

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Medical Center of Louisiana at New Orleans
Louisiana State University
Health Care Services Division
State of Louisiana
New Orleans, Louisiana

December 1, 1999



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
New Orleans, Louisiana**

**Management Letter
Dated November 8, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

December 1, 1999



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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November 8, 1999

**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY HEALTH
CARE SERVICES DIVISION
STATE OF LOUISIANA
New Orleans, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1999, we conducted certain procedures at the Medical Center of Louisiana at New Orleans. Our procedures included (1) a review of the medical center's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The June 30, 1999, Annual Fiscal Report of the Medical Center of Louisiana at New Orleans was not audited or reviewed by us, and, accordingly, we offer no form of assurance on that report. The medical center's accounts, under the Louisiana State University Health Care Services Division, are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with selected management personnel and other selected medical center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter, dated February 3, 1999, we reported findings relating to inaccurate patient charges, unlocated movable property, and electronic data processing control weaknesses. These findings have not been resolved by management and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Inaccurate Patient Charges

For the twelfth consecutive year, the Medical Center of Louisiana at New Orleans has not completed the development and implementation of effective procedures to provide management with assurance that all charges incurred by patients are accurate. An adequate system of internal control requires complete and accurate patient charges. While the medical center has implemented improvements that have reduced the time needed to submit patient billings and have established policies and procedures to

**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY HEALTH
CARE SERVICES DIVISION
STATE OF LOUISIANA**

Management Letter, Dated November 8, 1999

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monitor the Charge Description Master (master file of charges), billing accuracy is still a concern.

At our request, the medical center's Coding and Revenue Enhancement Department audited 30 bills totaling \$292,499. Those audits by the Coding Department revealed inaccuracies in 29 (96.7%) of the 30 bills. Twenty-eight bills contained undocumented charges (overcharges) totaling \$24,401 (8.3%). Also, undercharges or unbilled charges on 26 of the bills totaled \$27,046 (9.3%). As a result, management has no assurance that all bills accurately reflect charges for services performed.

Management of the medical center should ensure the accuracy of patient billing. Management did not concur with the finding. The chief executive officer stated that the overall one percent variance was well within the medical center's policy. In addition, he outlined challenges and accomplishments relating to this issue (see Appendix A, page 1).

Additional Comments: The medical center's policy referred to by management relates to late charges and not error rates. Although the net dollar errors are one percent, the gross overcharges and undercharges were 8.3% and 9.3%, respectively. Also, the number of patient bills containing errors was 96.7%.

Inadequate Controls Over Movable Property

For the second consecutive year, the Medical Center of Louisiana at New Orleans did not maintain adequate internal controls over movable property as prescribed by the commissioner of administration and Louisiana law. Louisiana Revised Statute (R.S.) 39:325 requires agencies to conduct an annual inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code (LAC) 34:VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. R.S. 39:323 and LAC 34:VII.307 require that acquisitions be tagged and information forwarded to LPAA within 45 days of receipt of the movable property item. In addition, LAC 34:VII.311 states, in part, that property location shall be kept current. The following deficiencies in movable property records were observed:

- In our previous audit, we reported that the medical center could not locate \$9.4 million of movable property. In its Certification of Annual Property Inventory dated April 29, 1999, the medical center reported that it still could not locate \$4.6 million of that movable property. In addition, on August 24, 1999, the medical center's movable property section reported 1,739 items totaling \$2.6 million as unlocated at its facility for the year ended June 30, 1999. Of this amount, \$1.9 million (74%) consisted of

**MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY HEALTH
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electronic data processing equipment. The total value of unlocated property of \$7.2 million, which is comprised of the \$4.6 million of unlocated property from 1998 and \$2.6 million in 1999, represents 9% of the total movable property inventory.

- . In a review of 464 movable property items acquired and added to the movable property listing for the period January through March 1999, 69 items (15%) totaling \$351,954 were not reported to LPAA within 45 days of receipt of the items. The items were reported to LPAA between 49 and 674 days after receipt.
- . In a test of 32 movable property items acquired during the period July 1, 1998, through March 31, 1999, 8 items (25%) did not have correct location codes.

