

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



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED AUGUST 28, 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](http://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 \$0.40. 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](http://www.lla.la.gov). When contacting the office, you may refer to Agency ID No. 10836 or Report ID No. 80190049 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



## Imperial Calcasieu Human Services Authority

August 2019

Audit Control # 80190049

---

### 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 to provide 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 on selected controls and transactions relating to cash, patient billing cycle, accounts receivable, payroll and personnel, contract monitoring, and information system access.

---

### Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in ImCal's procedural report dated May 17, 2017. We determined that management has resolved the prior-report finding related to Inadequate Bank Reconciliations. The prior-report finding related to Inadequate Controls over Accounts Receivable has not been resolved and is addressed again in this report.

---

### Current-report Findings

#### Untimely Billing of Services Provided

ImCal did not bill Medicare, Medicaid, private insurance companies, or the patients in a timely manner and, for the second consecutive engagement, did not perform timely collection procedures. In addition, ImCal lacks adequate written policies over its billing and collection process. 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.

Good business practices require that agencies bill third parties in a timely manner to ensure payment for the service provided. ImCal does not have written policies that define when initial bills should be sent for Medicare, Medicaid, and private insurance companies. 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 on the fifteenth 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. Based on our test of 34 patient services billed:

- Seven patient services' initial bills (21%) were sent 32 to 90 days after the service date.
- Two patient services' initial bills (6%) were sent 91 to 120 days after the service date.

ImCal bills patients who assume full or partial responsibility, after third-party claims have been exhausted. Based on a review of 13 services that were the patient's responsibility:

- Eight patient services' initial bills (62%) were sent 34 to 271 days past the service date or date the patient was determined to be responsible, which is not consistent with ImCal's policy.

ImCal did not consistently submit delinquent debts to ODR. Management represented that delinquent debts were submitted to ODR in May 2017, August 2017, October 2017, November 2017, May 2018, November 2018, and April 2019. In addition, ImCal does not receive three of the four reports from ODR that are required by its contract with ODR. These reports should be used by ImCal to confirm new accounts placed with ODR, accounts paid in full, and accounts cancelled by ODR and returned to ImCal are properly recorded in ImCal's patient account records.

Management should strengthen its controls over accounts receivable and establish written policies that ensure billings for Medicare, Medicaid, and private insurance companies are performed timely. Billings, outstanding debt collection notices, and submission of delinquent accounts to ODR should be performed timely and in accordance with ImCal's Standard Operating Procedure. In addition, management should ensure all reports per the ODR contract are received and used to monitor and adjust patient accounts. Management partially agreed with the finding and outlined a plan of corrective action (see Appendix A, page 2).

### **Inaccurate Reporting of Accounts Receivable**

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

During our review, the following deficiencies were identified:

- The accounts receivable balance ImCal reported at June 30, 2018, for inclusion in the Louisiana Department of Health (LDH) Annual Fiscal Report was inaccurate. ImCal failed to report all outstanding claims with private insurance companies and self-pay patients. ImCal was unable to provide the historical receivable balance as of June 30, 2018.
- 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 LDH for compilation and reporting to the Commissioner of Administration.

The October 1, 2018, to December 31, 2018, quarterly report submitted to LDH was inaccurate. ImCal has receivable balances from Medicaid, Medicare, private insurance companies, and self-pay patients that are not accurately reflected on this report. ImCal was unable to provide the historical receivable balance as of December 31, 2018.

- Management could not provide the historical receivable balances as of June 30, 2018, or December 31, 2018, when requested by the auditor. ImCal runs receivable reports each month to perform billing and collection procedures, but these reports are not maintained and the outstanding balances change daily. The outstanding accounts receivable with Medicaid, Medicare, private insurance companies and self-pay for patients with service dates in fiscal year 2018 and fiscal year 2019, as of April 30, 2019, were \$244,986.

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

### **Inadequate Controls over Subrecipient Determinations and Agreements**

ImCal disbursed federal funds to contractors without properly determining whether each contractor qualified as a subrecipient and failed to clearly identify federal award information to them at the time of the contract award, as required by federal regulations. Failure to notify contractors of subrecipient status and all federal award information could cause the subrecipient to be in noncompliance with the award and federal regulations.

