

NORTHWEST LOUISIANA HUMAN  
SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED MAY 26, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
MICHAEL J. "MIKE" WAGUESPACK, CPA

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
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.la.la.gov](http://www.la.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 \$0.35. 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.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 10838 or Report ID No. 80210030 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 Jenifer Shaye, General Counsel, at 225-339-3800.

---

# Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Northwest Louisiana Human Services District



May 2021

*Audit Control # 80210030*

---

## 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 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 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, accounts receivable, purchasing card and controlled billed account expenses, Fueltrac card expenses, contract expenses, revenue billings, and payroll expenses.

---

### Follow-up on Prior-report Findings

We reviewed the status of the two prior-report findings in the District’s procedural report dated July 10, 2019. We determined that management has resolved the prior-report findings related to Not Billing in Accordance with Insurer’s Contract Terms and Subrecipient Determinations Not Properly Made.

---

### Current-report Finding

#### Failure to Timely Submit Delinquent Account Balances for Collection

The District failed to timely submit delinquent account balances to the Office of Debt Recovery (ODR) in accordance with agreement terms. Failure to submit these account balances for collection in a timely manner increases the risk that the balances will become uncollectible.

The District entered into an Agency Participation Agreement with ODR in August 2016 that requires the District to send all delinquent account balances to ODR for collection when the account has been delinquent for 60 days. The District's staff has been behind in processing delinquent accounts since fiscal year 2020 and has not submitted any delinquent patient accounts to ODR since May 2019.

Management should strengthen controls over the process for submitting delinquent account balances to ODR for collection and monitor employees to ensure adherence to ODR agreement terms. Management did not concur with the finding and disputes that its billing and collection procedures increased any risk of balances becoming uncollectible (see Appendix A).

**Additional Comments:** The District has an agreement with ODR to submit all account balances as the debt becomes 60 days delinquent. There have been approximately two years since the District submitted delinquent account balances to ODR, which is in violation of the agreement.

---

## Cash

The District maintains three local bank accounts, one for each clinic located in Shreveport, Minden, and Natchitoches. The cash balance at June 30, 2020, per the District's Annual Fiscal Report, was \$578,264. We obtained an understanding of the District's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank reconciliations and monthly remittances of collections to the State Treasury for the months July 2019 through January 2021. Based on the results of our procedures, the District had adequate controls in place to ensure timely preparation, review, and approval of bank reconciliations; and that collections are timely remitted.

---

## Accounts Receivable

The District is required to report accounts receivable balances to the Office of Statewide Reporting and Accounting Policy (OSRAP) on a quarterly basis. We obtained an understanding of the District's methodology for determining accounts receivable balances for submission to OSRAP. We reviewed receivable balances generated in the Intuitive Computer-Assisted Notes (ICANotes) electronic health record system for the months July 2019 through December 2020. We agreed current receivables, long-term receivables, and write-off amounts from ICANotes data to agency prepared spreadsheets used to report accounts receivable amounts for the quarters ended June 30, 2020, and September 30, 2020. Based on the results of our procedures, the District had adequate controls in place to ensure that the accounts receivable amounts reported to OSRAP were supported. However, the District failed to timely submit delinquent account balances for collection (see Current-report Finding 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 cards and the CBA. We reviewed listings of cardholders and account holders, and analyzed transaction listings for the period July 1, 2019, to February 8, 2021. We selected and examined supporting documents, such as invoices, receipts, logs, and credit card statements for purchases made in July 2019, August 2019, October 2019, December 2019 through June 2020, September 2020, November 2020, December 2020, and January 2021. 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 their fleet of eight 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, 2021, as of January 31, 2021. We selected and examined documents including receipts, logs, and credit card statements for fuel card purchases made during the months July 2019 through October 2019, December 2019 through July 2020, and October 2020 through December 2020. We also reviewed fuel card access of each driver who terminated their employment at the District during the two-year period ending June 30, 2021, as of January 29, 2021. 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, 2021, 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 monitoring activities. We reviewed listings of contracts for the two years ending June 30, 2021, as of March 2, 2021. We selected three professional services and nine social services contracts, and examined the contracts, subrecipient determination check lists, evidence of monitoring, and invoices supporting payments made during the months February 2020 through May 2020 and January 2021 through March 2021. Based on the results of our procedures, no exceptions were identified.

