

NORTHEAST DELTA HUMAN
SERVICES AUTHORITY

DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 16, 2015

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.65. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 10839 or Report ID No. 80150081 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 16, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Dr. Monteic Sizer, Executive Director
Northeast Delta Human Services Authority

Dear Senator Alario, Representative Kleckley, and Dr. Sizer:

This report provides the results of our procedures at the Northeast Delta Human Services Authority (NEDHSA) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain controls that NEDHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. I hope this report will benefit you in your legislative decision-making process and business operations.

We would like to express our appreciation to the management and staff of NEDHSA for their assistance during our work.

Sincerely,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

KVL:BAC:BDC:EFS:aa

NEDHSA 2015

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Northeast Delta Human Services Authority

September 2015

Audit Control # 80150081

Introduction

The primary purpose of our procedures at the Northeast Delta Human Services Authority (NEDHSA) was to evaluate certain internal controls NEDHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

The mission of NEDHSA is that all citizens with mental health issues, addictions, and developmental challenges residing in northeast Louisiana are empowered; and self-determination is valued such that individuals live a satisfying, hopeful, and contributing life. For more information on NEDHSA's services, see Appendix C.

On March 2, 2012, prior to the creation of NEDHSA, the Department of Health and Hospitals (DHH) launched the Louisiana Behavioral Health Partnership (LBHP) using a private contractor, Magellan Health Services (Magellan), as the state managing organization for all behavioral health programs. NEDHSA was established July 1, 2013, operating under the oversight of DHH. When NEDHSA began full operations on July 1, 2014, continuing transition issues attributable to LBHP impacted the delivery of services and how those services were funded. Prior to the creation of NEDHSA, the services were provided as a regional office of DHH.

We evaluated NEDHSA'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 NEDHSA. Based on the documentation of NEDHSA's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on NEDHSA's participation in LBHP.

Our procedures included consideration of continuing transition issues including eligibility determination, billing for services provided, reconciliation of Medicaid revenues to accounting and health records, and meeting self-generated revenue budget. We also performed procedures on selected controls and transactions relating to cash receipts for fees, movable property, LaCarte expenditures, professional and social services contracts, and payroll expenditures. We will address the transition issues and the other procedures separately. For the transition issues considered, we will provide recommendations to NEDHSA management as appropriate.

Management's response is included in Appendix A. Our Scope and Methodology is in Appendix B.

Results of Our Procedures

Eligibility Determination

The 1915(i) Medicaid state plan waiver provides for coverage under the Medicaid State Plan for certain adults in need of behavioral health services. To be covered for behavioral health services provided under the Medicaid 1915(i) waiver, clients must be certified and periodically re-certified through a third-party assessment. Magellan subcontracted with Pathways to perform the independent assessment function. Certification and recertification for this 1915(i) waiver is based on criteria such as age, income, and need. The time it takes for a Pathways assessor to meet with a patient for a clinical assessment varies. According to NEDHSA, there is only one assessor to serve the region, and the assessor serves NEDHSA and the private entities in the region.

Factors influencing the timing of assessments include the service needs of the client and availability of Pathways' assessors, but assessors are mandated by contract to see referrals from inpatient psychiatric settings within 72 hours of discharge and routine outpatient referrals within two weeks of the referral. Most clients referred by the NEDHSA clinic staff are given an appointment with the Pathways assessor within 30 days of the request for a 1915(i) assessment. According to NEDHSA, the eligibility process from assessment to approval by Medicaid takes approximately 60-90 days. This 60- to 90-day delay before providing needed services for this at-risk population could increase the burden of seeking treatment or deter clients from treatment altogether. During this time, the authority incurs costs when it treats the client while waiting on the independent assessor to complete the work.

Re-certifications are required every 12 months from the time initial eligibility was approved. Pathways has indicated to NEDHSA that it needs a 60-day notice on upcoming re-certifications that are needed. This puts additional administrative burdens on NEDHSA to review client accounts and determine who will need a re-certification and when.

Recommendation: NEDHSA should work closely with DHH and Magellan to ensure that the 1915(i) eligibility determinations can be completed timely. For the delay caused by lack of capacity by Pathways, NEDHSA should request that both DHH and Magellan instruct Pathways to consider increasing capacity.

