

CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED SEPTEMBER 2, 2009

**LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 12, 2009

**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Capital Area Human Services District for the period from July 1, 2007, through June 30, 2009. Our procedures included (1) a review of the district's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected district personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Capital Area Human Services District were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The district's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Capital Area Human Services District, dated May 29, 2007, we reported findings relating to payroll internal control weaknesses and noncompliance with movable property policy. The finding relating to noncompliance with movable property policy has been resolved. The finding relating to payroll internal control weaknesses is addressed again in this report

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

Payroll Internal Control Weakness

For the second consecutive engagement, the Capital Area Human Services District (CAHSD) did not establish and implement adequate internal controls over payroll and did not enforce existing policies to ensure that payroll transactions are valid, authorized, and correctly input into the payroll system. CAHSD Policy 426-07 states that the employees' time and attendance must be entered in the statewide payroll system, ISIS/HR, based on the time and attendance sheet. In addition, access to the ISIS/HR system should be limited to those employees with a business need.

Audit procedures identified the following noncompliance with existing policy:

- For three of 19 (16%) time sheets tested, timekeeper entry and the remuneration statement did not match the hours worked on the employee's time and attendance sheets.
- Four employees had inappropriate access to ISIS/HR.
- Between April 2007 and March 2008, five CAHSD employees were overpaid a total of \$376. CAHSD did not actively pursue recoupment of the overpayments.

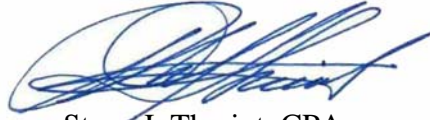
Management did not place sufficient emphasis on compliance with existing CAHSD policies and procedures. Noncompliance with procedures may result in incomplete data, inaccurate entries, and an increase in the risk of fraud or errors. The enforcement of policies and procedures ensures compliance with state Civil Service and federal and state rules and regulations and reduces the risk that payroll related errors and/or fraud could occur and not be detected in a timely manner.

Management should strengthen internal control and monitor compliance with existing policies and procedures to ensure valid payroll data is entered timely and correctly. In addition, management should actively pursue recoupment of any overpayments. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the district. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the district should be considered in reaching a decision on a course of action.

This report is intended solely for the information and use of the district, its management, others within the entity, the Department of Health and Hospitals, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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CAHSD09

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Management's Corrective Action
Plan and Response to the
Finding and Recommendation



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July 16, 2009

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We have reviewed your finding entitled *Payroll Internal Control Weakness* for the Capital Area Human Services District's Fiscal Year 2008-2009 audit and we concur with the finding.

The three items will be handled by the following corrective actions:

- For the three timesheets where the timekeeper entry and the remuneration statement did not match, these entries were made by a member of the Human Resources Division during a period when the Developmental Disabilities Division's timekeeper positions were vacant. Although this was a very unusual situation, it should have been handled in the same manner as regular payroll activities are required to be handled. In the future, the immediate supervisor of the individual performing emergency/back-up payroll actions for any pay period will be required to ensure that payroll documents are processed and verified in accordance with existing policy.
- Prior to providing ISIS/HR access to staff in the future, the Human Resources Manager will be required to receive from the requesting supervisor if the requested access is new or a replacement. If the access is a replacement, the supervisor will be required to provide the name of the individual's access being replaced and the Human Resource Manager will deactivate the old access prior to activating the new access.
- The Human Resource Director will develop, by August 30, 2009, internal procedures to be used when processing retroactive separations or retroactive leave entries that cause the system to have to recalculate payroll payments for previous pay periods. These procedures shall include, at a minimum, the use of Help scripts created in ISIS when processing retroactive actions, the use of the ZP145 Payroll Reconciliation Report in detecting possible claims, and specific instruction on actions to be taken in an attempt to collect any overpayments.

The Deputy Director, Carol Nacoste, will be the contact person responsible for ensuring that the above corrective actions plan is enforced.

Sincerely,

Jan Kasofsky, Ph.D.
Executive Director

c: Carol Nacoste, Deputy Director
Shirley Link, Human Resources Director
Debbie Fontenot, Accountant Administrator; 2008-2009 Audit File

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