

CENTRAL LOUISIANA HUMAN
SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
JUNE 3, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Central Louisiana Human Services District

June 2020

Audit Control # 80200019

Introduction

The primary purpose of our procedures at the Central Louisiana Human Services District (CLHSD) was to evaluate certain controls CLHSD 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 CLHSD'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 CLHSD'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, purchasing card expenses, contracts, revenue billing adjustments, payroll and personnel expenses, and information technology access.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in CLHSD's procedural report dated July 5, 2018. We determined that management has resolved the prior-report finding related to Inadequate Cash Controls. The prior-report findings related to Not Billing in Accordance with Insurers' Contract Terms, Inappropriate System Access, and Subrecipient Determinations Not Made have not been resolved and are addressed again in this report.

Current-report Findings

Not Billing in Accordance with Insurers' Contract Terms

For the second consecutive engagement, CLHSD did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts. Based on our analysis and explanations provided by management, CLHSD failed to collect \$64,220 of self-generated

revenues billed during the two fiscal years ending June 30, 2020, as of January 17, 2020, consisting of the following:

- \$34,164 for services provided by licensed, registered, and certified addiction counselors not meeting Medicare and third party insurers' specific requirements;
- \$27,993 for services provided to patients having insurers that CLHSD did not have contracts;
- \$1,855 for outpatient treatment services provided and no pre-authorizations were obtained as required by Medicaid; and
- \$208 for patient billing errors and claims that expired because CLHSD did not file claims and appeals, or refile billing errors by deadline dates established by insurers.

Good business practices require that insurers' contracts be obtained and terms met before providing and billing for services to avoid denied claims and lost revenues.

Management should further strengthen controls over its billing process and better monitor its employees to ensure necessary insurer contracts are obtained and all claims submitted for payment to insurers adhere to contract terms and are billed and timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inappropriate System Access

For the second consecutive engagement, CLHSD granted its employees inappropriate access to the Intuitive Computer Assisted Notes (ICANotes) behavioral health electronic records software system, increasing the risk of error or fraud in a system that billed and collected approximately \$1 million in self-generated revenues during fiscal year 2019.

During the period July 1, 2018 through March 6, 2020, four employees at CLHSD were granted access not needed to perform their daily job duties as follows:

- Two clinic managers had access to delete data in patients' accounts.
- A program monitor had access to create new patients and delete data in patients' accounts.
- The patient billing director had access to delete patients' charts.

Good internal control requires access to be restricted to those functions necessary for employees' job duties and access to be monitored. Management should strengthen its policies and procedures to ensure employee access is appropriate and monitored. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

Contract Documents Lack Required Identifying Information

For the second consecutive engagement, CLHSD failed to clearly identify federal award information to qualified subrecipients at the time of the contract award, as required by federal regulations.

CLHSD is allocated federal funds from the Louisiana Department of Health, Office of Behavioral Health (OBH) as interagency transfers, and CLHSD passes these funds to non-profit entities via contracts to perform social, prevention, and professional services. The federal programs involved include Temporary Assistance for Needy Families (CFDA 93.558); Opioid State Targeted Response Grant (CFDA 93.788); Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); and Block Grants for Community Mental Health Services (CFDA 93.958) having awards totaling \$3,375,731 and \$3,121,584 allocated to CLHSD for fiscal years 2019 and 2020, respectively.

Although CLHSD employees evaluated each contractor, the subrecipient determination checklists used for the evaluations were not prepared timely or accurately. As a result, in a review of 15 contracts, we found three contracts that did not have the required federal identification included on the contract award document and one contract that had the incorrect federal identification.

CLHSD management should train and monitor its employees to ensure subrecipient determination checklists are properly completed for each contract, and strengthen its policies and procedures to ensure that subrecipients' awarding documents include all required federal award information. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, page 5).

Cash

CLHSD maintains four bank accounts as follows:

- Two local bank accounts used to deposit CLHSD's self-generated monies received in the mail and at the individual clinics located in the cities of Alexandria, Jonesville, Leesville, and Marksville.
- Two state treasury sweep accounts - one each used to electronically deposit Medicare and Medicaid funds.

