

IMPERIAL CALCASIEU HUMAN SERVICES AUTHORITY
LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 27, 2021

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Imperial Calcasieu Human Services Authority



October 2021

Audit Control # 80210017

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 the patient billing cycle, accounts receivable, payroll and personnel, and contract monitoring.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in ImCal’s procedural report dated August 28, 2019. The prior-report findings related to Untimely Billing of Services Provided, Inaccurate Reporting of Accounts Receivable, and Inadequate Controls over Subrecipient Determinations and Agreements have not been resolved and are addressed again in this report.

Current-report Findings

Untimely Billing of Services Provided

For the second consecutive engagement, ImCal did not bill patients in a timely manner, and for the third consecutive engagement, did not perform timely collection procedures. Failure to bill and collect outstanding debt timely increases the risk that accounts will become uncollectible and may impair the authority’s funding of ongoing operations.

According to its contract with the Office of Debt Recovery (ODR), ImCal shall submit delinquent debt that is the patient's responsibility to ODR as the debt becomes 60 days delinquent. ImCal's Standard Operating Procedure for collections in conjunction with the ODR 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.

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 12 services that were the patients' responsibility:

- Six (50%) patient services' initial bills, second bills, and/or final notices were sent 41 to 120 days past the service date, the date the patient was determined to be responsible, and/or the date of the previous notice.

Thirty days following the final notice, ImCal submits delinquent debts to ODR for collections. Based on a review of eight delinquent debts eligible for submission to ODR for collection:

- Seven (88%) delinquent debts were not submitted to ODR in the month in which debts became eligible for submission. Submissions of these debts to ODR were late by two to 14 months, as of August 2021.

Management represented that when it creates the batch of monthly bills, some debts are not included in the batch due to a system error, and ImCal does not have compensating procedures to identify these debts.

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 represented that it did not receive three of the four reports from ODR that are described in its contract with ODR, nor did it receive an alternate report of active accounts that was requested from ODR for fiscal years 2020 and 2021.

Management should ensure that billings, outstanding debt collection notices, and submission of delinquent accounts to ODR are performed timely and in accordance with ImCal's Standard Operating Procedure. In addition, management should continue to pursue reports from ODR that can be used to monitor and adjust patient accounts. Management concurred with the finding and outlined a plan of corrective action (see Appendix A.2).

Inaccurate Reporting of Accounts Receivable

For the third consecutive engagement, ImCal does not have adequate procedures in place to accurately report outstanding account receivable balances. Failure to maintain adequate controls over account receivable balances increases the risk of inaccurate fiscal reporting and decision makers using inaccurate information.

Act 745 of the 1995 Regular Session requires that all state agencies and component reporting units report to the Commissioner of Administration, on a quarterly basis, information on

accounts receivable and debt owed the state. ImCal reports this information to Louisiana Department of Health (LDH) for compilation and reporting to the Commissioner of Administration. The report requests the totals for the quarter's beginning balances, additions, collections (on accounts aged 1-90, 91-180, and +180) and ending balances for current and long-term receivables.

During our review of three quarterly reports submitted to LDH from July 1, 2019, through March 31, 2021, the following deficiencies were identified:

- Management was unable to provide support to show if amounts for services provided but not yet billed were included in the receivable balances.
- The collections by aging groups may have been misclassified because management utilized the billing report for the 1-90 days category, which differed from the 1-90 days category on the payments report. Management was unable to explain the difference and included the difference in the 91-180 days aging group.
- The ending balance may have been misstated because the estimated collectable percentage was based on gross revenue rather than the outstanding balance after adjustment for payments and contractual adjustments. Furthermore, the estimation method included private-individual payments to determine the collectable percentage to be applied to the net aged balance of outstanding insurance receivables.

Management did not have proper policies and procedures regarding the reporting of accounts receivable, nor did it keep all documentation for calculations performed. In addition, management represented that the reports obtained from its electronic medical record system used to compile the LDH quarterly receivable report may be inaccurate.

