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**OFFICE OF PUBLIC HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

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Movable Property Records

For the eighth consecutive year, the Office of Public Health (OPH) has not implemented the appropriate internal control procedures to ensure that all movable property regulations as prescribed by the Commissioner of Administration and Louisiana law are followed. Louisiana Revised Statute (LSA-R.S.) 39:321 and Louisiana Administrative Code 34:VII.307 require that acquisitions be tagged, and information forwarded to Louisiana Property Assistance Agency (LPAA) within 45 days of receipt of the movable property item. In addition, an adequate system of internal controls requires that control procedures be in place to ensure that movable property is properly safeguarded against loss arising from unauthorized use, that movement of items from one location to another is recorded, and that errors in processing transactions are recognized and corrected in a timely manner. Our tests of movable property disclosed the following:

1. Our tests of 55 items of movable property acquired during November and December 1995 revealed that 11 items (20 percent) were not tagged, 8 items (15 percent) were not reported to LPAA or added to the inventory listing, and another 19 items (35 percent) were not reported to the LPAA within the 45 days required by state regulations. OPH took 50 to 245 days from the acquisition date to properly tag and report these 19 items.
2. We reviewed the movable property listing for 662 additions to inventory for April, May, and June 1996. We noted that OPH took over 200 days to enter 140 acquisitions into inventory (21 percent) and over 60 days to record another 202 items (30 percent).
3. We tested 58 items from the June 30, 1995, physical inventory, which required corrections for various reasons. We determined that, as of June 28, 1996, OPH had not corrected 27 of those items (46.5 percent) on the inventory records. These corrections involved location, cost, or description.
4. On September 5, 1995, Information Services issued a memorandum listing 18 items that had erroneous location codes. As of June 28, 1996, 17 of the 18 (94 percent) items listed still had erroneous location codes.
5. On January 8, 1996, a memorandum from OPH's in-house computerized inventory system identified 123 items that needed description corrections. As of June 28, 1996, 70 of those items (57 percent) still had inaccurate descriptions.

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OPH should implement the appropriate control procedures needed to ensure the accurate and timely recording of movable property and to ensure that all property laws and regulations are followed. In a letter dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our findings and recommendations and stated that the office is taking steps to install controls to assure timely and accurate recording of movable property.

Reconciliation of Food Instruments

For the third consecutive year, OPH has not performed a reconciliation of each food instrument issued with food instruments redeemed for the Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557, WIC). The Code of Federal Regulations [7 CFR 246.12(n)] requires the state agency to identify disposition of all food instruments by performing a reconciliation of each food instrument issued to food instruments redeemed within 150 days of the first valid date for participant use.

Because of a problem in the loading of data from the food instruments issue sites to the mainframe, there are 186,168 unmatched records as of May 31, 1996, totaling approximately \$5,700,000. OPH issues approximately 199,000 food instruments monthly, totaling approximately \$6,200,000. By not identifying the disposition of food instruments within 150 days of the instrument's validation date, lost, stolen, or expired instruments could be cashed and not be detected in a timely manner. Also, the Code of Federal Regulations [7 CFR 246.23(a)(4)] states that the Food and Nutrition Service of the U.S. Department of Agriculture could issue a claim against OPH for its unreconciled food instruments.

OPH should work diligently to reconcile food instruments timely for compliance with the Code of Federal Regulations. In a letter dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our finding and outlined a corrective action plan to resolve the problem.

Dual Participation in Federal Programs

For the eighth consecutive year, OPH has not ensured that recipients of the Commodity Supplemental Food Program (CFDA 10.565, CSFP) and recipients of the Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557, WIC) do not participate in both programs. The Code of Federal Regulations (7 CFR 247.7) states that OPH is responsible for the detection of dual participation in these programs. OPH has developed a computer program to detect dual participation, and in February 1995, OPH established written policies and procedures for appropriate action against



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November 13, 1996

**OFFICE OF PUBLIC HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
New Orleans, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1996, we conducted certain procedures at the Office of Public Health, Department of Health and Hospitals. Our procedures included (1) a review of the office's internal control structure; (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 report recommendations.

The Annual Fiscal Report of the Office of Public Health 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 office'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 office personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter for the year ended June 30, 1995, we reported findings relating to movable property records, reconciliation of food instruments, dual participation in federal programs, food vendor controls, and on-line time and leave entry system. The finding relating to on-line time and leave entry system has been resolved by management. The findings relating to movable property records, reconciliation of food instruments, dual participation in federal programs, and food vendor controls are 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.

**OFFICE OF PUBLIC HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
New Orleans, Louisiana**

**Management Letter
Dated November 13, 1996**

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 New Orleans offices of the Legislative Auditor.

January 15, 1997

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OFFICE OF PUBLIC HEALTH DEPARTMENT OF HEALTH AND HOSPITALS STATE OF LOUISIANA

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dual participants. However, because of continuing problems with the computer program, a report that identifies dual program participants was not produced until July 10, 1996. Therefore, as of June 30, 1996, OPH had not taken appropriate action against individuals identified as participating in both programs. The value of the food distribution in the parishes subject to dual participation in CSFP and WIC programs for fiscal year 1996 was \$13,279,132 and \$27,991,399, respectively.

To be assured that recipients do not participate in both programs, OPH should produce the dual participation report on a monthly basis and take appropriate action against individuals identified as participating in both programs. In a letter dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our finding and recommendations and provided that a report was established in July 1996 to resolve this problem.

Food Vendor Controls

For the second consecutive year, OPH has not developed policies and procedures to ensure that food vendors for the Special Supplemental Food Program for Women, Infants, and Children (CFDA 10.557, WIC) are charging for food packages in accordance with the WIC's Grocer's Price Report Sheet. A good internal control structure should include control procedures that include review of amounts being charged by food vendors to detect possible violations and errors and/or irregularities in a timely manner.

In our test of 77 food instruments, we noted that there is a wide difference in amounts that food vendors charge for the same food packages. For the BL02 food package, vendors' total charges ranged from \$72.93 to \$137.31, a difference of 89 percent; for the PK01 food package vendors' total charges ranged from \$16.50 to \$30.15, an 87 percent difference; for the GR01 food package vendors' total charges ranged from \$14.75 to \$22.93, a 56 percent difference. Because OPH has not developed internal control policies and procedures to review amounts being charged by food vendors and to take appropriate action against food price violators, the office cannot be assured that WIC is being charged for food packages in accordance with WIC's Grocer's Price Report Sheet and that errors and/or irregularities are detected in a timely manner. The value of the WIC food instruments for the fiscal year ended June 30, 1996, was \$84,163,689.

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Office of Public Health
Department of Health and Hospitals
State of Louisiana
New Orleans, Louisiana

January 15, 1997



Financial and Compliance Audit Division

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