CLHSD's cash balance totaled \$72,860 as of April 30, 2020. We obtained an understanding of CLHSD's controls over the bank accounts, evaluated the segregation of duties, reviewed bank statements and bank reconciliations, and checks written to the Louisiana Department of Treasury. Based on the results of our procedures, CLHSD has adequate controls in place over cash.

Purchasing Card Expenses

CLHSD participates in the State of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of CLHSD's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through March 5, 2020, and reviewed selected transactions made in December 2018, March 2019, April 2019, June 2019, July 2019, September 2019, October 2019, December 2019, and January 2020. Based on the results of our procedures, CLHSD 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 properly reconciled to invoices and receipts.

Contracts

We reviewed a listing of contracts for the two fiscal years ending June 30, 2020, as of January 22, 2020, and selected contracts for suicide prevention, HIV outreach, student counseling, clinic security, substance abuse treatment, youth camp, life skills, community family support, and crisis intervention. We examined selected contract documents and the contract invoices for payments made in March 2018, November 2018, June 2019, November 2019, December 2019, and January 2020 to determine whether the payments complied with established policies and procedures. We found no exceptions in regards to the payments examined; however, CLHSD failed to clearly identify federal award information to qualified subrecipients at the time of the contract award, as required by federal regulations (see Current-report Findings section).

Revenue Billing Adjustments

CLHSD uses ICANotes behavioral health electronic records software to bill for services provided to patients and to maintain medical records for services rendered and amounts owed. We reviewed system reports and inquired about adjustments made to clients' accounts for services provided during the period July 1, 2018, to January 17, 2020. We found adjustments totaling \$64,220 were made because CLHSD did not have contracts with the insurance providers; pre-authorizations were not obtained; and service and billing timelines did not meet contract terms before providing and billing for services (see Current-report Findings section).

We also selected write-off adjustments made during the two fiscal years ending June 30, 2020, as of January 17, 2020, and examined support for approvals as required by CLHSD policy. We identified no exceptions to these procedures.

Payroll and Personnel Expenses

Salaries and related benefits comprised approximately 56% of CLHSD's expenses in fiscal years 2018 and 2019. We obtained an understanding of CLHSD's controls over the time and attendance function and examined selected employee time statements and leave records for selected pay periods during the months of July 2018, September 2018, November 2018, December 2018, March 2019, July 2019, September 2019, October 2019, November 2019, January 2020. We also reviewed a listing of pay rate changes for the period July 1, 2018, through January 24, 2020, and examined selected employees pay rate authorizations. Based on the results of our procedures, CLHSD had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Information Technology Access

We performed procedures to determine whether information technology access was restricted to business-need only and access was adequately segregated. CLHSD uses ICANotes to bill and collect self-generated revenues, and the Integrated Statewide Information System for general ledger data and financial statement preparation. Based on the results of our procedures, we found that CLHSD did not have adequate controls in place to ensure access was properly restricted in the ICANotes system (see Current-report Findings section).

