

NORTHWEST LOUISIANA HUMAN  
SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED JUNE 7, 2017

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Northwest Louisiana Human Services District

June 2017

Audit Control # 80170035

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## Introduction

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

NLHSD was created as a local governmental entity governed by a local board of directors with the mission that individuals with mental health, addictive disorders, and developmental disabilities residing in Northwest Louisiana are empowered, and self-determination is valued such that individuals live satisfying, hopeful, and contributing lives.

NLHSD's continuum of care includes a wide range of levels of care and services to the residents of Bienville, Bossier, Caddo, Claiborne, DeSoto, Natchitoches, Red River, Sabine, and Webster parishes. The district operates three outpatient behavioral health clinics, one behavioral health outreach clinic, and the Developmental Disabilities Divisional Office, which serves as the single point of entry for the nine parish service areas into the developmental disability services system.

The clinics provide services such as Information/Referral; Screening/Assessment/Evaluation; outpatient and intensive outpatient services for Individual, Family, and Group Counseling; Community Psychiatric Supports and Treatment; Medication Management; Child Psychological Testing; Pharmacy services; Peer Support and Wellness Recovery Action Plan services; Psychosocial Rehabilitation services; Nursing services; and Interagency Service Coordination.

We evaluated NLHSD'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 NLHSD. Based on our understanding of NLHSD's controls and related laws and regulations, we performed procedures on selected controls and transactions relating to cash receipts for fees, revenue billings and receivables, movable property, LaCarte card expenditures, travel expenditures, Fueltrac card expenditures, contract expenditures, and payroll expenditures.

## Results of Our Procedures

### Follow-up on Prior Transition Issues

We reviewed the status of a prior transition issue reported in our procedural report issued September 9, 2015, regarding meeting self-generated revenue budgets. This issue was not completely resolved and is addressed again in this report.

### Current-year Finding

#### Not Billing in Accordance with Insurers' Contract Terms

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

Out of approximately \$160,800 of uncollected client billings provided by licensed master social workers, we tested 20 billings totaling \$4,491. We found 12 (or 60%) billings totaling \$2,649 were denied by the insurer because pre-authorizations were not obtained, services were provided by a licensed master social worker who lacked required clinical credentials, services were not covered by contract, or an unspecified reason. In addition, NLHSD did not attempt to bill the 12 clients for claims denied by primary insurers during the period July 1, 2015, through December 31, 2016.

Good business practices require that all insurers' contract terms be met before billing for services to avoid denied claims and lost revenues. Management represented that while NLHSD's collection processes typically attempt to meet the terms of each insurer's contract, there are some cases where human error or an ineffective process has resulted. Management performed an analysis as of March 31, 2017, that identified approximately \$255,000 in denied claims that was not collected during the two fiscal years ending June 30, 2017, due mostly to lack of pre-authorizations and lack of required clinical credentials for services performed.

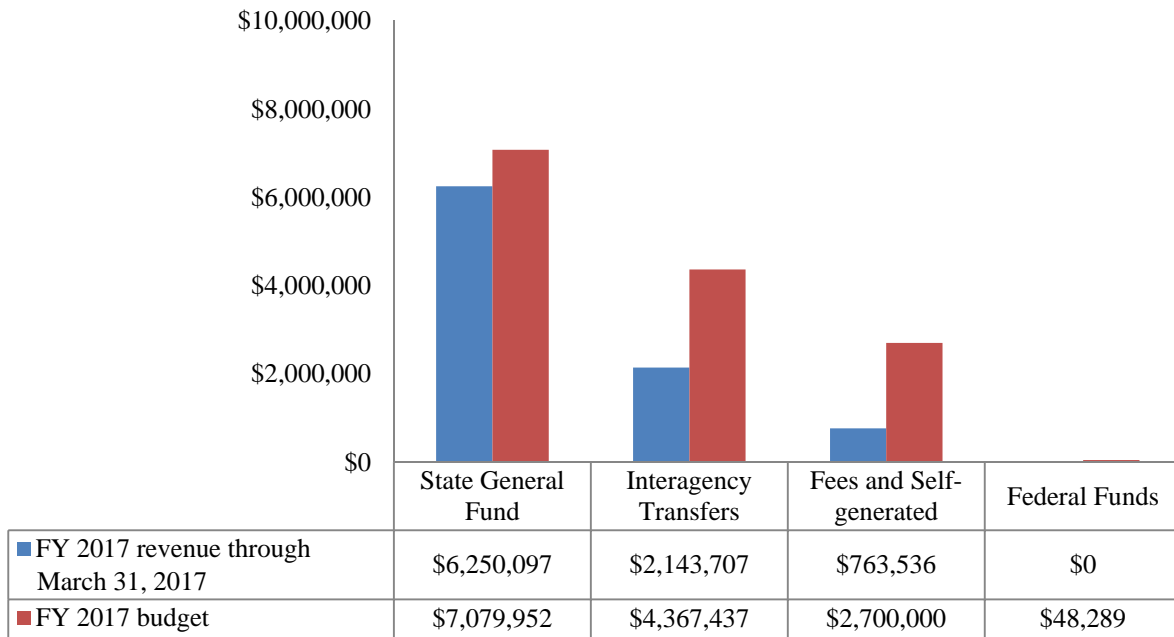
NLHSD management should strengthen controls over its billing process and better monitor its employees to ensure all claims submitted for payment to insurers for services provided to clients adhere to contract terms. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

