

PINECREST SUPPORTS AND SERVICES CENTER
OFFICE FOR CITIZENS WITH
DEVELOPMENTAL DISABILITIES

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MAY 11, 2016

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Pinecrest Supports and Services Center

May 2016

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Introduction

The primary purpose of our procedures at 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 overall accountability over public funds.

The center is a part of the Office for Citizens with Developmental Disabilities, Louisiana Department of Health and Hospitals (DHH), which is a component unit of the state of Louisiana. The center's mission is to support people with intellectual and developmental disabilities to reach treatment goals and to return to more integrated community living settings. For more information on the center's services, see Appendix B.

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 applicable laws and regulations. Based on documentation of the center's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, Medicaid billings, LaCarte procurement card expenditures, contract expenditures, travel expenditures, payroll expenditures, client account disbursements, supply inventories, movable property, information technology access, and damaged and missing client property items. We also performed analytical review procedures and analyzed the center's revenues, expenses, and census over the last five fiscal years; and census distribution by population over the last seven and a half years.

Cash

Our procedures included a review of the cash accounts and procedures relating to access to cash, bank reconciliations, and segregation of duties. The center maintains the following bank accounts:

- Imprest fund account - consisting of incidental revenues and expenses of the center, including funding for petty cash balances;

- Clients' accounts - consisting of social security benefits and other receipts for benefit of individual clients; and
- Extra benefits checking account - consisting of donations, funds from closed state agencies that are now privatized, and other incidental receipts used for general benefit of the clients.

We inquired of and observed center personnel and examined bank reconciliations for the months June 2015 through January 2016. Based on the results of our procedures, no exceptions were identified.

Medicaid Billings

The center submits monthly electronic billings through the Molina system for Medicaid funds, which are received and directly deposited into the State Treasury by DHH for the center's use. The billings are based on the number of clients housed during each month and established Medicaid per diem rates. We inquired of center personnel and examined supporting documents for September 2014, November 2014, September 2015, and November 2015 billings to determine whether the center billed based on accurate census data and authorized reimbursement rates, and whether the billing transactions were properly recorded. Based on the results of our procedures, no exceptions were identified.

LaCarte Procurement Card Expenditures

The center participates in the state of Louisiana's LaCarte Procurement Card Program and utilizes LaCarte cards to make small-dollar purchases. We obtained an understanding of the center's policies and procedures for procurement card use and reviewed a listing of all card holders. We selected and examined supporting documents, such as invoices, receipts, logs, and credit card statements for all purchases made in March 2015 and October 2015 by certain employees. Based on the results of our procedures, no exceptions were identified.

Contract Expenditures

We obtained an understanding of the center's policies and procedures relating to contract expenditures. For contracts in effect during the two-year period ending June 30, 2016, for dental, psychiatry, and client sitting services, we examined contracts, performance evaluations, and invoice payments for selected months through December 2015. Based on the results of our procedures, no exceptions were identified.

Travel Expenditures

We obtained an understanding of the center's policies and procedures for travel activities. In November 2014, the center began using a Corporate Business Account to charge certain travel expenditures. For the months of December 2014, February 2015, September 2015, and October 2015, we selected transactions and examined receipts and travel request reimbursements relating to mileage, lodging, parking, and registration fees. Based on the results of our procedures, no exceptions were identified.

Payroll Expenditures

The center has approximately 1,200 employees and payroll expenditures are the center's largest expenditure. We obtained an understanding of the center's controls over payroll expenditures. We performed inquiries and observations of center personnel and examined support for pay rates, leave taken, time approval, and termination payments as of January 31, 2016, for selected employees. Based on the results of our procedures, no exceptions were identified.

Client Account Disbursements

We inquired of center personnel and examined supporting documents for selected client account disbursements during the period July 1, 2014, through December 31, 2015, to determine whether disbursements were properly authorized, valid for the benefit of the client, properly supported, and recorded. Based on the results of our procedures, no exceptions were identified.

Supply Inventories

The center maintains seven warehouse locations on its grounds consisting of auto supplies, clothing, office supplies, buildings and grounds items, toiletry items, household items, and medical supplies. As of July 1, 2014, the center outsourced its pharmacy operations to a private third party, Omnicare, to handle all prescription drugs. We obtained an understanding of the center's controls over supply inventories, observed items in one warehouse, and examined the October 2015 inventory count sheets for three selected warehouses. Based on the results of our procedures, no exceptions were identified.

Movable Property

The center owns more than 1,500 items with original costs of approximately \$5,379,264. We observed security operations on the grounds, tested the timeliness of new additions and approval of selected deletions, and reviewed the latest annual inventory property certification as of November 2015. Based on the results of our procedures, no exceptions were identified.

Information Technology Access

We performed procedures to determine whether information technology (IT) access was restricted to business need-only, and access was adequately segregated as of February 4, 2016. The center uses Molina Medicaid Solutions for clients' data and fee billing, the Assets Works system for property management, the LaGov system for payroll and purchasing activities, and the Integrated Statewide Information System for general ledger and financial information preparation. Based on the results of our procedures, the center had adequate IT controls in place to ensure access was properly restricted and segregated.