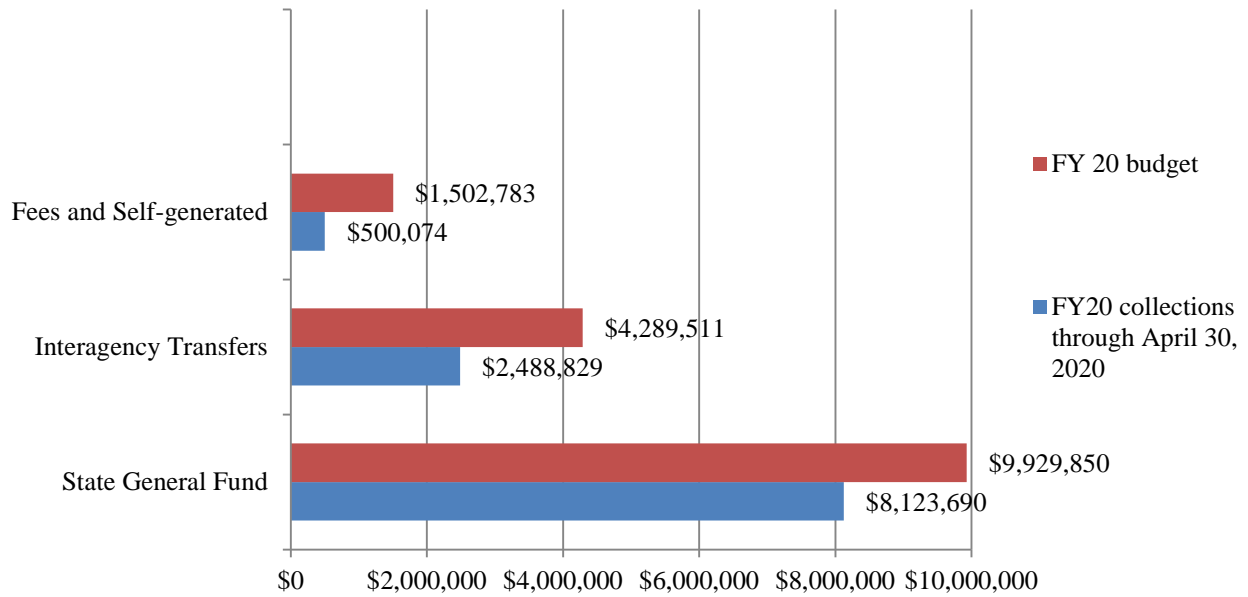
Trend Analysis

We compared the most current and prior-year financial activity using CLHSD's Annual Fiscal Reports and/or system-generated reports and obtained explanations from CLHSD's management for any significant variances. We also analyzed the revenues of CLHSD for the two fiscal years ending June 30, 2020, as of April 30, 2020; and the number of clients served during fiscal year 2019, as shown in Exhibits 1 and 2 on the following pages.

In fiscal year (FY) 2019, CLHSD received approximately 93% of its \$4 million interagency transfers (IAT) revenue budget and 67.5% of its \$1.5 million fees and self-generated revenue budget. As shown below for fiscal year ending June 30, 2020, as of April 30, 2020, CLHSD has received 58% of its \$4.3 million 2020 IAT revenue budget and 33% of its \$1.5 million fees and self-generated revenue budget. Management represented that only 82% of CLHSD's IAT revenue budget is expected to be received by fiscal year end June 30, 2020. While approximately \$851,149 of IAT funds were included in CLHSD's FY 2020 IAT budget to provide residential treatment for women and children and mobile crisis unit services for opioid treatment, CLHSD was not successful in securing contractors to provide these services during FY 2020. Management also represented that only 65% of fees and self-generated revenue budget will be received by fiscal year ending June 30, 2020 due in part to the relocation of the main clinic in October 2019, which caused a time lapse between clients' visits, and a billing backlog when a billing employee was out on extended leave. CLHSD has received

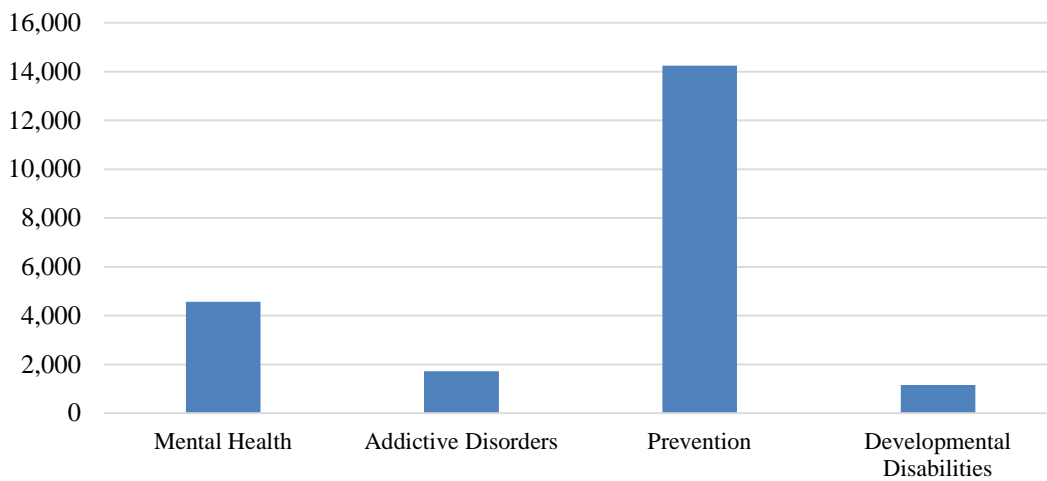
approximately 82% of its \$9.9 million state appropriation revenue budget as of April 30, 2020, and is expected to receive 100% by fiscal year end June 30, 2020.