Management should develop policies and procedures to accurately and consistently report outstanding account receivable balances and maintain supporting documentation and calculations for all the balances reported. Management concurred with the finding and outlined a plan of corrective action (see Appendix A.3).

Inadequate Controls Over Subrecipient Agreements and Monitoring

For the second consecutive engagement, ImCal failed to clearly identify all federal award information to subrecipients at the time of the contract award, as required by federal regulations. Also, ImCal did not perform risk assessments or adequate monitoring. As a result, ImCal or the subrecipient may not be compliant with the award and federal regulations.

ImCal is allocated federal funds from LDH, Office of Behavioral Health (OBH) as interagency transfers, and ImCal passes these funds to other entities via contracts to perform consulting, social, and professional services. The federal programs involved include: Substance Abuse and Mental Health Services Projects of Regional and National Significance (Assistance Listing 93.243); Opioid State Targeted Response (Assistance Listing 93.788); Block Grants for Community Mental Health Services (Assistance Listing 93.958); Block Grants for Prevention

and Treatment of Substance Abuse (Assistance Listing 93.959); having awards totaling \$2,548,343 and \$2,778,238 allocated to ImCal for fiscal years 2020 and 2021, respectively.

We reviewed 16 contracts with 13 external parties and noted that ImCal appropriately identified the contracts as a subrecipient or vendor relationship. Although, for all nine agreements identified as subrecipients, ImCal failed to comply with all regulations set forth by 2 CFR § 200.332, including identifying all federal award information, performing a risk assessment of the subrecipients' noncompliance with statutes and regulations, and verifying that the subrecipient was audited, when applicable.

Furthermore, for six of the 13 parties receiving funds under the contracts, ImCal did not perform adequate monitoring activities for the fiscal year ended June 30, 2020, in accordance with the contract and/or 2 CFR § 200.332.

ImCal failed to develop adequate policies and procedures to ensure compliance with regulations set forth by 2 CFR § 200.332. In addition, management represented that it usually does contract monitoring in July to September, but due to COVID-19 and the hurricanes in August and September 2020, it was unable to do all of the year end monitoring of fiscal year 2020.

ImCal management should strengthen its policies and procedures to ensure that regulations set forth by 2 CFR § 200.332 are being addressed and all appropriate monitoring is performed timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A.4).

Patient Billing Cycle

ImCal maintains all patient information in its Intuitive Computer Assisted Notes (ICANotes) Electronic Health Record (EHR) system. This includes insurance and financial information, service documents, billings, denials, receivables, and payments. Based on risks identified, we reviewed ImCal's policies and procedures surrounding the billing cycle. For a sample of 20 billable patient services, we verified that ImCal did all of the following, if applicable:

- Documented service performed
- Billed properly for the service performed
- Billed timely for the service performed
- Worked all denials to ensure maximum payment
- Adjusted all claims requiring a contractual adjustment
- Posted payments to the patient's account

For each of the patients in the sample, we also selected an additional service from the patient's account and ensured the service was properly billed.

Based on the results of our procedures, ImCal had adequate controls in place to ensure that services performed are document and billed to Medicare, Medicaid, and private insurance

companies; denials are worked; and payments and related contractual adjustments are posted to patient accounts.

In addition, we obtained representation from management on the frequency that delinquent debts were submitted to ODR for further collection procedures. We selected a sample of 12 outstanding claims, that were the patient's responsibility as of March 31, 2021. We examined documentation of initial and follow-up bills sent and referral to ODR. 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 billed properly or reported to ODR timely, as noted in the Current-report Findings section.

Accounts Receivable

Amounts due for services delivered but not yet paid for are accounts receivable. ImCal monitors and tracks outstanding claims using the ICANotes 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 the methodology for determining the accounts receivable balance ImCal reported at June 30, 2020, for inclusion in the LDH Annual Fiscal Report and the quarterly accounts receivable balances submitted to LDH as of June 30, 2020, December 31, 2020, and March 31, 2021.

Based on the results of our procedures, IMCAL did not have adequate controls to ensure accounts receivable balances are reported accurately to LDH, as noted in the Current-report Findings section.

