Report Highlights

Department of Health and Hospitals

Baton Rouge Main Office Operations

DARYL G. PURPERA, CPA, CFE

Audit Control # 80120027
Financial Audit Services • January 2013

Why We Conducted This Audit

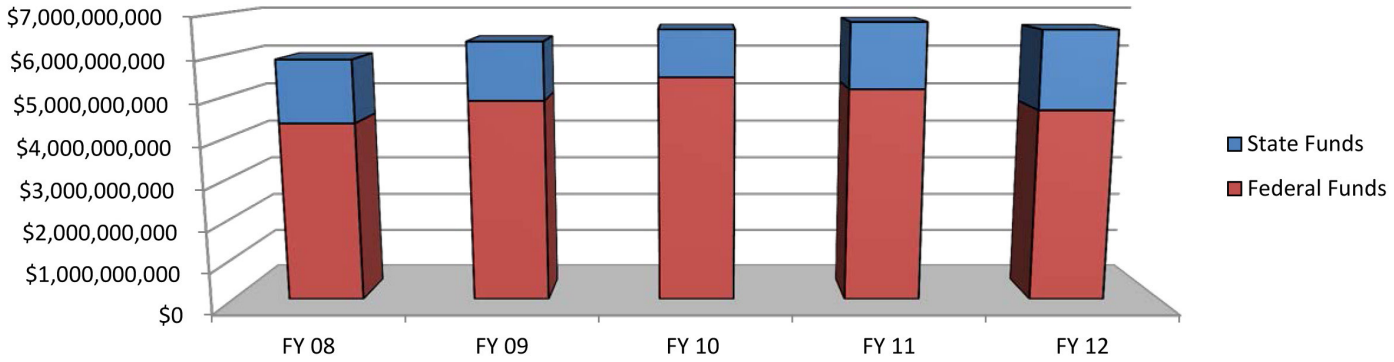
We conducted certain procedures at the Department of Health and Hospitals (DHH) as part of the Single Audit of the State of Louisiana and to evaluate DHH's accountability over public funds for the fiscal year ended June 30, 2012.

What We Found

We tested controls, compliance with laws, and financial reporting for certain accounts as part of the audit of the Comprehensive Annual Financial Report for the State of Louisiana and tested compliance with requirements for the Medicaid Program and the State Children's Insurance Program (LaChip). Our procedures disclosed the following:

- Financial information for those accounts tested was fairly presented.
- We tested 188 claims paid to a Non-Emergency Medical Transportation (NEMT) provider and identified $17,283 in improper payments. Our tests disclosed the following: (1) For five claims, the primary owner admitted to signing the Recipient Verification of Medical Transportation Forms (MT-3s) as the driver when she was not the driver, which may have violated state law. (2) For 68 (36%) claims tested, the provider could not provide completed copies of MT-3s to substantiate all trips. (3) For all 140 claims tested for daily schedule of transports, there were no adequate schedules in the provider's records. An investigative audit is currently underway to determine the extent of the provider's noncompliance. This is the fifth consecutive year we have reported improper NEMT payments by DHH.
- DHH paid 75 Medicaid New Opportunities Waivers claims totaling $62,390 for waiver services delivered by care-givers who were family members living at the same address as the recipient, which violates waiver requirements.
- DHH paid 47 Medicaid claims totaling $5,578 to one provider for case management services that were not properly documented.
- For the second consecutive year, DHH did not have an effective internal audit function.
- For state fiscal year 2012, federal funding for Medicaid expenditures dropped to the lowest level since 2008.

Medicaid Expenditures by Fiscal Year



Source: Louisiana DHH Medicaid Annual Reports and DHH Division of Health Economics

View the full report at **www.lla.la.gov**.

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED JANUARY 16, 2013

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

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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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain procedures at the Department of Health and Hospitals (DHH) as part of the Single Audit of the State of Louisiana and to evaluate DHH's accountability over public funds for the fiscal year ended June 30, 2012.

