

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Pinecrest Developmental Center
Office for Citizens with
Developmental Disabilities
Department of Health and Hospitals
State of Louisiana
Pineville, Louisiana

December 29, 1997



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**PINECREST DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Pineville, Louisiana**

**Management Letter
Dated November 6, 1997**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the Rapides Parish Clerk of Court.

December 29, 1997



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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November 6, 1997

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OFFICE FOR CITIZENS WITH
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DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Pineville, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1997, we conducted certain procedures at Pinecrest Developmental Center. Our procedures included (1) a review of the center's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1997, and June 30, 1996; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Reports of Pinecrest Developmental Center were not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on those reports. The center's accounts, under the Office for Citizens with Developmental Disabilities, Department of Health and Hospitals, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and other selected center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

In our prior report for the year ended June 30, 1995, we reported findings concerning the internal audit function and payroll irregularities. Management has resolved the finding concerning payroll irregularities. The finding concerning the internal audit function has not been resolved and is addressed again in this report.

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

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Management Letter, Dated November 6, 1997

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Internal Audit Function

For the fifth consecutive audit, Pinecrest Developmental Center does not have an effective internal audit function to examine, evaluate, and report on its internal control system, and to evaluate its compliance with the policies and procedures of the control system. The appropriation acts (Act 16 of 1995 and Act 17 of 1996) require any agency with an appropriation level of \$30 million or more to include an internal auditor position within its existing table of organization. In our consideration of the center's internal control system for the year ending June 30, 1997, we found no internal auditors employed nor an effective internal audit function in existence. For the fiscal year ended June 30, 1996, the center had assets of \$8,501,792 and revenues of \$63,889,621. For the fiscal year ended June 30, 1997, the center had assets of \$8,880,384 and revenues of \$63,286,747. Considering the assets and revenues of the center, an effective internal audit function is important to ensure that these assets are safeguarded and that the center's policies and procedures are uniformly applied.

The center reports to the Department of Health and Hospitals (DHH), which has an internal audit section. The center has not been selected for auditing because of limited resources and higher priority projects.

Management should either create a position for an internal auditor or request DHH to perform timely internal audits. In a letter dated April 17, 1997, Mr. Edwin M. Wright, Regional Administrator, stated that the DHH does not agree with the finding because Pinecrest Developmental Center is an agency of DHH and is included in the audit plan developed by the Bureau of Internal Audit. Because of repeated audit findings, the center has been scheduled for an annual internal review for fiscal year 1997. This internal review began during the week of April 1, 1997, as a result of our current year finding. In addition, management feels that the internal audit coverage is being provided to operations at Pinecrest Developmental Center and will continue through annual reviews.

Additional Comments: We agree that Pinecrest Developmental Center reports to DHH and that the department does perform some internal audit reviews; however, this is the fifth consecutive audit that no internal audit work has been performed at the center, as of March 1997. In addition, the appropriation act, each year, requires any agency with an appropriation level of \$30 million or more to include an internal auditor position within its existing table of organization, which has not been done by the center.

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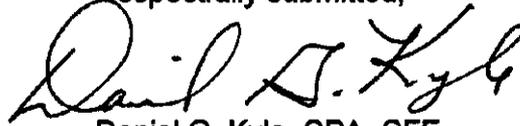
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The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the center. The nature of the recommendation, its implementation cost, and its potential impact on operations of the center should be considered in reaching decisions on courses of action. This finding relating to the center's compliance with state law should be addressed immediately by management.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

WJR:MAN:dl

[PDC]