract she had with the Board. This issue was reported as a finding (see Current-year Findings section).

Payroll and Personnel

Approximately 56-58% of the Board's expenditures for the fiscal years ended June 30, 2015, and June 30, 2016, relate to payroll and related benefit costs. Board personnel include an executive director and clerical assistant. We traced selected employees' salaries to contract terms or pay structure and evaluated controls over time and attendance records. No exceptions were noted.

Budget

The Board annually adopts a budget by majority vote of its board of directors. We confirmed the adoption of the Board's budget for the fiscal years ended June 30, 2015, and June 30, 2016, and evaluated variances greater than 10% between budgeted amounts and actual revenue and expenditures for reasonableness. No exceptions were noted.

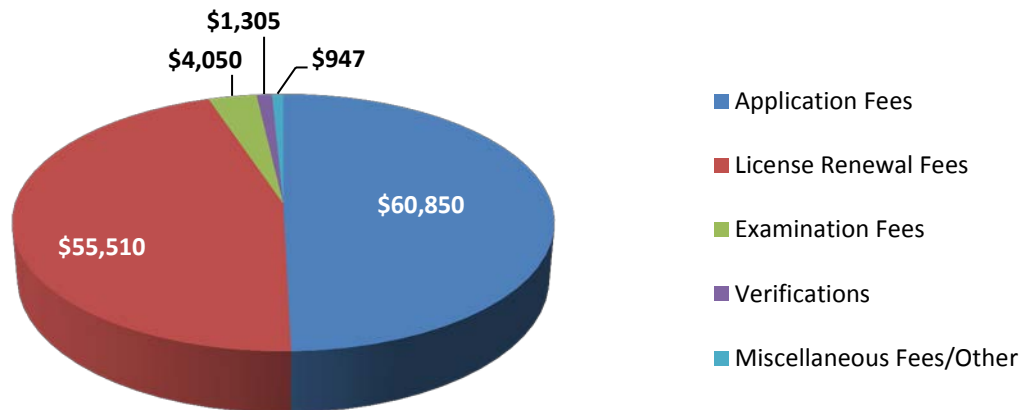
Ethics

We evaluated evidence to determine if required ethics training was completed by the Board's members and employees. We determined the Board members and employees completed the required annual ethics training. No exceptions were noted.

Comparison of Activity between Years

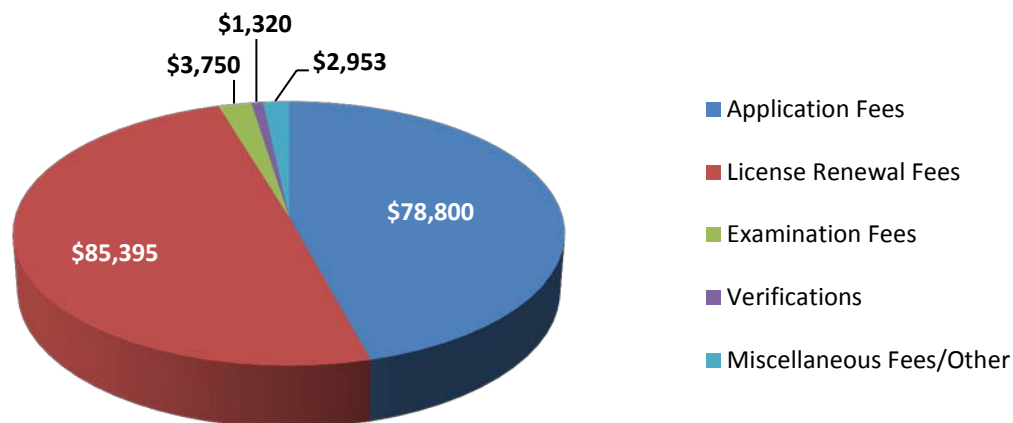
We compared the most current and prior-year financial activity using the Board's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board's cash basis revenues and expenditures for the fiscal years ended June 30, 2015, and June 30, 2016.

