

WEST JEFFERSON MEDICAL CENTER



COMPLIANCE AUDIT
ISSUED JULY 8, 2009

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1600 NORTH THIRD STREET
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

July 1, 2009

**NANCY CASSAGNE, CHIEF EXECUTIVE OFFICER,
AND MEMBERS OF THE BOARD OF DIRECTORS
JEFFERSON PARISH HOSPITAL SERVICE DISTRICT NO. 1**

Marrero, Louisiana

**HONORABLE AARON BROUSSARD, PARISH PRESIDENT,
AND MEMBERS OF THE JEFFERSON PARISH COUNCIL**

Jefferson, Louisiana

We have audited certain transactions of the Jefferson Parish Hospital Service District No. 1, West Jefferson Medical Center for the period January 1, 2007, through December 31, 2008. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required of an audit by *Government Auditing Standards*; therefore, we are not offering an opinion on the West Jefferson Medical Center's financial statements or system of internal control nor assurance as to compliance with laws and regulations. The concerns and results of our audit are listed below for your consideration.

Background

The Jefferson Parish Hospital Service District No. 1 is a component unit of the Jefferson Parish Council and is comprised of the West Jefferson Medical Center (WJMC) and the West Jefferson Service Corporation. The hospital was founded on April 11, 1956, to serve the medical needs of the residents of the West Bank of Jefferson Parish. The hospital is governed by a board of directors comprised of 10 members who are appointed by parish council members, the parish president, and hospital medical staff.

On May 21, 2008, the Jefferson Parish Council passed a resolution requesting that the Louisiana Legislative Auditor (LLA) review all contractors or professional service providers for the hospital who receive more than \$250,000. In response to the resolution, the hospital provided LLA with a list of 38 service providers that received more than \$250,000 during calendar year 2007. As part of our audit, we reviewed the contracts and supporting documentation for these providers for the period January 1, 2007, through December 31, 2008, to confirm that:

- (1) proper procurement procedures were followed;
- (2) contracts clearly defined services and materials to be provided;
- (3) appropriate purchasing authority was given;
- (4) payments were supported by adequate documentation;
- (5) invoices and payments were within the proper time period; and
- (6) payments did not exceed the terms of the contract.

Our findings and recommendations are as follows:

Contract Labor

The hospital contracts with several staffing services to provide nursing staff. Although the hospital has no formal policies and procedures for recording the hours worked by contract staff, many staffers do regularly log in and out of the hospital's timekeeping system. However, we noted that other contract staff does not consistently log in and out of the system, while other staffers never log in and out of the system. In addition, all contract staffers complete time sheets which are signed by a hospital floor manager and are then provided to the staffing service to invoice WJMC for services provided. Because the hospital does not require all contract staff to log in and out of the timekeeping system, the hospital has no mechanism to verify the hours billed by staffing services for contract staff.

During our review of staffing contracts, we compared available hospital timekeeping records to invoices submitted by staffing services for the period January 1, 2007, to December 31, 2008. Because hospital timekeeping records were not available for all contract staff, the hospital could not demonstrate that all services paid for were provided.

AMN Healthcare

A review of the invoices submitted by AMN Healthcare (AMN) during the audit period indicated that the hospital did not have complete timekeeping records to support 875.75 hours of contracted labor. Of this amount, 512.5 hours were billed for which the hospital had no timekeeping records to demonstrate that services were provided. The remaining 363.25 hours were billed for staffers who generally did log in and out of the hospital's timekeeping system; however, the invoiced amounts did not match the hospital's timekeeping records. On some of these occasions, slight differences could be attributed to rounding errors; however, on other occasions, the hospital simply did not have a time record to support the hours billed. Because the hospital did not require all staffers to log in and out of the system, we could not determine if services were provided or if the staffer simply failed to log in and out of the system.

