

CAPITAL AREA HUMAN SERVICES DISTRICT
LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 16, 2021

**LOUISIANA LEGISLATIVE AUDITOR
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FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Capital Area Human Services District



June 2021

Audit Control # 80210036

Introduction

The primary purpose of our procedures at the Capital Area Human Services District (CAHSD) was to evaluate certain controls CAHSD uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

The service area for CAHSD includes seven parishes: Ascension, East Baton Rouge, East Feliciana, Iberville, Pointe Coupee, West Baton Rouge, and West Feliciana.

Results of Our Procedures

We evaluated CAHSD’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 CAHSD’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 revenue billings and collections, federal grant revenues and expenditures, payroll and personnel, and moving expenditures; and reviewed the selection process for the new electronic health record system.

Current-report Finding

Failure to Follow Public Bid Law Requirements

CAHSD did not ensure the purchase of its new electronic health record system was in accordance with state bid law and agency policy. CAHSD requested bids from three vendors determined to be best suited for its needs. From the three bids received, CAHSD selected the vendor whose software was most compatible with its day-to-day clinical process. The vendor selected was the lowest bidder and resulted in a contract being signed with a system cost of more than \$1.3 million during the initial contract term of 60 months. As part of this process, CAHSD failed to advertise for the software purchase in accordance with state law and agency policy.

Per Louisiana Revised Statute (R.S.) 38:2212.1 A.(1)(a), all purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as

advertised. In addition, per CAHSD Policy 302-98, for purchases anticipated to cost \$15,000 and over, an advertisement shall be published in the *Advocate* on at least two different occasions, with the first advertisement appearing at least fifteen days before the opening of the bids.

This condition occurred because CAHSD personnel inappropriately followed agency policy for exceptions to competitive bidding rather than agency policy for purchases of material and supplies and the public bid law. Failure to follow public bid law requirements places CAHSD in noncompliance with state laws as well as the applicable agency policy.

CAHSD should establish procedures to ensure its employees comply with the state bid law and agency policy. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Revenue Billing and Collections

CAHSD uses ICANotes, an electronic health record system, to bill for services provided to clients and to maintain medical records for services rendered and amounts owed. We obtained an understanding of CAHSD's controls over revenue billings and collections, including the reconciliation process of billings to collections. We performed procedures to determine if CAHSD was reconciling amounts billed to amounts collected and that patient accounts reflected payments received. We selected deposits from the August 2019 and December 2020 bank statements and traced to the electronic claims submission/receipt report and to cash logs for customer deposits. In addition, we traced payments received to patient accounts in ICANotes. Based on the results of our procedures, CAHSD had supporting documentation for reconciliations and adequate controls were in place to ensure that revenue billings and collections were properly recorded.

Federal Grant Revenues and Expenditures

CAHSD receives federal funds directly and through interagency transfers (IAT) from the Louisiana Department of Health (LDH) and the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). We obtained an understanding of CAHSD's controls over the following federal grant revenues: East Baton Rouge Parish (EBR) Early Diversion Program grant (received directly), Louisiana State Opioid Response (LaSOR) grant (received from LDH), and Coronavirus Relief Funds (CRF) (received from GOHSEP).

For CRF, we reviewed the payroll expenditure reimbursements to ensure they were supported and allowable per the CARES Act. For the EBR Early Diversion Program and LaSOR grants, we tested expenditure transactions and agreed to supporting invoices or journal vouchers to ensure amounts charged to the grants were appropriate for reimbursement and in accordance with the grant agreements. Based on the results of our procedures, CAHSD had adequate controls in place to ensure that grant revenues were supported by expenditures and were properly recorded.

Payroll and Personnel

Salaries and related benefits comprise approximately 75% of CAHSD's expenditures in fiscal years 2020 and 2021. We obtained an understanding of CAHSD's controls over the time and attendance function and reviewed selected employee time statements and leave records. We randomly selected employee payrolls that occurred during the period of July 1, 2019, through January 27, 2021. Based on the results of our procedures, CAHSD 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 was accounted for properly.