We tested controls, compliance with laws, and financial reporting for certain accounts as part of the audit of the Comprehensive Annual Financial Report for the State of Louisiana and tested compliance with requirements for the Medicaid Program and the State Children's Insurance Program (LaChip). Our procedures disclosed the following:

- Financial information related to those accounts tested was fairly presented.

- We tested 188 claims paid to a Non-Emergency Medical Transportation (NEMT) provider and identified $17,283 in improper payments. Our tests disclosed the following: (1) For five claims, the primary owner admitted to signing the Recipient Verification of Medical Transportation Forms (MT-3s) as the driver when she was not the driver. As a result of submitting documentation that contained false representations of facts, the primary owner may have violated state law. (2) For 68 (36%) claims tested, the provider could not provide completed copies of MT-3s to substantiate all trips. (3) For all 140 claims tested for daily schedule of transports, there were no adequate schedules in the provider's records. An investigative audit is currently underway to determine the extent of the provider's noncompliance. This is the fifth consecutive year we have reported improper NEMT payments by DHH.

- DHH paid 75 Medicaid New Opportunities Waivers claims totaling $62,390 for waiver services delivered by caregivers who were family members living at the same address as the recipient, which violates waiver requirements.

- DHH paid 47 Medicaid claims totaling $5,578 to one provider for case management services that were not properly documented.

- For the second consecutive year, DHH did not have an effective internal audit function.

- For state fiscal year 2012, federal funding for Medicaid expenditures dropped to the lowest level since 2008.

This report is a public report and has been distributed to state officials. We appreciate DHH's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 14, 2013

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at the Department of Health and Hospitals (DHH) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented a basic understanding of DHH operations and system of internal controls, including internal controls over major federal award programs administered by DHH, through inquiry, observation, and review of DHH's policies and procedures documentation including a review of the related laws and regulations applicable to DHH.

- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using DHH's annual fiscal reports and/or system-generated reports and obtained explanations from DHH management of any significant variances.

- Our auditors reviewed the status of the findings identified in the prior year engagement. In our prior management letter on DHH, dated December 21, 2011, we reported a finding relating to improper payments to Greater New Orleans Community Health Connections waiver services providers which has been resolved by management. The findings relating to improper payments to non-emergency medical transportation service providers and an ineffective internal audit function have not been resolved and are addressed again in this letter.

- Our auditors considered internal control over financial reporting; examined evidence supporting DHH's nonpayroll expenditures, federal revenue, major state revenue, interagency transfers, Medicaid current and noncurrent accruals, and critical information systems and related user access controls; and tested DHH's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2012, as a part of the Single Audit for the State of Louisiana:

  - Medicaid Cluster (CFDA 93.720, 93.775, 93.777, 93.778)

  - State Children's Insurance Program (CFDA 93.767)

The Annual Fiscal Reports of DHH were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. DHH's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included all significant findings that are required to be reported by *Government Auditing Standards*. All of the findings, except the finding on an ineffective internal audit function, will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

The following significant findings are included in this report for management's consideration.

Improper Payments to Non-Emergency Medical Transportation Service Provider

DHH paid claims totaling $17,283 ($12,060 federal funds and $5,223 state match) to a provider of Non-Emergency Medical Transportation (NEMT) for services billed to the Medical Assistance Program (Medicaid, CFDA 93.778) that were not provided in accordance with established policies, which we consider to be questioned costs. This is the fifth consecutive year we have reported improper NEMT payments and an investigative audit is currently underway to determine the extent of noncompliance associated with this provider.

NEMT is defined as transportation for Medicaid recipients to and/or from a provider of Medicaid covered services. The NEMT program's *Provider Manual* requires that providers maintain copies of all Recipient Verification of Medical Transportation Forms (Form MT-3) as documentation of all trips provided and a daily schedule of transports.

