

STATE OF LOUISIANA LEGISLATIVE AUDITOR

3-103
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Department of Health and Hospitals
Baton Rouge Main Office Operations
State of Louisiana
Baton Rouge, Louisiana

March 13, 1996



Financial and Compliance Audit Division

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

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

**Management Letter
Dated December 20, 1995**

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.

March 13, 1996



DANIEL G. KYLE, PH.D., CPA, CFE
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December 20, 1995

**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, 1995, 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 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 year report recommendations.

The Annual Financial 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 selected department 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 audit of the Department of Health and Hospitals (Baton Rouge Main Office Operations) for the year ended June 30, 1994, we reported findings relating to provider audits, non-emergency medical transportation program, annual appropriation act, Medicaid cash management, allocation of block grant funding, rate setting, audit report monitoring, medical assistance trust fund, internal audit function, provider credit balances, cash management of block grants, professional service contract monitoring, timely processing of Medicaid applications, confidentiality of Medicaid recipient information, cash receipt and disbursement controls, on-line data entry system, movable property records, cash subsidy program, code of ethics, Medicaid third party liability, and time and attendance records. The findings relating to the non-emergency medical transportation program, annual appropriation act, internal audit function, provider credit balances, professional service contract monitoring, timely processing of Medicaid applications, cash receipts and disbursement controls, cash subsidy program, code of ethics, and Medicaid third party liability have been resolved by management. Although the finding on the on-line data entry system has not been fully resolved by management, the

LEGISLATIVE AUDITOR

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Management Letter, Dated December 20, 1995
Page 2

remaining issue is not significant and therefore not included in this report. The remaining findings have not been resolved and 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.

Provider Audits

For the second consecutive year, the Department of Health and Hospitals (DHH) has not established adequate internal controls to ensure that receivables and payables resulting from audits of providers participating in the Medical Assistance Program (CFDA 93.778, Medicaid) are recorded in the department's financial records and subsequently reported in the Comprehensive Annual Financial Report (CAFR) of the State of Louisiana. In addition, DHH has not ensured that the federal share of provider overpayments has been reported and reimbursed to the Health Care Financing Administration (HCFA) within 60 days of the date of discovery as required by the Code of Federal Regulations [42 CFR 433.320(a)(2)].

The department contracts with Blue Cross of Mississippi, doing business as Tri Span Health Services, to audit the cost reports of Medicaid providers. Letters notifying the department of amounts due to/from Medicaid providers are received by the institutional reimbursements section where the transactions are recorded in the subsidiary records and notices sent to the fiscal management section. Our review of the Tri Span Health Services audit letters issued on or before June 30, 1995, disclosed the following:

1. Fiscal management had not updated and reconciled its subsidiary records with those of the institutional reimbursements section for amounts due to 11 providers.

The failure to reconcile these accounts resulted in a decrease in the amounts due to 11 providers totaling \$24,011,717. The omission resulted in a decrease in amounts due from the federal government of \$21,860,312.

The failure to reconcile these accounts also resulted in an increase in amounts due from 7 providers totaling \$11,127,006. The omission resulted in an increase in amounts due to the federal government of \$10,989,612.

LEGISLATIVE AUDITOR

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Management Letter, Dated December 20, 1995
Page 3

Had these omissions remained undetected, they would have caused receivables on the CAFR to be overstated by \$10,733,306 and payables to be overstated by \$13,022,105.

2. Of the increase in amounts due from providers, we estimate that \$2,381,770 was 60 or more days old. Because these amounts had not been recorded in fiscal management's subsidiary records, the department did not include the federal share of these amounts, estimated at \$1,730,356, on the HCFA-64 expenditure report for June 30, 1995, as required by 42 CFR 433.320(a)(2).

After our review, proposed audit adjustments were accepted by the department and incorporated into the CAFR.

The department should establish and/or review controls to ensure that amounts due to/from providers from audits are recorded accurately in the subsidiary records and that amounts are reconciled timely with the institutional reimbursements section and ensure that federal regulations are adhered to relating to overpayments. In a letter dated October 20, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, stated that the department concurred with the finding. He further stated that the accounts have been corrected and balanced and that proper reporting will be made to the federal government on the next HCFA-64.

