

ACADIANA AREA HUMAN SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED AUGUST 5, 2020

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Acadiana Area Human Services District

August 2020

Audit Control # 80200048

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### Introduction

The primary purpose of our procedures at the Acadiana Area Human Services District (AAHSD) was to evaluate certain controls AAHSD 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 AAHSD'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 AAHSD'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 the patient billing cycle, payroll and personnel, contracts, and information system access.

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### Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in AAHSD's procedural report dated August 15, 2018. We determined that the prior-report findings related to Not Billing in Accordance with Insurers' Contract Terms and Inadequate Subrecipient Agreements have not been resolved and are addressed again in this report.

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### Current-report Findings

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

For the second consecutive engagement, AAHSD did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts. Based on our analysis of write-off transactions recorded during fiscal years 2019 and 2020, as of February 12, 2020, and explanations provided by management, AAHSD failed to collect \$384,070 of self-generated revenues for services provided from December 1, 2015, through January 30, 2020 as follows:

- \$102,899 for services provided to patients without proper authorization from insurers;
- \$149,547 for services provided by licensed, registered, and certified addiction counselors not meeting Medicare and third-party insurers' specific requirements, and;
- \$131,624 for patient billing claims that expired because AAHSD did not file claims and appeals, or re-file billing errors by deadline dates established by insurers.

AAHSD noted that the billing process was hampered by issues with various insurers' authorizations, getting providers to properly fill out their paperwork to ensure timely billing, and difficulty filling positions with employees at the highest qualification level that would be allowable for all payers. Good business practices require that insurer's contracts terms are met before providing and billing for services to avoid denied claims and lost revenues.

AAHSD management should strengthen controls over its billing process to ensure all claims submitted for payment to insurers for services provided to patients adhere to contract terms. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, page 2).

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

For the second consecutive engagement, AAHSD disbursed federal funds to contractors without properly determining whether each contractor qualified as a subrecipient and failed to comply with all regulations set forth by 2 CFR § 200.331. Failure to notify contractors of subrecipient status and ensure compliance with 2 CFR § 200.331 could cause the subrecipient to be in noncompliance with the award and federal regulations.

AAHSD is allocated federal funds from Louisiana Department of Health (LDH), Office of Behavioral Health (OBH) as interagency transfers, and AAHSD passes these funds to other entities via contracts to perform consulting, social, and professional services. The federal programs involved include: Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA 93.243); Block Grants for Community Mental Health Services (CFDA 93.958); Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959); Opioid State Targeted Response (CFDA 93.788); having awards totaling \$2,858,582 and \$3,004,221 allocated to AAHSD for fiscal years 2019 and 2020, respectively.

Federal regulations require AAHSD, 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 comply with 2 CFR § 200.331 when subawards are made to subrecipients.

The determinations for one of 20 agreements (5%) reviewed did not correctly identify contracts as subrecipient relationships. In addition, for 19 (95%) of the agreements identified as subrecipients, AAHSD failed to comply with all regulations set forth by 2 CFR § 200.331 including identifying all federal award information, performing a risk assessment of the

subrecipients' noncompliance with statutes and regulations, and performing specific monitoring activities.

AAHSD 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 regulations set forth by 2 CFR § 200.331 are being addressed. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, page 3).

### **Failure to Submit Delinquent Accounts Receivable for Collection**

AAHSD failed to submit delinquent accounts receivable to the Office of Debt Recovery (ODR) in accordance with contract terms. Failure to submit these accounts for collection increases the risk that the accounts will become uncollectible.

AAHSD entered into an Agency Participation Agreement with ODR in April 2019 that requires AAHSD to send all delinquent debt to ODR for collection when the debt has been delinquent for 60 days.

AAHSD's staff was not properly applying the LDH Liability schedule. This schedule determines how much of the patient's outstanding debt is the patient's responsibility. This caused AAHSD to improperly submit patient accounts to ODR for collection. Once the issue was discovered, AAHSD stopped submitting any delinquent patient accounts to ODR as of August 2019. Management represented that it is performing an audit of all accounts at each clinic before submitting any more delinquent accounts for collection.

Management should strengthen controls over the application of the LDH Liability schedule and continue to review accounts to ensure delinquent balances are valid and accurate and submit accounts to ODR for collection in a timely manner. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, page 4).

### **Inadequate Segregation of Duties**

AAHSD does not have adequate segregation of duties or independent monitoring over cash handling procedures. Inadequate segregation of duties increases the risk of employee error or fraud, although no significant errors or fraud were identified during our procedures.

Due to limited staffing, AAHSD's current practices allow the same employee to handle cash, post payments to patient accounts, and perform bank reconciliations. These functions are performed without subsequent review and approval by a supervisor.

AAHSD should strengthen its procedures to ensure that duties surrounding cash receipts are adequately segregated or implement controls that mitigate the risk of error or misappropriation over cash. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, page 5).

