

FLORIDA PARISHES HUMAN SERVICES AUTHORITY

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 10, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Florida Parishes Human Services Authority

June 2020

Audit Control # 80200031

Introduction

The primary purpose of our procedures at the Florida Parishes Human Services Authority (FPHSA) was to evaluate certain controls FPHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated FPHSA'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 FPHSA's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to revenue billings and collections, accounts receivable, payroll and personnel expenses, professional services contracts, information system access, purchasing card expenses, and fuel card expenses.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in FPHSA's procedural report dated May 2, 2018. The prior-report finding related to Weaknesses in Controls over Payroll has not been resolved and is addressed again in this report.

Current-report Findings

Weaknesses in Controls over Payroll

For the second consecutive engagement, FPHSA did not maintain adequate controls over payroll records, increasing the risk that errors and/or fraud may be committed and not detected in a timely manner. In our testing of payroll, 20 of the 40 items reviewed included paid overtime. The required paid overtime request forms for 14 (70%) of these 20 items did not have the appointing authority approval or were not approved timely.

FPHSA's policy states that, for overtime compensation, an overtime authorization form must be completed and submitted to the appointing authority during the next pay period for the appointing authority signature, which will approve the cash compensation.

Management should emphasize and enforce its existing policy to ensure that the appointing authority signs the overtime authorization form within the time specified. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Weaknesses in Controls over Accounts Receivable

FPHSA did not maintain adequate controls over accounts receivable. At December 31, 2019, based on management's representation, FPHSA had \$2.4 million of private insurance and \$6.1 million of self-pay long-term account receivables that were deemed uncollectible but had not been written-off.

FPHSA's policy for the write-off of past-due account balances from 2010 is outdated and unusable due to obsolete approval requirements and terminology. Good internal controls over accounts receivable require written policies to remain current and be appropriately implemented by management. Failure to establish and follow a useful write-off policy resulted in FPHSA carrying forward account balances with service dates ranging from fiscal year 2012 to fiscal year 2018, and increases the risk of inaccurate reporting of accounts receivable balances.

Management should develop and implement updated policies and procedures to write-off uncollectible accounts receivable balances timely to ensure accurate reporting of outstanding accounts receivable balances. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

Revenue Billings and Collections

FPHSA uses ICANotes, an electronic health record system, to bill for services provided to clients and to maintain medical records for services rendered and amounts owed. We obtained an understanding of FPHSA's controls over revenue billings and collections, including the reconciliation process of billings to collections. We performed procedures to determine if FPHSA was reconciling amounts billed to amounts collected and that patient accounts reflected payments received. We selected transactions from the June 2019 and December 2019 collection reports and traced to the bank statements. In addition, we traced payments received to patient accounts in ICANotes. Based on the results of our procedures, FPHSA had supporting documentation for reconciliations and adequate controls were in place to ensure that revenue billings and collections were properly recorded.

Accounts Receivable

FPHSA monitors/tracks outstanding claims using the ICANotes system. We obtained an understanding of FPHSA's controls over accounts receivables. A quarterly accounts receivable

report is submitted to the Louisiana Department of Health detailing current and long-term receivables. We obtained support for the April 2019 through June 2019 quarterly receivables report. We agreed the quarter's ending balances to the ICANotes receivables reports. We also reviewed the December 31, 2019, quarterly receivables report and found that FPHSA had not written off uncollectible accounts (see Current-report Findings section).

Payroll and Personnel Expenses

Salaries and related benefits comprised approximately 72% of FPHSA's expenses in fiscal year 2019 and approximately 76% of FPHSA's expenses for fiscal year 2020 as of December 31, 2019. We obtained an understanding of FPHSA's controls over the time and attendance function and reviewed selected employee time statements and leave records.

Based on the results of our procedures, except as noted in the Current-report Findings section, FPHSA had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Professional Services Contracts

FPHSA's professional services contracts in effect during the period under review totaled approximately \$2.9 million and \$2.7 million for fiscal years 2019 and 2020, respectively. We obtained an understanding of FPHSA's procedures over the awarding, payment, and monitoring of professional services contracts. Based on the results of our procedures, FPHSA had adequate controls in place to ensure that professional services contracts were properly approved, expenses were in accordance with the terms of the contracts, and contracts were properly monitored.

