

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Health and Hospitals
Baton Rouge Main Office Operations
State of Louisiana
Baton Rouge, Louisiana

January 5, 2000



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

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**DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated November 19, 1999**

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 office of the Legislative Auditor.

January 5, 2000



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 19, 1999

**DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1999, we conducted certain procedures at the Department of Health and Hospitals (Baton Rouge Main Office Operations). Our procedures included (1) a review of the department'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.

The June 30, 1999, Annual Fiscal Report of the Department of Health and Hospitals (Baton Rouge Main Office Operations) was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The department's accounts 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 departmental 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 findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Department of Health and Hospitals (Baton Rouge Main Office Operations) for the year ended June 30, 1998, we reported findings relating to Medicaid cash management, provider overpayments, laboratory services payments, audits of federal subrecipients and state contractors, cash subsidy program, Medicaid third party liability, provider enrollment procedures, and untimely filing and payment of Medicaid bills. The findings relating to laboratory services payments, Medicaid third party liability, and untimely filing and payment of Medicaid bills have been resolved by the department. Although the finding on Medicaid cash management has not been fully resolved by management, the remaining issues are not significant and therefore not included in this report. The remaining findings have not been resolved and are 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.

LEGISLATIVE AUDITOR

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Management Letter, Dated November 19, 1999
Page 2

Cash Subsidy Program Procedures Not Always Followed

For the fourth consecutive year, the Department of Health and Hospitals (DHH) did not always follow established guidelines for monitoring families receiving cash subsidy payments under the Community and Family Support System. A cash subsidy payment is a payment to eligible families of children with developmental disabilities to offset the costs of caring for the children at home. Expenditures of the program, for approximately 1,200 cases or clients, totaled approximately \$3.4 million for the year ended June 30, 1999. The Louisiana Administrative Code 48:16123-16125, as well as internal policies and procedures established by the department, requires the regional staff to contact each family at least every 90 days to monitor the status of the child. A review of 60 case files disclosed that 10 (17%) did not contain documentation of monitoring at least every 90 days.

This condition occurred because management has not placed sufficient emphasis on monitoring. As a result, the department could incur unnecessary expenditures because families who become ineligible for the program would not be discovered and removed from the program in a timely manner.

DHH should develop procedures to ensure that each case is monitored in accordance with departmental policy and program guidelines contained in the Louisiana Administrative Code. Management concurred with the finding and recommendation and outlined a plan for corrective action (see Appendix A, page 1).

Audits of Federal Subrecipients and State Contractors Not Obtained and Findings Not Resolved Timely

For the fourth consecutive year, DHH failed to adhere to federal requirements and departmental policies that require audits of subrecipients and social services contractors. Office of Management and Budget Circular A-133 requires that the pass-through entity ensure that subrecipients expending \$300,000 or more in federal awards have met the audit requirements of the circular and the pass-through entity must evaluate audit findings and determine that an acceptable corrective action plan has been prepared and implemented. In addition, departmental policy requires that (1) all subrecipients who receive between \$25,000 and \$300,000, and (2) all state/local governments and corporations (profit/non-profit) other than subrecipients that have a social services contract with DHH and receive \$100,000 or more in funds from one or more state contracts must have a financial and compliance audit performed in accordance with *Government Auditing Standards*.

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DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA

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During the fiscal year ended June 30, 1996, the department developed a comprehensive monitoring system to track contracts that require audits and to monitor the receipt of audit reports and the resolution of any findings. In addition, DHH policy numbers 3175-95 and 3105-96 were issued defining responsibility in the department for audit report monitoring and defining federal and departmental audit requirements. A review of the monitoring system disclosed that the department had not obtained audit reports for all of its subrecipients and contractors. The table below shows information for those subrecipients and contractors whose audit reports have not been received.

	FYE JUNE 30,			
	1995	1996	1997	1998
Total contracts	251	153	180	162
Number of subrecipients and contractors without audit reports	18	6	9	21
Total payments to subrecipients and contractors without audit reports	\$2,057,134	\$601,136	\$1,058,253	\$2,499,226
Number of subrecipients and contractors without audit reports that have a FYE June 30, 1999, contract	8	3	7	20

The monitoring system also disclosed that the department had not resolved all the audit findings contained in the audit reports that the department had received. The following table shows information for those subrecipients and contractors with unresolved audit findings.

