

NORTHWEST LOUISIANA HUMAN
SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JULY 10, 2019

**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 online at www.lla.la.gov.

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 \$0.30. 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.lla.la.gov. When contacting the office, you may refer to Agency ID No. 10838 or Report ID No. 80190012 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

Northwest Louisiana Human Services District
Louisiana Department of Health



July 2019

Audit Control # 80190012

Introduction

The primary purpose of our procedures at the Northwest Louisiana Human Services District (District) was to evaluate certain controls the District 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 the District'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 the District'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, revenue billings, purchasing card and controlled billed account expenses, Fueltrac card expenses, contract expenses, and payroll expenses.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the District's procedural report dated June 7, 2017. The prior-report finding related to Not Billing in Accordance with Insurers' Contract Terms has not been resolved and is addressed again in this report.

Current-report Findings

Not Billing in Accordance with Insurers' Contract Terms

For the second consecutive engagement, the District did not bill Medicaid, Medicare, and private insurance companies in accordance with insurers' contract terms. As a result, the District did not collect all self-generated revenues earned for services provided to its clients.

We reviewed 115 charges for services provided to the District's clients during the two fiscal years ending June 30, 2019, as of February 28, 2019, and found 26 (or 22.6%) of the charges totaling \$2,924 were billed but denied by the insurer due to lacking pre-authorizations, services not covered, expired coverage, multiple services provided to the same client on the same day, or deductible not being met. Also, the District did not collect deductible amounts before services were provided.

Management represented that the denied insurance billings mainly involved emergency client situations, whereby a client's safety was of concern. Good business practices require that all insurers' contract terms be met before the billing for services to avoid denied claims and lost revenues.

District management should strengthen controls over its billing process to ensure services provided to clients adhere to contract terms. In addition, management should collect deductibles before services are provided. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Subrecipient Determinations Not Properly Made

The District disbursed federal funds to contractors without properly determining whether each contractor qualified as a subrecipient at the time of the contract award, and failed to clearly identify federal award information to subrecipients, as required by federal regulations.

The District is allocated federal funds from the Louisiana Department of Health (LDH), Office of Behavioral Health as interagency transfers, and the District passes these funds to non-profit entities via contracts to perform social and professional services. The federal programs involved include Temporary Assistance for Needy Families, Catalog of Federal Domestic Aid (CFDA) 93.558; Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); Projects for Assistance in Transition from Homelessness (CFDA 93.150); and Block Grants for Community Mental Health Services (CFDA 93.958) having awards totaling \$3,117,737 and \$2,873,423 allocated to the District for fiscal years 2019 and 2018, respectively.

Federal regulations require the District, as the pass through entity, to make case by case determinations whether the party receiving the funds under a contract is a subrecipient or a contractor and to identify federal award information to a subrecipient at the time of the award. Furthermore, LDH requires a checklist, which evaluates whether the funds are being passed to a subrecipient, be completed before the contract is signed.

While subrecipient determination checklists were prepared by employees, the determinations were documented after the contracts had been awarded and five of nine checklists prepared did not correctly identify contracts as subrecipient relationships. In addition, one of the contracts awarded did not include the required identifying federal award information.

District management should provide its personnel with detailed training to appropriately determine whether a contractor is a subrecipient and strengthen its policies and procedures to ensure that subrecipients' awarding documents include all required federal award information.

Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Cash

For clients who are not insured and do not qualify for free care under the programs administered by the District, fees are collected for services delivered. The District maintains three local bank accounts for its clinics located in Shreveport, Minden, and Natchitoches to deposit local receipts. The majority of the District's receipts are electronically deposited directly into LDH Medicaid/Medicare bank accounts. The cash balance at June 30, 2018 per the District's Annual Fiscal Report was \$896,008. We obtained an understanding of the District's controls over the bank accounts and evaluated the segregation of duties. We examined bank statements, bank reconciliations, and monthly collection remittances to the State Treasury for the months July 2017 through March 2019. Based on the results of our procedures, the District had appropriate segregation of employees' duties, adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations, and that monthly collections are remitted timely.

Revenue Billings

The District uses the Intuitive Computer – Assisted Notes (ICANotes) electronic health record system, to bill for services provided to its clients and to maintain medical records for services rendered and amounts owed. We obtained an understanding of the District's controls over revenue billings. We reviewed system reports of charges billed and payments and adjustments made to clients' accounts for the two fiscal years ending June 30, 2019, as of February 28, 2019. We selected 115 charges billed and inquired about insurance denials, and found 26 (or 22.6%) of the charges totaling \$2,924 were denied by the insurer because insurers' contract terms had not been met (see Current-report Findings section).

