

CENTRAL LOUISIANA STATE HOSPITAL
OFFICE OF BEHAVIORAL HEALTH

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED APRIL 18, 2018

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Central Louisiana State Hospital

April 2018

Audit Control # 80180032

Introduction

The primary purpose of our procedures at the Central Louisiana State Hospital (hospital) was to evaluate certain controls the hospital uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

The hospital is a part of the Office of Behavioral Health, Louisiana Department of Health (LDH), which is a component unit of the State of Louisiana.

Results of Our Procedures

We evaluated the hospital'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 hospital'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 cash, LaCarte purchasing card expenses, FuelTrac card expenses, patient billings, payroll and personnel, contracts, and information technology access.

Cash

The hospital maintains the following local bank accounts:

- Sundry account - consisting of funds from activities performed by patients as part of work therapy and used for employee recognition events,
- Chapel account - consisting of donations designated for construction of a chapel building,
- Petty Cash Fund - used for emergency purchases, and
- Patients' accounts - consisting of funds from Social Security benefits and private funds from family; used for patients' needs.

We obtained an understanding of the hospital's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and reconciliations. We also examined supporting documents for selected patient account cash disbursements during the period July 1, 2016, through January 25, 2018, to determine whether disbursements were properly authorized, valid for the benefit of the patient, as well as properly supported and recorded.

Based on the results of our procedures, no exceptions were identified.

LaCarte Purchasing Card Expenses

The hospital participates in the State of Louisiana's LaCarte purchasing card program as an additional mechanism to obtain and pay for operational purchases under \$5,000 that are not on State contract. We obtained an understanding the hospital's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2016, through January 24, 2018, and reviewed selected transactions. Based on the results of our procedures, the hospital 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 Expenses

The hospital participates in the State of Louisiana's FuelTrac Card program and uses the FuelTrac cards to make gas and auto maintenance and repair purchases. We obtained an understanding of the hospital's policies and procedures relating to fuel card activities. We analyzed a listing of transactions for the period July 2016 through January 24, 2018. We selected and examined documents, such as receipts, manual logs, credit card statements, and driver authorization forms for fuel card purchases made in July 2016, August 2016, September 2016, March 2017, August 2017, September 2017, and November 2017. We identified no exceptions to the card purchases. We also reviewed fuel card access of each driver who terminated their employment at the hospital and made suggestions for improvement in regards to access.

Patient Billings

Medicaid payments received by the hospital are "crossover payments" which occur when a Medicare patient has Medicaid as secondary payer and Medicaid pays the copayments and deductibles. The majority of third-party billing performed by the hospital is Medicare, private pay, and private insurance. If the patient is uninsured, the hospital must provide free care as per LDH policy, and this goes into the hospital's calculation of its uncompensated care revenues, representing 70% of total revenues in fiscal year (FY) 2017.

We inquired of hospital personnel and examined supporting documents for selected patients' billings to determine whether the hospital is billing timely at the correct rate and based on appropriate number of days. Based on the results of our procedures, no reportable exceptions were identified.

Payroll and Personnel

Salaries and related benefits comprised approximately 70% of the hospital's expenditures in FY 2017. We obtained an understanding of the hospital's controls over the time and attendance function and reviewed selected employee records for earning of compensatory and working overtime. Based on the results of our procedures, the hospital had adequate controls in place to ensure timely review and approval of employee time and attendance, including compensatory time and overtime worked.

Contracts

For contracts in effect during the two-year period ending June 30, 2018, for neurological, psychiatric, psychological, and religious services, we examined contracts and invoice payments for October 2016, December 2016, February 2017, June 2017, July 2017, August 2017, December 2017, and February 2018. Based on the results of our procedures, no exceptions were identified.

Information Technology Access

We performed procedures to determine whether information technology (IT) access was restricted to business-need only and access was adequately segregated. The hospital uses the Asset Works system for property management and the Integrated Statewide Information System for general ledger data and financial information preparation. Based on the results of our procedures, the hospital had adequate IT controls in place to ensure access was properly restricted and segregated.