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DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA

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	FYE JUNE 30,			
	1995	1996	1997	1998
Total audit reports received	233	147	171	141
Number of subrecipients and contractors with unresolved audit findings	11	6	10	6
Total payments to subrecipients and contractors with unresolved audit findings	\$845,250	\$658,749	\$1,932,385	\$521,399
Number of subrecipients and contractors with unresolved audit findings that have a FYE June 30, 1999, contract	7	6	9	6

Employees are not following the established procedures for reporting audit information to the contracts management section, for ensuring that required audits are performed, and for ensuring that all findings are reviewed for subsequent resolution in a timely manner. Failure to ensure that federal subrecipients or state contractors receive the required audits and failure to promptly follow up on the report findings increases the risk that federal and/or state funds will not be expended in accordance with applicable laws and regulations. Also, a letter dated July 20, 1999, from the U.S. Department of Health and Human Services states, "Any costs incurred by a subrecipient that has not been appropriately monitored by the prime recipient may be treated as unallowable costs." Accordingly, questioned costs for the subrecipients noted above are \$4,601,243.

DHH should ensure that employees follow departmental policies regarding audit requirements so that federal subrecipients and social services contractors are audited as required by applicable laws and regulations and so that all findings are reviewed for subsequent resolution in a timely manner. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

**Failure to Reimburse Federal Share
of Provider Overpayments**

For the third consecutive audit, DHH understated the balance of provider overpayments in the Medical Assistance Program (CFDA 93.778, Medicaid) by \$2,674,008 and failed to return an estimated \$1,879,560 in federal financial participation (FFP) for this overpayment to the Health Care Financing Administration (HCFA). The Code of Federal Regulations (42 CFR 433.300-433.320) requires that in most cases states are to refund

LEGISLATIVE AUDITOR

DEPARTMENT OF HEALTH AND HOSPITALS BATON ROUGE MAIN OFFICE OPERATIONS STATE OF LOUISIANA

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the federal share of identified provider overpayments to the federal government within 60 days of the identification of the overpayment, regardless of whether the overpayment was collected from the provider.

Some provider overpayments are identified by the Louisiana Attorney General (AG) who prosecutes Medicaid providers suspected of committing fraud in the program. When the court enters a judgment against a provider, the AG maintains the account and monitors the collection of the outstanding balance. Once the judgment is entered and the balance owed by the provider is determined, DHH is responsible for reporting the balance and returning the FFP. Our audit of identified provider overpayments disclosed one account maintained by the AG that had not been reported by the department, even though the judgment was entered on July 28, 1998. The total of this account balance at June 30, 1999, is \$2,674,008, and the FFP that should have been returned was \$1,879,560.

This condition occurred because DHH management has not ensured that balances reported by the department are accurate and that accounts maintained at DHH are reconciled with the AG accounts and reported accurately. Because DHH did not accurately report provider overpayments, the department has not complied with federal regulations that require a refund to the federal government within 60 days and has incurred questioned costs of \$1,879,560. Furthermore, the state's Cash Management Improvement Act agreement with the federal government requires that the state pay an interest penalty when excess federal funds are kept on hand. Failure to remit the funds to the federal government within 60 days may cause DHH to incur an interest liability to the federal government for up to \$73,000.

DHH should establish controls to ensure that accounts maintained by the AG are reconciled with reports at DHH and that the federal share of these payments is returned in accordance with federal regulations. Management concurred that the overpayment was not recorded and reported timely. However, management believes that proper reconciliation controls and procedures have been developed as noted in the prior-year corrective action plan (see Appendix A, page 3).

Medicaid Provider Enrollment Procedures Not Always Followed

For the second consecutive year, DHH has not enrolled providers in the Medical Assistance Program (CFDA 93.778, Medicaid) in accordance with federal and state laws and regulations and departmental policies and procedures. To participate in the Medicaid Program and receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations and certain providers must submit various other forms required by DHH.

