

PINECREST SUPPORTS AND SERVICES CENTER

OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 11, 2022

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Pinecrest Supports and Services Center



May 2022

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Introduction

The primary purpose of our procedures at the Pinecrest Supports and Services Center (Center) was to evaluate certain controls the Center uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

The Center is part of the Office for Citizens with Developmental Disabilities, Louisiana Department of Health (LDH).

Results of Our Procedures

We evaluated the Center’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Center’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, Medicaid billing, purchasing card expenditures, residents’ account disbursements, and payroll expenditures.

Cash

The Center maintains the following bank accounts:

- Imprest fund account - consisting of incidental receipts and expenditures of the Center, including funding for petty cash balances;
- Residents’ accounts - consisting of Social Security benefits and other receipts for benefit of individual residents; and
- Extra benefits account - consisting of donations and other incidental receipts used for general benefit of the residents.

We obtained an understanding of the Center’s controls over the bank accounts; evaluated the segregation of duties; reviewed bank statements and bank reconciliations; reviewed listings of pledge securities; and examined selected payroll, procurement, and residents’ account cash disbursements. Based on the results of our procedures, the Center had adequate controls in place

to ensure timely preparation, review and approval of bank reconciliations, secured bank balances; and disbursements were properly authorized, made for proper business purposes, accurately recorded, and adequately supported.

Medicaid Billings

Approximately 98% of the Center's revenue collections consist of billings for Medicaid Title XIX revenues, which totaled approximately \$127.9 million in fiscal year 2021. The Center submits monthly electronic billings to the Louisiana Medicaid Fiscal Intermediary, Gainwell Technologies system for Medicaid funds, which are received and directly deposited into the State Treasury by LDH for the Center's use. The billings are based on the number of residents and days housed during each month and established Medicaid per diem rates entered in the HSys Electronic Billing Software for Medicaid and uploaded to the Gainwell Technologies system. We inquired of Center personnel and examined supporting documents for January 2021, March 2021, July 2021, and August 2021 billings. Based on the results of our procedures, no exceptions were identified.

Purchasing Card Expenditures

The Center participates in the State of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of the Center's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2020, through February 25, 2022, and reviewed selected transactions. Based on the results of our procedures, the Center had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Residents' Account Disbursements

We inquired of the Center's personnel and reviewed listings of residents' account balances and disbursements for fiscal years 2021 and 2022, as of February 28, 2022. We selected and examined supporting documents for disbursements made in September 2020, April 2021, May 2021, June 2021, July 2021, November 2021, January 2022, and February 2022 to determine whether disbursements were properly reviewed and authorized, valid for the benefit of the resident, properly supported, and recorded. Based on the results of our procedures, no exceptions were identified.

Payroll Expenditures

Salaries and related benefits comprise approximately 78% of the Center's expenditures in fiscal years 2021. We obtained an understanding of the Center's controls over time approval, pay rate authorizations, earning overtime, and leave usage. We examined 15 employees' time statements, leave and overtime records, and pay rate authorizations for selected pay periods during the two-year period ending June 30, 2022, as of February 28, 2022. Based on the results of our procedures, the Center had adequate controls in place to ensure timely review and approval of employee time and leave, employees were paid the amounts authorized, overtime earned and paid was proper, and leave taken was properly accounted.

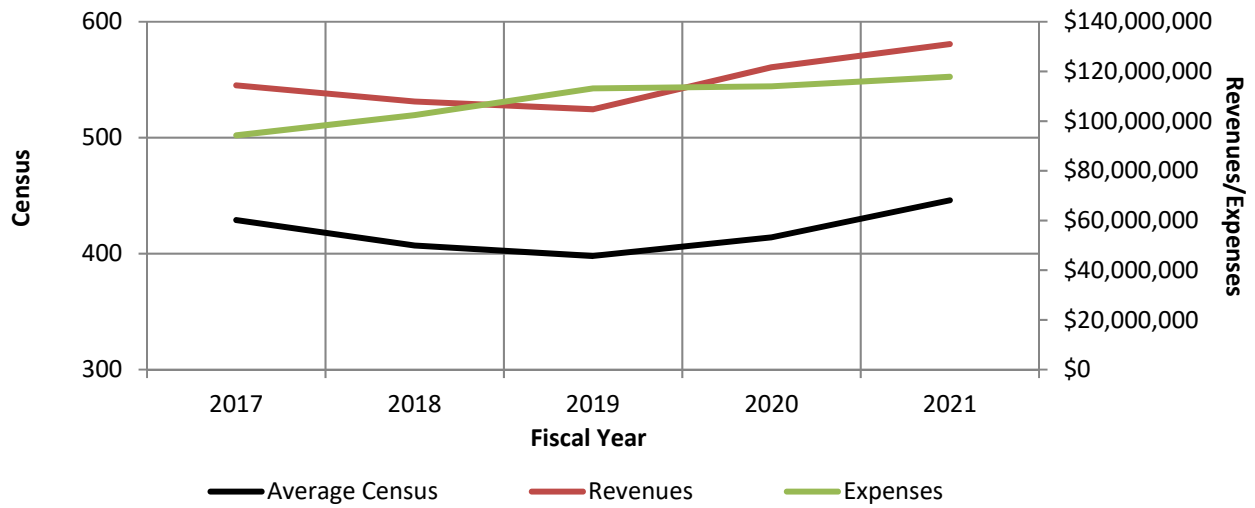
We also obtained and reviewed listings of employees who terminated their employment during the two fiscal years ending June 30, 2022, as of February 10, 2022, and compared the dates access was removed in the LaGov system to the dates employees terminated their employment from the Center. Based on the results of these procedures, no exceptions were identified.

