

STATE OF LOUISIANA LEGISLATIVE AUDITOR

New Orleans Adolescent Hospital
Office of Mental Health
Department of Health and Hospitals
State of Louisiana
New Orleans, Louisiana

June 6, 2001



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**NEW ORLEANS ADOLESCENT HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
New Orleans, Louisiana**

Procedural Report
Dated April 18, 2001

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

June 6, 2001



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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April 18, 2001

**NEW ORLEANS ADOLESCENT HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
New Orleans, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the New Orleans Adolescent Hospital, Office of Mental Health, Department of Health and Hospitals. Our procedures included (1) a review of the hospital's internal control; (2) tests of financial transactions for the years ending June 30, 2001 and June 30, 2000; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ended June 30, 2001 and June 30, 2000; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected hospital personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the New Orleans Adolescent Hospital were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The hospital's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior report on the New Orleans Adolescent Hospital, dated August 3, 1999, we reported findings relating to inadequate controls over accounts receivable and payroll. The finding relating to inadequate controls over accounts receivable has been resolved by management. The finding relating to inadequate controls over payroll has not been resolved by management and is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

LEGISLATIVE AUDITOR

NEW ORLEANS ADOLESCENT HOSPITAL
OFFICE OF MENTAL HEALTH
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Procedural Report, Dated April 18, 2001

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Inadequate Controls Over Payroll

For the second consecutive audit, the New Orleans Adolescent Hospital did not consistently follow its internal control procedures relating to the timely processing of time and attendance sheets. The Office of State Uniform Payroll has implemented an on-line time entry system to facilitate daily time and attendance entries, including a window of time to permit adjustments on the Monday following the end of each pay period. The hospital is not ensuring that all time and attendance sheets are received before the deadline for adjustments. For the pay period ended March 18, 2001, completed time and attendance sheets were not on hand for 11 of 189 (6%) employees before the deadline for adjustments on Monday, March 19, 2001.

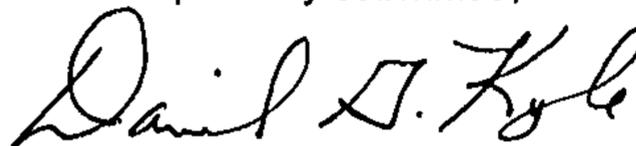
This condition exists because the hospital has not placed sufficient emphasis on enforcing the controls over the payroll system. Failure to maintain an adequate system of internal controls to comply with rules and regulations established by the Office of State Uniform Payroll increases the risk that errors and/or fraud may occur and not be detected in a timely manner.

The New Orleans Adolescent Hospital should enforce the controls over the payroll system to ensure that the time and attendance sheets are processed timely. Management of the hospital concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the hospital. The nature of the recommendation, its implementation costs, and the potential impact on operations of the hospital should be considered in reaching a decision on a course of action.

This report is intended for the information and use of the hospital and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

KF:ES:RCL:dl

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

May 11, 2001



M. J. "Mike" Foster, Jr.
GOVERNOR

David W. Hood
SECRETARY

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
1600 North Third St.
P.O. Box 94397
Baton Rouge, LA 70804

RE: Inadequate Controls Over Payroll

Dear Mr. Kyle:

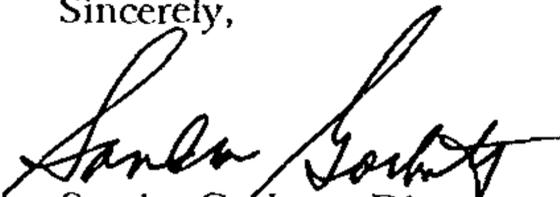
We concur with the findings and offer the following:

After the 1999 audit, a corrective action plan was implemented to correct the timely submittal of time sheets. This plan had corrected the problem until the layoff which occurred on December 22, 000.

The layoff resulted in displacing many employees in supervisory positions and also abolishing the payroll clerk for the nursing department. Some employees had to be trained regarding the completion and submittal of time sheets. The Human Resource Department, which is responsible for pay roll, was also responsible for implementing the layoff and at the same time converting to the ISIS system. Priorities needed to be determined. We determined that since all employees were being paid correctly that completion of the layoff documents and converting to ISIS was the priority. The time sheets that arrived after the close of the pay period would be posted the next pay period with all appropriate leave usage and corrections.

We have recently completed training the new supervisors and are closely monitoring their progress.

Sincerely,


Sandra Gorbaty, Director

Human Resource Department

SG:mm