On Assignment Healthcare

The hospital's contract with On Assignment Healthcare (OAH) stipulates that overtime billing rates apply to all hours worked beyond 48 hours in any seven-day pay period. During our review of OAH invoices, we noted instances in which it appeared that OAH billed at the rate of time and a half for staffers who did not work in excess of 48 hours in the seven-day pay period. Between January 2007 and December 2008, OAH billed the hospital a total of 811 hours at the overtime rate of time and one-half. Of this amount, it appears that 175 of these hours were incurred by staffers who had not worked in excess of 48 hours in the seven-day period.

In addition, WJMC did not have timekeeping records to support invoices submitted by OAH for 6,336 straight hours and 47 overtime hours of contracted labor. Of this amount, 3,274 straight hours and 47 hours of overtime were billed for which the hospital had no timekeeping records to demonstrate that services were provided. The remaining 3,062 hours were billed for staffers who generally did log in and out of the hospital's timekeeping system; however, the invoiced amounts did not match the hospital's timekeeping records. On some occasions, slight differences could be attributed to rounding errors; however, on other occasions, the hospital simply did not have a time record to support the hours billed. Because the hospital did not require all staffers to log in and out of the system, we could not determine if services were provided or if the staffer simply failed to log in and out of the system.

Western Staffing

During the period reviewed, Western Staffing invoiced the hospital for a total of 8,536 hours of contract labor. Of this amount, the hospital had no timekeeping records to support 1,085 of these hours. This included 981 hours billed for which the hospital had no timekeeping records to demonstrate that services were provided. The remaining 104 hours were billed for staffers who generally did log in and out of the hospital's timekeeping system; however, the invoiced amounts did not match the hospital's timekeeping records. On some of these occasions, slight differences could be attributed to rounding errors; however, on other occasions, the hospital simply did not have an electronic record to support the hours billed. Because the hospital did not require all staffers to log in and out of the system, we could not determine if services were provided or if the staffer simply failed to log in and out of the system. Without timekeeping records, the hospital cannot independently verify that the contract labor hours billed by Western Staffing were provided.

We recommend that the hospital implement policies and procedures for recording time worked by contract labor including requiring all contract laborers to clock in and out at the hospital and requiring the appropriate hospital staff to reconcile all invoices for contract laborers to the hospital timekeeping system.

Medical Student Training Agreements

The hospital has entered into agreements with the Tulane University School of Medicine (Tulane) and the Louisiana State University Health Sciences Center (LSUHSC) to receive professional services from resident students at each university. The hospital is billed by each school based on a work schedule that the hospital receives from each school at the beginning of each semester. Hospital staff then reconciles the bills received by each school to these work schedules. During our review, we noted that the hospital does not have written policies or procedures for tracking actual time worked by the residents and thus does not maintain time and attendance records for the residents. Because the hospital does not require residents to document time and attendance, the hospital has no mechanism to verify the hours billed by Tulane and LSUHSC were for actual services provided.

We recommend that the hospital implement policies and procedures for recording time worked by university residents including requiring all residents to log in and out at the hospital and requiring the appropriate hospital staff to reconcile all invoices for university residents to the hospital timekeeping system.

Jefferson Community Health Care Centers

On April 23, 2007, WJMC signed a cooperative endeavor agreement with Jefferson Community Health Care Centers (JCHCC) for the period January 1, 2007, through December 31, 2007. According to this agreement, the hospital would reimburse JCHCC at a rate of \$140 per encounter for services provided to patients that JCHCC reasonably believed were “uncompensated care patients.” We reviewed this agreement as part of a separate review of the JCHCC and those results will be discussed in a subsequent audit report.

This correspondence represents our findings and recommendations as well as management’s response. This correspondence is intended primarily for the information and use of management of the West Jefferson Medical Center and the Jefferson Parish Council but is a public record. I trust this information will assist you in the efficient and effective operations of the West Jefferson Medical Center. Should you have any questions, please contact Dan Daigle, Director of Compliance Audit, at (225) 339-3808.

