

FLORIDA PARISHES HUMAN SERVICES AUTHORITY

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 15, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Florida Parishes Human Services Authority

August 2022

Audit Control # 80220042

Introduction

The primary purpose of our procedures at the Florida Parishes Human Services Authority (FPHSA) was to evaluate certain controls FPHSA 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 FPHSA’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 FPHSA’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to cash, accounts receivable, payroll and personnel, federal grant revenues and expenditures, revenue billings and collections, and the purchase of an electronic health record system.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in FPHSA’s procedural report dated June 10, 2020. We determined that management has resolved the prior-report findings related to Weaknesses in Controls over Payroll and Weaknesses in Controls over Accounts Receivable.

Current-report Finding

Failure to Follow Public Bid Law Requirements

FPHSA did not ensure the purchase of its new electronic health record system was in accordance with state bid law and agency procedure. FPHSA personnel researched several possible vendors and obtained the assistance of a contracted consultant to evaluate the vendors. FPHSA selected the vendor whose software was most compatible with its day-to-day behavioral health and clinical processes. The vendor selected resulted in a contract being signed with a system cost of more than

\$1.2 million during the initial contract term of 60 months. As part of this process, FPHSA failed to advertise for the software purchase in accordance with state law and agency procedure.

Per Louisiana Revised Statute 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 FPHSA Procedure 150.7, purchases requiring advertisement for bids (\$25,001 and over) shall be published in the State's official journal, *The Advocate*, and the parish journal where goods and services will be delivered.

This condition occurred because FPHSA personnel inappropriately followed purchasing guidance pertaining to a different type of public entity. Failure to follow public bid law requirements places FPHSA in noncompliance with state laws as well as the applicable agency procedure.

FPHSA should establish procedures that ensure compliance with the state bid law and agency procedure. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Cash

In fiscal year 2021, FPHSA maintained eight local bank accounts for its clinics located in Bogalusa, Denham Springs, Hammond, Slidell, three in Mandeville, and the administration headquarters in Hammond. In fiscal year 2022, FPHSA began using a central account for the deposits of all clinics and has begun the process of closing local accounts. The cash balance at June 30, 2021, per FPHSA's Annual Fiscal Report, was \$3,819,396. We obtained an understanding of FPHSA's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements and bank reconciliations for the months May 2021 and March 2022. In addition, we reviewed remittances of collections to the State Treasury.

Based on the results of our procedures, FPHSA had adequate controls in place to ensure appropriate segregation of employees' duties, bank reconciliations are prepared and reviewed timely, and collections are remitted.

Accounts Receivable

FPHSA monitors/tracks outstanding claims using the ICANotes system. We obtained an understanding of FPHSA's procedures surrounding patient accounts receivable, including its policies to monitor, track, collect, and report on outstanding accounts. A quarterly accounts receivable report is submitted to the Louisiana Department of Health (LDH) detailing current and long-term receivables. We agreed current receivables and long-term receivables from ICANotes data to agency prepared spreadsheets used to report accounts receivable amounts for the quarter ended March 2022. In addition, we reviewed support for write-off amounts for the quarters ended June 2020 and June 2021. Based on the results of our procedures, FPHSA had adequate controls in place to ensure that the accounts receivable amounts reported to LDH were supported.

Payroll and Personnel

Salaries and related benefits comprised approximately 75% and 80% of FPHSA's expenditures in fiscal year 2021 and fiscal year 2022 through December 31, 2021, respectively. We obtained an understanding of FPHSA's controls over the time and attendance function and reviewed selected employee time statements, leave records, overtime, and pay rate authorizations during the period July 1, 2020, through March 31, 2022. We reviewed pay rate changes for the period July 1, 2020, through April 28, 2022. We also reviewed leave payout payments made for separations and retirements for the period July 1, 2020, through May 29, 2022.

Based on the results of our procedures, FPHSA had adequate controls in place to ensure timely review and approval of employee time statements, leave and overtime requests; employees were paid the authorized rates and leave payouts were properly calculated.

Federal Grant Revenues and Expenditures

FPHSA receives federal funds directly from federal grantors and through interagency transfers from LDH and the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). We obtained an understanding of FPHSA's controls over the Coronavirus Relief Funds (CRF) federal grant revenues (received from GOHSEP).