Trend Analysis

We compared the most current and prior-year financial activity using the Center's system-generated reports and obtained explanations from the Center's management for any significant variances. We also prepared an analysis of the Center's revenues, expenses, and census data; and census data by population groups over the past five fiscal years to identify trends, as shown on Exhibit 1 and 2 on the following pages.

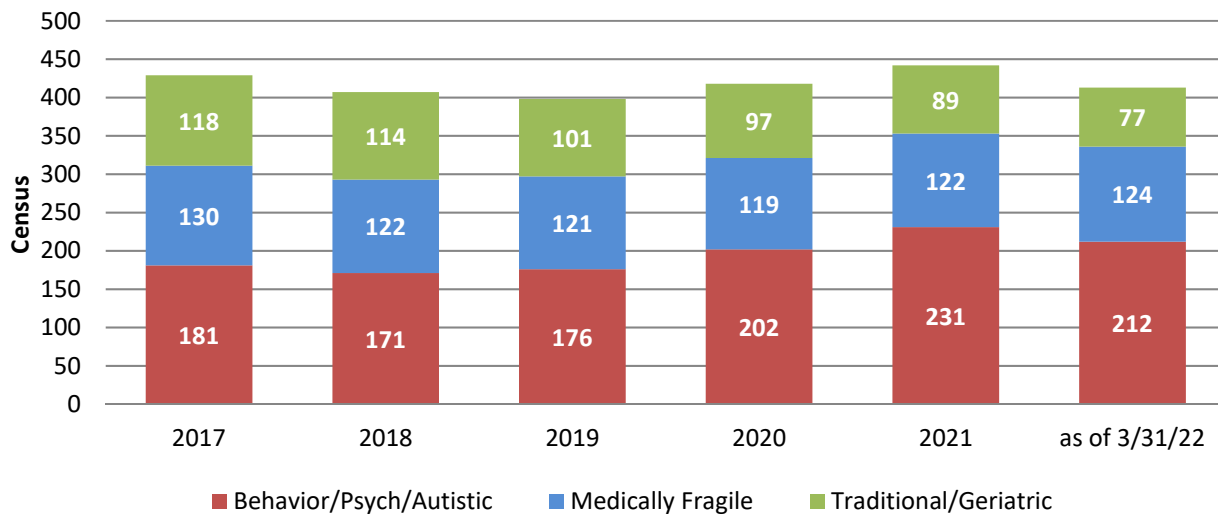
In the past five fiscal years, revenues have fluctuated in line with the census. In fiscal year (FY) 2018 and FY 2019, the average census declined due to a decrease in admissions and increased efforts to transition more residents out into the community or other private facilities. However, the average census increased over the FY 2017 levels in FY 2020 and FY 2021 due to new admissions and the transfer of residents to the Center from a private facility that closed after Hurricane Laura. Expenses have increased since FY 2018 to meet a requirement by Medicaid requiring increases in the number of direct staff employees to care for the residents.

Exhibit 1 Fiscal/Census Trends



Sources: Integrated State-wide Information System Reports; Business Objects Reports; Health Standards Reports

Exhibit 2 Census Distribution by Population Group Per Fiscal Year



Source: Office of Citizens with Developmental Disabilities System Health Standards Reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Pinecrest Supports and Services Center (Center) for the period from July 1, 2020, through May 9, 2022. Our objective was to evaluate certain controls the Center uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the Center's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Center's accounts, under the Office for Citizens with Developmental Disabilities, Louisiana Department of Health, are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Center's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Center.
- Based on the documentation of the Center's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, Medicaid billing, purchasing card expenditures, residents' account disbursements, and payroll expenditures.
- We compared the most current and prior-year financial activity using the Center's financial information and/or system-generated reports to identify trends and obtained explanations from the Center's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Center and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.