Failure to locate, timely tag, and accurately record location codes of all movable property exposes the medical center to possible loss, theft, and misuse of its assets and could result in the misstatement of the movable property assets in the financial statements.

The medical center should continue its efforts to locate all movable property and should implement adequate internal controls to timely tag and ensure the accuracy of location codes. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 6).

Electronic Data Processing Control Weaknesses

For the second consecutive year, the Medical Center of Louisiana at New Orleans has deficiencies relating to access to its Shared Medical System (SMS), an on-line electronic data processing (EDP) system. An adequate system of internal controls requires that individuals be permitted access only to data files and functions necessary to perform their normal duties. Furthermore, a periodic review of user access to the SMS should be done to eliminate unnecessary access. A review of 745 individuals having access to the SMS determined that 38 individuals (5.1%) had two user identification codes issued to them and 6 individuals (.8%) had three user identification codes.

These conditions occurred because management has not placed sufficient emphasis on establishing controls over the EDP function. The medical center does not have written procedures that require security administrators to regularly review user access to the EDP Systems and eliminate unnecessary access. Failure to establish adequate controls in an on-line data entry environment could result in the loss of data, inconsistent use of on-line data entry procedures, and increased risk that errors or fraud could occur and not be detected in a timely manner.

LEGISLATIVE AUDITOR

MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS
LOUISIANA STATE UNIVERSITY HEALTH
CARE SERVICES DIVISION
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Management of the medical center should establish written procedures that require security administrators to regularly review user access to the EDP systems and eliminate unnecessary access. In addition, the medical center should restrict access to application data files to employees on a business-need-only basis. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 8).

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

This report is intended for the information and use of the Medical Center of Louisiana at New Orleans and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

EB:JR:RCL:dl

[MCLNO]

Appendix A

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



**HealthCare
Services
Division**

September 8, 1999

Daniel G. Kyle, Ph.D., CPA
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Legislative Audit Finding
 Medical Center of Louisiana
 Inaccurate Patient Charges

Dear Dr. Kyle:

We do not concur with this legislative audit finding.

Your finding indicates that 30 bills were audited by the Revenue Enhancement Department to determine if billings were accurate. The overall variance of the total lost charges, which for the purposes of this document are defined as the net over/under charges, was 1% of total charges. According to the results of your testing, MCL was performing well within our Hospital Policy which states:

"Even though every effort shall be made to ensure accurate and timely patient billing, late and lost charges will unfortunately occur. The acceptable level of late charges at MCL shall not exceed 10% of MCL's gross revenue. This level will be monitored monthly by the Late and Lost Charges Committee."

Additionally, MCL has placed emphasis on reducing the total of late and lost charges through the Late and Lost Charge Committee. During the period of August, 1998 through July, 1999, MCL decreased total late and lost charges by over 50%. Numerous other accomplishments have been achieved by the Committee and we feel that it demonstrates our on-going commitment to resolution of this issue. Specific details of the challenges and accomplishments of the Committee are outlined in the attached document.

Sincerely,


John S. Beaulieu
Chief Executive Officer

cc: Helen Bates
 Ed Booker

Ken Laney
Debbie Zimmerman

Medical Center of Louisiana

Charity Hospital • 1532 Tulane Avenue • New Orleans, LA 70112-2860 • (504) 568-2311

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**LOST AND LATE CHARGE COMMITTEE SUMMARY
MINUTES AND ACCOMPLISHMENTS
FISCAL YEAR 1999**

OVERVIEW

MCL established a Late Charge Committee in August of 1998 to resolve the issues surrounding late and lost charges. The mission of the committee is to determine the underlying factors causing late charges and the reasons for lost charges. The committee is comprised of Helen Bates, Acting CFO, Bob Nugent, Assistant Administrator - Diagnostic Services, Laurie Lombard Smith - Director of Planning, Roy Clay - Acting Chief Information Officer, Lewis Hughes, Assistant Administrator - Nursing Services, Dolores Toby - Director of Patient Accounting, Diane Sympton - CDM and Revenue Enhancement Director and other on an as needed basis. The committee has scheduled meetings on the second and fourth Wednesday of each month. Since the inception of the committee, overall late/lost charges on inpatient and outpatient accounts have decreased 64% and 51% respectively.