LEGISLATIVE AUDITOR

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BATON ROUGE MAIN OFFICE OPERATIONS
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DHH's computer database of providers contains approximately 30,000 doctors, laboratories, pharmacies, et cetera. These providers are eligible to provide medical services but may or may not have actually provided any services to Medicaid recipients. Our review of 40 provider files disclosed the following:

1. Thirty-five providers' files did not include a copy of their licenses. DHH verbally confirmed that 12 of the 35 providers were licensed through their respective state licensing boards. The remaining 23 provider files did not contain any documentation that the providers were licensed.
2. One provider was no longer licensed; the license had been expired since 1977. No payments were made to this provider in calendar year 1998.
3. Eleven providers were required to submit an OFS 24 form, which describes laboratory or diagnostic equipment required to perform in-office laboratory or diagnostic services. One provider's file did not include the form.

Unless all required documents are received and the provider eligibility file is current, DHH may make payments on behalf of Medicaid recipients to providers who do not qualify to participate in the program. Failure to ensure that providers meet federal and state requirements may result in overpayments to providers and/or disallowances of charges to the Medicaid Program.

DHH should review its provider enrollment process and establish formal written guidelines that specify the required levels of documentation for enrollment. In addition, DHH should establish procedures that will identify providers who are no longer licensed and will ensure their timely removal from the active list of Medicaid Program providers. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 4-5).

Inadequate Controls Over Movable Property

DHH did not maintain adequate controls over movable property and did not comply with the state's movable property laws and regulations. Louisiana Administrative Code 34:VII.307 requires that all acquisitions of qualified property be tagged and all pertinent inventory information be sent to the Louisiana Property Assistance Agency (LPAA) within 45 days after receipt of property.

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DEPARTMENT OF HEALTH AND HOSPITALS BATON ROUGE MAIN OFFICE OPERATIONS STATE OF LOUISIANA

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Various tests of movable property disclosed the following:

- Nineteen of 132 items (\$26,329 of \$136,531) purchased during the year were not tagged and added to the inventory system until 48 to 146 days after receipt of the property. Three items remained untagged as of the test date.
- Two of 24 items (\$1,101 of \$24,457) on the department's inventory as of January 31, 1999, were not tagged.

Although the department has policies and procedures that contain many elements of a good internal control system, these procedures are not followed uniformly. Failure to maintain an accurate movable property system increases the risk of loss arising from unauthorized use and subjects the department to noncompliance with state laws and regulations.

DHH should ensure that all property is tagged and the required information is transmitted timely to LPAA and that all departmental movable property procedures are followed. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 6-9).

Ineffective Internal Audit Function

DHH does not have an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. The following are weaknesses in the internal audit function:

1. The internal audit division did not prepare a comprehensive risk-based audit plan as required by the DHH Internal Audit Charter.
2. The internal audit division does not have an adequate level of staff to cover the 23 separate agencies for which the internal audit division is responsible. Of the 23 agencies for which the internal audit division is responsible, only six (26%) had any contact with the internal auditors during the fiscal year ended June 30, 1999.

Lack of a comprehensive risk-based audit plan and an inadequate staffing level hinders the effectiveness of the internal audit function. Considering the department's assets of approximately \$123,750,483 and revenues of approximately \$3,442,989,955, an

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DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
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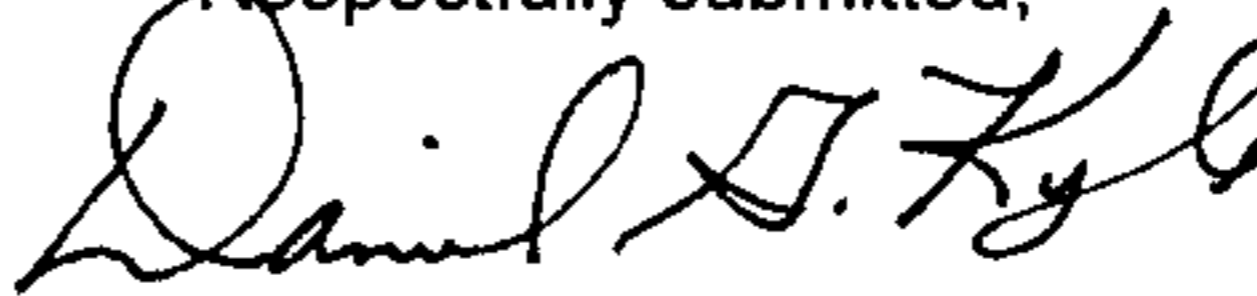
effective internal audit function is needed to ensure the safeguarding of assets and compliance with state laws and departmental regulations.