Information System Access

FPHSA uses ICANotes to bill and collect self-generated revenues. We performed procedures to determine whether information technology access was restricted based on business-need and access was adequately segregated. Based on the results of our procedures, FPHSA had adequate controls in place to ensure access was properly restricted and segregated in the ICANotes system.

Purchasing Card Expenses

FPHSA participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of FPHSA's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through December 31, 2019, and reviewed selected transactions. Based on the results of our procedures, FPHSA had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Fuel Card Expenses

FPHSA participates in the state of Louisiana's Fueltrac Card program for purchases of fuel and auto maintenance for its fleet of 12 vehicles. We obtained an understanding of FPHSA's controls over access to and use of these cards.

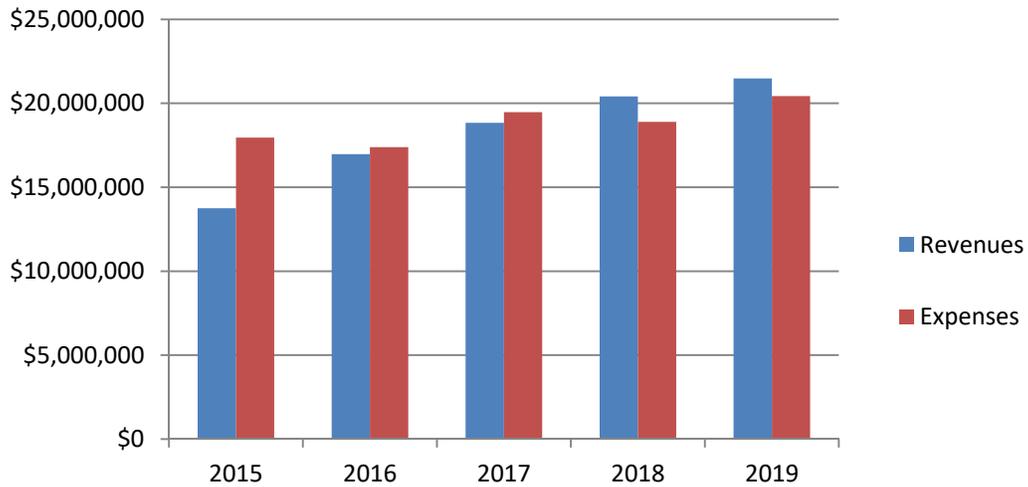
We analyzed fuel card transaction listings for the period of July 1, 2018, through December 31, 2019, and reviewed selected transactions and supporting documents, including receipts, logs, and credit card statements. Based on the results of our procedures, FPHSA had adequate controls to ensure that purchases were approved and were for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to receipts and vehicle logs.

Trend Analysis

We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from FPHSA's management for any significant variances. We also prepared an analysis of the five year trend of revenues and expenses.

FPHSA is funded with state general fund appropriations, federal funds, interagency transfers, and self-generated revenues. Due to Medicaid Expansion and a greater reliance on fee-for-service billing, self-generated revenues have increased over the past five years. Expenses increased from fiscal year 2018 to fiscal year 2019, due to increases in salaries and related benefits as well as professional services for mental health.

**Exhibit 1
Five-Year Trend – Revenues and Expenses**



Source: Fiscal year 2015-2019 Annual Fiscal 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

KPD:AD:RR:EFS:aa

FPHSA2020

APPENDIX A: MANAGEMENT'S RESPONSES



Florida Parishes Human Services Authority

Livingston Parish
Carol Stafford
Cheryl Smith

St. Helena Parish
Gary Porter

St. Tammany Parish
David Cressy
Timothy Lentz
Liz Gary

Executive Director
Richard J. Kramer

Tangipahoa Parish
Genesa Garofalo Metcalf, M.D., Chair
Mona Pellichino

Washington Parish
Danielle Keys, Vice Chair

March 31, 2020

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Street
P.O. Box 94937
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

