

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Ruston Developmental Center
Office for Citizens With
Developmental Disabilities
Department of Health and Hospitals
State of Louisiana
Ruston, Louisiana

April 1, 1990

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LEGISLATIVE AUDITOR
STATE OF LOUISIANA



Financial and Compliance Audit Division

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

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**RUSTON DEVELOPMENTAL CENTER
OFFICE OF CITIZENS WITH
DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Ruston, Louisiana**

Management Letter
Dated January 12, 1988

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 parish clerk of court.

April 1, 1988



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DANIEL A. ALLEN, PRESIDENT
LEGISLATIVE AUDITOR

January 12, 1998

RUSTON DEVELOPMENTAL CENTER
OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Ruston, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1998, we conducted certain procedures at Ruston Developmental Center. Our procedures included (1) a review of the center's internal control, (2) tests of financial transactions for the years ending June 30, 1996, and June 30, 1997; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 1996, and June 30, 1997.

The June 30, 1996, and June 30, 1997, Annual Fiscal Reports of Ruston Developmental Center were not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on these reports. The center'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 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 discussed our findings and recommendations with appropriate management personnel before submitting this written report.

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

Inadequate Control Over Payroll

Ruston Developmental Center does not have adequate internal control procedures in place to ensure restricted access to the Uniform Payroll System and to require signed and approved time sheets for all client employees (patients that perform certain jobs around the facility). Good internal controls should provide for adequate segregation of duties and independent review of all payroll changes so that no one employee would be in a position to both initiate and correct errors or fraud. In addition, good business practices require written documentation, including supervisor approval, of all hours worked for which a client employee will be reimbursed.

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Our review of the system disclosed that five employees had both headquarters access to master records as well as headquarters access to time entry records, and that not all payroll charges, including charges made to client employee payroll records, are independently reviewed. In addition, a review of the client payroll register for the pay period ended December 14, 1997, showed that 86 client employees were paid for that pay period. Of these employees, 7 employees (7%) did not have a time sheet on file to support the hours worked. In addition, 25 of the 86 time sheets available (29%) were not signed by the client supervisor to indicate the hours reported on the time sheet were accurate.

An inadequate segregation of duties combined with lack of independent review of charges increases the risk that errors or fraud could occur in the payroll functions and not be detected in a timely manner. Also, failure to obtain written documentation with supervisor approval of all hours worked increases the risk that client employees could be paid incorrectly.

Management of Ruston Developmental Center should ensure that user access to the Uniform Payroll System is restricted to provide segregation of duties, that independent reviews of payroll charges are made, and that all employees have completed time sheets that are signed and approved. In a letter dated January 15, 1998, Mr. Phil Allen, Regional Administrator, concurred with the finding and stated that the functions relating to master records and time entry will be segregated. In addition, Mr. Allen stated that for all clients who work, time sheets will be required, reviewed for correctness, and signed by supervisors.

Lack of Controls and Failure to Maintain Records - Cafeteria Inventory

Ruston Developmental Center does not have adequate internal accounting controls in place over its cafeteria inventory and did not retain the monthly or year-end inventory counts. Good internal controls should provide for adequate segregation of duties and independent review of inventory reports, records, and variances. In addition, Louisiana Revised Statute 44:38 requires public records to be retained for not less than three years. Our review of internal accounting controls revealed the following weaknesses:

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1. The same person receives and records to the perpetual records, performs the monthly inventory counts, and adjusts the perpetual inventory records for variances.
2. No one performs independent review of variances between the inventory records and the actual count.
3. Supporting documentation (monthly and annual count sheets) were not retained.
4. Independent random test counts are not performed by someone independent of the cafeteria.

An inadequate segregation of duties combined with lack of independent review of reports, records, and/or adjustments increases the risk that errors, fraud, and/or financial misstatement could occur and not be detected timely.

Ruston Developmental Center should ensure that adequate internal accounting controls are in place for its cafeteria inventories. In a letter dated January 19, 1999, Mr. Phil Allen, Regional Administrator, stated that the center concurred with the findings and that all records will be retained. In addition, Mr. Allen stated that an independent review will be made of variances between the inventory records and the actual count as well as any adjustment made to the perpetual inventory records. Finally, the field department will perform independent audits of the cafeteria inventory on a biannual basis.

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

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

Respectfully submitted,



Daniel C. Kyle, CPA, CFE
Legislative Auditor

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per:mcg