Testing of 140 claims paid to one provider was conducted at the provider's place of business on April 10, 2012. The primary owner of the NEMT firm was present at the place of business with the auditors from 9:30 a.m. to 2:30 p.m. At a later date, the auditor requested 48 additional MT-3s for various dates including April 10, 2012. Testing of the 188 claims noted the following:

- For five claims dated April 10, 2012, the primary owner signed the MT-3s as the driver with appointment times listed on MT-3s between 9:30 a.m. and 2:30 p.m. These transports were for times when auditors observed her in her office and making no transports. When confronted with signatures on documents for transports she could not have made, the primary owner admitted to signing the MT-3s as the driver when she was not the driver. As a result of submitting documentation that contained false representations of facts, the primary owner may have violated state law.

- For 68 (36%) claims tested, the provider did not maintain adequate documentation of the trips provided. The provider could not provide completed copies of MT-3s to substantiate all trips approved under capitated (monthly) and/or single trip rates.

- For all of the original 140 claims tested, the provider did not maintain an adequate daily schedule of transports in the records.

These conditions occurred because the NEMT provider failed to follow established DHH Bureau of Health Services Financing policies and regulations for providing services and adequately documenting those services, and DHH controls were inadequate in detecting these exceptions.

DHH management should ensure that all NEMT rules and regulations are enforced, including those regarding a daily schedule of transports, and that only appropriate claims are paid to providers. In addition, DHH should investigate and recoup all reimbursements made to providers that were based on falsified documentation. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Improper Payments to Waiver Services Provider

DHH paid New Opportunities Waiver claims under Medicaid totaling $62,390 ($43,536 federal funds and $18,854 state match) for waiver services that were not documented in accordance with established policies, which we consider to be questioned costs.

In a test of 171 claims, we noted errors on nine claims from one waiver services provider. All erroneous claims were for services provided for the same recipient. An additional review of all claims paid for this recipient during fiscal year 2012 noted errors on 75 of 76 claims. The errors noted included the following:

- Documentation in the staffing file indicates waiver services were provided by two family members who lived at the recipient's address. While some documentation was inconsistent, evidence reviewed showing the same address for the two caregivers and the recipient included copies of Louisiana driver's licenses and state tax withholding forms. DHH waiver regulations exclude a family member living in the recipient's residence from providing services.

- On the claims tested for this recipient, the provider did not maintain adequate supporting documentation for the services provided. Signatures on supporting documentation were inconsistent and the authenticity was questionable. Signatures are required by the recipient, the recipient's family member if the recipient cannot sign, and the caregiver employed by the waiver services provider. These required signatures are an integral part of the controls over the waiver program.

These conditions occurred because DHH paid waiver services claims even though the waiver services provider failed to follow established DHH policies for providing services. Regulations and requirements for the delivery of services and payment of claims for the waiver program are established through administrative rules and policy manuals developed by DHH.

DHH management should ensure that all departmental policies and federal regulations are enforced and that only appropriate claims for waiver services are paid to providers. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Improper Payments to Case Management Services Provider

DHH paid Medicaid claims totaling $5,578 ($3,892 federal funds and $1,686 state match) to a provider for case management services that were not properly documented in accordance with established policies, which we consider to be questioned costs.

In a test of 162 claims totaling $21,511 paid to four providers, errors were noted on 47 (29%) claims that were paid to one provider. The errors noted for the provider's claims for services to 11 recipients included the following:

- For all recipients tested, the provider did not maintain adequate supporting documentation for the services provided.

- For nine of 11 (82%) recipients tested, the provider did not maintain adequate quarterly monitoring documentation.

These conditions occurred because DHH paid case management services claims even though the case management provider failed to follow established DHH policies and federal regulations for providing services.

Case management is defined as services provided to individuals to assist them in gaining access to the full range of needed services including medical, social, educational, and other support services. Regulations and requirements for the delivery of services and payment of claims for these services are established through administrative rules and policy manuals developed by DHH. These include maintaining adequate documentation to support services billed.

DHH management should ensure that all departmental policies and federal regulations are enforced and that only appropriate claims for case management services are paid to providers. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

Ineffective Internal Audit Function

For the second consecutive year, DHH did not have an effective 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. In January 2011, DHH eliminated all but one internal audit position. The one remaining auditor retired in February 2011, leaving the position vacant as of June 30, 2011. In December 2011, DHH entered into a contract with one individual for internal audit services for December 2011 through December 2012. The contractor submitted a proposed audit charter and one report to the department in May 2012. In June 2012, the contractor exercised the contract termination clause leaving DHH with no internal audit function at June 30, 2012.