**Exhibit 1
FY 2020 Budget to Actual Revenues as of April 30, 2020**



Source: ISIS 2G15 Report as of April 30, 2020

**Exhibit 2
Number of Clients Served in Fiscal Year 2019**



Source: Louisiana Performance Accountability System

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 written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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CLHSD2020

APPENDIX A: MANAGEMENT'S RESPONSES

John Bel Edwards
Governor



Rebecca Craig
Interim Executive Director

State of Louisiana
Central Louisiana Human Services District
(A political subdivision of the State of Louisiana)

May 5, 2020

Darryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 944397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This letter is in response to the finding that Central Louisiana Human Services District (CLHSD) did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts. CLHSD concurs with this finding, although contends that in order to provide behavioral health services to persons with Medicare and some private insurers, the finding will occur again. The part of the finding equaling thirty-four thousand, one hundred, sixty four dollars is mainly due to our inability to recruit and retain persons with the necessary qualifications (i.e., Licensed Clinical Social Workers and psychiatrists) in the Central Louisiana area. From a licensure standpoint, Licensed Professional Counselors, Medical Psychologists, and licensed, registered, and certified addictions counselors can provide needed behavioral health treatment. Because Medicare does not credential these professionals, those services are not paid. CLHSD makes every effort to have credentialed staff provide services to Medicare clients. CLHSD will expand current policy and procedures to monitor this more closely and make any possible changes. For addictive disorder clients, every effort is made to refer them to other agencies. However, in order to cover our existing caseload of clients in a timely manner, it becomes necessary to utilize every available clinical resource including Licensed Professional Counselors, Medical Psychologists, and all licensed, credentialed, and registered addictive disorders counselors.

In response to services provided to patients with insurers that CLHSD did not have contractual agreements, CLHSD failed to re-credential with Molina when they terminated our account for non-use a few years ago. In order to correct this, CLHSD will reestablish credentialing with Molina in order to capture traditional out-of-pocket payments for Medicare recipients that have Medicaid as secondary insurance. For the outpatient treatment services provided without pre-authorization, CLHSD billed six Intensive Outpatient Treatment (IOP) sessions for persons with addictive disorders before the authorization for treatment was received. This was likely a clinician error as staff are instructed to perform billable individual treatment sessions until the authorization for IOP is received. The current dollar amount (i.e., \$1,855) in this area as compared to the previous legislative audit finding indicates an improvement in processes. In response, staff will be retrained on the existing procedure regarding clients requiring IOP treatment. Lastly, the two hundred and eight dollars in billing errors, consisted of

a duplicate charge of sixty dollars that had to be removed and timely filing issues. Both of these errors were addressed with staff.

Sincerely,

A handwritten signature in blue ink that reads "Rebecca Craig". The signature is written in a cursive style with a large initial 'R' and a long, sweeping tail on the 'y'.

Rebecca Craig
CLHSD Interim Executive Director

John Bel Edwards
Governor



Rebecca Craig
Interim Executive Director

State of Louisiana
Central Louisiana Human Services District
(A political subdivision of the State of Louisiana)

April 6, 2020

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, La 70804-9397

Dear Mr. Purpera,

In response to the Single Audit of Louisiana, I am providing your office with an official response on behalf of the Central Louisiana Human Services District (CLHSD) relating to the audit finding of inappropriate system access. CLHSD concurs that four employees were granted inappropriate security access in the district's electronic medical record, ICANotes. These errors have been corrected. However, CLHSD provided audit logs indicating that, although the employees were able to access certain security privileges in error, none of the four employees in question ever did. The documentation which was derived from ICANotes audit logs support the claim that none of the employees deleted a chart, created a chart or deleted in patient accounts even when they mistakenly had security access to do so.