Moving Expenditures

In fiscal years 2020 and 2021, CAHSD relocated its Government Street facilities to four new locations in Baton Rouge and one in Gonzales. During the period under review, CAHSD had approximately \$545,000 and \$146,000 of moving expenses for fiscal years 2020 and 2021, respectively. We obtained an understanding of CAHSD's controls over moving expenditures and tested selected expenditure transactions. Based on the results of our procedures, CAHSD had adequate controls in place to ensure expenditures were adequately supported, properly approved, correctly recorded, and in accordance with contract terms, as applicable.

Electronic Health Record System

In fiscal year 2021, CAHSD purchased a new electronic health record (EHR) system to replace ICANotes. As of the date of our procedures CAHSD has begun the process of transitioning to the new system and plans to go live in fiscal year 2022. We obtained an understanding of CAHSD's selection and acquisition of the new EHR system to assess compliance with applicable purchasing laws and regulations. The cost of the EHR system exceeded \$30,000; therefore, CAHSD is subject to the public bid law (R.S. 38:2211, *et seq.*) or the alternative provisions of the political subdivisions telecommunications and data processing procurement law (R.S. 38:2234, *et seq.*). In addition, per CAHSD's policy, purchases costing \$15,000 and over are required to be advertised in the *Advocate*.

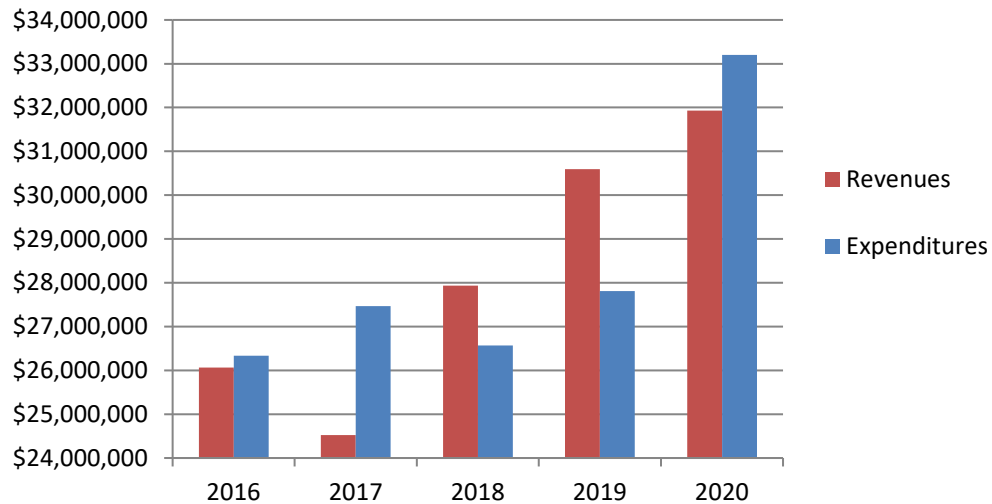
We obtained and reviewed pricing proposal documentation requested by CAHSD from three vendors it determined to be best suited for its needs. From the three bids received, CAHSD selected the vendor whose software was most compatible with its day-to-day clinical process. The vendor selected was also the lowest bidder. As part of the purchasing process, CAHSD failed to advertise for the software purchase in accordance with state law and agency policy (see Current-year Finding section).

Trend Analysis

We compared the most current and prior-year financial activity using CAHSD’s Annual Fiscal Reports and system-generated reports and obtained explanations from CAHSD’s management for any significant variances. We also prepared an analysis of CAHSD’s revenues and expenditures over the last five fiscal years ending June 30, 2020.

CAHSD is funded with state general fund appropriations, federal funds, interagency transfers, and self-generated revenues. Due to decreases in state general fund appropriations over the past five fiscal years, the fund balance of self-generated revenue was used to pay for expenditures over revenues for fiscal years 2016, 2017, and 2020 as illustrated in the chart below. In addition, CAHSD received \$5.6 million in CRF for fiscal year 2020 and per Act 255 of the 2020 regular legislative session, state general fund direct appropriation was reduced by that amount.

