

**FLORIDA PARISHES
HUMAN SERVICES AUTHORITY
LOUISIANA DEPARTMENT OF HEALTH**

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued September 27, 2024**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Florida Parishes Human Services Authority

September 2024

Audit Control # 80240031

Introduction

The primary purpose of our procedures at the Florida Parishes Human Services Authority (FPHSA) was to evaluate certain controls FPHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated FPHSA'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 FPHSA's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to cash, revenue billings and collections, payroll and personnel, and nonpayroll expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in FPHSA's procedural report dated August 15, 2022. We determined that management has resolved the prior-report finding related to Failure to Follow Public Bid Law Requirements.

Current-report Finding

Inadequate Controls over Payroll

FPHSA did not maintain adequate controls over payroll processing, which resulted in untimely or lack of certification of time statements by employees and untimely or lack of approval of time statements by supervisors. Failure to ensure that employees and supervisors are timely certifying and approving time statements increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

Our review of LaGov system reports for the period July 1, 2022, through March 31, 2024, identified the following exceptions:

- Of 7,483 time statements for the period under review:
 - 431 (6%) were certified by employees between 1 and 434 days (or an average of 27 days) after the payroll posting date.
 - 219 (3%) were not certified by an employee.
 - 1,470 (20%) were approved by supervisors between 1 and 400 days (or an average of 23 days) after the payroll posting date.
 - 210 (3%) were not approved by supervisors.

FPHSA's payroll policy requires employees to certify in the Cross-Application Time Sheet (CATS) by Monday (payroll-close date). Although FPHSA's written policy did not define the timeframe for supervisor approvals, per management, FPHSA's general guidance requires supervisors to approve time statements in CATS by the following Wednesday (payroll-posting date), and requires time administrators to monitor the e-certification process.

FPHSA did not adhere to its payroll policy or general guidance over payroll certification, approvals, and/or monitoring. FPHSA management should revise its formal policy over payroll processing to clearly define when supervisors must approve time and attendance records. Management should also establish monitoring procedures to ensure that timesheets are certified and approved in a timely manner. Management concurred with the finding and outlined a plan of correction action (see Appendix A).

Cash

The FPHSA maintains a central operating account for the deposits of all clinics located in Bogalusa, Denham Springs, Hammond, Slidell, and Mandeville. The cash balance at June 30, 2023, per the FPHSA's Annual Fiscal Report, was \$3,373,532. We obtained an understanding of the FPHSA's controls over the bank account, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations for the months of January 2023 and October 2023. In addition, we reviewed remittances of collections to the State Treasury.

Based on the results of our procedures, FPHSA had adequate controls in place to ensure appropriate segregation of employees' duties, bank reconciliations were prepared and reviewed timely, and collections were remitted to the State Treasury.

Revenue Billings and Collections

FPHSA used InSync, an electronic health record system, to bill for services provided to clients and to maintain medical records for services rendered and amounts owed in fiscal years 2023 and 2024. We obtained an understanding of FPHSA's controls over revenue billings and collections, including the reconciliation process of billings to collections. We performed procedures to determine if FPHSA was reconciling amounts billed to amounts collected and that patient accounts reflected payments received. We selected deposits from the May 2023 and September 2023 bank statements and traced to the electronic claims submission/receipt report or other collection reports. In addition, we traced payments received to patient accounts in InSync.

Based on the results of our procedures, FPHSA had supporting documentation for reconciliations and adequate controls were in place to ensure that revenue billings and collections were properly recorded.

Payroll and Personnel

Salaries and related benefits comprised approximately 71% and 73% of FPHSA's expenditures in fiscal years 2023 and 2024 (through March 30, 2024), respectively. We obtained an understanding of FPHSA's controls over the time and attendance function and reviewed employee time statements processed between July 1, 2022, and March 30, 2024.

Based on the results of our procedures, FPHSA did not have adequate controls in place over payroll processing (see details in Current-report finding section).

Nonpayroll Expenditures

Professional service contracts comprised approximately 42% of FPHSA's nonpayroll expenditures in both fiscal years 2023 and 2024 (July 1, 2023, through March 30, 2024). We obtained an understanding of FPHSA's controls over professional service contracts and selected a sample of contract expenditures to determine if expenditures were reasonable and in compliance with the provisions of each contract. Based on the results of our procedures, professional service contract expenditures were reasonable based on the provisions of the contracts.

Capital asset acquisitions and major repair expenditures comprise approximately 7% and 1% of FPHSA's nonpayroll expenditures in fiscal year 2023 and 2024 (July 1, 2023, through March 30, 2024), respectively. We obtained an understanding of FPHSA's controls over purchasing. We selected a sample of expenditures for capital assets and major repairs between July 1, 2022, and March 20, 2024, to determine if expenditures were properly authorized, and if assets were properly procured, tagged

and recorded in the property listing. Based on the results of our procedures, FPHSA had adequate controls in place over the acquisition of capital assets & major repairs.

Trend Analysis

We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from FPHSA's management for any significant variances.

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

KML:JBM:BH:BQD:aa

FPHSA2024

APPENDIX A: MANAGEMENT'S RESPONSE



Florida Parishes Human Services Authority

Livingston Parish
Carol Stafford, Vice Chair
Brandon Browning

St. Helena Parish
Gary Porter

St. Tammany Parish
David Duplantier
Timothy Lentz
Noble-Bates Young

Executive Director
Richard J. Kramer

Tangipahoa Parish
Genesa Garofalo Metcalif, M.D., Chair
Mona Pellichino

Washington Parish
Vacant

August 9, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94937
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Please accept this letter as Florida Parishes Human Services Authority's (FPHSA) official response to the audit finding of Inadequate Controls over Payroll identified in your agency's audit of our records earlier this year. The finding identified instances where employee attendance records were not certified timely by themselves or approved timely by their supervisors. Although I would like to make clear that there are other checks and balances built into the payroll process that ensure that employees are being compensated correctly, we do concur with the finding and agree that timely certification by employees and supervisors should be expected to provide greater control over the processing of time and attendance records.

Effective July 1, 2024, FPHSA revised the internal procedures governing this process to require that employees' time is certified by the Wednesday following payroll closing on Sunday and that supervisors approve their subordinates' attendance record prior to the closing of the following payroll period. Further, FPHSA's Human Resources Department is monitoring compliance with these requirements each pay period through the inspection of payroll reports to ensure that any pending approvals are addressed.

I wish to thank you and your staff for your cooperation during this engagement as we all work together to ensure that we are responsibly managing the resources of the State of Louisiana.

Sincerely,

Richard J. Kramer
Executive Director

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APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Florida Parishes Human Services Authority (FPHSA) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls FPHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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 FPHSA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The FPHSA's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated FPHSA'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 FPHSA.
- Based on the documentation of FPHSA's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to cash, revenue billings and collections, payroll and personnel, and nonpayroll expenditures.
- We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from FPHSA'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 FPHSA, and not to provide an opinion on the effectiveness of FPHSA'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.