

IMPERIAL CALCASIEU HUMAN SERVICES AUTHORITY

LOUISIANA DEPARTMENT OF HEALTH

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued August 16, 2023

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Imperial Calcasieu Human Services Authority

August 2023

Audit Control # 80230015

Introduction

The primary purpose of our procedures at the Imperial Calcasieu Human Services Authority (ImCal) was to evaluate certain controls ImCal 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 findings reported in the prior report.

Results of Our Procedures

We evaluated ImCal'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 ImCal's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to accounts receivable and contract monitoring.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in ImCal's procedural report dated October 27, 2021. We determined that management has resolved the prior-report findings related to Inaccurate Reporting of Accounts Receivable and Inadequate Controls Over Subrecipient Agreements and Monitoring. The prior-report finding related to Untimely Billing of Services Provided has not been resolved and is addressed again in this report.

Current-report Finding

Inadequate Controls over Accounts Receivable

For the fourth consecutive engagement, ImCal failed to timely submit delinquent patient's account balances to the Office of Debt Recovery (ODR), in accordance with contract terms and internal policy. Additionally, for the second consecutive

engagement, employees failed to reconcile patient accounts with ODR records. Failure to collect outstanding debt timely increases the risk that accounts will become uncollectible and may impair the authority's funding of ongoing operations. Failure to reconcile patient accounts with ODR records may cause inaccurate receivable reporting.

In accordance with Louisiana Revised Statute 47:1676, ImCal contracts with ODR to refer delinquent debt for collection. According to its contract with ODR, ImCal shall submit delinquent debt that is the patient's responsibility to ODR as the debt becomes 60 days delinquent. ImCal's internal Standard Operating Procedure for collections in conjunction with the ODR contract states that ImCal issues monthly billing statements no later than the 20th of each month, consisting of a first, second, and final notice before going to ODR for collections. The account is considered delinquent upon nonpayment of the first notice and is submitted to ODR thirty days following the final notice.

ImCal sends the initial bill to Medicare, Medicaid, and/or private insurance companies for those patients with insurance coverage. After third party claims have been exhausted, ImCal bills patients who assume full or partial responsibility. Based on a review of 16 services that were the patients' responsibility, nine delinquent debts were eligible for submission to ODR for collections. The nine (100%) delinquent debts were not submitted to ODR in the month in which debts became eligible for submission. Submission of these debts to ODR were late by one to 11 months, as of March 2023.

In addition, ImCal did not verify new accounts placed with ODR, accounts paid in full, and accounts cancelled by ODR and returned to ImCal agree to ImCal's patient account records.

Management stated that they were short-handed and dealing with issues trying to transition to a new electronic health record system during the two fiscal years ending June 30, 2023, and therefore did not timely turn over accounts to ODR. In addition, management represented that they were unsuccessful in their attempts at reconciling their patient accounts to the ODR records.

Management should ensure that submission of delinquent accounts to ODR be performed timely and in accordance with the ODR contract and ImCal's Standard Operating Procedure. In addition, management should work to successfully reconcile their patient accounts to the ODR records to ensure accurate accounts receivable reporting. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Accounts Receivable

Amounts due for services delivered but not yet paid for are accounts receivable. ImCal monitors and tracks outstanding claims using the Intuitive Computer Assisted Notes (ICANotes) Electronic Health Record (EHR) system. We obtained an

understanding of ImCal's policies and procedures surrounding patient accounts receivable, including its policies to monitor, track, collect, and report on outstanding accounts.

We reviewed a sample of 16 outstanding claims that were the patient's responsibility as of February 28, 2023. We examined documentation of initial and follow-up bills sent and the referral to ODR for further collection procedures. Based on the results of our procedures, ImCal did not have adequate controls to ensure services, that were the patient's responsibility to pay, were reported to ODR timely, as noted in the Current-report Finding section.

Additionally, we reviewed the methodology for determining the accounts receivable activity ImCal included in the quarterly accounts receivable reports submitted to Louisiana Department of Health (LDH) as of December 31, 2021, March 31, 2022, and December 31, 2022. Based on the results of our procedures, we noted ImCal has adequate controls in place to ensure accounts receivable balances are reported accurately to LDH with the exception of totals that pertain to ODR submittals which are not reconciled to ImCal records, as noted in the Current-report Finding section.