Allocation of Block Grant Funding

For the second consecutive year, DHH did not comply with the statutory formula for disbursing Substance Abuse Prevention and Treatment (SAPT) Block Grant (CFDA 93.959) funds. Our review of disbursements for the grant disclosed the following:

- The Code of Federal Regulations, 45 CFR 96.124(b), requires that at least 20 percent of the total grant award be used for primary prevention activities. Although the department reported expenditures in excess of the set-aside, our examination of 16 contracts allocated to prevention activities disclosed that expenditures of \$30,793 associated with "treatment only" services had been allocated to prevention. Reclassification of these expenditures would cause the department to fall short of the prevention set-aside by \$21,038.
- The Code of Federal Regulations, 45 CFR 96.124(c)(2), requires the department to spend at least five percent of the grant award to increase (relative to the amount spent in federal fiscal year 1993) the availability

LEGISLATIVE AUDITOR

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Management Letter, Dated December 20, 1995
Page 4

of treatment services to pregnant women and women with dependent children. Based on this requirement, the department should have spent \$2,430,472 on expanded women's services while actual expenditures for this category totaled only \$1,868,328 or \$562,144 less than the amount required.

These conditions occurred because the department does not have sufficient monitoring procedures in place to ensure that allocations are accurate and in accordance with federal funding requirements. Failure to adequately monitor and properly allocate the expenditures of the grant into the mandatory set-aside categories could cause the department to violate federal funding requirements, thereby creating questioned costs to the state.

We recommend that the department enhance current procedures and/or implement new procedures that will ensure that classifications and allocations of expenditures are accurate and that all set-aside requirements are met. In a letter dated November 21, 1995, Mr. Joseph Williams, Jr., Deputy Assistant Secretary of the Office of Alcohol and Drug Abuse, concurred that the current data collection system indicates that the department did not meet the required set-asides but believes that the current system may not be capturing actual expenditures appropriately. Mr. Williams outlined a plan of corrective action to improve the department's data collection system and to supplement this procedure with manual capture of certain data.

Audit Report Monitoring

For the second consecutive year, DHH does not have a monitoring system to ensure that all of its subrecipients receiving \$25,000 or more of federal funds and cost-reimbursement contractors funded with \$50,000 or more of state funds are audited in accordance with *Government Auditing Standards*. Federal laws (OMB Circulars A-128 and A-133) require the department to ensure that each subrecipient of federal pass-through funds totaling \$25,000 or more has an audit performed that will comply with the applicable circular. In addition, departmental policy requires that all nongovernmental providers receiving \$50,000 or more in state funds from one or more cost-reimbursement contracts secure a financial and compliance audit.

The department has not developed a comprehensive monitoring system to ensure that all audit reports are received and reviewed. Failure to ensure that federal subrecipients or cost-reimbursement contracts are audited in accordance with *Government Auditing Standards* increases the risk that federal subrecipients or nongovernmental providers will not expend federal financial assistance or state funds, respectively, in accordance with applicable laws and regulations.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995

Page 5

The department should enhance its established procedures to ensure that federal subrecipients and cost-reimbursement contractors are audited in accordance with *Government Auditing Standards* as required by applicable laws and regulations and that all findings are reviewed for subsequent resolution in a timely manner. In a letter dated August 23, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, concurred with the finding and recommendation. Mr. Mead stated that the department has now developed a tracking system and related policy for its implementation and will begin using the system as soon as the policy receives final approval.

Medical Assistance Trust Fund

For the second consecutive year, DHH has not maintained adequate controls over fees due from providers to the Medical Assistance Trust Fund to ensure that amounts reported by providers are accurate. Fees due to the Medical Assistance Trust Fund are established by Louisiana Revised Statutes (LSA-R.S.) 46:2601-2605. Providers are responsible for preparing and submitting reports of fees due to the fund and for remitting payments at that time. Trust fund collections totaled \$71,686,798 for the year ended June 30, 1995. A good system of internal control would provide assurance that all fees are accurately reported and collected when due.

