

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

GENERAL COMMENTS (Continued)

4. Comment

Based on discussion with accounting personnel, we learned that the Division of Management and Finance has developed procedures for backup and recovery of data files; however, there are no contingency plans for alternate processing in the event of a loss or interruption of EDP operations.

Recommendation

We recommend that a contingency plan for processing be developed and tested. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing EDP facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, offsite storage.
- A listing of all data files that would have to be obtained from the offsite storage location.
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

Response

Department of Management and Finance will write a procedure that will address a contingent plan for EDP operations. This procedure will be targeted for approval and adoption in February 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

GENERAL COMMENTS (Continued)

2. Comment

Based on our discussion with accounting personnel, we learned that passwords for access to Great Plains software are not routinely changed.

Recommendation

We recommend changing passwords at least every 90 days. If possible, software controls should require this. Periodically changing passwords limits the time window during which a stolen password could be used and manipulation of financial data could occur and go undetected.

Response

Department of Management and Finance will write a procedure that will address passwords and their periodic changing in Great Plains. This procedure will be targeted for approval and adoption in January 1998.

3. Comment

Based on our discussions with accounting personnel, we learned that there are no written policies and procedures for the Division of Management and Finance.

Recommendation

We recommend that written policies and procedures be developed defining the specific responsibilities of each position. There has been high turnover in the division and written policies and procedures would minimize training time for new and backup employees. In addition, written procedures, instructions, and assignment of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records.

Response

Department of Management and Finance will write a position description to completely outline the individual's duties. This effort will be ongoing with the process to occur between January and December 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

GENERAL COMMENTS

1. General

The Great Plains general ledger revenue and expenditure accounts are broken down as follows:

- a. Division
- b. Cost center
- c. Revenue/expenditure account number
- d. Funding source

This breakdown is too detailed and cannot be summarized in a manner that allows for financial statements to be prepared. Information must be input into a Lotus spreadsheet which summarizes revenues and expenditures.

Recommendation

The general ledger should be maintained on a division level only to facilitate preparation of financial statements. Any cost center tracking should be done separately from the general ledger through subsidiary ledgers or other integrated spreadsheets.

Response

In order to answer all the needs for financial data, Department of Management and Finance will ensure the current structure of Great Plains is revised to meet those needs. JHSA will coordinate a meeting between Great Plains, representation from our auditing firm, and selected JHSA staff to examine the existing structure. The meeting will examine the informational needs for audits, reports, and any related matters including any necessary modifications. This meeting should occur in the month of January 1993.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

CASH DISBURSEMENTS (Continued)

3. *Control*

Based on our discussion with accounting personnel, we learned that signed checks are returned to the check preparer for mailing.

Recommendation

In order to maintain effective segregation of duties, checks should be mailed by an individual independent of the check preparation process. This would prevent theft or alteration of an approved check by an individual able to adjust the related accounting records.

Response

Department of Management and Finance will write a procedure that will address check mailing to ensure that a different person will mail the check other than the preparer of the check. This procedure will be targeted for approval and adoption in February 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

CASH DISBURSEMENTS (Continued)

2. Comment

For our review of the documentation supporting Office Depot purchases, we noted numerous exceptions to current procedures as documented through discussion with accounting personnel. Current procedures require that receipts be forwarded to the Division of Management and Finance and contain appropriate approval signatures and general ledger posting information. During the time period April 1996 to July 1997, thirteen receipts listed no signature and eight contained incomplete or no general ledger posting information.

Recommendation

We recommend that all the departments utilizing the Office Depot credit cards be reminded of the proper documentation requirements. Proper general ledger posting information would reduce the time required by accounting personnel to properly record transactions. In addition, proper approvals would affirm accountability for the transactions.

Response

Department of Management and Finance will write a procedure that will address that Office Depot purchases must have proper approvals and general ledger posting information on each receipt turned in for processing. This procedure will be targeted for approval and adoption in February 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

CASH DISBURSEMENTS

1. Comment

Based on our review of Office Depot expenditures for the period April, 1996 through July, 1997, the number of trips to Office Depot appeared excessive. The Authority currently has three facilities. There were 20 to 30 trips made to Office Depot every month, sometimes for only one or two small items. Also, it was noted that there were approximately 12 to 14 Office Depot credit cards issued to various directors and supervisory personnel.

Recommendation

We recommend reducing the number of trips to Office Depot as well as reducing the number of credit cards issued through one or more of the following:

- Centralized purchasing of office supplies, either at the West Napoleon Avenue facility or using a designated purchasing person at each facility.
- Limiting trips to one per week (or month, or quarter, etc.)
- Setting minimum order sizes. (i.e., buy pens by the box rather than one at a time.)
- Utilize Office Depot's delivery service as much as possible.

