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Report Highlights

Louisiana Department of Health

Audit Control # 80160078
Financial Audit Services • January 2017

Why We Conducted This Audit

We performed certain procedures at the Louisiana Department of Health (LDH) including the Office of Public Health (OPH) as part of the audit of the State of Louisiana's Comprehensive Annual Financial Report and the Single Audit of the State of Louisiana, and to evaluate its accountability over public funds for the period July 1, 2015, through June 30, 2016.

What We Found

- For the second consecutive year, LDH failed to maintain required processes that identify and recover paid claims where a third party is liable to pay for medical services provided for a Medicaid-eligible recipient. In addition, for at least eight months of fiscal year 2016, LDH did not establish alternate procedures to pursue and recover previously identified instances of third-party liability that the department continued to report at more than \$29 million.
- For the second consecutive year, LDH failed to accurately complete the required quarterly reports of federal expenditures, including more than \$250 million in errors that were not discovered by LDH's review before submission to the federal oversight agency.
- For the second consecutive year, OPH did not implement cost containment requirements and adequately monitor the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program vendors. Failure to implement cost containment requirements and properly monitor vendors can result in inflated food costs, undetected vendor violations, and federal claims on the state agency to recover excess food funds. Without the proper procedures in place, it is unknown how much of the \$73 million in food costs is at risk of noncompliance with program regulations.
- For the fifth consecutive year, LDH paid New Opportunities Waiver and Community Choice Waiver claims under Medicaid totaling \$13,989 (\$8,703 in federal funds and \$5,286 in state funds) for waiver services that were not documented in accordance with established policies. Improper payments for waiver services have been reported in 14 of the last 17 audits, totaling \$609,008.
- For the second consecutive year, OPH's Schedule of Expenditures of Federal Awards (SEFA) did not contain an accurate listing of amounts provided to subrecipients for four federal awards, causing a net understatement of \$19.4 million.

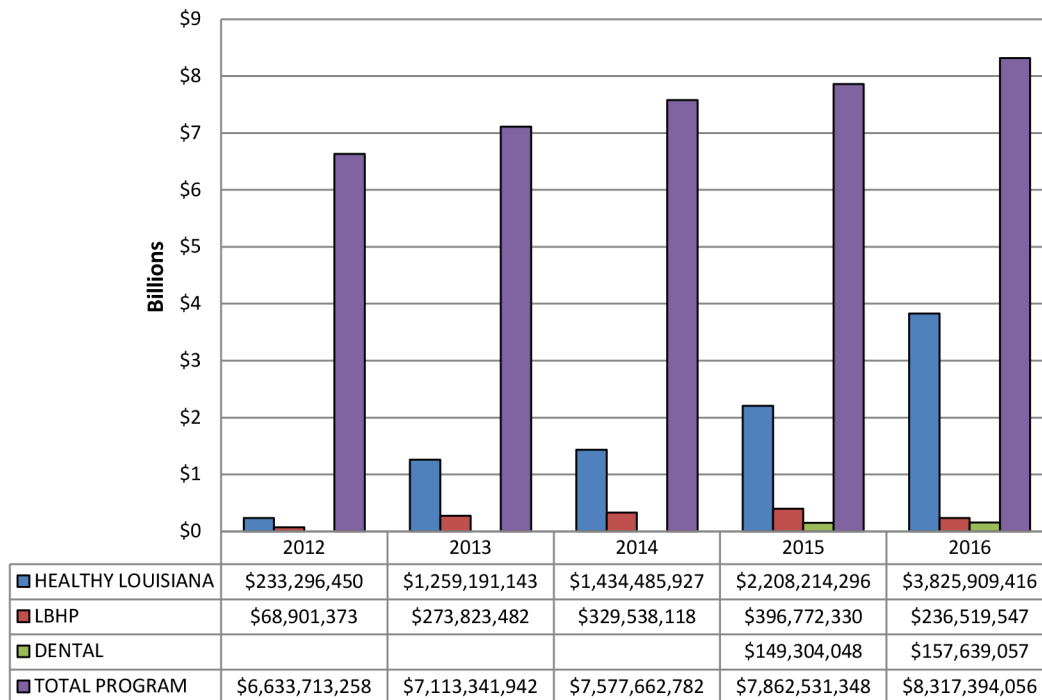
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Louisiana Department of Health

What We Found (Cont.)

- For the second consecutive year, OPH did not adequately monitor WIC program subrecipients. Failure to properly monitor subrecipients could result in noncompliance with program requirements and increases the likelihood of federal disallowed costs that the state may have to return to the federal grantor. The WIC program as a whole served a total monthly average of 128,000 participants with a total annual program cost of \$104 million.
- LDH did not have an adequate internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that are necessary to maintain adequate controls.
- We also prepared an analysis of Medicaid managed care expenditures for the past five fiscal years. Managed care was introduced in the Louisiana Medicaid program in fiscal year 2012. Managed care expenditures have increased 175% since 2013, the first full fiscal year of operation. In fiscal year 2016, managed care expenditures accounted for 51% of Medical Vendor Program expenditures.

Medicaid Managed Care Expenditures Compared to Total Program, Five-Year Trend



Sources: Medicaid Annual Reports prepared by LDH for fiscal years 2012-2015 and Medicaid Financial Report for State Fiscal Year 2015/16