ImCal is allocated federal funds from LDH's 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: Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); Block Grants for Community Mental Health Services (CFDA 93.958); Substance Abuse and Mental Health Services Projects

of Regional and National Significance (CFDA 93.243); which have awards totaling \$1,710,890 and \$1,857,269 allocated to ImCal for fiscal years 2018 and 2019, respectively.

In addition, ImCal receives federal funds directly from the U.S. Department of Health and Human Services for the Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA 93.243), which have awards totaling \$279,555 and \$247,040 allocated to ImCal for fiscal years 2018 and 2019, respectively.

Federal regulations require ImCal, as the pass-through entity, to make case-by-case determinations about 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 for 9 (41%) of 22 agreements reviewed did not correctly identify contracts as subrecipient relationships. In addition, 10 (45%) of the agreements, including one properly identified as a subrecipient by ImCal, did not include all of the required identifying federal award information.

ImCal 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 awarding documents include all required federal award information. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 4).

---

## Cash

We obtained an understanding of ImCal's controls over cash and reviewed bank statements, bank reconciliations, and remittances of collections to the State Treasury for the months of August 2017, September 2017, October 2018, and December 2018 for its four bank accounts. Based on the results of our procedures, ImCal had adequate controls in place to ensure timely transfer of funds to the State Treasury and timely preparation, review, and approval of bank reconciliations.

---

## Patient Billing Cycle

ImCal maintains all patient information in its Intuitive Computer Assisted Notes (ICANotes) Electronic Health Record 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 complete 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
- Reconciled payments posted to the patient's account to payment detail and the bank deposit

For each of the patients in the sample, we also selected a different service from the patient account and ensured the service was properly billed.

Based on the results of our procedures, except as noted in the Current-report Findings section, ImCal had adequate controls in place to ensure that services performed are documented and billed, denials are worked, payments and related contractual adjustments are posted to patient accounts, and payments reconcile to the payment detail and the bank deposit.

---

## **Accounts Receivable**

ImCal monitors/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 also obtained representation from management on the frequency in which delinquent debts were submitted to ODR for further collection procedures.

We reviewed the methodology for determining the accounts receivable balance ImCal reported at June 30, 2018, for inclusion in the LDH Annual Fiscal Report and the changes to the receivable balance on the October 1, 2018, to December 31, 2018, quarterly report submitted to LDH.

We reviewed ImCal's aged accounts receivable reports as of May 2, 2019, generated by ICANotes. We selected a sample of 15 outstanding claims with Medicare, Medicaid, and/or private insurance companies and 13 outstanding claims that are the patient's responsibility from services provided during the period from July 1, 2017, to May 2, 2019. We examined documentation of initial and follow up bills sent.

Based on the results of our procedures, we reported findings on Untimely Billing of Services Provided and Inaccurate Reporting of Accounts Receivable, as noted in the Current-report Findings section.

---

## **Payroll and Personnel**

Salaries and related benefits comprised approximately 63% and 67% of ImCal's expenditures in fiscal years 2018 and 2019 through December 31, 2018, respectively. We obtained an understanding of ImCal's controls over the time and attendance function and reviewed 15 employees' authorization of pay. Based on the results of our procedures, ImCal had adequate controls in place to ensure employees were paid the authorized rates.

---

## **Contract Monitoring**

We obtained a listing of contracts that were funded by state general fund or federal interagency transfer funds from LDH-OBH that were in effect during the two years ending June 30, 2019. We obtained an understanding of ImCal's procedures over the awarding and monitoring of these contracts. We performed a test of 22 contractors with agreements to review ImCal's subrecipient determination and federal award information provided at the time of the contract award. We randomly selected an invoice from each of the 13 contractor agreements that were to provide professional services and reviewed supporting documentation.

Based on these procedures, we found that ImCal monitored contractors, but did not properly determine whether each contractor qualified as a subrecipient and failed to clearly identify federal award information to them at the time of the contract award, as required by federal regulations (see Current-report Findings section). We found that the invoices for professional services from contractors were in accordance with the contract terms and were properly reviewed before payment was made to the contractor.

---

## **Information System Access**

We obtained an understanding of how access is granted and an explanation of the privileges and restrictions that can be assigned to users in ICANotes. We evaluated whether any employees had posted to patient accounts, had custody of cash, and performed a reconciliation function. Based on these procedures, no exceptions were identified.