Implementing one or more of these procedures could reduce the time spent by employees in obtaining the supplies, the time required to approve and record transactions, and the time required to review and balance month end statements. In addition, bulk purchasing could reduce overall supplies costs. The use of credit cards allows for purchases to be made without prior approval. We would recommend eliminating credit card purchases. If this is not possible, you should reduce the number of credit cards to as few as possible.

Response

Department of Management and Finance will write a procedure that will address JPUSA Office Depot Supply purchases via credit card. A master class account will be set up, only certain individuals will be registered per card, and picture identification will be required. The procedure will also outline the proper purchasing sequence to get the needed office supplies for the Authority. This procedure will be targeted for approval and adoption in February 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

CASH RECEIPTS (Continued)

2. Control

Based on our discussions with accounting personnel, it was noted that checks are not restrictively endorsed upon receipt. This procedure is not done until checks are to be deposited, which could be up to a week following receipt. The checks are kept in a safe until they are brought to the bank for deposit.

Recommendation

We recommend that all checks be restrictively endorsed immediately upon receipt to reduce the risk that they will be misappropriated during the time between receipt and deposit in the bank.

Ordinarily, cash receipts are not deposited on a daily basis. A daily deposit of cash receipts keeps cash on hand to a minimum and reduces the risk of loss from burglary or misplacement. Moreover, when cash is deposited daily, less opportunity exists for misappropriation of funds for short periods of time and for concealment of such "borrowing" by substituting subsequent receipts.

Response

Department of Management and Finance will write a procedure that will address restrictively endorsing all checks immediately upon receipt. They will be endorsed for deposit only for JP-HA generally, with a second stamp made to identify the actual account into which the funds will be deposited. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

CASH RECEIPTS

1. Cash Receipts

Cash receipts are recorded in a receipt logbook upon receipt. The payer, date received, check number, and dollar amount are recorded. When the bank deposit is made, the deposit number and the date deposited is recorded in the logbook as well. The deposit number is a reference number assigned by the general ledger software when the deposit is posted. Per our review of this logbook, we noted that the deposit number and deposit date were occasionally omitted.

Also, when we reconciled a sample of bank deposit receipts to the logbook, we noted that several deposits were made that were not recorded in the logbook. Current procedures do not require that the deposit receipt from the bank be balanced back to the logbook to ensure that all checks and cash received were deposited into the bank.

Recommendation

We recommend that all deposit receipts from the bank be balanced to the receipt logbook in order to ensure that all receipts are deposited. This should be performed by an employee other than the person making the bank deposit. In addition, we recommend supervisory personnel periodically review the logbook to ensure it is being properly utilized. The effectiveness of the logbook as a control is weakened if it is not properly used.

Response

Department of Management and Finance will write a procedure that will address the reconciling of the logbook to the bank deposit receipts and include periodic supervisory review. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

BANK RECONCILIATIONS (Continued)

2. Comment

Based on our review of bank reconciliations for the period April 1996 through August 1997, there was no indication on the bank reconciliations of who performed the bank reconciliations for the period October 1996 through February 1997.

Recommendation

Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Because this is difficult to implement with an accounting department of just a few individuals, all of whom are involved in day-to-day recordkeeping, bank reconciliations should be made periodically by a supervisor who, in addition, should review and approve all bank reconciliations which he or she does not prepare personally. In addition, all bank reconciliations should be signed by the preparer in order to attach accountability for the reconciliations.

Response

Department of Management and Finance will write a procedure that will address the internal control issues of who actually performs the bank reconciliation, who approves the reconciliation, and a periodic sampling of checking the reconciliations. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

BANK RECONCILIATIONS

1. Comment

Based on our review of bank reconciliations for the period April 1996 through August 1997, reconciliations were not prepared in a timely manner. Monthly, the reconciliations are balanced to a Lotus spreadsheet listing all operating and ancillary checking account activity. The reconciliations for March, April, May, July and September, 1997 were not performed within thirty days of month end.

The bank balance had been reconciled to the general ledger for fiscal year end 6/30/96; however, this was not consistently done during the fiscal year ended June 30, 1997. The bank statements were reconciled only to the Lotus spreadsheet listing all checking account activity rather than directly to the general ledger.

Recommendation

Reconciliations of general ledger and bank balances should be completed on a timely basis to provide assurance that all transactions have been entered by the bank and recorded in the books properly. Not performing timely reconciliations increases the time during which an error or irregularity could go undetected. Ideally, all bank accounts should be reconciled within a week of receipt of the bank statement.

Response

Department of Management and Finance will write a procedure that will address timely reconciliations of all JP-HSA bank statements. In addition, JP-HSA will install comparison software with Great Plains to maintain the checkbook and eliminate the need for the Lotus checkbook. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

PETTY CASH (Continued)

4. Comment

The Authority currently has twenty-one petty cash accounts at its three locations for a total of approximately \$3,400. This is an excessive amount of petty cash funds.

