

ACADIANA AREA HUMAN SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 15, 2018

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Department of Health
Acadiana Area Human Services District

August 2018

Audit Control # 80180050

Introduction

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

Results of Our Procedures

We evaluated AAHSD'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 AAHSD'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 cash, the client billing cycle, analysis of adjustments to client balances, and contract monitoring.

Current-report Findings

Not Billing in Accordance with Insurers' Contract Terms

AAHSD did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts. Based on our analysis and explanations provided by management, AAHSD failed to collect \$185,885 of self-generated revenues during fiscal year 2017 and fiscal year 2018, as of January 30, 2018, as follows:

- \$20,156 for services provided to patients having insurers that did not have contracts with AAHSD.
- \$38,750 for services provided to patients without proper authorization from insurers.
- \$89,429 for services provided by licensed, registered, and certified addiction counselors not meeting Medicare and third-party insurers' specific requirements.
- \$37,550 for patient billing claims that expired because AAHSD did not file claims and appeals, or refile billing errors by deadline dates established by insurers.

Good business practices require that insurers' contracts be obtained and terms met before providing and billing for services to avoid denied claims and lost revenues.

AAHSD management should strengthen controls over its billing process to ensure necessary insurer contracts are obtained and all claims submitted for payment to insurers for services provided to patients adhere to contract terms. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Subrecipient Agreements

AAHSD disbursed federal funds to subrecipients but failed to clearly identify federal award information to them at the time of the contract award, as required by federal regulations.

AAHSD is allocated federal funds from Louisiana Department of Health (LDH), Office of Behavioral Health (OBH) as interagency transfers, and AAHSD passes these funds to nonprofit entities via contracts to perform social and professional services. The federal programs involved include: Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA 93.243); Projects for Assistance in Transition from Homelessness (PATH) (CFDA 93.150); and Block Grants for Community Mental Health Services (CFDA 93.958) having awards totaling \$2,556,934 and \$2,613,822 allocated to AAHSD for fiscal years 2018 and 2017, respectively.

Although AAHSD evaluated its contractors to determine if they qualified as subrecipients, management represented that it followed OBH guidance that all contractors disbursed federal funds provided as interagency transfers are vendors and not subrecipients. Management indicated that it was later instructed by OBH on January 30, 2018, to prepare subrecipient checklists for all contractors.

AAHSD management should strengthen its policies and procedures to ensure that awarding documents include all required federal award information. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

Cash

AAHSD maintains six bank accounts. We obtained an understanding of the AAHSD's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations. Based on the results of our procedures, AAHSD had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations.

Client Billing Cycle

AAHSD maintains all client information in its CareLogic Electronic Health Record system. This includes insurance and financial information, service documents, billings, denials, receivables,

and payments. Based on risks identified, we reviewed AAHSD's policies and procedures surrounding the complete billing cycle. For a sample of 20 clients, AAHSD did all of the following without exception:

- Properly inputted the client's insurance and financial information into CareLogic,
- Documented all services performed,
- Billed for the corresponding services,
- Worked all denials to ensure maximum payment,
- Adjusted all claims requiring a contractual adjustment,
- Posted payments to the client's account,
- Reconciled payments posted to the client's account to payment detail and the bank deposit, and
- Included any outstanding receivables in its reporting to LDH.

Analysis of Adjustments to Client Balances

AAHSD staff informed us of payment issues for non-credentialed staff and denial of claims by an insurance company for clients seen before the contract was fully executed. In order to determine the impact of these issues, we performed an analysis of adjustments made to client balances by AAHSD during the two fiscal years ending June 30, 2018, as of January 30, 2018. Based on the results of these procedures, we found that AAHSD failed to collect \$185,885 of self-generated revenues because services were provided to patients although AAHSD did not have contracts with the providers; proper authorizations were not obtained from the insurers; and service and billing timelines did not meet contract terms (see Current-report Findings section).