Payroll and Personnel

Salaries and related benefits comprise approximately 57% and 66% of ImCal's expenditures in fiscal years 2020 and 2021 through March 31, 2021, respectively. We obtained an understanding of ImCal's controls over payroll and personnel functions. We reviewed 15 employees for a randomly-selected pay period for their pay authorization and accrual of annual and sick leave. Additionally, we reviewed all eleven employees that received annual leave payouts from July 1, 2019, through April 30, 2021.

Based on the results of our procedures, ImCal had adequate controls in place to ensure employees were paid the authorized rates and leave payouts were properly calculated.

Contract Monitoring

We obtained a listing of contracts that were funded by federal funds or federal interagency transfer funds from the LDH, OBH that were in effect during the two years ending June 30, 2021. We obtained an understanding of ImCal’s procedures over the awarding and monitoring of these contracts. We performed a test of 16 contracts with 13 external parties to review ImCal’s subrecipient determination, federal award information provided at the time of the contract award, risk assessment, and monitoring procedures.

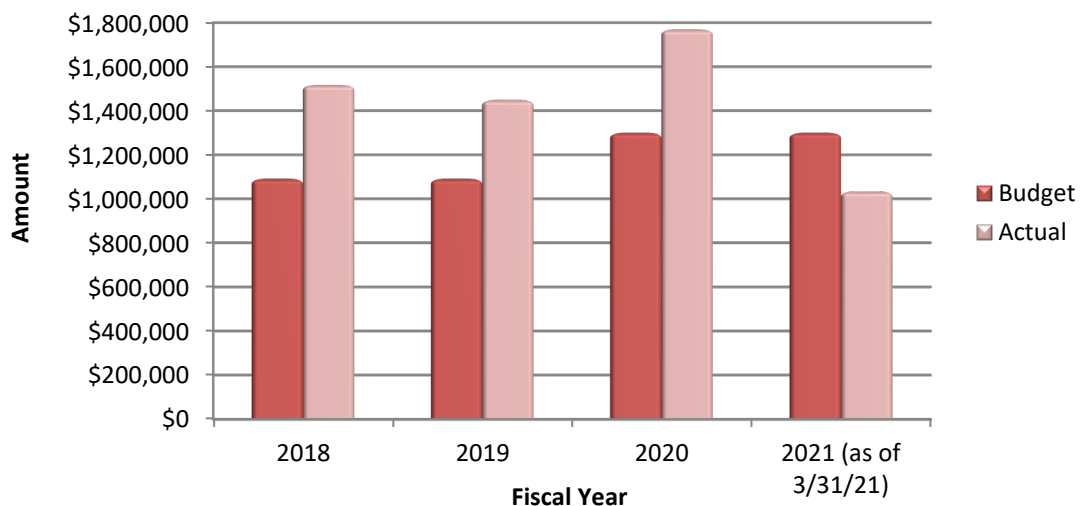
Based on these procedures ImCal failed to clearly identify all federal award information to subrecipients at the time of the contract award, as required by federal regulations. Also, ImCal did not perform risk assessments or adequate monitoring. (see Current-report Findings section).

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.

We also prepared an analysis of fees and self-generated revenues, budget to actual, for fiscal years 2018, 2019, 2020, and 2021 as of March 31, 2021. From fiscal year 2019 to 2020, increases in self-generated revenues were due to ImCal increasing services provided and increasing effectiveness of collection practices. As of March 31, 2021, ImCal has achieved 80% of the budgeted fees and self-generated revenues for fiscal year 2021.

**Exhibit 1
Budget to Actual Trend**



Source: Source: Fiscal year-end 2018-2020 and fiscal year 2021 as of 3/31/21 Monthly Funds and Expenditure Analysis

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:EFS:aa

IMCAL2021

APPENDIX A: MANAGEMENT'S RESPONSES



October 6, 2021

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

Dear Mr. Waguespack,

Please accept this official response to the Imperial Calcasieu Human Services Authority (ImCal HSA) legislative findings submitted by your office via email on September 28, 2021. Enclosed in this correspondence is ImCal HSA's responses to each of the reportable findings 1) Inaccurate Reporting of Accounts Receivable, 2) Untimely Billing of Services Provided, and 3) Inadequate Controls Over Sub-recipient Agreements and Monitoring.