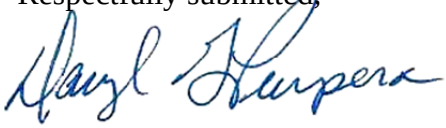
Act 12 of the 2011 Regular Session of the Louisiana Legislature requires agencies with budgets in excess of $30 million to use its existing table of organization for positions that perform the function of internal auditing. Considering DHH's reported assets ($652,873,296) and revenues ($7,222,655,833), an effective internal audit function is important to ensure that DHH's assets are safeguarded and management's policies and procedures are uniformly applied.

DHH management should take the necessary steps to ensure that the internal audit function is adequately staffed and operating in an effective manner to provide assurance that assets are safeguarded and that management's policies and procedures are applied in accordance with management's intentions. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DHH. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of DHH should be considered in reaching decisions on courses of action. The findings relating to DHH's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of DHH and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

AHC:WDG:EFS:THC:dl

DHH 2012

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

Bobby Jindal
GOVERNOR

Bruce Greenstein
SECRETARY

State of Louisiana

Department of Health and Hospitals
Bureau of Health Services Financing

November 28, 2012

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

Dear Mr. Purpera:

Below is the response from The Department of Health and Hospitals, Bureau of Health Services Financing related to the finding dated November 07, 2012 regarding **Improper Payments to a Non-Emergency Medical Transportation Service Provider.**

- DHH concurs with the findings. We agree that the provider and claims reviewed were not in accordance with Medicaid policies and procedures. Providers must maintain all MT-3's and daily schedules of transports for all trips reimbursed by Louisiana Medicaid. Failure to do so is not acceptable. DHH will continue to re-educate providers of these requirements and issue sanctions when appropriate.

- Corrective Action:

  - Contact: Randy Davidson at 225/342-6116

  - A referral will be made to the Attorney General's office regarding the false documentation.

  - All claims in which the MT-3 and/or a daily schedule of transport were not maintained will be referred to Medicaid's Program Integrity Section for recoupment.

  - Medicaid will suspend the provider from participation in the program for no less than 1 month. Beginning December 1, 2012 Medicaid NEMT staff will require this provider to submit a copy of all MT-3s and daily schedules of transport to our department for a period of no less than 6 months. Staff will review these documents for compliance with NEMT policy and will make sure no payment is made if they are not compliant.

  - Completion date is expected to be by May 30, 2013. Recoupment of claims will be completed by January 1, 2012.

DHH has controls in place to ensure that only appropriate claims are paid. All NEMT trips must be prior authorized and are issued a prior authorization number. Without this prior authorization number the MMIS system will not pay the claim. However, DHH recognizes that just because a trip is prior authorized and billed that does not guarantee the service was provided. DHH systematically performs post pay review to ensure services billed were actually provided. Mechanisms are in place to collect money paid to providers for inappropriately paid claims.

You may contact Randy Davidson at 342-6116 regarding the action to be taken related to this finding.

Sincerely,

W. Jeff Reynolds
Deputy Medicaid Director

WJR:RD

cc: Jerry Phillips, Undersecretary
Ruth Kennedy, Medicaid Director
Debbie Loper, Fiscal Director

Bobby Jindal
GOVERNOR

Bruce D. Greenstein
SECRETARY

State of Louisiana

Department of Health and Hospitals
Bureau of Health Services Financing

November 28, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

RE: Finding – Improper Payments to Waiver Services Provider

Please accept this as the Department of Health and Hospital's response to the November 7, 2012 Louisiana Legislative Auditor finding regarding Improper Payments to Waiver Services Providers. It is our understanding that the Legislative Auditor's position is that the finding occurred because providers submitted claims that did not comport with established policies and procedures.

The Department's official response is attached. Candace Ricard is the contact person responsible for corrective action. Ms. Ricard can be reached at 225-342-6159 or via email at Candace.Ricard@LA.GOV.

