

CENTRAL LOUISIANA STATE HOSPITAL
OFFICE OF BEHAVIORAL HEALTH

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Central Louisiana State Hospital

May 2016

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Introduction

The primary purpose of our procedures at Central Louisiana State Hospital (hospital) was to evaluate certain controls the hospital uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds for the period July 1, 2014, through April 18, 2016.

The hospital is a part of the Office of Behavioral Health, Louisiana Department of Health and Hospitals (DHH), which is a component unit of the state of Louisiana. The hospital's mission is to provide quality assessment, diagnosis, treatment, and rehabilitation services to patients whose psychiatric disorders are of sufficient severity to require inpatient treatment. For more information on the hospital's services, see Appendix B.

Results of Our Procedures

We evaluated the hospital'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 the documentation of the hospital's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, contracts, travel expenditures, LaCarte purchase card expenditures, payroll expenditures, patients' accounts disbursements, patient billings, cash, and information technology access. We also performed analytical review procedures and analyzed the hospital's revenues, expenses, and census over the last five fiscal years.

Movable Property

The hospital owns more than 463 items with original costs of approximately \$2,149,009. We observed security operations on the grounds, tested the timeliness of new additions, and reviewed the latest annual inventory property certification as of March 2015. Based on the results of our procedures, no exceptions were identified.

Contract Expenditures

For contracts in effect during the two-year period ending June 30, 2016, for podiatry, speech, chaplaincy services, operation of patients' library, food pantry, and clothing closet, we examined contracts 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 hospital's policies and procedures relating to travel activities. In October 2014, the hospital began using a Corporate Business Account to charge certain travel expenditures. For the months of April 2015, August 2015, and September 2015, we selected transactions and examined receipts and travel request authorizations relating to van rentals, parking fees, conference registration fees, airfare, and lodging. Based on the results of our procedures, no exceptions were identified.

LaCarte Purchasing Card Expenditures

The hospital participates in the state of Louisiana's LaCarte Purchasing Card Program and utilizes LaCarte cards to make small-dollar purchases. We obtained an understanding of the hospital's policies and procedures for procurement card use. We reviewed a summary of card transactions for each employee, by month. We selected and examined supporting documents, such as invoices, receipts, logs, and credit card statements for all purchases made in December 2014, January 2015, May 2015, August 2015, September 2015, October 2015, and December 2015 by certain employees. Based on the results of our procedures, no exceptions were identified.

Payroll Expenditures

The hospital has approximately 300 employees, and payroll expenditures are the hospital's largest expenditures. We obtained an understanding of the hospital's controls over payroll expenditures. We performed inquiries and observations of hospital personnel and examined support for pay rates, time approval, overtime worked, leave earned and taken, and termination payments for selected classified and unclassified employees. Based on the results of our procedures, no exceptions were identified.

Patients' Accounts Disbursements

We inquired of hospital personnel and examined supporting documents for selected patient 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 patient, properly supported, and recorded. Based on the results of our procedures, no exceptions were identified.

Patient Billings

Medicaid payments received by the hospital are “crossover payments,” which occur when a Medicare patient has Medicaid as secondary payer, and Medicaid pays the copayments and deductibles. The majority of third-party billing performed by the hospital is Medicare, private pay, and private insurance. If the patient is uninsured, the hospital must provide free care as per DHH policy, and this goes into the hospital’s calculation of its disproportionate share/uncompensated care revenue.

We inquired of hospital personnel and examined supporting documents for selected patients’ billings to determine whether the hospital is billing at the correct rate based on appropriate number of days, and timely. Based on the results of our procedures, no exceptions were identified.

Cash

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

- Sundry account - consisting of funds from activities performed by patients as part of work therapy and used for employee recognition events;
- Chapel account - consisting of donations designated for construction of a chapel building;
- Petty Cash fund - used for emergency purchases; and
- Patients’ accounts - consisting of funds from social security benefits and private funds from family, used for patients needs.

We inquired of and observed hospital personnel and examined all bank reconciliations for the period July 2014 through December 2015. Based on the results of our procedures, the hospital had adequate controls in place to ensure duties were properly segregated, access to cash was limited, and bank reconciliations were prepared and reviewed timely.