DHH should improve the effectiveness of its internal audit function by ensuring that a comprehensive risk-based audit plan is prepared annually and reallocating or increasing available internal audit resources. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 10).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. The findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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[DHH99]

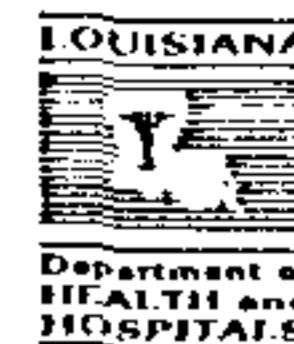
Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR



MEMORANDUM

May 17, 1999

David W. Hood
SECRETARY

TO: Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804 - 9397

FROM: Richard Lippincott, MD *RL*
Assistant Secretary
Office of Mental Health

RE: LA Office of Mental Health Cash Subsidy Audit '99

This memo is in response to the April 26, 1999 letter to Stan Mead from Ernest F. Summerville, Jr., CPA, regarding the finding of "Cash Subsidy Program Procedures Not Always Followed." Although it is the fourth consecutive out-of-compliance year for the Department of Health and Hospitals, it is the second consecutive out-of-compliance year for the Office of Mental Health. This year's audit shows significant improvement over last year's. As we understand it we were in compliance regarding parent annual reports, IEP's, and 1508 evaluations, we were however out of compliance regarding 90-day contacts. Evidently three regions were audited, and two were in total compliance. In the third region, Monroe, in December, the regional children's program coordinator who was responsible for the cash subsidy program left OMH unexpectedly due to a family tragedy and some of the fourth quarter 90-day contacts were not done. The cash subsidy program has been reassigned, and the 90-day contacts are up to date.

None-the-less we do concur with Mr. Summerville's findings that cash subsidy program procedures were not always followed, and we are instituting an internal regional self-audit process. In June and December of each year in each region someone, not responsible for the cash subsidy program, will be asked to do a regional internal cash subsidy audit, and report the findings to Linda Groce in OMH Headquarters.

Should you have any questions regarding this correspondence, please contact Linda Groce, Family Support/Involvement Coordinator, at (225) 342-1936. Thank you.

c: Stan Mead
Tony Speier
Ron Boudreaux



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Department of
HEALTH and
HOSPITALS

David W. Hood
SECRETARY

M. J. "Mike" Foster, Jr.
GOVERNOR

September 21, 1999

Daniel G. Kyle, PH.D., CPA, CFE
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In reference to the finding , **Audits of Federal Subrecipients and State Contractors Not Obtained and Findings Not Resolved Timely**, DHH concurs in the finding and plans to implement the following correction plan, immediately, to those contractors listed in the audit finding.

1. Letters from the Assistant Secretaries or the Undersecretary to those contractors on the attached list requesting either the audit or resolution within a specified time period.
2. This will be monitored by Mike Johnston, DHH Fiscal, to ensure that the letters are sent and if the audit report or audit resolution is not received in the designated time period, then DHH Fiscal will recommend that payments be suspended until audit or the audit resolutions have been received. Also, DHH Fiscal will notify the DHH Contract Committee of the delinquent status, so no more contracts will be renewed until the audit or audit resolution is received.