Sincerely,

J. Ruth Kennedy
Medicaid Director

Attachment

FINDING: **Improper Payments to Waiver Services Providers**

Error Noted: Documentation in the staffing file indicates waiver services were provided by family members who lived at the recipient's address

DHH Response: DHH concurs with this finding

Corrective Action: BHSF will make a referral to the Program Integrity section for investigation and possible recoupment and/or notification to the appropriate entity for further administrative action. The anticipated completion date is February 1, 2013.

Error Noted: Providers did not maintain adequate supporting documentation for the services provided

DHH Response: DHH concurs with this finding

Corrective Action: DHH will continue to reinforce provider compliance with documentation requirements through electronic notifications, training, and technical assistance.

The Office for Citizens with Developmental Disabilities (OCDD) will require that all OCDD waiver office include documentation training in the next quarterly meeting held with providers and maintain documentation of participation.

All cited providers will be required to complete a plan of correction and advised that they may be audited in this area within 6 months. If additional findings are noted, providers may be removed from the Freedom of Choice list and referred to the licensing entity for appropriate licensing review.

BHSF will make a referral to the Program Integrity Section for investigation and possible recoupment and/or notification to the appropriate entity for further administrative action. The anticipated completion date is February 1, 2013.

Bobby Jindal
GOVERNOR

Bruce D. Greenstein
SECRETARY

State of Louisiana

Department of Health and Hospitals
Office for Citizens with Developmental Disabilities

November 29, 2012

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Street
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Audit Finding—**Improper Payments to Case Management Services Provider**

Dear Mr. Purpera:

Regarding the above referenced audit finding, the Office for Citizens with Developmental Disabilities reviewed the results and concurs with the finding and recommendation from your office. To address the finding and the fact that the audited case management provider agency is a newly enrolled provider, Mrs. Brenda B. Sharp, EarlySteps Program Manager, is developing a protocol for training new case management agencies who enroll with EarlySteps to prevent the errors made by the audited provider. In addition, the Region 2 EarlySteps regional coordinator assigned to work with the case management agencies in the Baton Rouge region will provide technical assistance to all of the case management providers in the region regarding the specific documentation requirements which support claims submission as well as the required departmental policies and federal regulations. Both of these actions will be completed by April 1, 2013.

Mrs. Sharp will work with the Bureau of Health Services Financing to recoup the $5,578 paid to the provider for the questioned claims. The repayment for the services billed will occur as soon as possible and no later than April 1, 2013.

If you have any questions regarding the planned corrective action, please contact Mrs. Sharp at 225-342-8853.

Sincerely,

Mark A. Thomas
Deputy Assistant Secretary

c: J. Ruth Kennedy, Medicaid Director
Brenda B. Sharp, Program Manager

Bobby Jindal
GOVERNOR

Bruce D. Greenstein
SECRETARY

State of Louisiana

Department of Health and Hospitals
Office of Management and Finance

November 28, 2012

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

RE: Department of Health and Hospitals
Ineffective Internal Audit Function – Finding

Dear Mr. Purpera:

This letter will serve as response to your office's finding regarding the Ineffective Internal Audit Function for the Department of Health and Hospitals. The Department concurs that the Department should have an effective 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.

The Department is in the process of hiring an Internal Inspector General, whose main role will be to assess risk and devise an Internal Audit Plan for the Department. The Internal Inspector General will report directly to the Secretary of the Department. It is anticipated that the Internal Inspector General position will be filled by March 2013. In addition, in order to carry out the Internal Audit functions, the Internal Inspector General will enter into and monitor a contract with an outside firm specializing in Internal Audit. In the meantime, Stephen R. Russo, Executive Counsel, will be the contact person for this matter. He can be reached via email at Stephen.Russo@la.gov or via phone at (225) 342-1115.

Thank you for your attention to this matter.

Sincerely,

Jerry Phillips
Undersecretary

Bienville Building • 628 North 4th Street • P.O. Box 629 • Baton Rouge, Louisiana 70821-0629
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