Our review of the accounts receivable balance and collections for the Medical Assistance Trust Fund disclosed that the department had no procedures to provide for audits of fees due from providers, nor were other procedures in place to provide assurance that providers reported and remitted the correct fees. The department has prepared a request for proposals (RFP) to provide for audit services, but at September 13, 1995, the RFP had not been issued.

Failure to establish adequate monitoring procedures for reports filed by providers increases the likelihood that material misstatements in fees due to the department can occur or that errors may occur and go undetected. The department's ability to monitor amounts due and collect amounts that become past due would also be impeded.

The department should establish procedures to ensure accurate monitoring and reporting of fees due from providers to the Medical Assistance Trust Fund. In a letter dated October 19, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, concurred with the finding and recommendation and stated that the department has begun the process to obtain auditing services for collections of the Medical Assistance Trust Fund.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995

Page 6

Rate Setting

For the fourth consecutive year, DHH, Office of Secretary, set prospective reimbursement rates for clients in residential facilities, those facilities that contract with the Office of Mental Health and the Office of Alcohol and Drug Abuse, without having independently audited cost reports. In our tests of 1994 and 1995 residential contracts, we noted that DHH amended the contracts to include a requirement that an independent auditor render an opinion on the cost reports. However, the audited cost reports will not be available for establishing reimbursement rates until the 1996 contract year.

According to the DHH Rate Setting for Residential Care System Manual, all cost reports will be submitted in accordance with generally accepted accounting principles as well as state and federal regulations. The manual further states that the Medicare Provider Reimbursement Manual (HIM-15) is the final authority for rates set unless a provision in the Rate Setting Manual is more restrictive. While desk reviews of the cost reports are performed and the department has initiated corrective action to require audited cost reports for future calculations, the department does not have audited cost reports of the residential facilities for the fiscal year ended June 30, 1995, to ensure that the expenditures included in the cost reports are accurate and allowable under HIM-15. Given the magnitude of the state and federal funds totaling \$4,261,383 required to reimburse 33 residential providers during the year, it is imperative that only audited data be used as a basis to set reimbursement rates.

The department should continue its efforts to obtain and use audited cost reports to establish reimbursement rates as soon as possible. In a letter dated July 12, 1995, Mr. Thomas D. Collins, Acting Director of the Bureau of Health Services Financing, concurred with the finding and recommendation and outlined the corrective action taken by the department.

Medicaid Cash Management

For the second consecutive year, DHH has not complied with the Cash Management Improvement Act (CMIA) agreement. The agreement was entered into between the State of Louisiana and the U.S. Department of the Treasury to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds as required by the Cash Management Improvement Act of 1990 and amended by the Cash Management Improvement Act Amendments of 1992. The agreement and the Code of Federal Regulations (31 CFR 205) specify the procedures to be used for the five types of draws made by DHH for the Medical Assistance Program (CFDA 93.778, Medicaid). Our examination disclosed the following:

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995
Page 7

1. The agreement requires the use of the estimated clearance pattern for Medicaid benefit payments. Under this method, the department draws Medicaid funds daily based upon a check clearance pattern, which is submitted to the Division of Administration and certified to the U.S. Treasury. 31 CFR 205.8 requires that states follow certain procedures if they have actual or constructive knowledge that the clearance pattern does not correspond to a program's clearance activity. These procedures require that states immediately notify the Financial Management Service (FMS) in writing of the program requiring a new clearance pattern and develop a new clearance pattern and certify that it corresponds to a program's clearance activity.

During our audit of the department for the fiscal year ended June 30, 1994, we became aware that the clearance pattern used by the department did not correspond to the Medicaid benefits activity. We notified management of the necessity to change the clearance pattern approximately August 1, 1994. However, the department did not notify FMS that the Medicaid program required a change in clearance pattern. Because there was a delay in receiving the data necessary to calculate the needed change, the corrected clearance pattern did not become effective until March 7, 1995.