Fiscal Year 2015 Revenues
Total Revenue: \$122,662



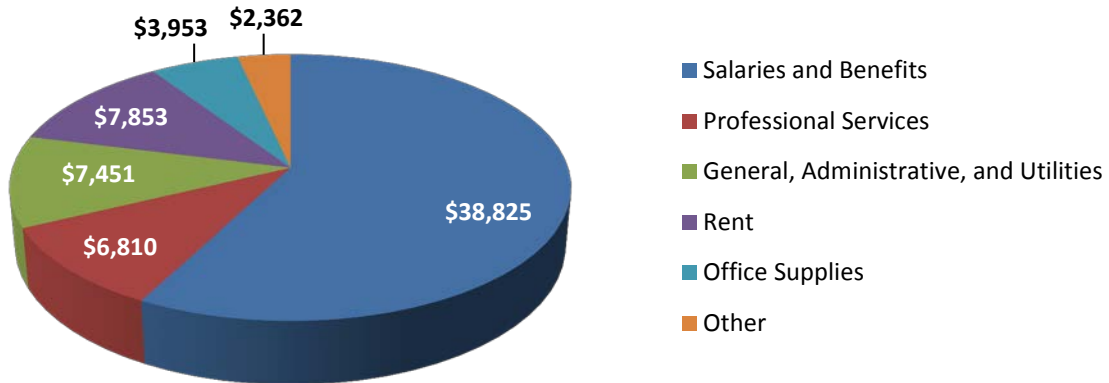
Source: Board's General Ledgers

Fiscal Year 2016 Revenues
Total Revenue: \$172,218



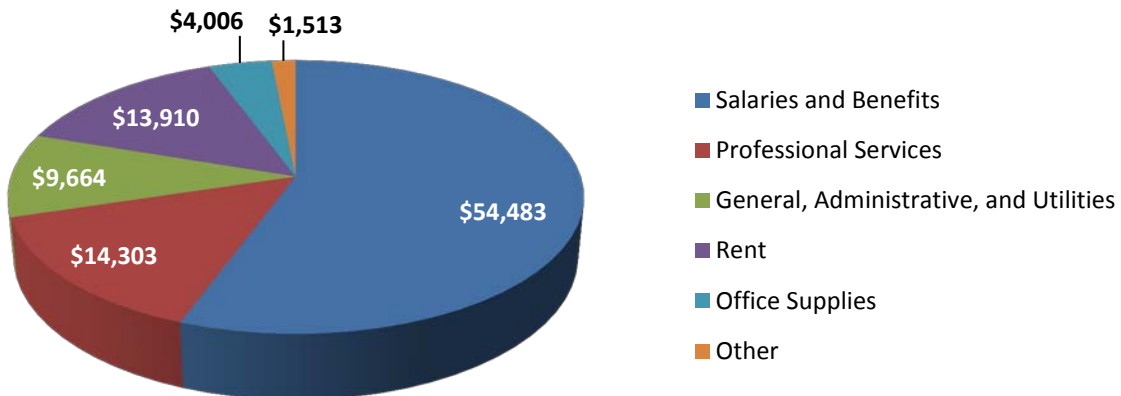
Source: Board's General Ledgers

Fiscal Year 2015 Expenditures
Total Expenditures: \$67,254



Source: Board's General Ledgers

Fiscal Year 2016 Expenditures
Total Expenditures: \$97,879



Source: Board's General Ledgers

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

APPENDIX A: MANAGEMENT'S RESPONSES



LOUISIANA BEHAVIOR ANALYST BOARD

8706 Jefferson Highway
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Baton Rouge, LA 70809

Voice: (225) 925-6523
Email: baadmin@la.gov
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March 21, 2017

VIA CERTIFIED MAIL/RETURN RECEIPT REQUESTED AND ELECTRONIC MAIL

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

Re: Inadequate Segregation of Duties

Dear Mr. Purpera:

The Louisiana Behavior Analyst Board (LBAB) concurs with the findings related to segregation of duties. LBAB concurs that inadequate segregation of duties increases the risk of employee error or fraud and agrees that corrective action should be taken. An outline of corrective measures that have been approved by LBAB are listed below and attached to this letter. However, the LBAB does still have limited staff, as noted in the findings, to accomplish adequate segregation without board member participation.

CORRECTIVE ACTIONS:

- LBAB Employee Handbook was drafted and approved at the meeting on November 15, 2016, as evidenced in the minutes. It states that the Executive Director's duties and responsibilities shall include, in part, Financial Management. It further states that the Administrative Assistant's duties and responsibilities shall include, in part, assisting the Executive Director. Upon employment of an Administrative Assistant, the Financial Management duties will be divided into Accounts Payable and Accounts Receivable and at the end of each month, each will be responsible for checking the other's work for error and/or fraud.
- LBAB Finance Committee drafted Policies and Procedures for Accounting which were approved at the January 17, 2017 meeting, as evidenced in the minutes. It outlines the financial duties of the CPA, Executive Director, Finance Committee, and Full Board.

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The LBAB does compare the fees deposited to the expected fees, based on the number of licenses issued or renewed when working on the budget, at the end of the renewal period, and in the Independent Accountant's Compilation Report. Additionally, the Executive Director's detailed deposit reports contain the individual's name, fee purpose, and amount, as well as a copy of each item deposited. These reports are and have been compared to the number of licenses, certificates, or registrations issued or renewed.