---

## Revenue Billings

The District uses the ICANotes 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, 2021, as of February 3, 2021. We selected 20 clients and examined supporting documentation for charges billed. Based on the results of our procedures, the District adhered to the insurers' contract terms, and no billings were denied.

We also obtained and examined a listing of employees with access to the ICANotes system and performed procedures to determine whether access to the system was restricted to business-need only and access was adequately segregated. Based on the results of our procedures, no exceptions were identified.

---

## Payroll Expenses

Salaries and related benefits comprised approximately 60% of the District's expenses in fiscal years 2020 and 2021. We obtained an understanding of the District's controls over the time and attendance function and pay rate actions. We selected employees and examined time statements, leave records, and pay rate authorizations for the pay periods ended February 23, 2020, July 26, 2020, and November 1, 2020. We also reviewed a listing of employees who terminated their employment at the District during the two fiscal years ending June 30, 2021, as of February 24, 2021; and compared the employee's date of termination to the date access was removed from the Integrated Statewide Information System-Advance Financial System, and/or the LaGov system.

Based on the results of our procedures, the District had adequate controls in place to ensure timely review and approval of employee time statements and leave records, employees were paid the amount authorized, leave taken was properly accounted for, and system access was removed timely.

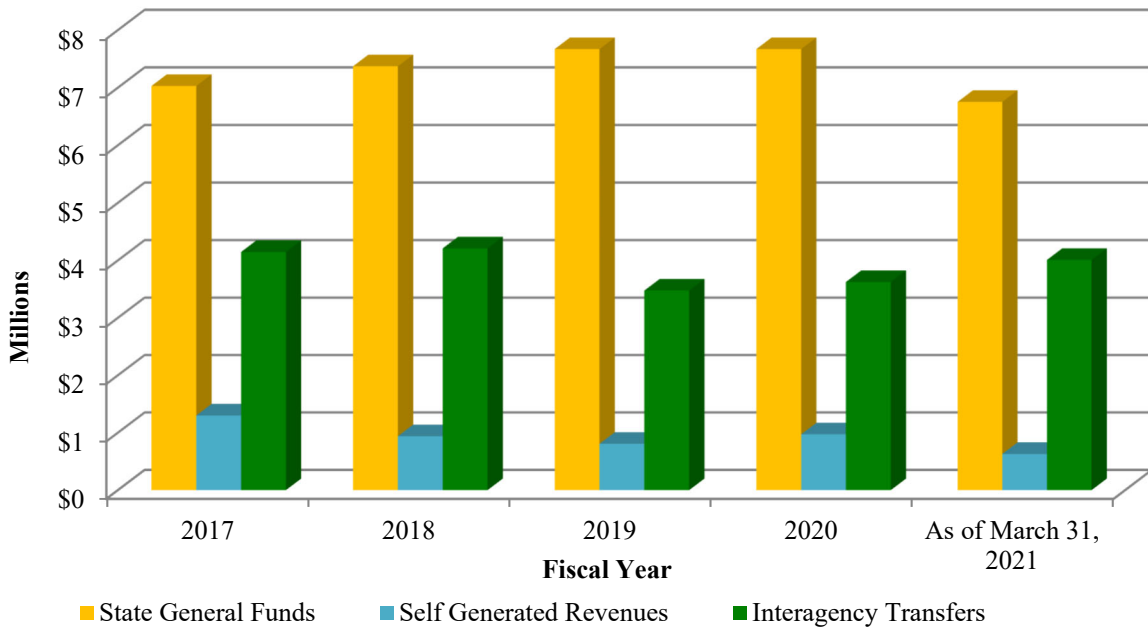
---

## 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 also prepared an analysis of the District's revenues and expenses over the last five fiscal years ending June 30, 2021, as of March 31, 2021, to identify trends, as shown in Exhibits 1 and 2 below.