2. Of 28 transactions tested for Medicaid benefits payments, the department underdrew funds on one occasion, by \$4,097,357 on October 10, 1994, and it did not correct the error until March 3, 1995, five months later.
3. The department used an estimated average payroll expenditure amount in determining the amount of payroll dollars to be drawn from July 1, 1994, through November 10, 1994. The CMIA agreement specifies that payroll dollars are to be drawn using the average clearance method, based on actual dollars. Of five payroll draw transactions tested for the year, the department was overdrawn by as much as \$130,507 and underdrawn by as much as \$67,026. The department began drawing funds based on actual payroll dollars on November 23, 1994.

The department did not comply with the CMIA agreement because it did not establish adequate procedures or did not consistently follow procedures that would have ensured compliance with the agreement. Failure to adjust the clearance pattern timely subjects the department to noncompliance with the CMIA agreement and may result in the imposition of interest liabilities by the FMS. In instances where the department has

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995

Page 8

underdrawn funds, state funds have been used to supplant federal funds for expenditures although federal funds were available to the state. Though the CMIA agreement states that no interest liability will be incurred for payroll and administrative draws, we believe interest penalties could be imposed by FMS because the overdrafts in question resulted from failure to follow established procedures rather than the inaccuracies that result from using estimated rather than actual expenditures.

We recommend that the department establish procedures to ensure that funds are drawn in compliance with the CMIA agreement and that they are drawn timely. In a letter dated September 7, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, stated that the department concurred that adequate procedures were not established and followed consistently at the time of the findings. Mr. Mead maintains that the department could not have corrected the error in clearance pattern any earlier, even if FMS had been notified, because the necessary data was not available at the time. He further maintains that the department's eventual detection of the cited error on October 10, 1994, is evidence that its improved procedures are functioning and that the errors related to payroll draws do not represent a material failure to comply with the agreement which would be required for imposition of interest.

Confidentiality of Medicaid Recipient Information

For the second consecutive year, DHH has not provided sufficient controls to ensure the confidentiality of information on recipients of the Medical Assistance Program (CFDA 93.778, Medicaid). The Code of Federal Regulations (42 CFR 431.300-308) requires the department to establish criteria to safeguard the use or disclosure of information concerning Medicaid applicants and recipients. Before releasing information to other agencies to verify eligibility, the department must execute data exchange agreements with those agencies. LSA-R.S. 46:56(I) requires confidentiality of recipient information and imposes penalties for violations of confidentiality. Our audit of the department disclosed the following:

1. DHH provided a monthly tape containing eligibility information to a private contractor engaged by the Louisiana Health Care Authority (LHCA) to provide revenue enhancement and operational improvement initiatives. Section 2080.18.A of the State Medicaid Manual requires this contractor to be an agent of DHH to have access to the information. Because their contract is with LHCA, the contractor is not acting as an agent of the department. DHH could provide no documentation to assure that the information provided was used only in accordance with federal and state law.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995

Page 9

2. LHCA also engaged a private contractor to provide retroactive revenue recovery services. This contractor provides a member of the LHCA staff with a tape of potential Medicaid recipients for whom services have been rendered by LHCA facilities. The LHCA employee then runs the tape against recipient eligibility information maintained by DHH on the Department of Social Services Welfare Information System (WIS). The program used for the match was not in a protected computer file library to ensure that unauthorized changes are not made to programs and that outside contractors do not gain access to unauthorized data.

These conditions occurred because the department is not properly monitoring the release of recipient information to ensure compliance with federal and state law. Failure to comply with these regulations subjects the department to federal sanctions and to penalties imposed by LSA-R.S. 48:56(l).

The department should discontinue providing eligibility information to other agencies or contractors of other agencies until its needs for this information are assessed, the required written agreements are obtained, and adequate safeguards are in place to ensure compliance with federal and state law. Furthermore, the program used to match data tapes from the private contractor with the WIS system should be reviewed for any unauthorized changes and moved into a protected library. Finally, the department should consider performing the match as noted in item 2 with its own personnel. In a letter dated August 31, 1995, Mr. Thomas D. Collins, Acting Director, Bureau of Health Services Financing, stated that the department concurred with the finding and immediately took corrective action. In the exit conference held December 20, 1995, Mr. Collins added that no violations of confidentiality had been found.