During the engagement period, ImCal attempted to implement a new EHR system and started posting insurance payments for patient services provided to this system. Ultimately the system was not implemented, and ImCal had to post the payments to ICANotes. We reviewed a sample of 15 outstanding account balances with payments due from insurance companies and determined that any payments posted to the new EHR system were properly reflected in the ICANotes balance due. We also performed an analysis of insurance payments posted in both systems and, based on the results, we determined that the payments posted in ICANotes were materially complete.

Contract Monitoring

We obtained a listing of contracts that were funded by federal funds or federal interagency transfer funds from the LDH, Office of Behavioral Health (OBH) that were in effect during the two years ending June 30, 2023. We obtained an understanding of ImCal's procedures over the awarding and monitoring of these contracts. We performed a test of 14 contracts with 12 external parties to review ImCal's subrecipient determination, federal award information provided at the time of the contract award, risk assessment, and monitoring procedures.

Based on these procedures we determined that ImCal adequately made subrecipient versus vendor determinations. For the seven subrecipients tested, ImCal clearly identified all federal award information to the subrecipient at the time of the contract award and performed risk assessment and monitoring procedures, as required by federal regulations.

Trend Analysis

We compared the most current and prior-year financial activity using ImCal's Annual Fiscal Reports and/or system-generated reports and obtained explanations from ImCal'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

JKB:RJM:BH:BQD:aa

IMCAL2023

APPENDIX A: MANAGEMENT'S RESPONSE



Administrative Division
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June 16, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Waguespack,

Please accept this official response to the Imperial Calcasieu Human Service Authority (ImCal HSA) legislative finding submitted by your office via email on June 7, 2023. Enclosed in this correspondence is ImCal HSA's response to the reportable audit finding of Inaccurate Reporting of Accounts Receivable.

We are grateful for the opportunity to respond to this finding. We would like to thank the auditing team for their assistance during this process. The ImCal HSA Executive Management Team learned a great deal from their expertise. Please let us know if you need any additional information.

Sincerely,

A handwritten signature in blue ink that reads "Tanya McGee". The signature is written in a cursive, flowing style.

Tanya McGee
Executive Director

Inaccurate Reporting of Accounts Receivable

Imperial Calcasieu Human Service Authority (ImCal HSA) concurs with Louisiana Legislative Auditor finding of inadequate reporting of accounts receivable. ImCal is serious about collecting delinquent patient account balances and reconciling ODR reports in a timely manner. Due to unforeseen staff shortages and work associated with the transition to a new electronic health record, our billing department had many challenges to overcome and unfortunately some tasks weren't completed in a timely manner. The billing department is now fully staffed with dedicated personnel to make sure all billing is completed timely. ImCal HSA has and will continue to diligently work with ODR to obtain a comprehensive reconciliation of patient accounts to ODR reports. ImCal has requested ODR reports, but due to incompatible data between our reporting systems we have been able to reconcile ODR reports with our own records. Effective immediately, the Chief Financial Officer has made the following corrective action plan relative to reconciling ODR reports and submitting delinquent patient accounts timely.

- The billing manager will reconcile the batch statement report monthly to verify all delinquent patient accounts is submitted to ODR within 60 days.
- The billing manager will be requesting an active client report from ODR quarterly in an excel format and compare to submission and payment reports.
- The CFO will monitor ODR submissions to ensure timely submissions.
- The CFO will work with billing manager to implement a comprehensive reconciliation report of patient accounts to ODR reports.

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Imperial Calcasieu Human Services Authority (ImCal) for the period from July 1, 2021, through June 30, 2023. Our objective was to evaluate certain controls ImCal uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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 ImCal's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. ImCal's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated ImCal'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 ImCal.
- Based on the documentation of ImCal's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to accounts receivables and contract monitoring.
- We compared the most current and prior-year financial activity using ImCal's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from ImCal'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 ImCal and not to provide an opinion on the effectiveness of ImCal'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.