Five-Year Trend - Revenues and Expenditures



Source: Fiscal Year 2016-2020 Annual Fiscal Reports

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

APPENDIX A: MANAGEMENT'S RESPONSE



Mission Statement

To deliver caring and responsive services, leading to a better tomorrow.

Board of Directors

Ascension

Dwayne Bailey
Rachael Wilkinson

East Baton Rouge

Gerri Hobdy, Chair
Thomas Sawyer, Vice Chair
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East Feliciana

Rikki Permenter, PhD
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Iberville

Kathy D'Albor
Edward Songy, Jr.

Pointe Coupee

Laverne Aguillard
Pending 1 Appointment

West Baton Rouge

Toddie Milstead
Mary Winfield

West Feliciana

Amy Betts
Pending 1 Appointment

Executive Director

Jan Laughinghouse, PhD,
LCSW-BACS

May 17, 2021

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

Re: CAHSD-Failure to Follow Public Bid Law Requirements

Dear Mr. Waguespack,

We concur with the finding, 'CAHSD-Failure to Follow Public Bid Law Requirements' in its selection of an electronic health record resulting from former CAHSD personnel and administration inappropriately following internal policy for exceptions to competitive bidding rather than agency policy for purchase of material and supplies and the public bid law.

As a corrective action plan; we have revised our internal policy and shall ensure that all CAHSD staff at the Executive and Management level and all individuals with purchasing responsibilities at the agency are trained on the new policy no later than June 30, 2021 to ensure that this type failure does not reoccur in the future.

CAHSD policy #302-98 Purchase of Material, Supplies, Equipment and Services has been revised to include:

Section V. Classes of Purchases; All purchases in an amount that exceed the \$5,000.00 maximum limit as established in CAHSD policy #314-10 LaCarte Procurement Card, can only be acquired once reviewed and approved by the CAHSD Purchasing Director who shall direct the purchasing activity to ensure that the methods used for acquiring materials, supplies, equipment and services are compliant with CAHSD internal policy and applicable State Purchasing Policies and Louisiana Revised Statutes;

Section V. Classes of Purchases; A. Materials, Supplies, Equipment and Labor/Service Contracts; Purchases requiring advertisement for bids (\$30,001 or more); All purchases of materials and supplies costing \$30,001 or more shall either be let in accordance with R.S. 38:2212.1-Advertised (published in The Advocate on at least two different occasions, the first advertisement to appear at least fifteen (15) days prior to the bid opening date) and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised; or See Section VI. Exceptions to Competitive Bidding Requirements with reference to Louisiana R.S. 38:2237 for the purchase of telecommunications and data processing equipment; and

Section VI. EXCEPTIONS TO COMPETITIVE BIDDING REQUIREMENTS;
H. Telecommunications and Data Processing Equipment, Systems or Related Services; The lease, rent or purchase of telecommunications and data processing equipment, systems or related services (includes software systems such as Electronic Health Records or Accounting, Payroll, HR, Asset Management/Property Control software systems such as those which may be used to replace Statewide programs like LaGov, ISIS, etc. in the event the CAHSD was to remove itself from these systems) may be procured in compliance with Section V. Classes of



CAHSD is proud to be nationally recognized and accredited by the Commission on Accreditation of Rehabilitation Facilities

- Outpatient Treatment: Alcohol and Other Drugs/Addictions (Adults)
- Outpatient Treatment: Alcohol and Other Drugs/Addictions (Children and Adolescents)
- Outpatient Treatment: Mental Health (Adults)
- Outpatient Treatment: Mental Health (Children and Adolescents)
- Residential Treatment: Alcohol and Other Drugs/Addictions (Adults)