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## Patient Billing Cycle

AAHSD maintains all patient information in its CareLogic Electronic Health Record (EHR) system. This includes insurance and financial information, service documents, billings, denials, receivables, and payments. We reviewed AAHSD's policies and procedures and obtained an understanding of AAHSD's controls surrounding the complete billing cycle. For a sample of 20 billable patient services, we verified that AAHSD 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
- Properly 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
- Properly reported receivables
- Properly turned over past due receivables to ODR for collection

Based on the results of our procedures, except as noted in the Current-report Findings section, AAHSD 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.

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## Payroll and Personnel

Salaries and related benefits comprised approximately 59% and 62% of AAHSD's expenses in fiscal years 2019 and 2020 through December 31, 2019, respectively. We obtained an understanding of AAHSD's controls over the time and attendance function and reviewed a sample of 15 employee pay authorization, time statements, and leave records. Based on the results of our procedures, AAHSD 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.

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## Contracts

We obtained a listing of contracts that were funded by state general fund or federal interagency transfer funds from the LDH, Office of Behavioral Health that were in effect during the two years ending June 30, 2020. We obtained an understanding of AAHSD's procedures for determining whether each contractor qualified as a subrecipient and for complying with regulations set forth by 2 CFR § 200.331 when a contractor was identified as a subrecipient. We reviewed a sample of 20 contractor agreements that were federally funded to determine if AAHSD made proper subrecipient determinations and, for those that were determined subrecipients by AAHSD, compliance with regulations set forth by 2 CFR § 200.331. We also randomly selected an invoice from 19 of the agreements and reviewed supporting documentation for compliance with contract terms.

Based on the results of our procedures, we identified weaknesses over AAHSD's procedures for determining whether a contractor qualified as a subrecipient, notifying the subrecipient of certain federal award information, and performing certain procedures required of AAHSD by federal regulations, as noted in the Current-report Findings section above.

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## 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 the EHR system. We also obtained and reviewed a list of employees who terminated their employment from July 12, 2018, to February 12, 2020, and verified that there was a valid reason for access or that their access was removed. Based on these procedures, we determined AAHSD had adequate controls over access and removal of terminated employees.

In addition, we evaluated whether any employees had posted to patient accounts, had custody of cash, and had performed a reconciliation function. Based on these procedures, we identified inadequate segregation of duties, as noted in the Current-report Findings section above.

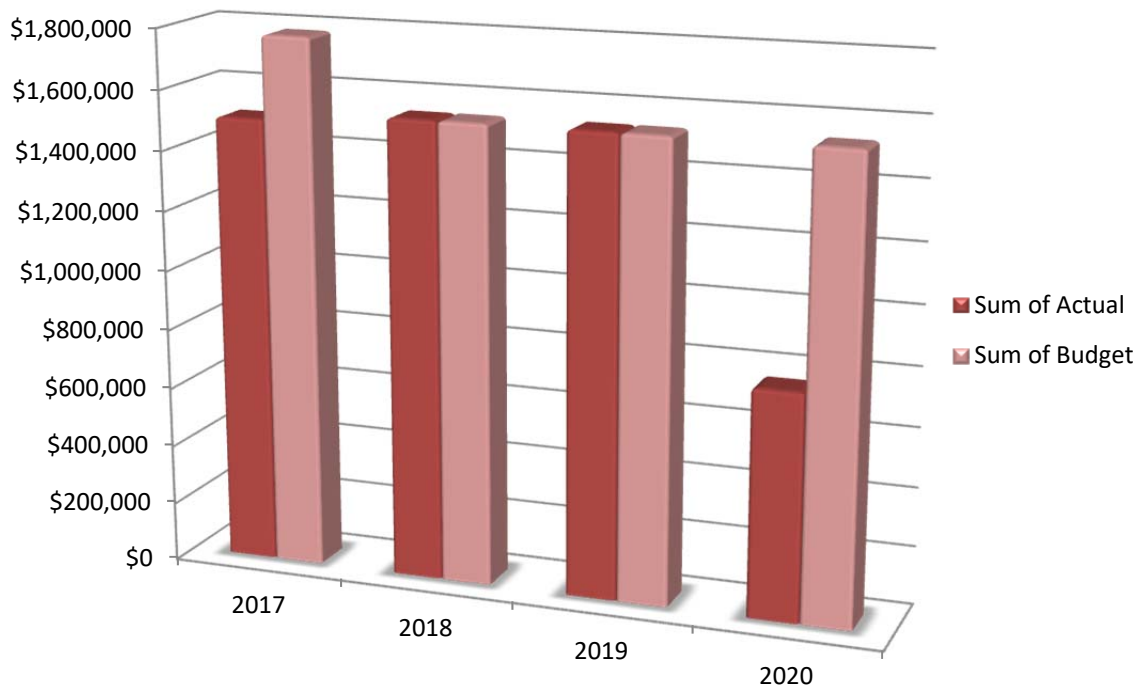
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## Trend Analysis

We compared the most current and prior-year financial activity using AAHSD's Annual Fiscal Reports and/or system-generated reports and obtained explanations from AAHSD's management for any significant variances.

We also prepared an analysis of fees and self-generated revenues, budget to actual, for fiscal years 2017, 2018, 2019, and 2020 as January 31, 2020. As of January 31, 2020, AAHSD had achieved 50% of the budgeted fees and self-generated revenues for fiscal year 2020.