Damaged and Missing Client Property Items

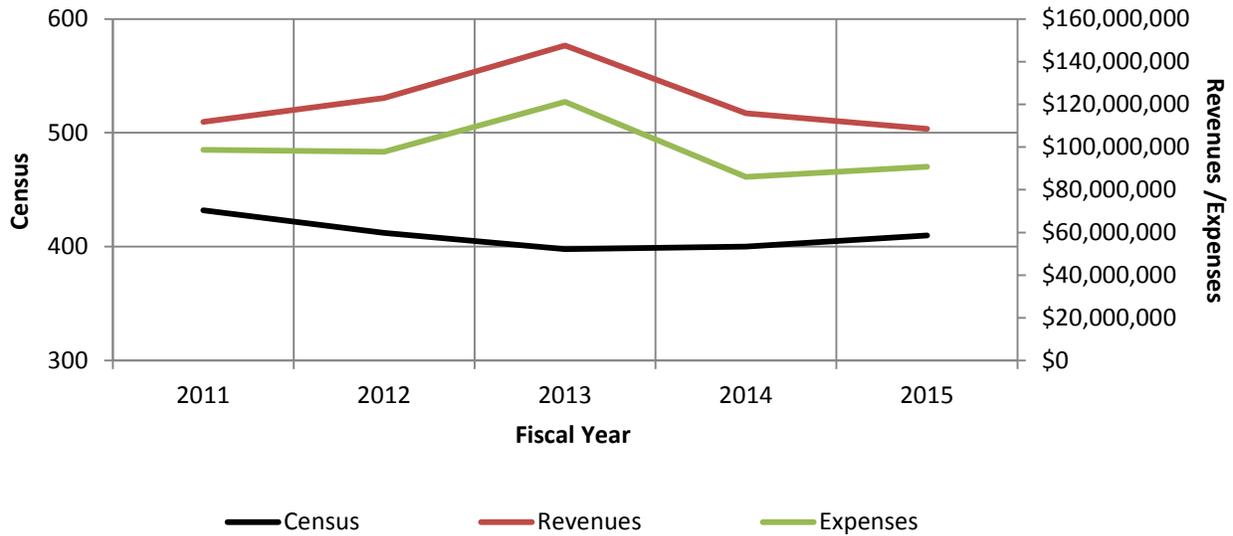
In the past four years, the center has reported an increase in the number of damaged and missing client property items. Title 50 of the Louisiana Administrative Code requires that property of clients damaged or stolen by others must be replaced by the center. The reason for the continued increase in damaged and missing client property may be largely due to the shift in client makeup from those with intellectual and developmental disabilities to more behavioral and psychiatrically challenged clients, as shown below in Exhibit 2. The center has represented that it is utilizing its Intensive Treatment Unit more extensively with increased surveillance in higher risk areas, increased its number of locked storage areas for client property, and increased police and supervisor monitoring to mitigate future losses.

Trend Analysis

We compared the most current and prior-year financial activity using the center's system-generated reports to identify trends and obtained explanations from management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We analyzed the center's revenues, expenses, and census data over the last five fiscal years to identify trends. Medicaid revenues make up over 95% of the center's revenues. As shown in Exhibit 1, over the past five fiscal years, the center's census has decreased as more traditional clients transition into the community. In fiscal year 2013, revenues and expenses increased mainly due to the temporary care of clients from two similar facilities (Northwest Supports and Services Center and North Lake Supports and Services Center). These facilities were privatized in fiscal year 2014, which reversed the previous upward trend. Revenues further declined in fiscal year 2015 due to a 10% reduction in the Medicaid per diem rate; however, expenses and census increased because more behavioral and psychiatric clients were admitted by court orders due to the lack of availability of other state run facilities.