---

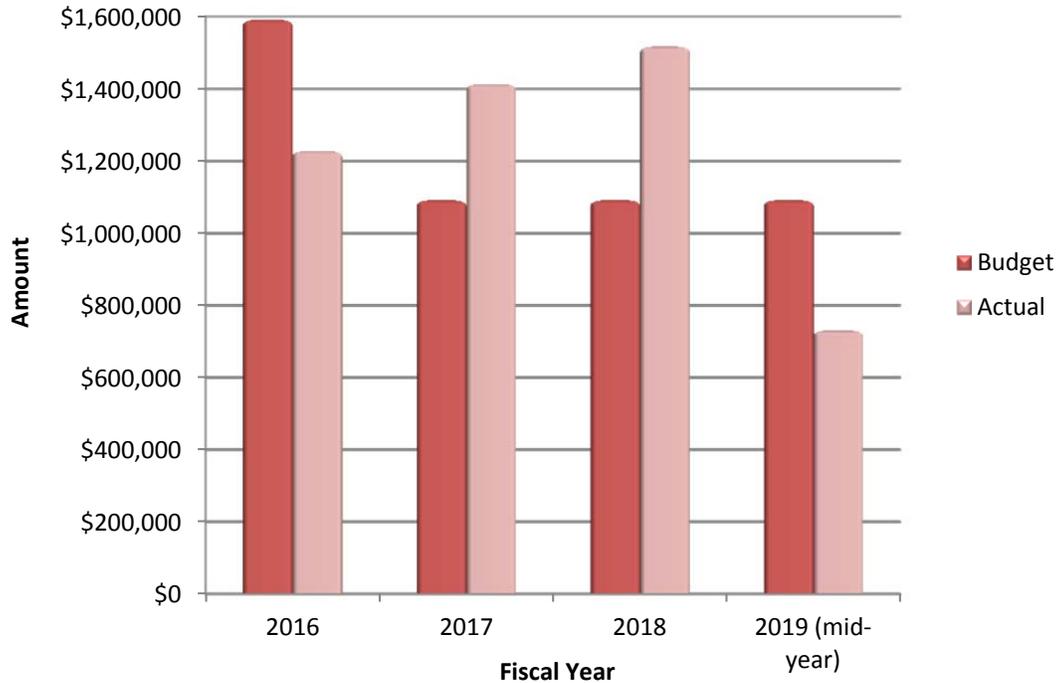
## **Trend Analysis**

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 2016, 2017, 2018, and 2019 as of December 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. As of December 31, 2018, ImCal has achieved 67% of the budgeted fees and self-generated revenues for fiscal year 2019.

**Exhibit 1  
Budget to Actual Trend**



**Source:** Fiscal year-end 2016-2018 and fiscal year 2019 as of 12/31/18 Monthly Funds and Expenditure Analysis

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

JKB:RJM:BH:EFS:aa

IMCAL2019



## **APPENDIX A: MANAGEMENT'S RESPONSE**





*Imperial Calcasieu*  
HUMAN SERVICES AUTHORITY

*Building Strength in Our Community*

---

August 6, 2019

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Post Office Box 94397,  
Baton Rouge, Louisiana 70804

Dear Mr. Purpera,

Please accept this official response to the Imperial Calcasieu Human Service Authority (ImCal HSA) legislative findings submitted by your office via email on July 29 and 30, 2019. Enclosed in this correspondence is ImCal HSA's responses to each of the reportable audit findings, 1) Inaccurate Reporting of Accounts Receivable, 2) Untimely Billing of Services Provided, and 3) Inadequate Controls over Subrecipient Determinations and Agreements.

We are grateful for the opportunity to respond to these findings. We would like to thank the auditing team for their assistance during this process. The ImCal HSA Executive Management Team learned a great deal from their expertise.

Sincerely,

Tanya M. McGee,  
Executive Director

cc: Corlissa Hoffoss, ImCal HSA Board Chairperson



## **Untimely Billing of Services**

Imperial Calcasieu Human Services Authority (ImCal HSA) concurs in part with this finding. ImCal HSA agrees with the information presented on patients billed post 30-days; however, ImCal does not agree that this should be a formal finding within the audit. After an extensive search, ImCal is unable to locate any regulation, rule, statute, or documented best practice which mandates that services be billed within 30 days. Medicaid and other 3<sup>rd</sup> party payers allow for up to 60 days to 1 year, depending on the payor, to bill for a service. All accounts were billed within the time frame allowed by the payor source. Although, there is no standard regulation, ImCal HSA strives to excel in its practices across all departments and divisions, therefore the following corrective action plan will be implemented, effective immediately:

- ImCal HSA Chief Financial Officer will strengthen controls over billing by running monthly billing reports to identify unbilled charges to insurance and patients. This will ensure that insurance companies and patients are billed within 30 days.
- ImCal HSA Chief Financial Officer will strengthen controls over outstanding receivables by running monthly reports to identify aged receivables so the billing unit can take necessary actions to collect from insurance or patient in a timely manner. This includes but not limited to identifying patient responsibility after insurance, error corrections, transferring to collection, and correcting denials.