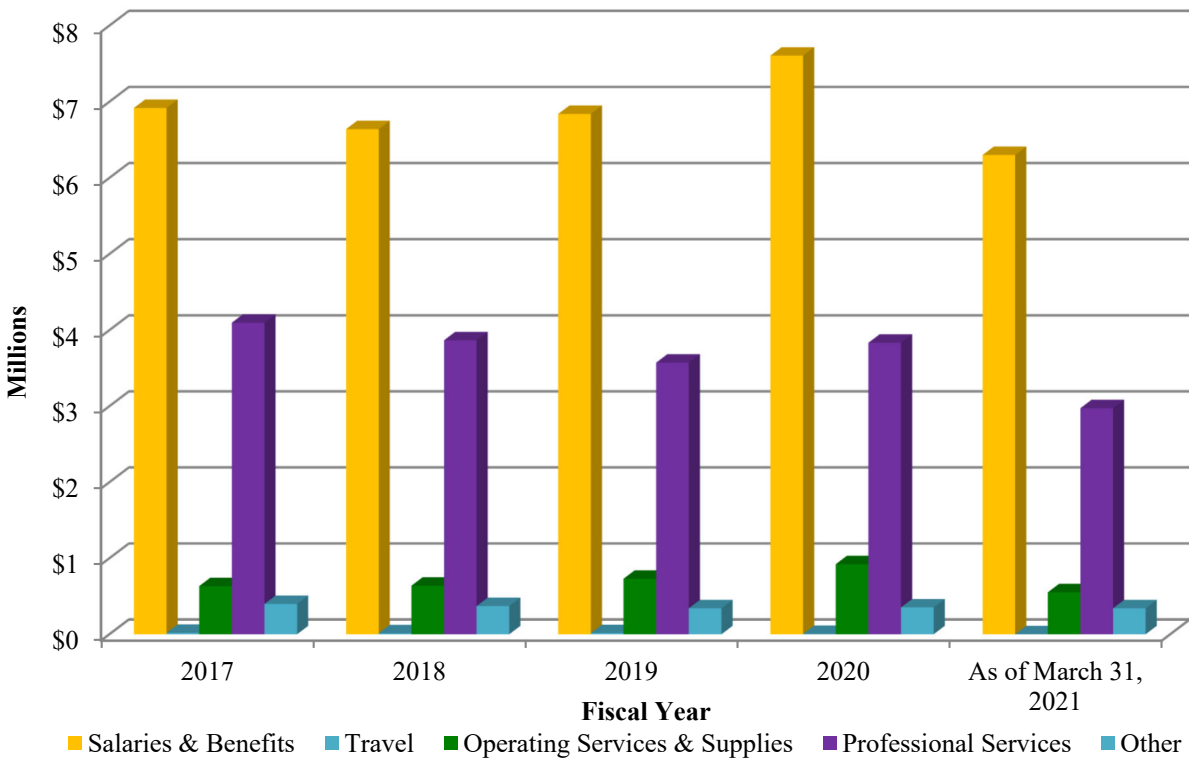
In the past five fiscal years, revenues have been in line with expenses. In fiscal year 2020, salaries and benefits increased mainly due to market rate salary adjustments, an increase in overtime payments for staffing of a COVID shelter, leave pay-outs for employees retiring, and the filling of staff vacancies.

**Exhibit 1: Five-Year Revenue Trend**



Source: Integrated Statewide Information System 2G15 Reports

**Exhibit 2: Five-Year Expense Trend**



Source: Integrated Statewide Information System 2G15 Reports

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, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

WMS:BAC:BH:EFS:aa

NLHSD 2021



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





Northwest Louisiana Human Services District \* 1310 N Heame Ave, Shreveport, LA 71107 \* Phone (318) 676-5111 \* Fax (318) 676-5021

May 7, 2021

Michael J. "Mike" Waguespack, CPA, Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Per the written request by Barbara Clements, CPA Audit Manager, on May 3<sup>rd</sup>, 2021, we provide the following official response to the reportable audit finding "Failure to Timely Submit Delinquent Account Balances for Collection":

Northwest Louisiana Human Services District ("District") disputes the auditors findings that it failed to timely submit delinquent account balances to the Office of Debt Recovery ("ODR"). The District further disputes that its billing and collection procedures increased any risk of the balances becoming uncollectible. The District has well established policies and procedures that are standard for the behavioral healthcare industry.