In order to ensure that these errors in access do not occur in the future, the following policy and procedures will be implemented by July 1, 2020 :

- CLHSD will create an EHR security policy which will include security settings allowed for each discipline/employee accessing the record. All employees will review their discipline's security restrictions and sign that they understand and will comply with these restrictions.
- The policy will state that only one clinic manager and one employee in the Compliance Department will be allowed to assign security settings into ICANotes. If those persons are unavailable for any length of time, only the Executive Director can assign alternate access to the security settings.
- The policy will state that the Compliance Officer or designee will review the security settings of every current employee in ICANotes and verify that they are correct according to policy. All new employees entered into ICANotes will also be checked and verified by the compliance department.

- Employees will be instructed to report to the Compliance Department immediately if they notice any changes in their security privileges as sometimes the ICANotes system will default security

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settings without the knowledge of CLHSD staff. In order to ensure that the default issue has not affected CLHSD employee access, the Compliance department will conduct monthly checks on CLHSD employee's security settings.

Sincerely,

A handwritten signature in blue ink that reads "Rebecca Craig". The signature is written in a cursive style with a large initial "R" and a long, sweeping tail on the "g".

Rebecca Craig
Interim Executive Director
Central Louisiana Human Services District

John Bel Edwards
Governor



Rebecca Craig
Interim Executive Director

State of Louisiana
Central Louisiana Human Services District
(A political subdivision of the State of Louisiana)

May 1, 2020

Daryl G. Purpera, CPA, CFE
Louisiana Legislature Auditor
P.O. Box 944397
Baton Rouge, 70804-9397

Dear Mr. Purpera:

This letter is written in response to the Single Audit of Louisiana finding relating to sub-recipient determination checklists and federal identification numbers for Central Louisiana Human Services District (CLHSD) contracts. CLHSD agrees with the finding that the checklists had some inaccuracies and were not completed for FY 20 at the time of the audit. Because CLHSD is provided the federal identification numbers in annual Inter-Agency Transfer letters from OBH in July/August of each year, they are often not available when the contract is executed. In addition, the LaGov Purchase Order (PO) numbers are system-generated at the time the contract is entered in LaGov. Therefore, CLHSD's policy will be modified to direct contract monitors to complete these checklists at the beginning of each fiscal year as soon as the PO and federal identification numbers are available. Staff will be trained in the proper completion of said documents. On this date, all sub-recipient forms for all FY20 contracts are completed correctly as per instructions on the checklist.

Concerning the federal identification numbers that were missing or incorrect on contracts, CLHSD partially concurs with this finding. CLHSD agrees that there were errors with some of the federal identification numbers. However, in some instances, CLHSD did not receive the federal identification number until after the contract was executed and, as such, could not record the number. In order to add the number after the execution of the contract, a contract amendment is required. CLHSD will, however, disclose all means of financing including amounts or percentages of each on the face of the contract and insure that all applicable laws and regulations pursuant to those funding sources are contained in the terms and conditions of the contract. In addition, CLHSD will modify its contract amendment forms to include changes to the federal identification number and means of financing. This will insure that CLHSD provides pertinent information to contractors when a new funding source is added to their contract in the middle of the year. Lastly, CLHSD will reissue or amend all contracts to begin July 1, 2020 using a modified contract or contract amendment that includes applicable funding sources. All further amendments will also be issued utilizing a modified form that captures funding sources and federal identification numbers.

Sincerely,


Rebecca Craig
CLHSD Interim Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Central Louisiana Human Services District (CLHSD) for the period from July 1, 2018, through May 28, 2020. Our objective was to evaluate certain controls CLHSD 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 CLHSD's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. CLHSD'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 CLHSD'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 CLHSD
- Based on the documentation of CLHSD'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, purchasing card expenses, contracts, revenue billing adjustments, payroll and personnel expenses, and information technology access.
- We compared the most current and prior-year financial activity using CLHSD's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from CLHSD'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 CLHSD and not to provide an opinion on the effectiveness of CLHSD'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.