Cash Management of Block Grants

For the second consecutive year, DHH requested federal funds under the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959) in excess of its immediate needs during the fiscal year ended June 30, 1995. The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (C.21.b) states that procedures must be in place to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees. Within the federal cash management field, there is an implied "three-day rule" that has become accepted as the standard.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995
Page 10

The procedures established by the department would minimize the time between the transfer and disbursement of funds. However, for the March 8, 1995, drawdown, there was an error in the calculation that overstated expenditures for the Block Grants by \$235,956. This error in calculation caused the department to overdraw federal funds. The excess funds were spent and the error was corrected by the time of the next drawdown calculation for April 6, 1995. As a result, these funds were not available to the federal government for investment or other uses during the period held by the department and thus creates a potential interest liability due to the federal government.

We recommend that the department implement procedures to ensure that any errors made in the calculation of drawdowns are detected and corrected in a timely manner. In a letter dated August 22, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, concurred with the finding and recommendation and further stated that the department strives to follow established procedures.

Drug-Free Workplace

DHH could not provide documentation that all employees who are engaged in the performance of federal grants were given a copy of the department's drug-free workplace policy. 41 USC 701 et seq., the codification of the Drug-Free Workplace Act of 1988, requires grantees of federal funds to publish a policy statement notifying employees that unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violations of these prohibitions. 41 USC 702(C) requires the grantee to give a copy of this statement to each employee engaged in the performance of a federal grant. To comply with the requirements relating to the Drug-Free Workplace Act, DHH established the required drug-free workplace policy (Policy #0016-89), which requires employees to sign a form certifying that they have received a copy of the policy and understand it. This form is to be maintained in the employee's personnel file.

During our test of payroll, we found that 5 out of 24 employees, although paid from federal funds, did not have this signed certification in their personnel file. This condition occurred because personnel files are maintained at various locations throughout the state and the department has no procedures in place to ensure compliance with department policy. Failure to obtain signed certifications from every employee increases the risk of noncompliance with provisions of the Drug-Free Workplace Act and could result in federal sanctions.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995
Page 11

We recommend that the department ensure compliance with the Drug-Free Workplace Act by developing procedures to enforce internal Policy #0016-89. In a letter dated October 4, 1995, Ms. Mary Anne Manley, Human Resource Director, stated that the department concurred with the finding and outlined various corrective procedures that have been established.

Movable Property Records

For the tenth consecutive year, various offices within DHH have not maintained 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. We selected 70 items paid for during the year and found 24 items (\$25,121 of \$93,343) were not tagged and added to the inventory system until 48 to 317 days after receipt of the property, and as of July 14, 1995, four of these items have not yet been added to the inventory system.

These problems continue because the property manager is not receiving timely information from the department's property coordinators and/or other difficulties in monitoring remote movable property locations. 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.

The department should ensure that all property is tagged and the required information is transmitted to LPAA timely. In a letter dated September 11, 1995, Ms. Sonya Pulliam, Director of the Division of Materials Management, concurred with the finding, emphasized the improvement the Office of the Secretary has made in this area in the prior year, and outlined further steps to strive for complete compliance. In a memorandum dated August 31, 1995, Mr. David McCants, Director, Division of Fiscal Service, stated that the department concurred in part with the audit finding but believes there were extenuating circumstances in some instances. Mr. McCants further stated that the department takes seriously its responsibility to comply with the state's movable property laws and regulations and will reemphasize to managers the importance of following property control procedures.

LEGISLATIVE AUDITOR

**DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Management Letter, Dated December 20, 1995
Page 12**

Time and Attendance Records

For the second consecutive year, DHH did not have adequate internal control procedures to ensure compliance with the state Civil Service rules and regulations relating to the certification of employee time and attendance records. An adequate system of internal control and Civil Service Rule 15.2 require the employee and supervisor to certify the number of hours of attendance or absence from duty on the time and attendance records. This would minimize the risk that time and attendance records are processed for nonexistent or former employees or that these records are processed with incorrect hours worked and/or leave taken.