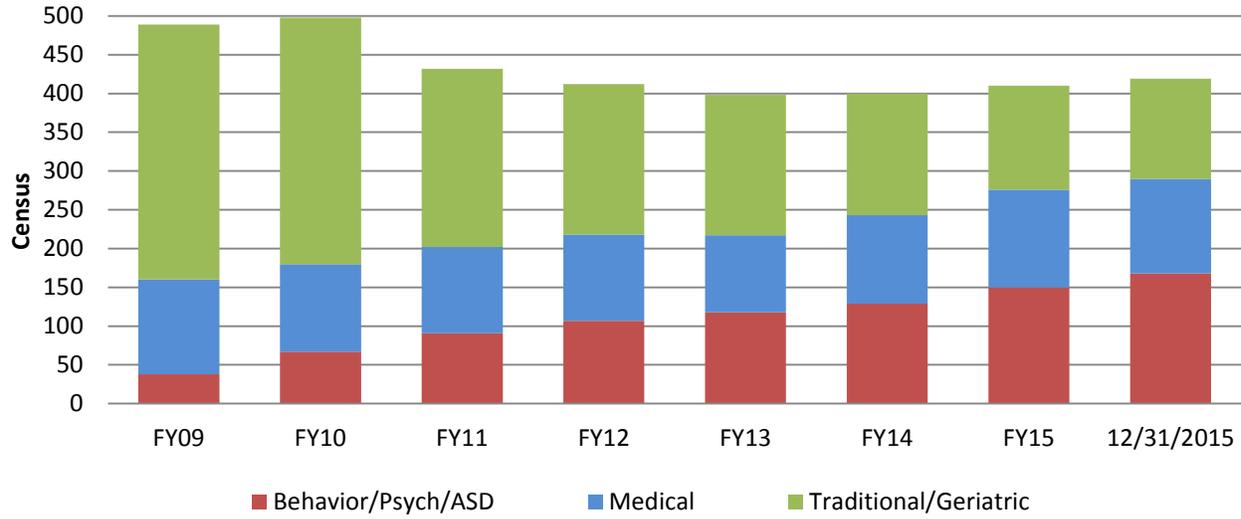
**Exhibit 1
Fiscal/Census Trends**



Sources: Integrated State-wide Information System Reports and Screen Printouts;
Business Objects; Health Standards Report

As of December 31, 2015, the center had 34 homes on the grounds with 419 beds filled. The clients at the center include those with behavioral/psychiatric and autism spectrum disorder (ASD); medically fragile; and traditional/geriatric clients with intellectual and developmental disabilities who have been served at the center for many years. As shown in Exhibit 2 below, the census distribution by population group over the past seven and a half fiscal years has shifted from traditional clients to a more challenging population comprised of those with behavioral, psychiatric, and autism disabilities. Since 2009, approximately 130 behavioral clients were admitted and approximately 200 traditional clients have been transitioned from the center.

**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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at Pinecrest Supports and Services Center (center) for the period from July 1, 2014, through May 3, 2016. Our objective was to evaluate certain internal controls the center uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall 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 financial information, and, accordingly, we do not express an opinion on that information. The center's accounts, under the Office for Citizens with Developmental Disabilities, Louisiana Department of Health and Hospitals, 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, we performed procedures on selected controls and transactions relating to cash, Medicaid billings, LaCarte procurement card expenditures, contract expenditures, travel expenditures, payroll expenditures, client account disbursements, supply inventories, movable property, information system access, and damaged and missing client property items.
- We compared the most current and prior-year financial activity using the center's financial information and/or system-generated reports and obtained explanations from the center's management for any significant variances. We also performed an analysis of the center's revenues, expenses, and census data over the last five fiscal years; and the center's census distribution by population group over the last seven and a half fiscal years for informational purposes.

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.

APPENDIX B: BACKGROUND

The primary focus of the Pinecrest Supports and Services Center (center) is to serve as the state's safety net facility and the provider of last resort for individuals with intellectual and/or developmental disabilities with significant behavioral and psychiatric challenges and/or high-need medical support needs whose community-based placements have failed and for whom alternate community-based living options are not available. The focus upon each admission is to develop skills and abilities with the individual to promote independence through education via a broad range of programmatic resources. The goal for each individual is re-integration back into a community-based service of their choice.

The center's treatment services include a wide range of services to the clients of the facility. The facility utilizes 34 distinct residential settings, 14 programmatic settings, a variety of on- and off-campus vocational settings, two Intensive Treatment Units, and a Medical Observation Unit. The center provides residents with a variety of services and supports based on individual needs including, but not limited to: Active Treatment Services, Residential Services, Case Management/Qualified Intellectual Disabilities Professional Services, Psychological Services, Psychiatric Services, Primary Care Medical Services, Nursing Services, Occupational Therapy, Physical Therapy, Speech/Language Pathology Services, Nutritional Services, Recreation Services, Day Habilitation Services, Employment Services, Transition Services, and Specialty Medical Services including - Neurology, Neuropsychology, Pathology, Genetics, Hematology, Endocrinology, Orthopedics, Gastroenterology, and Podiatry.

Specialized treatment and training areas include an Autism Training Area, Intensive Treatment Units for behavioral challenges, Dental clinic with three operation areas and a two-bed recovery room operated by Louisiana State University Dental School, Ambulatory Medical Services Clinic, Custom Wheelchair Shop, Horse Barn – Hippo Therapy, Special School District No. 1, recreation park, gymnasium, cross modality fitness area, evacuation center for individual with intellectual disabilities across the state, and vocational opportunity areas including a Greenhouse, Carwash, Baker's Secret bakery, and a canteen.

The center currently serves more than 422 citizens with intellectual and developmental disabilities and a variety of behavioral, psychiatric, medical, physical, and autism-related support needs. The center's goal is to stabilize behavioral, psychiatric, and medical challenges and teach transportable skills that will allow individuals to successfully move back into a community setting of their choice. The facility has been configured into specialized teams designed to provide a more customized approach to serve the individuals with the most significant behavioral, medical, and psychiatric challenges. These services are designed to stabilize and prepare each person for reintegration into the community.