### Meeting Revenue Budgets

Since NLHSD's first year of operation, management has expressed concern about the district being able to meet NLHSD's annual self-generated revenue budget. In analyzing the revenues received through March 31, 2017, NLHSD had only collected \$763,536, or 28%, of its

\$2.7 million 2017 self-generated revenue budget; and \$1,773,888, or 66%, of its \$2.7 million 2016 self-generated revenue budget. NLHSD does not set its own annual budget for self-generated revenue; the budget was determined by the Louisiana Department of Health (LDH). For fiscal year (FY) 2018, LDH reduced NLHSD’s self-generated budget to a more attainable amount of \$1,500,000. NLHSD has received more than 49% of its interagency transfer revenue budget as of March 31, 2017, and seems to be on track to receive 100% for fiscal year ending June 30, 2017. The federal funds budgeted were for Medicare, which NLHSD realigned and reported as self-generated revenues in FY 2017. No federal funds are budgeted for FY 2018.

**Revenues - Budget to Actual for Fiscal Year 2017, as of March 31, 2017**



Source: 2017 Budget and ISIS Transaction Detail

**Cash Receipts for Fees**

For clients who are not insured and do not qualify for free care under the programs administered by NLHSD, the district collects fees for services delivered. As of April 26, 2016, NLHSD closed three of its six clinics located in Many, Coushatta, and Mansfield, leaving three clinics open in Shreveport, Minden, and Natchitoches. NLHSD maintains a bank account for each clinic, used to deposit local receipts. The majority of the district’s receipts are electronically deposited directly into LDH Medicaid/Medicare bank accounts. We obtained an understanding of NLHSD’s controls over cash collections, the petty cash fund, and bank reconciliations. We evaluated the segregation of duties between district employees, and examined bank reconciliations for all bank accounts during fiscal years 2016 and 2017 through February 2017 to determine if they were timely prepared and reviewed. Based on the results of our procedures, no exceptions were identified.

**Revenue Billings and Receivables**

NLHSD uses Intuitive Computer – Assisted Notes (ICANotes) Behavioral Health Electronic Health Records software to bill for services provided to its clients and to maintain medical records for services rendered and amounts owed. We reviewed a summary of receivable collections and adjustments as of January 31, 2017, and inquired about the six highest balances per the aging receivable balances report as of February 22, 2017. We selected and tested 20 individual clients' billings and found instances where claims were denied because insurers' contract terms had not been met, and NLHSD did not attempt to bill the patients for claims not covered by insurance (see Current-year Finding section).

**Movable Property**

NLHSD owned approximately 284 items of movable property with original costs of approximately \$719,442 as of June 30, 2016, throughout its clinics and administrative offices. We visited the Shreveport and Minden clinics, examined selected property items, and agreed the tag numbers, descriptions, and location information to and from property listing as of March 14, 2017. We tested the timeliness of new additions for the two-year period ending June 30, 2017, as of March 3, 2017, and reviewed the latest annual inventory property certifications as of July 2016. Based on the results of our procedures, no exceptions were identified.

**LaCarte Card Expenditures**

NLHSD participates in the State of Louisiana's LaCarte Procurement Card Program and utilizes LaCarte cards to make small-dollar purchases. We obtained an understanding of NLHSD's policies and procedures for procurement card use and reviewed a listing of all card holders. We selected and examined supporting documents such as invoices, receipts, logs, and credit card statements for purchases made in FY 2016 and FY 2017 through March 2017. Based on the results of our procedures, no exceptions were identified.

**Travel Expenditures**

NLHSD participates in the State of Louisiana's Controlled Billed Account (CBA) to charge hotel and airfare expenditures, and reimburses employees for mileage, meals, and other travel expenditures. We obtained an understanding of NLHSD's policies and procedures relating to travel activities and reviewed all employee reimbursements for the period July 1, 2015, through March 31, 2017, totaling \$13,632. We examined travel authorizations, conference brochures, original receipts, CBA statements, and employee reimbursement requests relating to lodging, airfare, meals, mileage, parking, and shuttle use. Based on the results of our procedures, the travel expenditures were properly authorized and supported and were processed in accordance with state laws and regulations.