Purchasing Card and Controlled Billed Account Expenses

The District participates in the state of Louisiana's LaCarte purchasing card program to make small-dollar purchases, and the controlled billed account (CBA) program to charge hotel, airfare, and other travel expenses. We obtained an understanding of the District's policies and procedures relating to the access and use of the procurement card and the CBA. We reviewed listings of card holders and account holders, and analyzed transaction listings for the period July 1, 2017, to March 31, 2019. We selected transactions and examined supporting documents, such as invoices, receipts, logs, and credit card statements for purchases made during two fiscal years ending June 30, 2019, as of March 31, 2019. Based on the results of our procedures, the District 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 processed in accordance with state laws and regulations.

Fueltrac Card Expenses

The District also participates in the state of Louisiana's Fueltrac card program and uses fuel cards to purchase fuel and auto maintenance for its fleet of 10 vehicles. We inquired of staff to obtain an understanding of the District's policies and procedures relating to fuel card activities. We reviewed listings of fuel card transactions for the two-year period ending June 30, 2019, as of March 19, 2019. We selected and examined documents including receipts, logs, and credit card statements for fuel card purchases made during the months July 2017 through October 2018. We also reviewed fuel card access of each driver who terminated their employment at the District during the two-year period ending June 30, 2019, as of March 11, 2019. Based on the results of our procedures, no exceptions were identified.

Contract Expenses

The District had several contracts in effect for the two years ending June 30, 2019, for professional services and social services to serve its clients. We obtained an understanding of the District's policies and procedures relating to contract expenses and reviewed listings of contracts for the two years ending June 30, 2019, as of February 25, 2019. We selected 11 contracts and examined the contracts, monitoring and performance evaluations, and invoices supporting payments made during the months September 2017 through February 2019. Based on the results of our procedures, no exceptions were identified.

We also examined the subrecipient determination check lists for selected contracts and found that the check lists were not completed accurately or timely (see Current-report Findings section).

Payroll Expenses

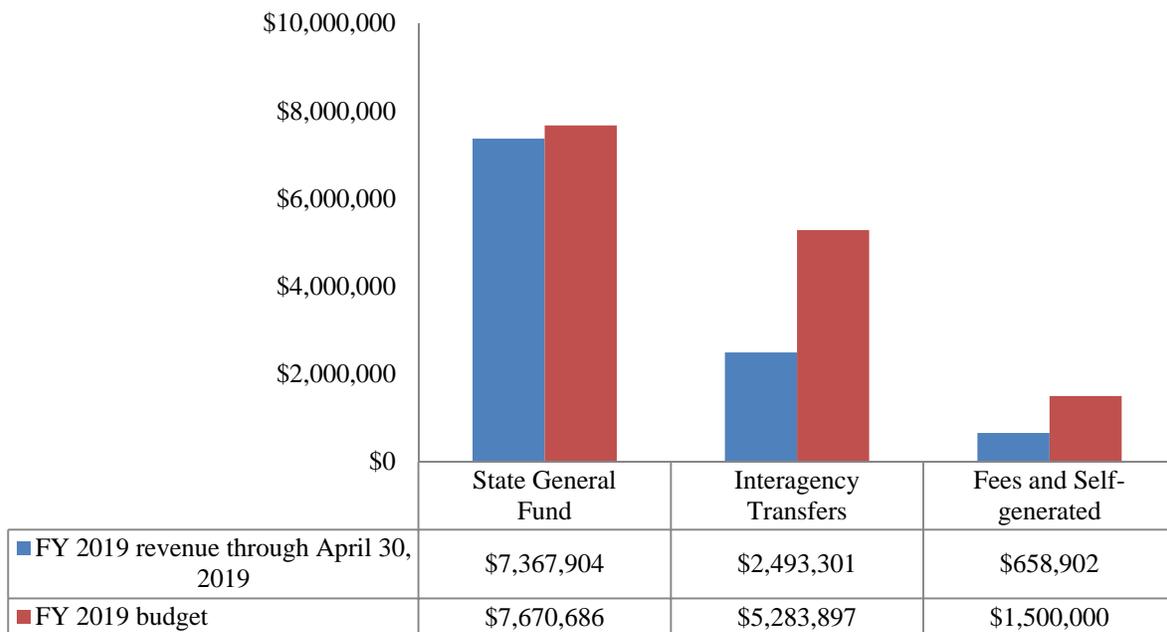
Salaries and related benefits comprise approximately 57% of the District's expenses in fiscal years 2017 and 2018. We obtained an understanding of the District's controls over the time and attendance function and examined selected employee time statements, leave records, and pay authorizations for pay periods ending February 25, 2018, and October 9, 2018. We also reviewed a listing of employees who terminated during July 1, 2017, through March 11, 2019, and examined documentation to determine whether each employee was removed from the payroll system, and access to ICANotes, Integrated Statewide Information System, or the LaGov systems was removed timely. Based on the results of our procedures, the District had adequate controls in place to ensure timely review and approval of employee time and leave records, employees were paid the amounts authorized, leave taken was properly accounted for, and access was removed timely.