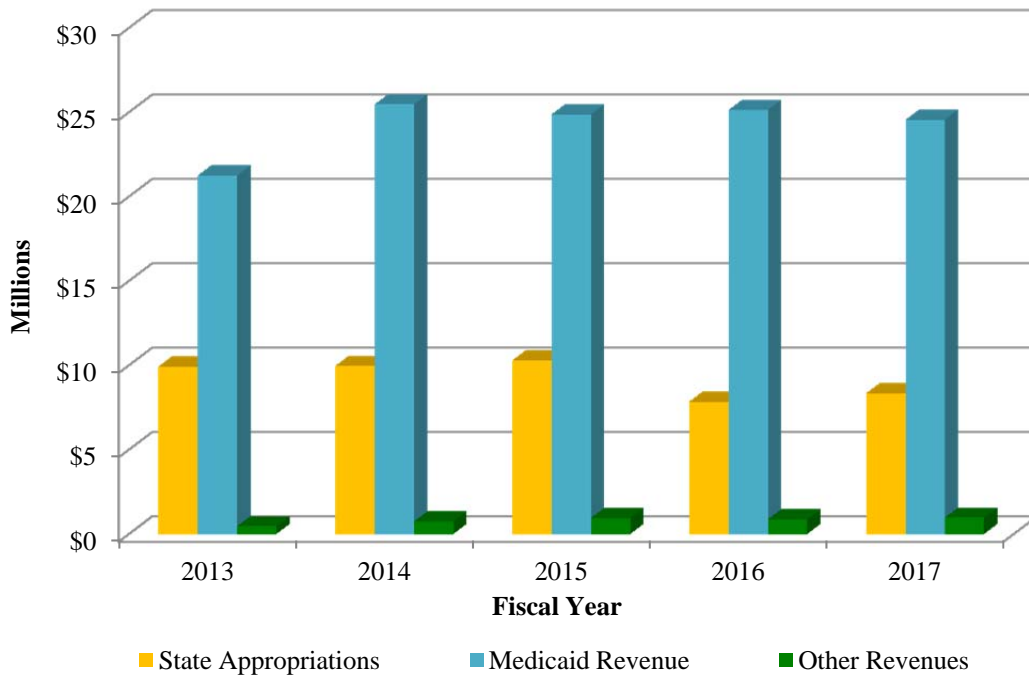
Trend Analysis

We compared the most current and prior-year financial activity using the hospital's financial information and/or system-generated reports and obtained explanations from hospital management for any significant variances. We also prepared an analysis of the hospital's revenues, expenses, and census data over the last five years to identify trends, as shown in Exhibits 1 and 2 on the following pages.

In the past five fiscal years, State funding has fluctuated based on the availability of Federal Medicaid funds, which is linked to the census count. In FY 2014, Medicaid revenues increased

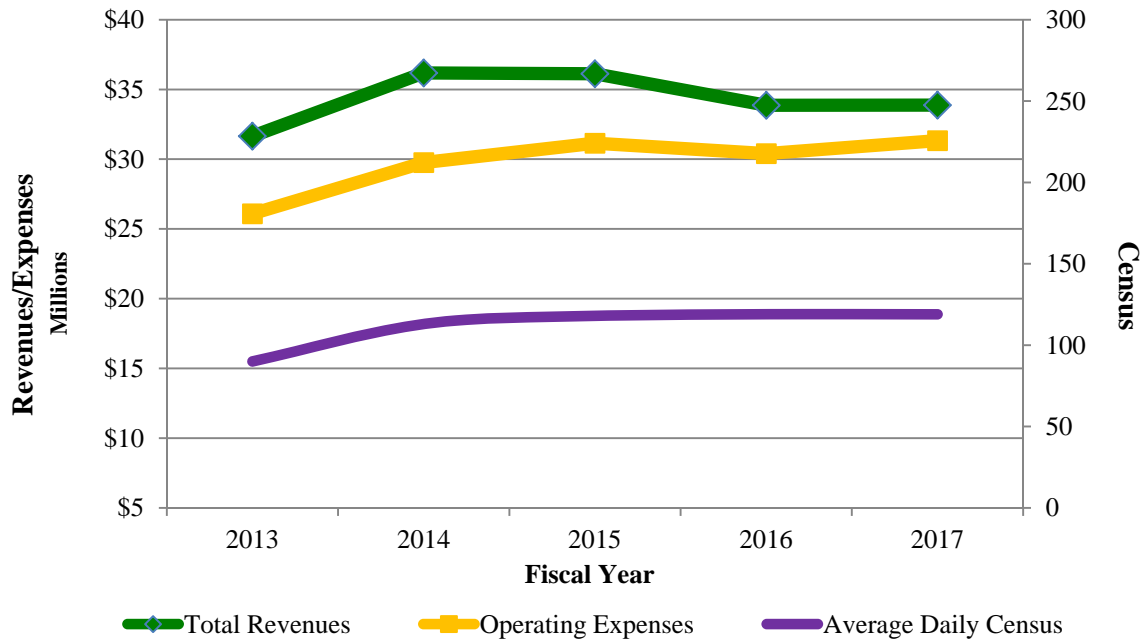
significantly after patients from the Southeast Louisiana Hospital in Mandeville, which closed during FY 2013, were transferred to the Central Louisiana State Hospital in Pineville. State appropriations decreased in FY 2016 when the Shamrock Street Pharmacy was moved from the hospital’s budget unit. Total revenues and expenses have been consistent with changes in the census.

**Exhibit 1
Five-Year Revenue Trend**



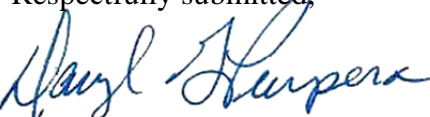
Source: Business Objects Financial Reports

**Exhibit 2
Fiscal/Census Trends**



Source: Business Objects Financial Reports and Patient Information Program Population Movement Reports

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

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CLSH 2018

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Central Louisiana State Hospital (hospital) for the period from July 1, 2016, through April 9, 2018. Our objective was to evaluate certain controls the hospital 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 the hospital's financial information, and accordingly, we do not express an opinion on that information. The hospital's accounts, under the Office of Behavior Health, 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 hospital'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 hospital.
- Based on the documentation of the hospital's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, LaCarte purchasing card expenses, FuelTrac card expenses, patient billings, payroll and personnel, contracts, and information technology access.
- We compared the most current and prior-year financial activity using the hospital's financial information and/or system-generated reports to identify trends and obtained explanations from the hospital'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 hospital and not to provide an opinion on the effectiveness of the hospital'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.