Billing for Services Provided

NEDHSA experienced difficulties with Magellan's Clinical Advisor billing system and was unable to bill Medicare and private pay providers because the system was not fully developed upon implementation. As of June 29, 2015, NEDHSA had \$526,925 of service charges unbilled, consisting of \$170 of Medicare and \$526,755 of private pay. The majority of the claims are older than 90 days.

Recommendation: NEDHSA should make all efforts to implement a system to allow for the timely billing and collection of charges before claims expire and amounts become uncollectible.

Reconciliation of Medicaid Revenues to Accounting and Health Records

In its first year of full operation, NEDHSA experienced difficulties with the Magellan system of payment. Medicaid and Medicare funds are received centrally in Baton Rouge. NEDHSA reconciles account and client files to the Office of Behavioral Health (OBH) check registers, but without access to the bank account cannot ensure completeness. NEDHSA has noted various reasons for the difficulties including lack of instruction, guidance, or training from DHH; OBH check registers not received from DHH timely; and unexplained recoupments of funds by Magellan. Magellan makes recoupment of claim payments from NEDHSA's deposits for various reasons without identification by patient, claim reference, or explanation for the recoupments.

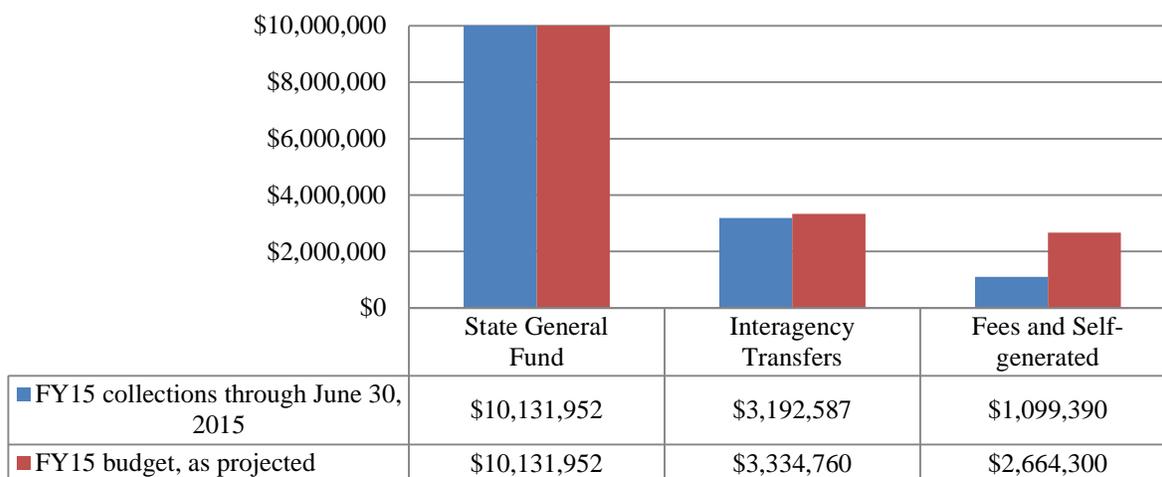
Recommendation: NEDHSA should work diligently with DHH and Magellan to gain the understanding of Magellan remittance information to reconcile Magellan payments to accounting and client records. Reliable reconciliation processes are part of effective internal control that NEDHSA needs to ensure accurate and timely financial reporting. The first step in this process has begun, as NEDHSA has requested on-line access to the bank account where these funds are electronically transferred.

Meeting Self-generated Revenue Budgets

Since NEDHSA is in its first year of operation, management expressed concern about the authority being able to meet the self-generated revenue budget set forth for the fiscal year ended June 30, 2015. In analyzing the revenues received through June 30, 2015, NEDHSA had only collected approximately 41% of its annual fiscal year 2015 budget. NEDHSA does not set its own budget for self-generated revenue; the budget was determined by DHH. In the breakdown, fees and self-generated revenue includes Medicaid, third-party insurance payments, and private-pay patient revenues.

The inability to meet the self-generated revenue budget essentially becomes budget cuts for NEDHSA that could negatively impact the delivery of needed services.

Revenues - Budget to Actual for Fiscal Year 2015



Note: FY15 collections also include \$9,291 in federal funds, and the FY15 budget also includes \$48,289 in federal funds.

Source: 2015 Budget and ISIS Transaction Detail

Recommendation: NEDHSA management should work closely with DHH to ensure self-generated revenue budgets are reasonable and obtainable.