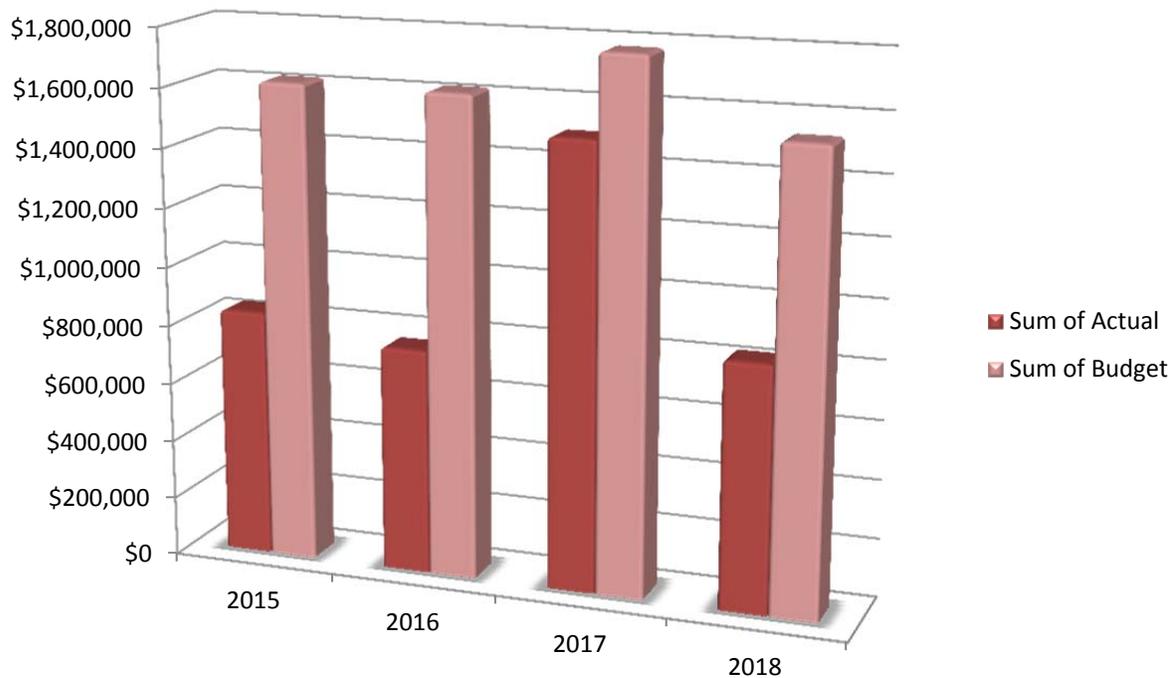
Contract Monitoring

We obtained a listing of contracts that were funded by federal interagency transfer funds from OBH that were in effect during the two years ending June 30, 2018. We obtained an understanding of AAHSD's procedures over the awarding and monitoring of these contracts. Based on the results of these procedures, we found that AAHSD did not clearly identify federal award information to subrecipients at the time of the contract award, as required by federal regulations (see Current-report Findings section).

Trend Analysis

We compared the most current and prior-year financial activity using AAHSD's financial information and/or system-generated reports and obtained explanations from AAHSD's management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We also prepared an analysis of fees and self-generated revenues, budget to actual, for fiscal years 2015, 2016, 2017, and 2018 as of January 31, 2018. From fiscal year 2016 to 2017, increases in self-generated revenues (including Medicaid) were due to the Medicaid expansion and delivery through the Healthy Louisiana Plans and AAHSD implementing a new electronic health record system, making it easier to track, bill, receive, and post payments. As of January 31, 2018, AAHSD has achieved 54% of its budgeted fees and self-generated revenues.



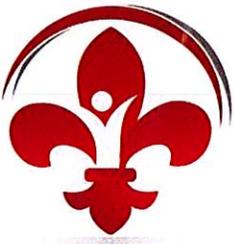
Source: Fiscal year-end 2015-2017 ISIS Reports; fiscal year 2018 ISIS Report as of 01/31/2018

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

APPENDIX A: MANAGEMENT'S RESPONSES



Mr. Daryl Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Re: Not Billing in Accordance with Insurers' Contract Terms

Mr. Purpera,

As noted in our general statement, we do concur with the team's finding in this area. Within this heading there were four specific examples identified.

Corrective Action:

- Contracting with Health Plans: AAHSD does bill Medicare, Medicaid, and other private insurances for services provided. In cases in which a person seeking services does have insurance coverage that AAHSD does not contract with or is not a provider, AAHSD will either make an appropriate referral to an approved provider or bill the individual as a private pay client.