Sincerely,



Paul E. Pendas, CPA
Assistant Legislative Auditor

BM:GC:DD:sr

WESTJEFFERSONMEDICALCENTER

Management's Response

June 23, 2009

Mr. Steve J. Theriot
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Board of Directors:
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Dear Mr. Theriot,

I am in receipt of your draft compliance audit report on West Jefferson Medical Center. As requested, I am submitting responses to the comments made regarding contract labor and medical student training agreements.

Contract Labor

WJMC has worked hard to reduce/eliminate dependency on contract nursing staff that was a direct result of Hurricane Katrina, and as of May 2009, WJMC had no contracts for these services. Nonetheless, should WJMC need the services of contract nurses again, we will ensure that all staff log in and out of the hospital's timekeeping system and reconcile all invoices to the time records as recommended. Attached is a Payroll and Time Clock Procedure that now includes contract employees.

Medical Student Training Agreements

WJMC is proud to have affiliation agreements with Tulane University School of Medicine and Louisiana State University Health Sciences Center to allow residents to train at our hospital. We are confident that the residents worked, at a minimum, the amount of time indicated on the work schedule. However, as recommended, WJMC has formulated a policy and procedure to ensure that all time worked by the residents is properly documented (see attached).

If you have any questions or need additional information, please let me know.

Sincerely,



Nancy R. Cassagne
Chief Executive Officer

Attachment

cc: West Jefferson Medical Center Board of Directors
Jefferson Parish Council Members

Payroll and Time Clock Procedures

PURPOSE

To establish guidelines for payroll, timekeeping and payroll deductions.

SCOPE

This policy applies to all West Jefferson Medical Center employees. The time clocking procedures must also be adhered to by designated contract employees.

POLICY

West Jefferson Medical Center requires payroll and time clock controls to assure fiscal responsibility as well as compliance with Federal Wage and Hour Law.

I. Timekeeping

The employee's immediate supervisor or designee is responsible for ensuring that the employee's worked and benefit hours are recorded correctly. Employees may not edit or approve their own time and attendance records.

Each job classification is designated as either exempt or non-exempt under the Fair Labor Standards Act.

- Exempt employee's timecard is automatically populated with regular hours. Any deviation from these hours must be properly edited on the timecard by the exempt employee's supervisor or designee. This includes benefit pay (i.e., PDO hours, Bereavement Pay, etc.)
- Non-exempt employees will utilize a time clock and are expected to "clock-in" on or not less than five (5) minutes before their scheduled start time and "clock-out" on or not more than five (5) minutes past his/her scheduled finish time.

Non-exempt employee hours, exclusive of meal breaks, will be rounded to the nearest quarter hour - Seven (7) minutes or less will round back to the quarter hour; Eight (8) minutes or more will round forward.

Non-exempt employees should be ready to work as soon as they punch in. Employees must avoid performing work duties before they have clocked in at the beginning of the day or after they have clocked out.

Non-exempt employees will be set up to receive a thirty (30) minute meal break once per shift. The meal break deduction is automatic and applies to shifts of six (6) hours or longer and will be taken at the four (4) hour mark in the shift.

Clocking in and out overrides the automatic meal break deduction. When leaving the property at the meal break or going to the fitness center, the non-exempt employee must clock in and out.

Any time an employee leaves the facility during the workday, on other than work related business, the employee must clock-out and clock back in upon return to work. The employee must also notify his/her immediate supervisor before leaving campus.

Non-exempt employees must use the clocks designated for each department. The employee's immediate supervisor will notify the employee of the clock location for their use.

The employee must be ready to begin work when he or she clocks in. Clocking in and then parking the car is prohibited and is considered payroll fraud.

Any deviation from the assigned/scheduled working hours must be approved in advance by the employee's supervisor. Repeated unscheduled deviations from assigned working hours, clocking in early or clocking out late, or failure to clock in or out more than once in a continuous three (3) month period may result in disciplinary action being taken.

Paid breaks are subject to operational necessity and whenever practicable, the supervisor may allow up to two (2) rest periods not to exceed fifteen (15) minutes each for each full-time shift. The employee must remain on the property and need not clock in and out for paid breaks. Breaks are subject to supervisory approval and workload, and may not be combined or taken at the beginning or the end of a shift.