At the LBAB monthly meeting, the financial documents for the month are reviewed and the minutes reflect either "no apparent discrepancies noted" or details any discrepancies noted. LBAB anticipates the addition of the Employee Handbook and written Policies and Procedures for Accounting will assist to alleviate the Inadequate Segregation of Duties. Additionally, the future hiring of an Administrative Assistant will further alleviate this finding. The Executive Director will be responsible for implementing the corrective actions. The corrective actions will also be reviewed by the board's Finance Chairperson monthly.

We hope this adequately responds to the audit finding.

Sincerely,

A handwritten signature in cursive script that reads "Rhonda Boe".

Rhonda Boe
Executive Director
Enclosures



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Daryl G. Purpera, CPA CFE
Legislative Auditor
Louisiana Legislative Auditor
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Re: Inadequate Control over Bank Reconciliations

Dear Mr. Purpera:

The Louisiana Behavior Analyst Board (LBAB) concurs in part with the findings related to Inadequate Control over Bank Reconciliations.

Regarding the bank reconciliations from July 2014 through June 2015, we concur there was no preparer's signature or management's review signature. There is also no documentation as to the date the reconciliations were prepared.

We do not concur the following bank reconciliations were all prepared on January 10, 2017, but were in fact prepared on the dates listed below. We do concur these were not prepared in a timely manner.

From July 2015 through September 2015 these were all prepared on November 10, 2015
October, 2015 was prepared on December 7, 2015
December 2015 was prepared on February 15, 2016
January, 2016 was prepared on March 8, 2016
May, 2016 was prepared on July 4, 2016

We do not concur the following bank reconciliations were all prepared on January 10, 2017, but were in fact prepared timely:

November, 2015 was prepared on December 7, 2015
February, 2016 was prepared on March 8, 2016
March, 2016 was prepared on April 22, 2016
April, 2016 was prepared on May 18, 2016
June, 2016 was prepared on July 8, 2016

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We do concur there was no preparer's signature or management's review signature.

There is a reason it appears all reconciliations were prepared on January 10, 2017. I requested the bank reconciliations from our CPA. The CPA exported the reconciliations from Quickbooks to Excel on January 10, 2017 and forwarded to me. The original PDF on each reconciliations shows the date in the top corner. These are enclosed.

LBAB concurs that untimely reconciliations increase the risk that employee error or fraud could occur and not be detected timely. LBAB also agrees that corrective action should be taken. An outline of corrective measures that have been approved by LBAB are listed below and enclosed.

CORRECTIVE ACTIONS:

LBAB Finance Committee drafted Policies and Procedures for Accounting which were approved at the January 17, 2017 meeting, as evidenced in the minutes. It outlines the financial duties of the CPA, Executive Director, Finance Committee, and Full Board.

CPA – will be responsible to review general ledger for correct coding against monthly bank statements; generate financial reports for monthly board meetings; and reconcile accounts receivables/deposits against logs

Executive Director – will provide CPA all ledgers, statements, deposit logs, etc. required to prepare monthly reports and notify CPA of any discrepancies

Finance Committee – will review financial reports for monthly board meetings and question any perceived discrepancies

Full Board – will review reports presented by Finance Committee and approve if no apparent discrepancies noted. If discrepancies are noted, approval will be deferred until Finance Committee reconciles the discrepancies

In addition, beginning with February, 2017, the CPA will date and sign the Reconciliation Reports as Preparer. The Finance Board Chair will date and sign the Reconciliation Report when approved. The Executive Director will be responsible for implementing the corrective actions. The corrective actions will also be reviewed by the board's Finance Chairperson monthly.

We hope this adequately responds to the audit finding.

Sincerely,



Rhonda Boe
Executive Director
Enclosures



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Re: Inadequate Control over Debit Card and Travel Expenses

Dear Mr. Purpera:

The Louisiana Behavior Analyst Board (LBAB) concurs in part with the findings related to Inadequate Control over Debit Card and Travel Expenses.

Regarding the nine travel expenditure transactions totaling \$312.00, we concur that there was no supporting documentation including itemized receipts, documentation of the business purpose, and/or proper approval. These transactions occurred between July 16, 2014 and September 8, 2015 and were expenses for the former Executive Director.

Regarding the five debit card transactions totaling \$308.00, we concur that there was no itemized receipts or documentation of the business purpose. These transactions occurred between January, 2015 and September, 2015 and were charged by the former Executive Director.

Regarding the remaining five debit card transactions totaling \$1422.00 we do not concur that there was no documentation of the business purpose.