Trend Analysis

We compared the most current and prior-year financial activity using the District’s Annual Fiscal Reports and system-generated reports and obtained explanations from the District’s management for any significant variances.

We analyzed the revenues of the District for the two fiscal years ending June 30, 2019 as of April 30, 2019. In fiscal year (FY) 2018, the District received approximately 95% of its \$4.4 million interagency revenue budget, and 63% of its \$1.5 million self-generated revenue budget. As shown below for the fiscal year ending June 30, 2019, as of April 30, 2019, the District has received 47% of its \$5.2 million 2019 interagency transfers (IAT) revenue budget and 44%, of its \$1.5 million fees and self-generated revenue budget. Management represented that the District is on track to receive IAT funds requested for reimbursement during the 2019 fiscal year-end close period. The District submitted its fees and self-generated revenue budget projections to LDH in advance of the 2018 and 2019 fiscal years based historical data that included a backlog of payments from prior years’ with no increased billable volumes in FY 2017 or FY 2018. The District has received 96% of its 2019 general fund monies as of April 30, 2019, and is expected to receive 100% by fiscal year end June 30, 2019.

Revenues - Budget to Actual for Fiscal Year 2019 as of April 30, 2019



Source: 2019 ISIS 2G15 Report

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KWB:BAC:BH:EFS:ch

NLHSD 2019

APPENDIX A: MANAGEMENT'S RESPONSE



Northwest Louisiana Human Services District * 1310 North Hearne Avenue, Shreveport, LA 71107 * Phone (318) 676-5111 * Fax (318) 676-5021

June 13, 2019

Daryl G. Purpera, CPA, CFE, Legislative Auditor,
1600 North Third Street, P.O. Box 94397
Baton Rouge, LA 70804-9397

In response to your finding titled "Not Billing In Accordance with Insurers' Contract Terms", we concur with the finding.

Our corrective action includes the following:

- 1) Fiscal staff will ensure that the client completes fee updates and that insurance is verified on a regularly scheduled basis. If the client misses the scheduled fee update or fails to notify the district of a change in insurance, fiscal staff will notify the client and/or clinical staff of the fiscal issue. If the client does not provide new coverage or financial information timely, the insurer will be removed as primary payer and replaced with self-pay to prevent billing and payment denials. This change will be operationalized as quickly as possible but no later than July 1, 2019.
- 2) Clinical staff will receive additional training on the need to assure an active authorization is obtained before pre-authorized services are rendered and that multiple services are not done on the same day. Clinicians will work with fiscal to resolve any insurance coverage that arises during the course of care being provided. This change will be operationalized as quickly as possible but no later than July 1, 2019.

In response to your finding titled "Subrecipient Determinations Not properly Made", we concur with the finding.

Our corrective action includes the following:

1. The Finance Director or designee will generate a list of all federally funded contracts being considered and notify the potential recipient of the federal award information before the contract is signed. This change will be operationalized as quickly as possible but no later than July 1, 2019.
2. The Finance Director or designee will complete the Subrecipient Determination Checklist and include it with the contract for Executive Director confirmation before the contract is signed. This change will be operationalized as quickly as possible but no later than July 1, 2019

Doug Efferson, Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Northwest Louisiana Human Services District (District) for the period from July 1, 2017, through June 26, 2019. Our objective was to evaluate certain controls the District 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 District's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The District'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 the District'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 the District.
- Based on the documentation of the District'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, revenue billings, purchasing card and controlled billed account expenses, Fueltrac card expenses, contract expenses, and payroll expenses.
- We compared the most current and prior-year financial activity using the District's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the District'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 the District and not to provide an opinion on the effectiveness of the District'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.