Please accept this letter in response to your office's finding related to a weakness of controls over payroll. I concur with the finding that there continue to be problems with timely signatures on overtime worked at our residential program. Following previous audit findings we made some policy changes to better manage the approval process of remote locations by the appointing authority but have still had difficulty achieving the compliance expected. I would note that the process for overtime approval was changed to delegate approval authority to the direct supervisor and that those forms would be forwarded to the Appointing Authority as a second level of approval by the next pay period. It is the timeliness of the second level review that is still problematic rather than the delegated approval. Although it does not change the finding that we have not sufficiently complied with our policy, with which I concur, I wish to clarify that no employee would have been compensated for overtime without the supervisor's approval. In the past year we have implemented the online payroll approval across the agency. This process has been phased in to work through any issues and in order to have an orderly transition. The approval of cash overtime, which is typically only available at our residential facility, has not yet been moved to this process but, as is evident through this finding, should be our next step to ensure the timeliness of the necessary approvals. Our corrective action to this finding will include revising the applicable policies to move the approval of cash overtime to the online payroll processing. Once this process is implemented approval of cash overtime will be processed electronically with the approval of all other time worked and leave taken rather than through a separate process that requires transporting paper documents across the region for signature. With these changes I believe that this finding will be resolved. Janet Gordon, Human Resources Director, will be the responsible party to implement these policy changes and we expect that they will be completed by April 30, 2020. I would like to thank your office and your staff for their efforts and cooperation throughout the audit. They have consistently been very professional and helpful in their work.

Sincerely,

Richard J. Kramer
Executive Director

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Florida Parishes Human Services Authority

Livingston Parish
Carol Stafford
Cheryl Smith

St. Helena Parish
Gary Porter

St. Tammany Parish
David Cressy
Timothy Lentz
Liz Gary

Executive Director
Richard J. Kramer

Tangipahoa Parish
Genesa Garofalo Metcalf, M.D., Chair
Mona Pellicchino

Washington Parish
Danielle Keys, Vice Chair

May 26, 2020

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Street
P.O. Box 94937
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

Please accept this letter in response to your office's finding related to a weakness of controls over accounts receivable. I concur with the finding that FPHSA did not maintain adequate controls over accounts receivable; specifically, the management of long term, uncollectible accounts receivable balances that were not written off timely. Due to limited available resources in this area, FPHSA chose to focus on collectible balances in order to not jeopardize the agency's revenue stream and did not write off old inaccurate and uncollectable balances.

The majority (70%) of the self-pay/patient balances that are currently in long-term receivables are balances from a previous electronic health record called Clinical Advisor that was required to be used as a part of the Magellan behavioral health carve out when managed Medicaid was first implemented in Louisiana. The dates of services ranging from 2012 to 2015 did not accurately reflect actual charges and were not able to be substantiated or billed out due to limited functionality of the system. The problems with billing from Clinical Advisor were previously noted in the LDH audit (Control # 80140152) regarding the transition to the Louisiana Behavioral Health Partnership and Clinical Advisor. A smaller percentage (25%) of the self-pay/patient balances that are currently in long-term receivables are balances from the early implementation period (2015 to 2017) of the electronic health record that replaced Clinical Advisor, ICANotes. These balances are also not accurate as during the transition from Clinical Advisor to ICANotes there were problems with implementation of all components of the system. These balances do not reflect accurate accounts and were uncollectible due to the inability to run reliable patient balance statements in ICANotes. FPHSA worked with ICANotes to remedy the problems and began reliably billing patient balances effective July 1, 2017.

Over the last several years, as billing increased and the number of insurance plans FPHSA works with increased, the agency identified the need to hire additional staff to manage the billing and accounts receivable process. In the past year, FPHSA hired a Fiscal Manager (July 2019) and a second billing position (November 2019) in an effort to create the staff capacity to better manage all billing and receivables (current and long-term). Even with these new positions, FPHSA's staffing in the area is modest compared to the expected workload.

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These outstanding balances are not reflective of actual collectible amounts but I do agree that we could have done better in ensuring that the uncollectable balances did not remain on our books. We will correct the existing problem and ensure that this finding does not recur by revising the applicable procedures to implement a process to manage and write-off uncollectible balances timely to ensure accurate reporting of outstanding accounts receivable balances. The revised procedures and write-off of the identified uncollectible balances will be completed by June 30, 2020 to ensure accurate fiscal year end reporting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard J. Kramer', written over the word 'Sincerely,'.

Richard J. Kramer
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Florida Parishes Human Services Authority (FPHSA) for the period from July 1, 2018, through June 2, 2020. Our objective was to evaluate certain controls FPHSA 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 the FPHSA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The FPHSA's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated FPHSA'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 FPHSA.
- Based on the documentation of FPHSA's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to revenue billings and collections, accounts receivable, payroll and personnel expenses, professional services contracts, information system access, purchasing card expenses, and fuel card expenses.
- We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from FPHSA'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 FPHSA and not to provide an opinion on the effectiveness of FPHSA'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.