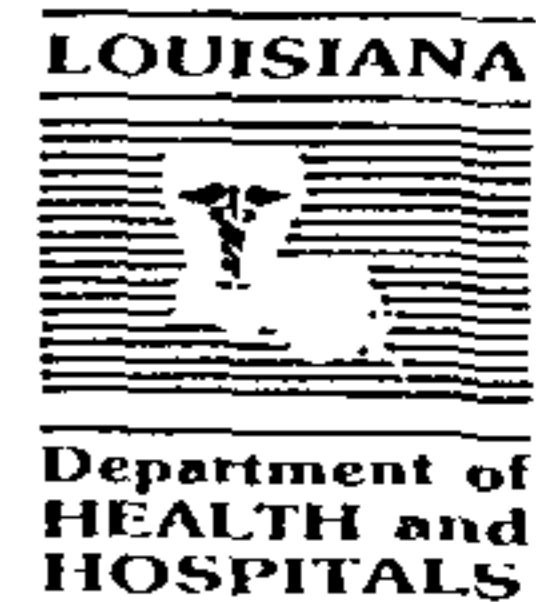
Sincerely yours,

Stan Mead
Stan Mead, Director
Division of Fiscal Management

cc David Hood, Secretary
John LaCour, Deputy Secretary
Charles Castille, Undersecretary
Assistant Secretaries



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M.J. "Mike" Foster, Jr.
GOVERNOR

David W. Flood
SECRETARY

September 23, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have received your audit finding "Failure to Reimburse Federal Share of Provider Overpayments". We concur that the overpayment was not recorded and reported timely; however, we believe that controls and procedures have been developed for the proper reconciliation of the accounts as outlined in our corrective action plans for the previous findings.

The department was aware of the judgement against the provider; however, an earlier judgement against another principal of the provider business had been previously recorded. When the questioned judgement against the owner of the provider business was received, it was not clearly evident that it was a separate account. Department staff subsequently determined that both judgements should have been recorded, and the federal financial participation for this overpayment was returned to the Health Care Financing Administration.

We believe that as a result of the actions previously taken, there are no further corrective actions necessary. Any questions concerning these actions should be directed to Mr. Ken Corkern, Administrator Financial Management Section.

Should you have any questions regarding our response, please advise.

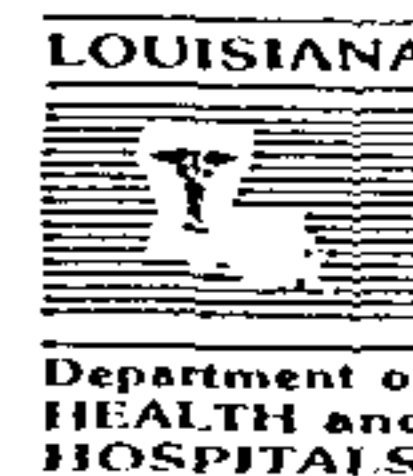
Sincerely,


Stan Mead
Director

SM:KC:aud99:overpymt



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR

David W. Hood
SECRETARY

September 10, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Audit Finding

Dear Dr. Kyle:

Please refer to your letter of August 19, 1999 in which you cite the following audit finding.

DEPARTMENT OF HEALTH AND HOSPITALS

Medicaid Provider Enrollment Procedures Not Always Followed

The Department of Health and Hospitals (DHH) has not enrolled providers in the Medical Assistance Program (CFDA 93.778, Medicaid) in accordance with federal and state laws and regulations and departmental policies and procedures. In order to participate in the Medicaid Program and receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations and certain providers must submit various other forms required by DHH.

We concur with the individual finding and recommendation. In order to ensure that the Department of Health and Hospitals does not make payments on behalf of Medicaid recipients to providers who do not meet federal and state guidelines, the department will review the provider enrollment process and establish a corrective action plan as documented on the attached page. The primary contact person with the Department of Health and Hospitals is Cindy Bride, Manager of the Provider Enrollment Unit. An additional contact person is Jennifer Boothe, Supervisor of the Provider Enrollment Unit.

CORRECTIVE ACTION PLAN:

RECORDS CITED

Corrective action on the records cited will be implemented immediately. Requests for license verification and/or closure as appropriate will be completed by October 1999. Provider enrollment forms will be forwarded to participating providers where applicable to assure that active Medicaid files contain all required documentation.

Dr. Daniel G. Kyle, CPA, CFE
Page 2
September 10, 1999

REVIEW PROVIDER ENROLLMENT PROCEDURES: The Provider Enrollment manual of procedures was reviewed and updated after the 1998 Legislative Audit findings. The manual is being updated to include the actual maintenance location of some required documentation. We have found that guidelines for enrollment require updating on a recurring basis.