It is not acceptable to clock in or clock out another employee. Falsification of records or documents is a direct violation of WJMC policy and will result in the immediate termination of both employees.

An exempt employee (primary position) working in a non-exempt position (secondary position) will not be paid overtime unless the employee works more than 40 hours in the non-exempt position (secondary position). A non-exempt employee working in another position will be paid according to the normal pay rules for overtime when working more than 40 hours in one week.

Should an employee forget, lose or otherwise not have his or her employee identification card available upon arrival to work, he or she is required to notify the immediate supervisor and may be required to purchase a new identification card.

II. Payroll Adjustments

It is the employee's responsibility to report any payroll error. Employees are also responsible to report overpayments and will be obligated to repay overpayments.

The employee's immediate supervisor must be notified first by their employee of any payroll concerns. All adjustments will require Department Directors authorization prior to processing.

Payroll checks/direct deposit stubs will be kept in the Accounting Department until the Tuesday following payday. Unclaimed payroll checks/direct deposit stubs will be mailed on Tuesday following payday.

Written authorization and identification from the employee is required for a payroll check to be released to anyone other than the employee.

Payroll adjustment checks will be processed only in cases where the error is committed by the Department Director, Accounting Department, Information Systems Department, or the Human

Resources Department and amounts less than 25% of employee's bi-weekly salary will be included in the employee's next paycheck.

Requests for early checks will not be granted under any circumstances.

III. Payroll Deductions

West Jefferson Medical Center is required by law to deduct federal, state, and social security taxes from employee's paychecks. In some cases, the Medical Center may be required to deduct garnishments as instructed by government organizations.

In addition to these mandatory deductions, WJMC employees may authorize deductions from their paycheck for financial obligations owed for services or materials purchased at the Medical Center.

- It is the responsibility of the department performing the service or providing the material to ensure that a completed Payroll Deduction Form is obtained prior to the service or materials being given to the employee. The Accounting Department will ensure the designated amount is withheld from the employee's paycheck.
- All employees that receive services or materials from the Medical Center may payroll deduct these services or materials after voluntarily completing a Payroll deduction Authorization Form and obtaining the appropriate approval for the deduction.

The following are the minimum payroll deductions that will be authorized for services or materials:

Hospital Charges	\$15.00
Child Care	\$ 5.00
Retail Purchases	\$10.00
Health Center	\$12.50
Family Doctors	\$20.00
Pediatric Specialty Clinics	\$20.00

The Voluntary Payroll Deduction Forms will be forwarded to the Accounting Department.

If an employee terminates their employment from the Medical Center, voluntarily or involuntarily, the total amount of any service or materials purchased will be deducted from their final paycheck in accordance with the law. However, if there is a remaining balance on the employee's account at the hospital, it will be the employee's responsibility to make the necessary arrangements for repayment or it will be turned over to a collection agency.

GRADUATE MEDICAL EDUCATION DOCUMENTATION

PURPOSE

This policy has been developed to document that residents performed the training functions at WJMC for which the Hospital pays Tulane University School of Medicine (Tulane) and the Louisiana State University Health Science Center (LSU).

POLICY

Residents perform services at the Hospital under the direction of a member of the WJMC Medical Staff who serves as their supervising physician. The supervising physician will document the residents' activities and will certify that the resident performed those services at WJMC and the dates when the services were performed. This documentation will be provided to the medical schools and the medical schools will provide that documentation to WJMC on a monthly basis. The documentation will be used to reconcile the information in the Hospital's Graduate Medical Education Department and the invoice from the medical schools to verify that the resident did perform services on the dates included in the invoice. If the physician who is a member of our medical staff certifies that the resident was training on the dates included on the invoice, the invoice will be paid. If there is a discrepancy between our physician's documentation and the medical school's invoice, the discrepancy will be resolved before payment is made.