- 1) Office Depot 8/4/2014 - \$110.25 purchased office supplies
Office supplies necessary for day-to-day operations were to be purchased by the Executive Director. Reviewed at the 9-4-14 meeting with no objections.
- 2) Apple Online Store 12/15/14 - \$1088.91 Office Equipment
Laptop for Executive Director a necessary office expense. Executive Director was

shared between this board and LSBEP. This purchase was necessary to keep each board's records confidential. Reviewed at the 1-6-15 meeting with no objections.

3) LeBlanc's Food Store 4/11/16 - \$35.85 Board meeting supplies

Upon creation of the LBAB, costs were shared with LSBEP including monthly meeting supplies. LSBEP billed LBAB \$20.00 per month as one half the cost. When the boards ceased to share directors, LBAB began purchasing their own supplies. The MOU under Section B. Responsibilities of Parties states each will handle their own board activities. This was adopted and approved by LBAB at the June 2, 2015 meeting, as evidenced in the minutes.

4) Made to Order Stamp 4/29/16 - \$130.98 Seal for LBAB Board

R.S. 37:3701 §3704 (11) Create and adopt an official seal for the board. The official seal was created and adopted at the October 8, 2013 board meeting. An ink stamp was used until funds were available to purchase a press seal.

5) Jason's Deli BTR 5/4/16 - \$55.40 Board Working Lunch

As evidenced in the minutes of the January 12, 2016 board meeting, the board approved working lunches for board meetings be paid for by LBAB.

Regarding the one ATM transaction totaling \$142.00 we concur there was no itemized receipt, and no supporting documentation of the business purpose, and/or prior approval.

We also concur that inadequate internal controls and lack of supporting documentation increases the risk of employee error or fraud. We also concur good internal controls over debit card usage should require that transaction documentation is retained and used for reconciliation with the bank statement each month. We also concur supporting documentation, including original receipts are required under state travel regulations.

An outline of corrective measures that have been approved by LBAB are listed below and attached to this letter.

CORRECTIVE MEASURES:

LBAB Finance Committee drafted Policies and Procedures for Accounting which were approved at the January 17, 2017 meeting, as evidenced in the minutes. It outlines the financial duties of the CPA, Executive Director, Finance Committee, and Full Board. It addresses control over debit card and travel expenses as follows:

Under 102 C it states Executive Director and current Board Member are to be on

Daryl G. Purpera, CPA, CFE, Legislative Auditor

March 21, 2017

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signature card as account holder with a credit card issued in their name to be used solely for purchases directly related to the operational expenses of LBAB. Also, to reconcile the purchases on the Board credit card every month with the bank statement.

Under 103 A it states Administrative Assistant/Executive Director will maintain a copy of all invoices with the payment information recorded or copied. The Executive Director will approve all disbursements, based on purchasing authority.

Under 103 B it states office supplies and small purchases under \$250.00, within budget, may be approved by the Executive Director. Purchases between \$250.00 and \$500.00 require approval of the Board. Purchases of \$500.00 or more require board approval and be in accordance with applicable State and Federal laws. The debit/credit card is to be used only for purchases directly related to payment of online operating expenses/bills/ purchasing office supplies, supplies for board meetings, and working lunches for board meetings. Further the Finance Committee will review monthly and report discrepancies or no apparent discrepancies and document in the meeting minutes. One credit card can be maintained at a supply store for online purchasing of office supplies in accordance with purchasing authority.

Under 103 C the board will reimburse expenses and/or travel in accordance with the Travel Regulations published by the Division of Administration, Office of State Purchasing. Expense report with proper receipts attached are required. Approval by the Executive Director, Board Chair, or full Board will be required.

At the LBAB monthly meeting, the financial documents for the month are reviewed and the minutes reflect either "no apparent discrepancies noted" or details any discrepancies noted. LBAB anticipates the addition of the written Policies and Procedures for Accounting will assist to alleviate the Inadequate Control over Debit Card and Travel Expenses. The Executive Director will be responsible for implementing the corrective actions. The corrective actions will also be reviewed by the board's Finance Chairperson monthly.

We hope this adequately responds to the audit finding.

Sincerely,



Rhonda Boe
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Behavior Analyst Board (Board) for the period from July 1, 2014, through June 30, 2016. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall 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 the Board's Annual Fiscal Reports, and accordingly, we do not express opinions on those reports. The Board's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenditures, contracts, payroll and personnel, budget, and ethics.
- We compared the most current and prior-year financial activity using the Board's annual fiscal reports and/or system-generated reports and obtained explanations from the Board's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the Board and not to provide an opinion on the effectiveness of the Board'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.