Cash Receipts for Fees

Because of increased risk due to fiscal year 2015 being NEDHSA’s first year of operation, we performed procedures to ensure controls were in place and operating over cash receipts. For clients that are not insured and do not qualify for free care under programs administered by NEDHSA, the authority collects fees for the services delivered. NEDHSA maintains four bank accounts to locally deposit fees collected at its clinics. The majority of the authority’s receipts are electronically deposited directly into DHH Medicaid/Medicare bank accounts. Our procedures determined that NEDHSA has policies and procedures and adequate controls to safeguard cash, deposit collections timely in accordance with state guidelines, and maintain sufficient documentation to support financial reporting for these fees.

Movable Property

NEDHSA took ownership on July 1, 2014, of all movable property that had previously been accounted for by the regional offices of DHH. Located throughout NEDHSA’s clinics and administrative offices, NEDHSA owns 385 items of movable property with original costs of approximately \$956,297. Our procedures determined that NEDHSA has policies and procedures and adequate controls over property to safeguard assets, certify annual inventory, timely tag and report new acquisitions, and properly dispose of items as directed by the Louisiana Property Assistance Agency.

LaCarte Expenditures

NEDHSA participates in the state of Louisiana's LaCarte Purchasing Card program and uses LaCarte cards to make small-dollar purchases. We examined documentation for selected transactions and did not identify any exceptions. The transactions are also monitored at the DHH level. Our procedures determined that NEDHSA has adequate controls in place to ensure that purchases were properly approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices, receipts, logs, and credit card statements.

Professional and Social Service Contracts

We performed procedures to determine whether expenditures for medical, advertising, and social services contracts complied with established policies, and state rules and regulations. We examined one social service contract and related invoice and three professional service contracts and related invoices. Our procedures determined that NEDHSA has adequate controls in place to ensure that these expenditures were supported within established limits; processed in accordance with policies, and state rules and regulations; and monitored.

Payroll Expenditures

Because NEDHSA has approximately 100 employees and payroll expenditures are the authority's largest expenditures, we performed procedures on selected employees to ensure controls were in place and operating. Our procedures determined that NEDHSA has policies and procedures and adequate controls to maintain human resources records, maintain documentation to support financial reporting of payroll expenditures, and follow state regulations issued by the Office of Statewide Uniform Payroll.

Distribution

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: MANAGEMENT'S RESPONSE



Mental Health • Addiction Disorders
Developmental Disabilities

September 3, 2015

Louisiana Legislative Auditor
Mr. Daryl Purpera, CPA, CFE
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera,

In response to the draft report received August 26, 2015, you will find Northeast Delta Human Services Authority Management's Response to the recommendations below.

➤ **Eligibility Determination - 1915(i) Medicaid State Plan Waiver**

Recommendation: NEDHSA should work closely with DHH and Magellan to ensure that the 1915(i) eligibility determinations can be completed timely. For the delay caused by lack of capacity by Pathways, NEDHSA should request that both DHH and Magellan instruct Pathways to consider increasing capacity.

Response: NEDHSA agrees with this recommendation and will be working with DHH, Magellan, and Pathways to improve their timely completion of pending 1915(i) eligibility determinations. Pathways is a subcontractor of Magellan and is subject to their contractual arrangements for timely 1915(i) assessments and increased regional capacity. NEDHSA will make sure that all parties are aware of our assessment needs and we will continue to request that capacity be expanded to facilitate timely processing.

➤ **Billing for Services Provided**

Recommendation: NEDHSA should make all efforts to implement a system to allow for timely billing and collection of charges before claims expire and amounts become uncollectible.

Response: NEDH agrees with this recommendation and is further reviewing its billing and collection processes so that additional improvements can be implemented. New policies and procedures will also be implemented as NEDHSA migrates away from clinical advisor and to a new electronic health records system that is being purchased this fiscal year.

2513 Ferrand Street | Monroe, LA 71201 | Office: 318-362-3270 | Fax: 318-362-5051
www.nedeltahsa.org

➤ **Reconciliation of Medicaid Revenues to Accounting and Health Records**

Recommendation: NEDHSA should work diligently with DHH and Magellan to gain the understanding of Magellan remittance information to reconcile Magellan payments to accounting records and client records. Reliable reconciliation processes are part of effective internal controls that NEDHSA needs to ensure accurate and timely financial reporting. The first step in this process has begun, as NEDHSA has requested on-line access to the bank account where these funds are electronically transferred.