PURGE INACTIVE PROVIDERS: Steps to initiate a system for purging the files began in December 1998. Plans have been drafted and circulated within several units in the department. Comments and suggestions have been reviewed and requested revisions have been made. We will close inactive files as opposed to purging. A design Change Request form is being prepared. A team from DHH and Unisys, the fiscal intermediary for the agency, will meet to implement a plan to insure that all needs are met. A newsletter article has been written and will be published in the October 1999 Medicaid newsletter *Provider Update*. A projected date of completion is December 31, 1999. Additionally, we have plans to update the provider enrollment form PE-50 which is used at the time of enrollment. A statement regarding the initiation of automatic closure of provider files due to non-participation in a 24-month period will be added to the enrollment form.

Thank you for the opportunity to present our plans.

Sincerely,



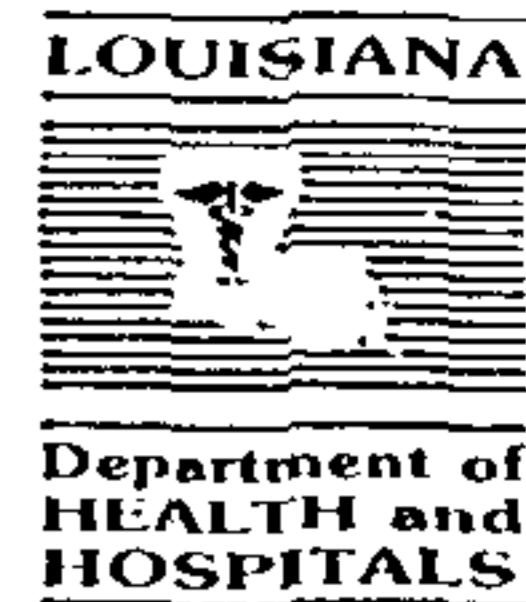
Thomas D. Collins
Medicaid Director

TDC/DA/ST/CB/wp

cc: Stan Mead
Dexa Alexander
Susan Wagner
Susan Taskin
File-OLA



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



David W. Hood
SECRETARY

M. J. "Mike" Foster, Jr.
GOVERNOR

June 22, 1999

Dr. Daniel Kyle, CPA
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9387

Dear Dr. Kyle,

In response to audit findings regarding "Inadequate Controls Over Movable Property" in the Office of the Secretary/Office of Management and Finance, the following comments are provided:

The Office of the Secretary/Office of Management and Finance concurs with the findings that moveable property items purchased during the year were not always tagged and transmitted to LPAA within the allotted time frame as allowed by State Property Control Regulations. In most instances, the equipment had been tagged and entered into the DHH Property System, however, actual entry into the State Property System is not completed until actual verification has been received from the office that the tags have been placed. In most cases sited, the verification document had not been returned. We have implemented a tickler system to assure that these documents are received. We would like to emphasize our non-compliance was one of timeliness and not disregard for the safekeeping of state property. All items sited have been tagged and recorded.

We do not take these findings lightly. We work hard to develop a system of accountability using the tools available. Corrective action is a continuous campaign. This past year we stressed accountability to our site managers and have issued a revised DHH Property Control Policy enforcing some of the issues such as timeliness in reporting. A new internal property system was implemented in April and we are now working on a direct interface with the State system to expedite data entry. Training will be a major focus this year, as there is a extremely large turnover of employees in this area and we must have the ability to train new incumbents quickly.

Should you or your staff have any questions, please contact this office.

Sincerely,

Charles Lazare
Deputy Undersecretary

c: Stan Mead



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR
June 17, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding "Inadequate Controls Over Movable Property"

Dear Dr. Kyle:

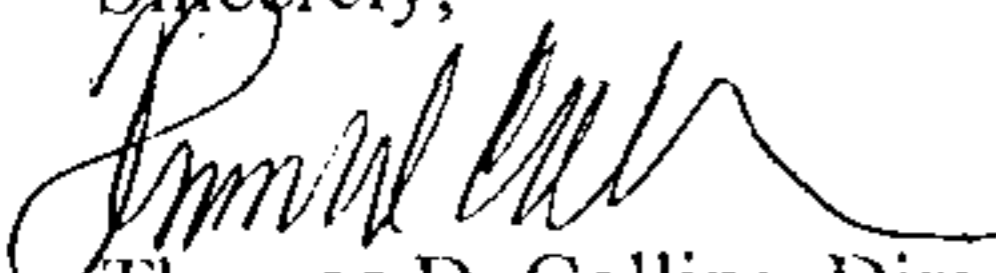
We have reviewed the finding and concur with the finding. The corrective action taken is as follows:

1. The Dell Poweredge Server located in Health Services Financing has been tagged with Tag Number 39003016017.
2. The Computer Monitor located in Health Standards, Tag Number 39003006027, was purchased on February 22, 1995 and tagged on March 16, 1995. The staff and equipment assigned to the Health Standards Section was recently relocated. At the time of the audit the tag for the monitor had apparently become dislodged. A replacement tag has now been affixed to the item.

The Bureau of Health Services Financing currently has more than 800 items in its inventory which are valued at more than \$1 million. We are committed to compliance with the movable property rules and regulations. To enhance our abilities in this area, we have revised our property control procedures to include more internal monitoring and decentralization of many of the tasks required to adhere to established policy. No corrective action plan is required in response to the finding as all corrective actions have been completed.

Should you require additional information, please contact Darryl Johnson at (225) 342-3942. Thank you for your assistance in this matter.

Sincerely,



Thomas D. Collins, Director

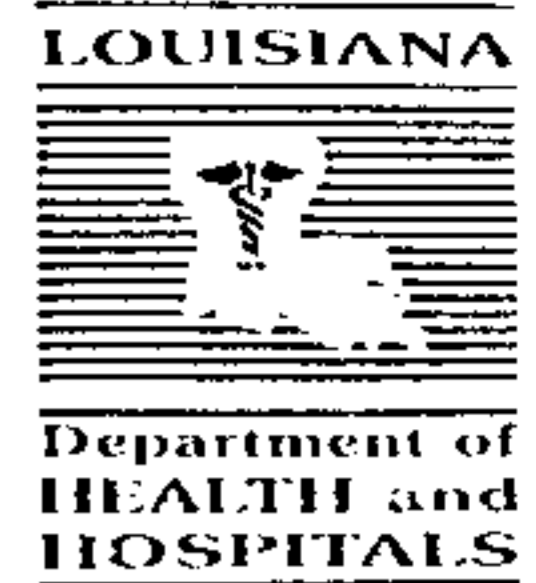
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M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

June 4, 1999



David W. Hood
SECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North 3rd Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Legislative Audit Finding
Inadequate Controls Over Movable Property 1999

Dear Dr. Kyle:

The Office of Alcohol and Drug Abuse concurs with the above named finding. There were three items that were not properly tagged at the time of this audit.

The name of the person responsible for corrective action is David McCants, Financial Officer for the Office of Alcohol and Drug Abuse. Mr. McCants may be located at the Office of Alcohol and Drug Abuse, 1201 Capitol Access Road, 4th Floor, BIN #18, Baton Rouge, LA 70802. His telephone number is 342-2570.

The corrective action plan is to provide annual training to all employees with the responsibility of property control. All new hires with responsibility for property control will be trained within thirty days of employment. In addition, quarterly random checks will be made on all facilities by the Central Office, Fiscal Department.

The annual training of all personnel with responsibility for property control was completed June 1-3, 1999. The random checks will begin July 1, 1999. Records will be kept of the results of random checks.

Please notify me if you have further questions. Thanks you for your continued support of this office.

Sincerely,


Alton E. Hadley
Assistant Secretary

AEH:jb

c: Stan Mead
Sonya Pulliam
Michael Duffy
David McCants



M.A. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



David W. Hood
SECRETARY

June 28, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Office of Mental Health and the Division of Fiscal Services has researched the audit finding, regarding items on the property inventory list at South LaFourche MHC and New Orleans MHC.

Our review has disclosed that the paper shredder purchased for South Lafourche MHC (390-76) was not tagged within the 45 days required after receipt of property. The property control manager for South Lafourche MHC is domiciled at Lafourche MHC which is 30 miles away and travel to the South Lafourche Clinic is only once per month. Therefore, property may not be tagged timely because of logistics. Corrective action is being taken to resolve this matter to satisfy compliance to state's moveable property laws and regulations.