### Exhibit 1 Budget to Actual Trend



Source: Fiscal year-end 2017-2019 and fiscal year 2020 as of January 31, 2020 Monthly Funds and Expenditure Analysis

Under Louisiana Revised Statute 24:513, this report 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

AAHSD 2020



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





June 11, 2020

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

Mr. Purpera,

Please accept this response to the audit conducted by your office on the Acadiana Area Human Services District (AAHSD). There were four findings listed: 1) Not Billing in Accordance with Insurers' Contract Terms; 2) Failure to Submit Delinquent Accounts Receivable for Collections; 3) Inadequate Controls over Sub-Recipient Determinations and Agreements; 4) Inadequate Segregation of Duties.

After reviewing the report and the findings, we do concur with the findings as noted. Please find the response for each under separate letter attached.

We appreciate the feedback and comments from your team and will use this information to improve our systems and processes.

Respectfully,

A handwritten signature in black ink that reads "Brad Farmer". The signature is written in a cursive style with a large, stylized "B" and "F".

Brad Farmer  
Executive Director

## AAHSD 2020 Audit Findings

### Finding:

Not Billing in Accordance with Insurers' Contract Terms

### Corrective Action:

AAHSD will implement several actions to ensure proper compliance with contract terms:

- services will not be scheduled without authorization for services
- addiction services will only be scheduled with approved/credentialed providers
  - all addiction providers are now fully licensed
- complete all required documentation for services and bill for such within contractual timeframes
  - AAHSD has developed a policy regarding timeframe for clinical documentation
  - AAHSD will increase the clinical chart review from quarterly to monthly
  - audit findings will be shared with all clinical staff
- an 'audit corrective action review' section will be added as a standing agenda item for monthly Senior Management Team review

### Person(s) Responsible:

The Executive Director is ultimately responsible for ensuring all corrective action. Specific duties may be delegated to other senior managers, specifically: the Chief Financial Officer; the Director of Behavioral Health; and the Corporate Compliance/Accreditation Officer.

### Timeframe:

All action points implemented within 90 calendar days of receiving the final audit report.

## AAHSD 2020 Audit Findings

### Finding:

Inadequate Controls over Subrecipient Determinations and Agreements

### Corrective Action:

- AAHSD will develop and implement an appropriate checklist of required information regarding:
  - subrecipient vs cost reimbursement contractor status
  - identification of Federal award information
  - a risk assessment of the subrecipients' non-compliance
  - any required specific monitoring
- an 'audit corrective action review' section will be added as a standing agenda item for monthly Senior Management Team review

### Person(s) Responsible:

The Executive Director is ultimately responsible for ensuring all corrective action. Specific duties may be delegated to other senior managers, specifically: the Chief Financial Officer; the Director of Behavioral Health; and the Corporate Compliance/Accreditation Officer.

### Timeframe:

All action points implemented within 90 calendar days of receiving the final audit report.

## AAHSD 2020 Audit Findings

### Finding:

Failure to Submit Delinquent Accounts Receivable for Collections

### Corrective Action:

- Agency Participation Agreement with the Office of Debt Recovery (ODR) entered April 2019 then stopped submitting delinquent accounts August 2019
  - review and implement LDH liability schedule
    - conduct staff training as needed
  - re-implement submission of delinquent accounts in accordance with ODR agreement
- an 'audit corrective action review' section will be added as a standing agenda item for monthly Senior Management Team review

### Person(s) Responsible:

The Executive Director is ultimately responsible for ensuring all corrective action. Specific duties may be delegated to other senior managers, specifically: the Chief Financial Officer; the Director of Behavioral Health; and the Corporate Compliance/Accreditation Officer.

### Timeframe:

All action points implemented within 90 calendar days of receiving the final audit report.

## AAHSD 2020 Audit Findings

### Finding:

Inadequate Segregation of Duties

### Corrective Action:

- AAHSD will develop appropriate policy and/or written procedure(s) to address the segregation of duties, specific to handling cash
- employ additional personnel in the Finance Department as appropriate (and to address other organizational needs)\*
- internal monitoring of cash transactions to be reviewed monthly
- an 'audit corrective action review' section will be added as a standing agenda item for monthly Senior Management Team review

### Person(s) Responsible:

The Executive Director is ultimately responsible for ensuring all corrective action. Specific duties may be delegated to other senior managers, specifically: the Chief Financial Officer; the Director of Behavioral Health; and the Corporate Compliance/Accreditation Officer.

### Timeframe:

All action points implemented within 90 calendar days of receiving the final audit report.

*\*AAHSD cannot ensure additional personnel will be hired within 90 days; however, a posting will be initiated within 90 days*





## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Acadiana Area Human Services District (AAHSD) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls AAHSD 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 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 AAHSD's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. AAHSD's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated AAHSD'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 AAHSD.
- Based on the documentation of AAHSD'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 the patient billing cycle, payroll and personnel, contracts, and information system access.
- We compared the most current and prior-year financial activity using AAHSD's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from AAHSD'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 AAHSD and not to provide an opinion on the effectiveness of AAHSD'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.