**Fueltrac Card Expenditures**

NLHSD also participates in the State of Louisiana's the Fueltrac Card program and uses Fueltrac cards to purchase fuel and auto maintenance for its fleet of eight vehicles. We inquired of staff

to obtain an understanding of NLHSD policies and procedures relating to fuel card activities. We reviewed listings of fuel card transactions for the two-year period ending June 30, 2017, through January 2017. We selected and examined documents including receipts, logs, and credit card statements for fuel card purchases made in October 2015, January 2016, March 2016, April 2016, July 2016, August 2016, December 2016, and January 2017. We also reviewed the fuel card access of each driver who terminated their employment at NLHSD during the two-year period ending June 30, 2017. Based on the results of our procedures, no exceptions were identified.

### **Contract Expenditures**

NLHSD had several contracts in effect for the two years ending June 30, 2017, for professional services, social services, and consulting services to serve its clients. We obtained an understanding of NLHSD's policies and procedures relating to contract expenditures. We reviewed listings of the contracts for the two fiscal years ending June 30, 2017, as of February 7, 2017. We selected two professional services and two social services contracts, and examined the contracts and invoices supporting payments made in March 2016, August 2016, February 2017, and March 2017. We also inquired of district employees and examined completed monitoring forms supporting contract monitoring activities. Based on the results of our procedures, no exceptions were identified.

### **Payroll Expenditures**

NLHSD has approximately 88 employees and payroll expenditures are NLHSD's largest expenditure. We obtained an understanding of NLHSD's controls over payroll expenditures. We performed inquiries and observations of NLHSD personnel; and examined support for payroll changes, pay rates, leave taken and accumulated, and time approval for selected employees for pay periods in March 2016 and November 2016. We also reviewed a listing of employees who terminated during fiscal years 2016 and 2017 through February 2017, and examined documentation for selected employees to determine whether each was removed from the payroll system and had access to ICANotes (billing system) and Integrated Statewide Information System (general ledger) removed timely. Based on the results of our procedures, no exceptions were identified.

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## **Trend Analysis**

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

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## Distribution

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive.

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

KWB:BAC:BH:EFS:aa

NLHSD 2017



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





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May 24<sup>th</sup>, 2017

Daryl G. Purpera, CPA, CFE, Legislative Auditor,  
1600 North Third Street, P.O. Box 94397  
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In response to your finding titled "Not Billing In Accordance with Insurers' Contract Terms", I first want to state that I concur with the individual finding and recommendation. 4,231 claims were denied with gross billed charges totaling \$255,269.96. This represents 5% of the claims that were filed and 3% of the gross billed charges generated during the audit period being denied due to Northwest Louisiana Human Services District not meeting contract requirements that include a pre-authorization being needed before some services are provided, a Licensed Clinical Social Worker (LCSW) being the provider instead of a Licensed Master Social Worker (LMSW) by some insurance providers for some services, and a specific time frame being met for initial and follow-up claims to be filed.

Our corrective action includes the following:

- 1) A pre-authorization will be obtained before a service that requires a preauthorization is provided. This will be done by delaying care until insurance is verified and a determination regarding the need for a pre-authorization or not is made. This process change impacts a large number of clients with regard to initial appointments, the scheduling of assessments, and the scheduling of care. The change will be operationalized as quickly as possible but no later than July 1, 2017.
- 2) A Licensed Clinical Social Worker (LCSW) will be used instead of a Licensed Master Social Worker (LMSW) when required by an insurance provider for a particular service. This change impacts a significant number of existing Medicare clients who will need to be transferred to another provider since our Behavioral Health clinics do not have enough LCSW staff to meet this need. The change will be operationalized as soon as possible but no later than July 1, 2017.
- 3) Claims will be filed within the time frame required for initial and follow-up claims to be paid. This change will be done by adjusting the process in which initial and follow-up claims are assigned to the billing staff. The change has already been made and is in effect.

These corrective actions are expected to greatly reduce or eliminate the reoccurrence of the type of claim denials identified by this audit.

Doug Efferson, Executive Director



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Northwest Louisiana Human Services District (NLHSD) for the period from July 1, 2015, through May 31, 2017. Our objective was to evaluate certain internal controls NLHSD uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and provide overall 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 NLHSD's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. NLHSD'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 NLHSD'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 NLHSD.
- Based on the documentation of NLHSD's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash receipts for fees, revenue billings and receivables, movable property, LaCarte card expenditures, travel expenditures, Fueltrac card expenditures, contract expenditures, and payroll expenditures. Our procedures also included consideration of NLHSD's ability to achieve its revenue budgets.
- We compared the most current and prior-year financial activity using NLHSD's financial information and/or system-generated reports and obtained explanations from NLHSD's management for any significant variances that could potentially indicate risk. Management provided reasonable explanations for all significant variances.

The purpose of this report is solely to describe the scope of our work at NLHSD and not to provide an opinion on the effectiveness of NLHSD'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.