New Orleans MHC (390-58) purchased (2) Dell computers for the Region 1 office. The equipment was received by the Region 1 office's purchasing coordinator on 10/13/98 and information faxed on 10/29/98 to the property control manager for proper tagging and entry in the DOA property control system. The Property manager did not enter the tag number into the DOA system until 12/09/98. Corrective action is being taken to have property tagged timely.

The Office of Mental Health recognizes the importance of having accurate information for financial statements. Therefore, compliance with property rules and regulations will continue to be stressed to all personnel within the Department.

Should additional information be required, please feel free to contact me at (225)342-9238.

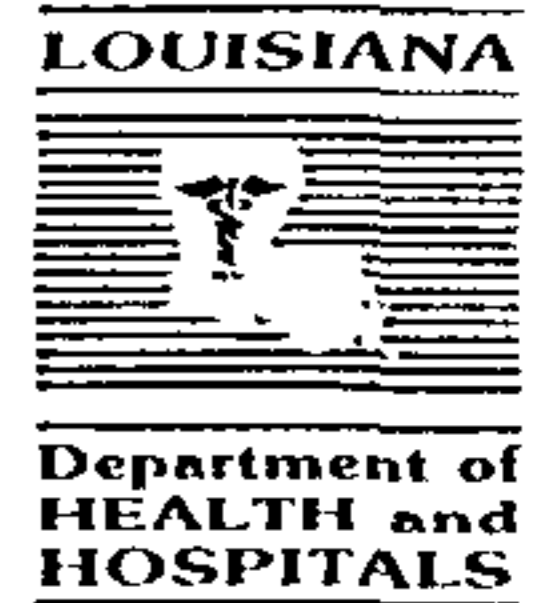
Sincerely,

Andrew P. Twyman
Deputy Assistant Secretary signing for
Richard Lippincott, M.D.

RL:jbb



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



David W. Hood
SECRETARY

A.J. "Mike" Foster, Jr.
GOVERNOR

October 15, 1999

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Ineffective Internal Audit Function

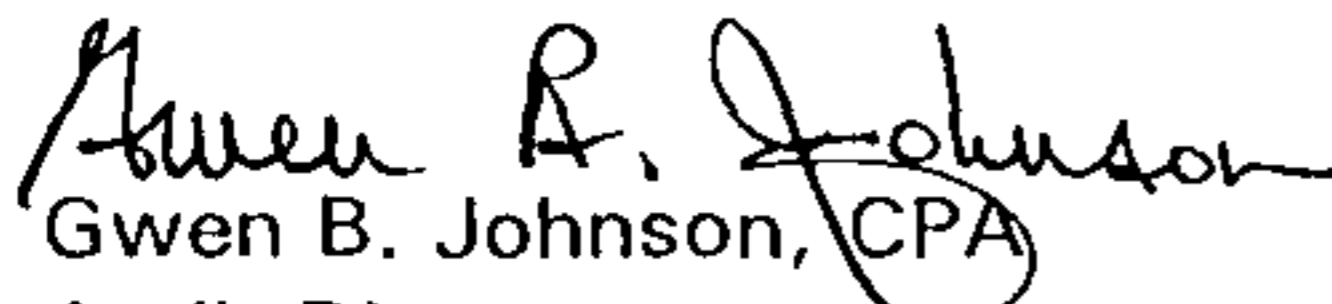
The Department of Health and Hospitals agrees with the audit finding that the Department does not have an effective internal audit function. As noted in the finding, the internal audit unit is currently insufficiently staffed to provide audit coverage to the 23 agencies for which the unit is responsible.

The Bureau of Internal Audit has been authorized to fill the vacant auditor positions within the unit. Efforts are also being made to identify and reallocate additional resources to the internal audit unit, within the budget constraints that currently face the Department.

The Director of the Bureau of Internal Audit is developing a comprehensive risk-based audit plan, which should be completed by January 2000.

Should there be any additional questions about this response, please advise.

Sincerely,


Gwen B. Johnson, CPA
Audit Director

xc: David Hood
John LaCour
Charles Castille
Stan Mead