

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Health Care Authority
State of Louisiana
Baton Rouge, Louisiana

June 25, 1997



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Financial and Compliance Audit Division

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

LOUISIANA HEALTH CARE AUTHORITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

Management Letter
Dated June 17, 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 office of the Legislative Auditor.

-June 25, 1997



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June 17, 1997

LOUISIANA HEALTH CARE AUTHORITY

STATE OF LOUISIANA

Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at the Louisiana Health Care Authority (LHCA). Our procedures included: (1) a review of the authority'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 report recommendations.

The Annual Fiscal Reports of LHCA are not within the scope of our work, and, accordingly, we offer no form of assurance on these reports. LHCA'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 selected LHCA personnel. We also 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.

In our prior audit of LHCA for the year ended June 30, 1996, we reported findings relating to payroll controls, purchasing controls, movable property, and the on-line data entry system. Those findings have been resolved by management.

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

Inadequate Cash Controls

LHCA does not have adequate internal controls over the collection and deposit of cash receipts and the reconciliation of its imprest travel fund checking account. Louisiana Revised Statute (R.S.) 48:386 requires that funds received by state agencies be deposited immediately in the State Treasury. In addition, an adequate system of internal control requires that policies and procedures be established and implemented to safeguard assets, to reduce the risk that funds could be lost, and to ensure that errors

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and/or irregularities are prevented and/or detected in a timely manner. During our tests of the cash cycle, we noted the following:

Delinquent Patient Fees

- Checks are received and transferred to a second employee before being logged.
- During a 7-month time period, only 11 deposits were made. Receipt dates are not documented on the check log; therefore, we examined the delinquent patients' files to determine timeliness of deposit. Our tests indicate checks were held anywhere from 4 to 36 working days. In addition, documentation of the receipt date for 3 of the 17 checks tested was not available.
- Checks are not properly safeguarded before deposit. Undeposited checks are maintained in a manila folder in an unlocked outside.

Imprest Travel Fund Checking Account

- As of January 1987, the fund had not been reconciled since June 1986.
- Reconciliations prepared for the months of July 1986 through September 1986 contained unsupported variances.
- Reconciliations are not signed by the preparer nor are they approved by a supervisor.

Anatomical Services

- The fourth quarter fiscal year 1986 revenue totaling \$29,328 received from Louisiana State University under the Anatomical Services Program was improperly posted to fiscal year 1987 revenue.
- No supervisory review of transactions was being performed during fiscal year 1986.

Since management has not placed sufficient emphasis on compliance with state law and adequate internal controls, the risk increases that funds could be lost or stolen and that errors and/or irregularities could occur and not be detected in a timely manner. In addition, untimely deposits result in the loss of interest earnings.

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LHCA should develop and implement adequate internal controls over cash to ensure that funds received are properly logged, secured, and deposited in a timely manner within the correct fiscal year, and that accurate and timely reconciliations are performed for the imprest travel fund checking account. In a letter dated May 28, 1997, Mr. Gary M. Dougherty, Jr., Acting Chief Executive Officer, concurred with the finding and outlined corrective actions. Mr. Dougherty noted that the Internal Audit Section had already addressed some of these issues and corrective actions have been taken.

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of LHCA. The nature of the recommendation, its implementation costs, and its potential impact on operations of LHCA should be considered in reaching decisions on courses of action. The finding relating to the authority's compliance with applicable laws and regulations 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,



Daniel G. Kyle, CPA, CFC
Legislative Auditor

ADG:BJJ:dj