The District has a detailed billing and collection process set forth in its Financial Planning and Management Policy that starts when a new patient is established. The Paragraph (F) of the policy requires that during the initial interview fees be set, the method of payment (i.e. patient, insurer, or other third party payor) is established, and payment plans are established if needed.

Paragraph G of the District's Policy sets forth additional steps for collection of fees. Monthly statements are sent and clients are provided the opportunity to either pay in full or make payments of at least \$20 per month. Under paragraph (G)(3) of the District's Policy, accounts are not considered past due until there has been no payment for 60 days. Additional steps are included for collections from insurers and third party payors.

Paragraph G(7) of the District's Policy sets forth the District's obligations for delinquent accounts and its interaction with ODR. The written policy fully complies with the District's contract with ODR. Paragraph C(2) of the contract defines delinquent debt as a final debt that is 60 days or more past due. Paragraph C(3) defines "final" as a debt no longer negotiable and no right of administrative or judicial review. As the District's policies do not consider a debt past due until 60 days after the last payment, a delinquent debt is one that has had no payment for 120 days.

Paragraph (H)(1) of the contract requires the District to identify delinquent debts within 30 days of the debt becoming delinquent -- which would be between 120 and 150 days since the last payment. Paragraph G(7)(b) of the District's Policy requires the billing staff to forward all accounts that are past due by 60 days (120 days since any payment) to the Finance Director for review and approval before being sent to ODR which complies with the contract.

Paragraph G(7)(b) of the District's Policy further requires the District to then send a 60 day referral notice of non-final delinquent debts and 30 day referral of final delinquent debts that advise the patient that the

*The Northwest Louisiana Human Services District provides Mental Health, Addictive Disorder and Developmental Disability Services to the residents of Bienville, Bossier, Caddo, Claiborne, DeSoto, Natchitoches, Red River, Sabine and Webster Parishes*

matter will be referred to ODR. This complies with Paragraph (H)(1)(e). Thereafter, the matters are referred to ODR which is in compliance with Paragraph (H)(1)(d) which requires that such delinquent debts be transferred to ODR as it becomes 60 days delinquent (which would be 180 days after the last payment on the account because the debt is not delinquent until day 120).

Once the IT people for ODR and the District established an electronic file and the same was beta tested and confirmed to be working and HIPAA compliant, the District began transferring delinquent debts to ODR after all District steps were taken. The first instance resulted in only 18 clients being referred. Due to the small number of clients, the District made the administrative decision to wait five months to transfer debts to ODR. On this occasion, there were only 14 clients that had to be submitted.

As a patient must go 120 days without making any payment before the steps to transfer the debt to ODR must begin and due to the very low number of clients meeting this criteria, the District determined that the next referral process would be in the spring of 2020. However, the coronavirus pandemic hit Louisiana and the nation.

At the beginning of the pandemic, Governor Edwards issued executive orders which suspended prescriptive periods for filing debts, prohibited evictions, turning off utilities, and the collection of certain debts and issued a stay at home order. Due to these executive orders and the impact the pandemic on everyone in this state, the District made the appropriate administrative decision not to attempt collection efforts while so many people were out of work as we believed most of them simply did not have the money. We believed that our resources were better spent doing other work and that collection of these debts could resume after the state began to recover and these clients might have income to allow them to pay their outstanding bills to the District.

There is a 3-year prescriptive period on the collection of medical bills. The three years runs from the last date any payment was made on an account. Therefore, delaying referring matters to ODR during the pandemic of 2020 did not risk collection of the debts owed to the District. The District has begun the notification process to clients for all debts that are past due on its books and will refer those to ODR when the time has elapsed.

Sincerely,



Doug Efferson, Executive Director  
Northwest Louisiana Human Services District

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Northwest Louisiana Human Services District (District) for the period from July 1, 2019, through May 19, 2021. Our objective was to evaluate certain controls the District uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and 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, under the Louisiana Department of Health are 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 results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, accounts receivable, purchasing card and controlled billed account expenses, Fueltrac card expenses, contract expenses, revenue billings, 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.