Information Technology Access

We performed procedures to determine whether information technology (IT) access was restricted to business-need only and access was adequately segregated. The hospital uses the

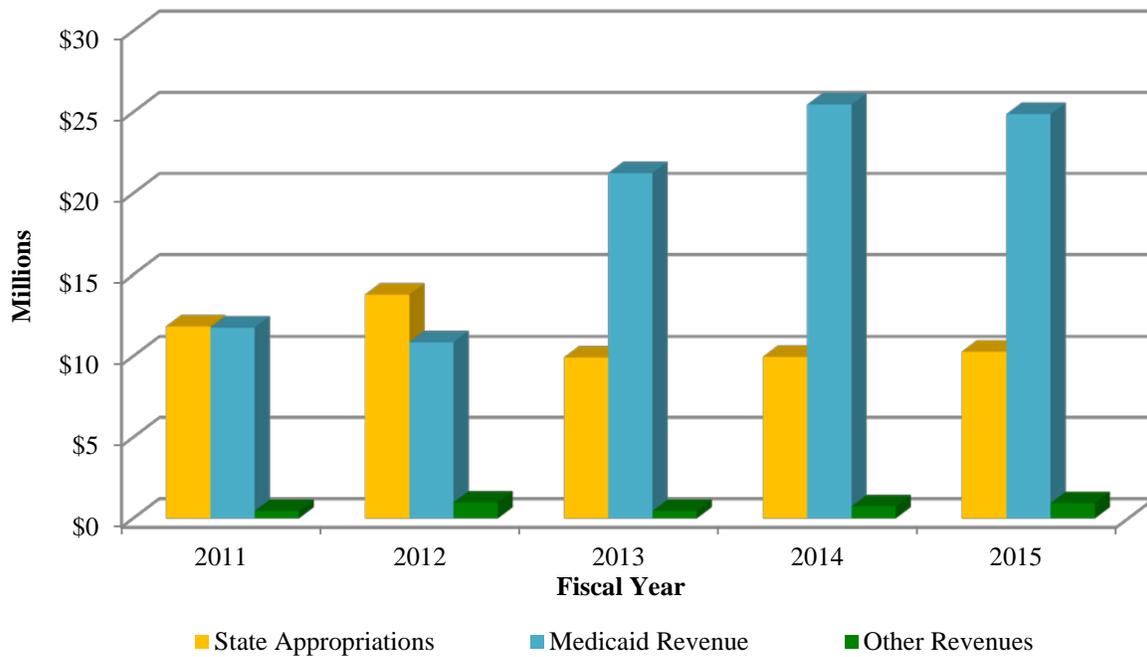
Asset Works system for property management and the Integrated Statewide Information System for general ledger data and financial information preparation. Based on the results of our procedures, the hospital had adequate IT controls in place to ensure access was properly restricted and segregated.

Comparison of Activity between Years

We compared the most current and prior-year financial activity using the hospital’s financial information and/or 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 hospital’s revenues, expenses, and census data over the last five fiscal years to identify trends, as shown in Exhibits 1 and 2 below.

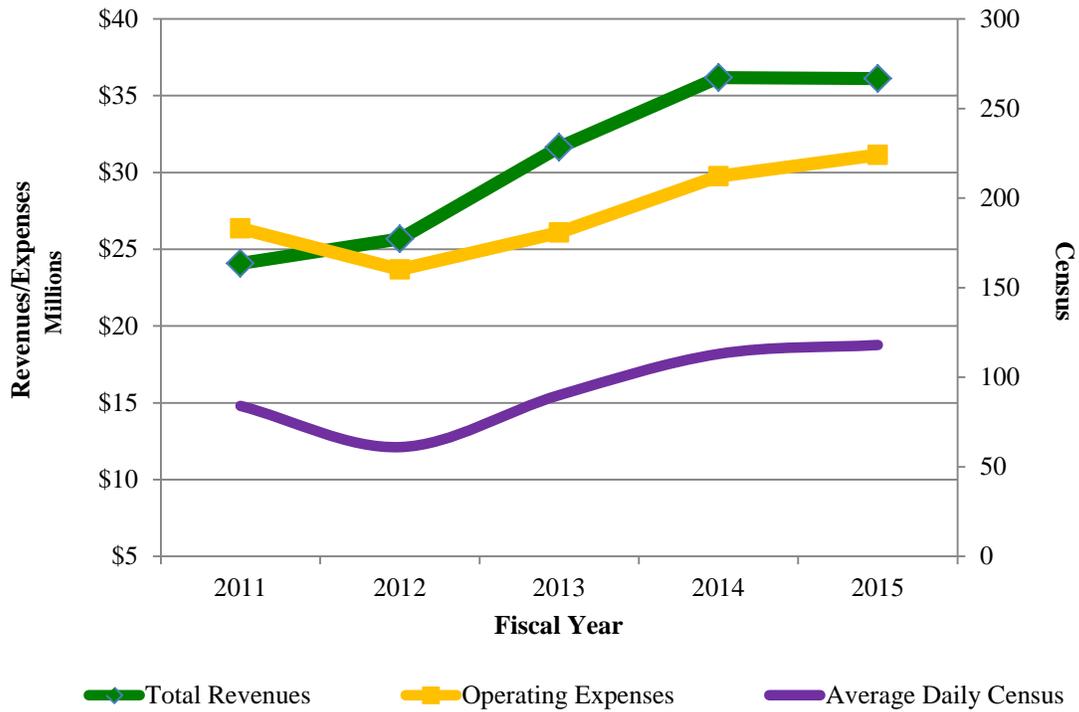
In the past five fiscal years, state funding has fluctuated based on the availability of federal Medicaid funds, which is linked to the census count. There was a decline in the census count in fiscal year 2012 when the hospital was separated from Mental Health Area C. In fiscal year 2013, the census count increased when the Southeast Louisiana Hospital in Mandeville closed and its patients were transferred to the Central Louisiana State Hospital in Pineville, and the hospitals were consolidated under the Office of Behavioral Health. Total revenues and expenses have been consistent with changes in the census.