In our test of 21 timekeeping units for the pay periods ending August 14, 1994, through February 12, 1995, we noted that 9 employees had certified their own time and attendance records and there was no certification of one employee's time and attendance record.

The department should instruct all timekeepers that all time and attendance records contain the appropriate certifications before they are processed into the On-Line Time and Leave System. In addition, the timekeepers should return any time and attendance records with missing signatures for correction before paychecks are issued. In a letter dated September 6, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, stated that the department concurred with the finding and has taken action to implement the recommendation.

On-Line Time and Leave Entry System

DHH did not consistently follow its internal control procedures for the On-Line Time and Leave Entry System for the input of payroll transactions into the Uniform Payroll System (UPS). Time and leave are keyed into the system by each designated timekeeper, and UPS generates reports that will indicate all time and leave recorded into the system. Access to the system is restricted to a designated timekeeper and alternate at the payroll unit level. However, our review of internal controls at four offices disclosed the following:

1. At all four offices tested, the timekeeper performs incompatible functions in that the same employee who keys in the time and leave also reviews the UPS reports and verifies the data input into the system.
2. At two of the four offices, the timekeepers did not have leave slips to support leave taken and completed time and attendance sheets.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995

Page 13

3. In one office, the timekeeper was "assuming" a 40-hour work week when the time and attendance reports were not yet received for processing.

A good internal control structure should provide adequate segregation of duties so that no one employee would be in a position to both initiate and conceal errors or irregularities and that all required documents are received and maintained. Because the department's internal control procedures were not always followed, inaccurate, unsupported, and fraudulent data could be entered and processed.

The department should reemphasize to all employees the need to follow its On-Line Time and Leave Entry System procedures and make clear that someone other than the timekeeper reviews the UPS reports and verifies data input into the system and ensures that all required documents are received before processing and are maintained. In a letter dated September 6, 1995, Mr. Stan Mead, Director, Division of Fiscal Management, stated that the department concurred with the finding and has taken action to implement the recommendation.

Annual and Sick Leave

DHH has not complied with Executive Order EWE 94-32. Sections 1 and 4 of that executive order provide that persons in certain positions, including confidential assistants, shall not earn annual or sick leave. In addition, Section 18 makes the effective date of the executive order retroactive to January 13, 1992. However, during the period of October 5, 1992, until February 26, 1995, the department's confidential assistant was allowed to earn a total of 923 hours of sick and annual leave valued at \$26,625. Management did not have adequate procedures in place to ensure compliance with Executive Order EWE 94-32.

We recommend that the department adjust this employee's leave record and develop and implement procedures to ensure compliance with Executive Order EWE 94-32. In a letter dated October 4, 1995, Ms. Mary Anne Manley, Human Resource Director, concurred with the finding and stated that the department is in the process of adjusting the employee's leave record to reflect that the affected employee's leave earning ability commenced with his appointment to a classified position in February 1995.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 20, 1995
Page 14

Other Reports Issued by the Office of the
Legislative Auditor Concerning the
Department of Health and Hospitals -
Baton Rouge Main Office Operations

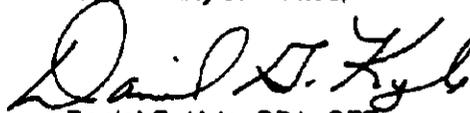
The Office of the Legislative Auditor issued the following specified procedures reports relating to the Department of Health and Hospitals, Baton Rouge Main Office Operations:

- August 16, 1995 - a report concerning Medicaid non-inpatient laboratory services.
- August 2, 1995 - a report concerning professional service contracts between the department and Eligibility Services, Inc. (ESI).
- February 8, 1995 - a report concerning professional service contracts between the department and Deloitte and Touche.

The recommendations in this report and the reports noted previously 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 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.

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

JES:MWB:dl