Recommendation

We recommend that management review the necessity of the petty cash funds and determine if many can be consolidated or eliminated. This would reduce the amount of funds subject to misappropriation as well as reduce the administrative time related to reimbursing the petty cash funds and accounting for these funds in the general ledger.

Response

Department of Management and Finance will write a procedure that will address the number of petty cash funds issued and how they are to be appropriately used with proper safeguards in place. This procedure will be targeted for approval and adoption in January 1998.

5. Comment

We noted in our review of the petty cash fund maintained by Shirley McIntosh for the period August 1995 through May 1996 that there was a \$35 post control bill paid nine times from the petty cash fund.

Recommendation

We recommend that recurring bills such as this post control bill be paid through the accounts payable system and that expenditures of this nature be under annual contract. This would allow proper monitoring of the expenditure and reduce the administrative time related to reimbursing the petty cash fund. The petty cash fund should only be used for small non-recurring expenditures.

Response

Department of Management and Finance will write a procedure that will address the valid purchases that a petty cash fund should be used for. This procedure will also establish an approval system that will disclose inappropriate purchases and a system that will stop repetitive violations of inappropriate purchases. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS - CONTINUED**

PETTY CASH (Continued)

2. Comment

Surprise cash counts are not being performed on the twenty-one petty cash funds noted in the general ledger.

Recommendation

We recommend that surprise cash counts be performed periodically by supervisory personnel on a rotating basis and that all petty cash funds have surprise cash counts biannually. This would reduce the likelihood of petty cash funds being misappropriated.

Response

Department of Management and Finance will write a procedure that will address surprise audits of the petty cash funds. This procedure will be targeted for approval and adoption in January 1998.

3. Comment

Based on our review of the administrative petty cash fund of \$250 maintained by Shirley McIntosh for the period between August 1995 and August 1997, the petty cash fund was reimbursed 38 times for an average of \$97.87.

Recommendation

We recommend that petty cash be reimbursed only when it falls below \$100, the minimum management prefers to keep on hand. This would reduce the administrative time involved in preparing the reimbursement check as well as the custodian's time and travel expense going to and from the bank to cash the petty cash check.

Response

Department of Management and Finance will write a procedure that will address timeliness of reimbursing the fund. A specific level will be determined for required reimbursements, depending on the amount of the fund. Reimbursements will not be processed unless the fund reached this specific level or a minimal monthly reimbursement. This procedure will be targeted for approval and adoption in January 1998.

**JEFFERSON PARISH HUMAN SERVICES AUTHORITY
(THE AUTHORITY)
INTERNAL CONTROL COMMENTS**

PETTY CASH

1. Comment

Distributions from Petty Cash are supported by a store receipt or other supporting documentation and a Petty Cash Receipt (Receipt) containing the custodian's approval signature and the signature of the person receiving the petty cash. This supporting documentation was found to be incomplete on several occasions. Receipts often lacked an approval signature, did not contain the signature of the employee who received the petty cash, or both signatures were written in the same handwriting. Also, we noted two instances where petty cash was dispensed without supporting documentation and an additional disbursement was made from a photocopied store receipt.

Supervisory personnel approve a summary of the petty cash reimbursements, but do not review the supporting documentation for completeness and accuracy, nor do they review the Receipts for proper approvals.

Recommendation

We recommend that supervisory personnel review the supporting documentation as well as the Receipt for proper approvals and cancel these items. Supervisory personnel should determine that the Receipt is signed by the individual receiving the cash and the custodian disbursing the cash. This serves as evidence that the individual received the cash. Original invoices should be attached to the Receipt to support the expenditures. Because the custodian has access to the Receipts and the supporting documents after reimbursement, these records should be cancelled upon reimbursement to preclude attempts to obtain duplicate reimbursement by resubmitting the already-paid vouchers. This would reduce the likelihood of petty cash funds being misappropriated.

Response

Department of Management and Finance will write a procedure that will address divisional approval of the summary listing. In addition, the accounts payable section will review and cancel each individual receipt and reject requests that have any discrepancies. The procedure will also state the proper uses of a petty cash fund. This procedure will be targeted for approval and adoption in January 1998.

The Board of Governors
Jefferson Parish Human Services Authority
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We have already discussed many of these comments and suggestions with various administrative personnel and have included their responses. We will be pleased to discuss the comments with you and, if you desire, to assist you in implementing any of the recommendations.

It is understood that this report is solely for your information and is not to be referred to for any purpose or distributed to anyone who is not a member of the Board or management of the Authority.

Kashner, Lafraige & Moore, L.L.P.

Metairie, Louisiana
November 7, 1997

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JEFFERSON PARISH

HUMAN SERVICES AUTHORITY

INTERNAL CONTROL REPORT

Under provisions of state law, this report is a public document. A copy of this report is to be furnished to any person who requests it, and any fee for copying will be paid for the person who requests it. This report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 1 1 1998**