**Exhibit 1
Five-Year Revenue Trend**



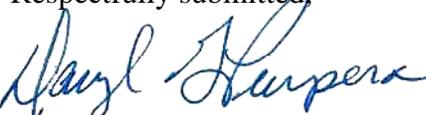
Source: Business Objects Financial Reports

**Exhibit 2
Fiscal/Census Trends**



Source: Patient Information Program Population Movement Reports and Business Objects Financial 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 Central Louisiana State Hospital (hospital) for the period July 1, 2014, through April 18, 2016. Our objective was to evaluate certain internal controls the hospital 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 hospital's financial information, and, accordingly, we do not express an opinion on that information. The hospital's accounts, under the Office of Behavior Health, 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 hospital'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 hospital.
- Based on the documentation of the hospital's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, contracts, travel expenditures, LaCarte purchase card expenditures, payroll expenditures, patients' accounts disbursements, patient billings, cash, and information technology access.
- We compared the most current and prior-year financial activity using the hospital's financial information and/or system-generated reports and obtained explanations from the hospital's management for any significant variances. We also performed an analysis of the hospital's revenue sources, operating expenses, and census data over the last five fiscal years for informational purposes.

The purpose of this report is solely to describe the scope of our work at the hospital and not to provide an opinion on the effectiveness of the hospital'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

Central Louisiana State Hospital (hospital) is a free standing, full service psychiatric hospital licensed by the state of Louisiana, fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations, and certified by the Centers for Medicare/Medicaid Services.

The hospital's primary focus is to provide intermediate inpatient psychiatric care to Louisiana residents in need of service. The hospital is licensed for 196 beds, currently has 120 staffed beds, and maintains the statewide waiting list, which is the point of entry for patients admitted to both the hospital and Eastern Louisiana Mental Health System intermediate beds. Patients are placed on the waiting list after receiving maximum treatment benefit in over 30 acute care psychiatric facilities across the state. The patients placed on the list are not ready for discharge into the community and require an intermediate level of psychiatric care. Patients are provided with therapeutic opportunities in efforts to address treatment needs to promote recovery and prepare them for discharge back into the community.

The hospital promotes initiatives for maintaining and improving the safety of its patients and employees. A goal-directed performance management system focuses upon organizational initiatives and processes and is instrumental in determining opportunities for improving efficacy and efficiency. The hospital has seven tenants occupying buildings on the grounds. The majority of the tenants provide support services to patients who have achieved their treatment goals and have transitioned into community living.

The hospital has a comprehensive Activity Therapy Departmental Program that includes occupational, recreational, and work therapy with each discipline providing its own unique set of specialized services. The program provides a wide range of services including activity assessments of all patients, as well as provision of therapeutic groups and leisure activities to meet the physical, social, cultural, recreational, and health maintenance needs of the patients. The occupational and recreation therapy departments offer various activities and modalities designed to facilitate the development and maintenance of those skills and behaviors necessary for improved functional independence and wellness recovery. Some of the group offerings include physical fitness/exercise, social skills, experiential music, leisure education, arts and crafts, current events, and independent living skills. The work therapy department has a day program designed for adult patients and provides training in various vocational and social skill areas through part-time job situations with close, supportive supervision provided by the work therapy staff.