ImCal does concur with the finding that delinquent debts were not consistently submitted to Office of Debt Recovery (ODR) per ImCal established procedures. Regarding the reports not received by the Office of Debt Recovery, ImCal HSA has no authority over ODR and what they fail to send to the agency.

The corrective action planned as a result of this finding includes the following, effective immediately:

- ImCal HSA Chief Financial Officer will conduct audits of delinquent accounts to identify accounts not submitted to ODR per ImCal SOP.
- ImCal HSA Chief Financial Officer will request ODR reports to ensure all reports detailed in the contract are reconciled to agency EHR.



## **Inadequate Reporting of Accounts Receivable**

Imperial Calcasieu Human Services Authority (ImCal) Administration concurs with Louisiana Legislative Auditor's finding of inadequate reporting of accounts receivable. In March of 2019, ImCal HSA hired a new Chief Financial Officer (CFO), who worked diligently with the auditors and ImCal fiscal staff to obtain an accurate outstanding account receivable balance. She discovered that while the ImCal fiscal staff were running monthly receivable reports and submitting a quarterly report to the Louisiana Department of Health (LDH), the reports only included insurance and patient payments received for the quarter. It did not include the aging reports in order to get an accurate receivables balance. In April 2019, ImCal CFO completed the following steps in order to achieve an accurate beginning balance:

- Ran a receivable report from December 2013 to the end of current month for both insurance and patient receivables in the EHR to get a gross receivables ending balance.
- Downloaded report in excel to determine aging that was older than 180 days, in order to report long term receivables.
- Ran billing reports for a prior 6-month period to establish a collection percentage for each category such as Medicare, Medicaid and commercial insurance.
- Ran a payment and billing report for the reporting quarter. This allowed her to determine the Accounts Receivable beginning balance.

Once these steps were taken, ImCal was able to submit accurate Accounts Receivable reports to LDH for the quarters ending March 2019 and June 2019. The continued corrective action planned as a result of this finding includes the following:

- ImCal HSA Chief Financial Officer will continue to oversee the reporting of all outstanding account receivable by running timely quarterly reports and verifying the accuracy of outstanding receivable balances reported to LDH, including but not limited to Medicaid, Medicare, private insurance companies, and self-pay.
- ImCal HSA Chief Financial Officer will implement policies and procedures that standardize the reporting, monitoring, and maintenance of supporting documentation to ensure accuracy and historical balances reported to LDH.



## **Inadequate Controls over Subrecipient Determinations and Agreements**

Imperial Calcasieu Human Services Authority (ImCal HSA) concurs with this finding. ImCal is allocated federal funds from the Louisiana Department of Health (LDH), Office of Behavioral Health (OBH), thus followed the guidance of OBH in determining whether each contractor qualified as a subrecipient. In multiple email conversations among ImCal HSA, LDH and OBH between February 2018 and November 2018, LDH and OBH provided conflicting information to ImCal regarding determinations of subrecipient status and what was required of ImCal as a pass-through entity.

The corrective action planned as a result of this finding includes the following, effective for all Fiscal Year 2019/2020 Contracts:

- ImCal Administration will follow federal regulation 2 CFR §200.330 in determining the classification of non-federal entity contractors as a subrecipient and identify as such on the first page of contract under #7.
- ImCal Administration will follow federal regulation 2 CFR §200.331 to ensure all contracts identified as a subrecipient include the required information as stated in the regulation and all requirements are imposed on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award in order for ImCal to meet its own responsibility as a pass-through entity.

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Imperial Calcasieu Human Services Authority (ImCal) for the period from July 1, 2017, through June 30, 2019. Our objective was to evaluate certain controls ImCal 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 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 on selected controls and transactions relating to cash, patient billing cycle, accounts receivable, payroll and personnel, contract monitoring, and information system access.
- 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.