Response: NEDHSA agrees with this recommendation and is working to improve payment reconciliations with DHH check registers and payment receipt information. NEDHSA consistently reconciles payments received from Magellan to client records in clinical advisor whenever we receive the OBH check registers from DHH. NEDHSA will continue implementing its reconciliation processes to assure accurate and timely reporting. NEDHSA will also continue to notify DHH if or when OBH check register are not available for viewing.

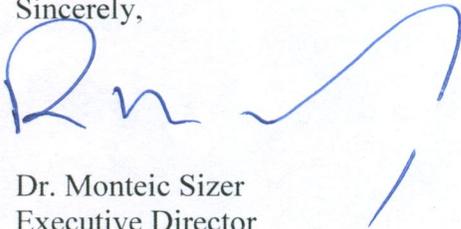
➤ **Meeting Self-generated Revenue Budgets**

Recommendation: NEDHSA management should work closely with DHH to ensure self-generated revenue budgets are reasonable and obtainable.

Response: NEDHSA agrees with this recommendation and is working with DHH to project Self-Generated Revenue based on historical collections and other economic information that would result in a more reasonable and obtainable revenue budget.

If you should have any questions regarding NEDHSA's responses to the recommendations, please do not hesitate to contact me at 318-362-3270 or by email at monteic.sizer@la.gov.

Sincerely,



Dr. Monteic Sizer
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Northeast Delta Human Services Authority (NEDHSA) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain internal controls NEDHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The Annual Fiscal Report for NEDHSA was not audited or reviewed by us, and accordingly, we do not express an opinion on that report. NEDHSA's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. We performed the following procedures:

- We evaluated NEDHSA'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 NEDHSA.
- Based on the documentation of NEDHSA's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on NEDHSA's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, prior to the creation of NEDHSA. When NEDHSA began operations on July 1, 2014, the partnership significantly impacted the delivery of services and how that service delivery was funded. Our procedures included consideration of continuing transition issues including eligibility determination, billing for services provided, reconciliation of Medicaid revenues to accounting and health records, and meeting self-generated revenue budget. We also performed procedures on selected controls and transactions relating to cash receipts for fees, movable property, LaCarte expenditures, professional and social services contracts, and payroll expenditures.
- We compared the most current and prior-year financial activity using NEDHSA's system-generated reports to identify trends and obtained explanations from NEDHSA's management for any significant variances that could potentially indicate areas of risk. Management's explanations were reasonable.

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

The Northeast Delta Human Services Authority's (NEDHSA) mission and primary focus is to direct the operation of community-based programs to improve the quality of life of people with major mental illness, developmental disabilities, and addictive disorders. NEDHSA is devoted to delivering programs and services that encourage people to reach their true human potential. Three tenets guide NEDHSA efforts: excellent customer service; greater access to services; and competent, quality care.

NEDHSA serves as a catalyst for building a more unified northeastern Louisiana, where people are thriving each day with hope and integrity. NEDHSA operates through a philosophy that demonstrates its understanding of citizens' concerns, and focuses on commonalities rather than differences. NEDHSA strives to unify around opportunities and co-advocates for people to engage in the community and believe they can reach new heights.

Serving citizens in 12 parishes of northeastern Louisiana: Caldwell, East Carroll, West Carroll, Ouachita, Lincoln, Madison, Franklin, Morehouse, Jackson, Tensas, Richland, and Union, NEDHSA operates eight behavioral health clinics, four peer support centers, and the Office for Citizens with Developmental Disabilities. NEDHSA has implemented many successful strategic initiatives. From an operational perspective, NEDHSA successfully completed Phases II and III of the Local Government Entity Readiness Assessment Criteria, which is comprised of clinical protocols, financial controls, human resources, legal resources, programmatic operations, and purchasing and contracting. NEDHSA was awarded three-year accreditation by the Commission on Accreditation of Rehabilitation Facilities, the highest accreditation possible, which demonstrates that NEDHSA programs and services are high-quality, measurable, and accountable. Additional efficiencies through organizational restructure were put in place to even better serve citizens and help Louisiana realize more positive health outcomes.