CAHSD Administration

7389 Florida Blvd, Suite 100A, Baton Rouge, Louisiana 70806 | Mail: PO Box 66558, Baton Rouge, LA 70896
Telephone (225) 922-2700 | Fax (225) 362-5319 | cahsd.org | realhelpbr.com

"Equal Opportunity / Equal Access Employer"



Purchase of this policy and Louisiana R.S. 38:2212.1 A.(1)(a) through the Request for Proposals process, or via the Invitations for Bids process in compliance with Louisiana R.S. 38:2237 Methods of Procurement, B. Political subdivisions may, at their option, procure telecommunications and data processing equipment, systems, or related services in accordance with the provisions of any other applicable law which governs such acquisitions or purchases by political subdivisions of the state, including but not limited to R.S. 38:2211 et seq., with respect to awarding of public contracts ("Public contract" or "contract" means any contract awarded by any public entity for the making of any public works or for the purchase of any materials or supplies.). However, in the event an Invitations for Bids (IFB) is used in lieu of a Request for Proposals (RFP), written notice of that fact shall be given to all bidders and such notice shall also state that the request for proposals procedure will not be applicable.

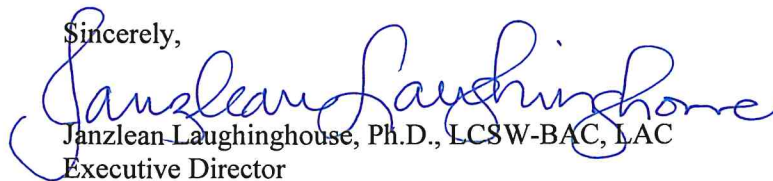
While we concur with your finding, and will put forth every effort going forward to ensure that all purchases are made in accordance with established policies and existing law, we believe it is of great importance that the process used be explained.

Because the product in question is an electronic health record, the number one priority was in selecting a system that was specifically designed around the provision of behavioral health treatment, is capable of performing these functions in an efficient, effective, clinically proficient manner, and provides a platform that is user friendly for clinicians, administrators and clients who choose to use the client portal. Another key element in this process was whether or not the prospective vendor was currently the provider of an EHR to one of the other Human Services Districts/Authorities and if those HSD/A were satisfied with their current product as this provided assurance that the potential vendor was familiar with the Louisiana Behavioral Health system and had already began or completed the work to meet the OBH reporting requirements.

Over a two year period, twelve (12) vendors were invited to provide a two-hour demonstration highlighting the essential features of their products. From this initial review process, three (3) vendors remained on the short list of possible providers whose product best met the needs of the agency. CAHSD then enlisted the assistance of Afia, Inc., a widely recognized and respected leader in the selection, development and implementation of behavioral health EHRs, to assist with the prioritization of a selection criteria (absolute must haves), review of vendor demonstrations, vetting, vendor selection, contracting, implementation planning and subsequent implementation. In the conclusion of this process, the Qualifacts CareLogic EHR (currently in use at two additional HSD/A) was deemed to be most compatible with the day-to-day clinical process of the agency and it was also the lowest bidder of the three (3) possible providers.

The CAHSD Deputy Director, Ms. Shaketha Carter, will be responsible for ensuring implementation of this corrective action plan and continued compliance with purchasing policy.

Sincerely,



Janzlean Laughinghouse, Ph.D., LCSW-BAC, LAC
Executive Director

Copy: Shaketha Carter, Deputy Director
Hagga Johnson, Accountant Administrator
Linda Roquemore, Purchasing Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Capital Area Human Services District (CAHSD) for the period from July 1, 2019, through June 7, 2021. Our objective was to evaluate certain controls CAHSD 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 CAHSD's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. CAHSD's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated CAHSD'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 CAHSD.
- Based on the documentation of CAHSD'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 revenue billings and collections, federal grant revenues and expenditures, payroll and personnel, and moving expenditures; and reviewed the selection process for the new electronic health record system.
- We compared the most current and prior-year financial activity using CAHSD's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from CAHSD'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 CAHSD and not to provide an opinion on the effectiveness of CAHSD'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.