Thank-you for the opportunity to respond to the findings. We will utilize this information to continue to improve our fiscal processes and procedures.

Sincerely,

Tanya McGee
Executive Director

IMPERIAL CALCASIEU HUMAN SERVICES AUTHORITY

Untimely Billing of Services Provided

Imperial Calcasieu Human Service Authority concurs with Louisiana Legislative Auditor finding of untimely billing of services provided. ImCal is working diligently with its Electronic Health Record vendor, ICANotes, to resolve issues with patients not being billed timely due to not being included in the batch statement report. Effective immediately, the billing manager is currently in the process of implementing the following corrective action plan.

- Imcal HSA contacted ICANotes, and it was determined that an automatic feature that allows charges to be billed automatically when provider completes notes was not turned on for our organization. This would allow for automatic billing and posting to patient accounts once provider completes notes. As of 9/27/21, this feature was activated. This will allow for a timelier posting of services to patient accounts.
- The billing manager will reconcile the batch statement report to aging report to verify all patients are timely billed.
- The billing manager will be requesting an active client report from ODR quarterly to verify active clients and current balances.

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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 HSA has worked diligently the last couple years to obtain an accurate outstanding account receivable balance, and has accomplished the most accurate outstanding account receivable balance compared to prior years. Although a more accurate outstanding balance was achieved, ImCal HSA fiscal staff understand there is more work to do to make the report as accurate as possible. Effective immediately, the Chief Financial Officer has made the following corrective action plan relative to the quarterly aging receivable report submitted to Louisiana Department of Health.

- Create an unbilled report by running a billing report and adding all charges with no billed submission date to the accounts receivable aging report, in order to ensure all unbilled charges are included in the aging receivable report. At this time, the current Electronic Health Record (EHR), ICANotes does not have an unbilled charges report.
- The payment report will be used for the 1-90 day category.
- The estimated collectable percentage will be based on actual payments received from the insurance only payment report.
- Will develop procedures on reporting of accounts receivable and calculations performed will be added to corresponding report.

IMPERIAL CALCASIEU HUMAN SERVICES AUTHORITY

Inadequate Controls Over Subrecipient Agreements and Monitoring

Imperial Calcasieu Human Service Authority concurs with Louisiana Legislative Auditor finding of inadequate controls over sub-recipient agreements and monitoring. Effective immediately, ImCal HSA Chief Financial Officer will implement the following corrective action plan.

- Request from Office of Behavioral Health all required information regarding the award of federal grants which are transitioned to ImCal HSA via Interagency transfer.
- Create a sub-recipient Notice of Federal Award that will identify all required federal information in 2 CFR 200.332 to be provided to the sub-recipient. This notice of award will be issued to sub-recipients upon renewal or new contracts.
- Create a risk assessment questionnaire that will be reviewed with contractor during monitoring prior to renewal or during new contracts to assess any risks of federal non-compliance.
- ImCal is in the process of completing all contractor monitoring for FY21 and will move contractor monitoring schedule to later in the fiscal year, so that monitoring is performed within current fiscal year of contract and not after contract is terminated.
- ImCal did verify that the sub-recipient was audited, if applicable, for FY20 and will verify FY21 sub-recipient audits. Due to most contractor's fiscal year ending in December, ImCal will send an audit certification letter no later than March of the following year to give contractor applicable time to get audits performed and submitted. Contractor will be required to sign the certified letter stating if they are required to submit an audit report to Secretary of State.
- ImCal will strengthen its policies and procedures on sub-recipients to ensure all regulations are followed.

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Imperial Calcasieu Human Services Authority (ImCal) for the period from July 1, 2019, through June 30, 2021. Our objective was to evaluate certain controls ImCal uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and 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 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 the patient billing cycle, accounts receivable, payroll and personnel, 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.