For CRF, we reviewed payroll and nonpayroll expenditure reimbursements to ensure they were supported and allowable per the CARES Act. For payroll expenditures, we tested expenditures totaling \$3,435,986 from two reimbursement requests approved by the Louisiana Division of Administration (DOA). For nonpayroll expenditures, we obtained one reimbursement request approved by DOA totaling \$969,740 and tested a sample of 25 transactions. Based on the results of our procedures, FPHSA had adequate controls in place to ensure that grant revenues were supported by expenditures and were properly recorded.

Revenue Billings and Collections

FPHSA 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 in fiscal years 2021 and 2022. We obtained an understanding of FPHSA's controls over revenue billings and collections, including the reconciliation process of billings to collections. We performed procedures to determine if FPHSA was reconciling amounts billed to amounts collected and that patient accounts reflected payments received. We selected deposits from the June 2021 and March 2022 bank statements and traced to the electronic claims submission/receipt report or other collection reports. In addition, we traced payments received to patient accounts in ICANotes.

Based on the results of our procedures, FPHSA had supporting documentation for reconciliations and adequate controls were in place to ensure that revenue billings and collections were properly recorded.

Electronic Health Record System

In fiscal year 2021, FPHSA purchased a new electronic health record (EHR) system to replace ICANotes. The new EHR system was implemented on July 25, 2022. We obtained an understanding of FPHSA'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, FPHSA 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 FPHSA's procedure, purchases requiring advertisement for bids (\$25,001 and over) shall be published in the State's official journal, *The Advocate*, and the parish journal where goods and services will be delivered.

We obtained and reviewed the documentation used by FPHSA to select the vendor whose software was most compatible with its day-to-day behavioral health and clinical processes. FPHSA inappropriately followed purchasing guidance pertaining to a different type of public entity. As part of the purchasing process, FPHSA failed to advertise for the software purchase in accordance with state law and agency procedure. (See Current-year Finding section).

Trend Analysis

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

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

KML:AD:RR:EFS:aa

FPHSA2022

APPENDIX A: MANAGEMENT'S RESPONSE



Florida Parishes Human Services Authority

Livingston Parish
Carol Stafford, Vice Chair
Vacant

St. Tammany Parish
David Cressy
Timothy Lentz
Liz Gary

Tangipahoa Parish
Genesa Garofalo Metcalf, M.D, Chair
Mona Pellicino

St. Helena Parish
Gary Porter

Executive Director
Richard J. Kramer

Washington Parish
Danielle Keys

August 2, 2022

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

Please accept this letter as the official response to the finding of Failure to Follow Public Bid Law Requirements identified in the recent audit of Florida Parishes Human Services Authority. We concur with the finding that we did not follow the appropriate regulations regarding the purchase of a new electronic health record. Although we did solicit presentations and walkthroughs from several different vendors and evaluated them with the assistance of a third party outside consultant familiar with these types of implementations to identify the system most suitable to our needs to best serve the citizens of Louisiana, we did not publicly solicit bids as is outlined in the audit finding. The reason for this error was that we applied the incorrect regulations to this endeavor and, therefore, were under the mistaken impression that it was not required in this situation. This is the first time that we have made such a purchase and were not as familiar as with the applicable regulations as we are with the types of transactions that we usually process. Our internal procedures will be updated to ensure that a similar error will not happen in the future should we ever require another similar purchase. The corrective action will be enacted by Sue Bush, Fiscal Director, sue.bush@fphsa.org and will be completed by September 30, 2022. Please let us know if any further information is required and please thank your team for their courtesy and professionalism throughout the engagement.

Sincerely,

Richard J. Kramer

Executive Director

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APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Florida Parishes Human Services Authority (FPHSA) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls FPHSA 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 the FPHSA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. FPHSA's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated FPHSA'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 FPHSA.
- Based on the documentation of FPHSA's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to cash, accounts receivable, payroll and personnel, federal grant revenues and expenditures, revenue billings and collections, and the purchase of an electronic health record system.
- We compared the most current and prior-year financial activity using FPHSA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from FPHSA'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 FPHSA, and not to provide an opinion on the effectiveness of FPHSA'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.