AAHSD will review all existing contracts to ensure timeliness and accuracy of contracts. AAHSD will review the intake process to ensure all financial information is collected in a timely manner prior to services being provided. Revisions to the intake process/financial review will be made as needed. Staff will receive training as to any changes so that changes may be implemented immediately thereafter.

Persons responsible for this action: Ultimately the Executive Director is responsible for all corrective action necessary. The Chief Financial Officer and the Director of Behavioral Health will be actively involved in this area of correction.

All reviews and necessary changes will be implemented within 90 days of receiving the final report from the Legislative Auditor.

- Proper Authorizations from Insurers: AAHSD will no longer provide any clinical services to persons without proper prior authorization for such services.

Persons responsible for this action: The Director of Behavioral Health will notify all clinics of this change.

This change will be implemented immediately upon receipt of the final report from the Legislative Auditor.



- Health Plans' Specific Credential Requirement: As noted in the first response above, AAHSD will review the intake process. Part of this review will be to ensure that persons seeking services will be assigned to appropriately-credentialed staff who are eligible to provide services per the health plan contract requirements.

Persons responsible for this action: The Director of Behavioral Health will work with all Clinic Managers to review the intake process and credentialing status of each service provider at each clinic and to ensure appropriate assignment of cases.

All reviews and necessary changes will be implemented within 90 days of receiving the final report from the Legislative Auditor.

- Expired Billing Claims: AAHSD will develop new policy(ies) and procedure(s) regarding the timeliness of billing and claims management. AAHSD will monitor the results of this new system to ensure timely billing of services. Some reorganization of centralized billing process has been initiated.

Additionally, AAHSD will enter into an agreement with the Office of Debt Recovery (ODR) as a way to assist with collections.

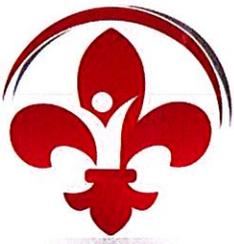
Persons responsible for this action: The Executive Director will work closely with the Chief Financial Officer to ensure this system is reviewed and necessary changes are made.

All reviews and necessary changes will be implemented within 90 days of receiving the final report from the Legislative Auditor.

Respectfully,



Brad Farmer
Executive Director



ACADIANA AREA HUMAN SERVICES DISTRICT

Serving Acadiana with Quality Compassionate Care

Mr. Daryl Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Re: Inadequate Sub-recipient Agreements

Mr. Purpera,

As noted in our general statement, we do concur with the team's finding in this area.

AAHSD has operated under the guidance from the Louisiana Department of Health, Office of Behavioral Health (OBH) as to the disbursement of federal funds (four separate block grants). We were under the impression that AAHSD was a sub-recipient of these awards and that organizations we contracted with were vendors/contractors. As it turns out OBH is considered a 'pass-through entity' and AAHSD is the sub-recipient of this funding which will in turn require AAHSD to provide additional information to those with whom we contract.

Corrective Action:

- Sub-Recipient Agreements: AAHSD will work with OBH to obtain appropriate grant-specific information so we may in turn forward the information to those awarded said funds. Any needed changes to policy/procedures will be made as well.

Persons responsible for this action: The Executive Director will work closely with the Chief Financial Officer and Accreditation & Compliance Officer to ensure this system is reviewed and necessary changes are made.

All reviews and necessary changes will be implemented within 90 days of receiving the final report from the Legislative Auditor.

Respectfully,

Brad Farmer
Executive Director



APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Acadiana Area Human Service District (AAHSD) for the period from July 1, 2016, through June 30, 2018. Our objective was to evaluate certain controls AAHSD 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 are 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 AAHSD's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. AAHSD's accounts are an integral part of the Louisiana Department of Health, which is an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated AAHSD'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 AAHSD.
- Based on the documentation of AAHSD's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, the client billing cycle, analysis of adjustments to client balances, and contract monitoring.
- We compared the most current and prior-year financial activity using AAHSD's system-generated reports to identify trends and obtained explanations from AAHSD'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 AAHSD and not to provide an opinion on the effectiveness of AAHSD'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.