While overall late/lost charges have decreased significantly, there are still some remaining issues to be addressed to further improve the system. As of July, 1999, approximately 80% of the late/lost charges occurring have been isolated to specific departments and their specific causes have been identified and are currently being addressed. The following are some of the achievements of the committee and some of the remaining issues that are currently being addressed.

**LOST AND LATE CHARGE COMMITTEE ACHIEVEMENTS
PROCEDURAL ISSUES**

HIV Outpatient Clinic (HOP)

In April, 1998, the committee met with SMS and personnel from the HIV Outpatient Clinic (HOP) to determine the cause of late and lost charges. During this review session, it was discovered that the Hospital Admission Technicians (HATs) in the HOP did not possess the system access to both enter charges and charge codes. The HATs had the ability to enter the clinic charges but then had to batch the charge slips so the procedure codes could be entered by another source. This process was fragmented and cumbersome causing many late and lost charges. The following solutions were enacted to alleviate these problematic issue:

- The HOP HATs were given the ability to enter both clinic charges and procedure codes. Hospital Information Systems (HIS) was brought into the project with the specific tasks of activating the embossers, installing the necessary wiring, passwords and computer terminals needed to accomplish this goal.
- The responsibility of entering charges and procedure codes was moved from the fragmented system of partial charging by the HATs and partial charging by Batch Control to the total responsibility of the Director of HOP. As of June 1, 1999, the entering of both charges and procedure codes began in the HOP clinic as one process.
- HOP's late charges have dropped from a high of \$32,849 in October 1998 to \$70 in July, 1999. This equates to 9.43% of the HOP's average weekly revenue

Rehabilitation Services

In March 1999, met with SMS and the Director of Rehabilitation Services to review the patient charge process for the Department of Rehabilitation Services.

- **Rehabilitation Services experience chronic late charges. Therapists often turned in charge slips months after patient visits and/or after patients had completed their regime of treatment causing very late charges. Developed a system whereby the clerk verified that all chargers are entered each day by checking the charges against the daily patient visit listing. If a patient was on the daily patient visit list and the clerk had not received a charge slip for the patient, the clerk would contact the therapist for the charge slip. Therapists were also asked to submit charges to the clerk twice a day so that the clerk could enter these charges timely. The therapists were also instructed as to the importance of accurately charging each patient each day. Late charges dropped from a high of \$4,840 in September, 1998 to \$402 in July, 1999. This equated to a 9.41% of the average weekly revenue.**
- **Outpatient charges were late on the Charity Campus due to the absence of HATs within this area to register outpatients prior to their treatment. If a patient came in for treatment and did not have a valid account number, the patient could not be charged. The clerk in the outpatient physical therapy area often had to hold patient's charges until a valid account number could be obtained. Now, when a HAT is not available in this area, one is sent from another location with the hospital to accommodate patient registration. Late charges dropped from a high of \$32,302 in January, 1999 to \$3,683 in July, 1999. This equates to 5% of the average weekly revenue.**

Respiratory Therapy

Prior to September, 1998, respiratory therapy did not have a process for ensuring charge entry on weekends and holidays. These charges would have to wait until the next available workday for input. Initiatives were put into place so charges could be input each day, even weekends and holidays. Late charges have dropped from a high of \$83,372 in December, 1998 to \$50,786 in July, 1999. These equates to 15% of Respiratory Therapy's average weekly revenue.

Anesthesiology

Prior to September, 1998, Anesthesiology did not have a process for ensuring charge entry on weekends and holidays. Nor did this department have a back-up mechanism in place to enter charges when clerical staff took time off. Initiatives such as: (1) Hiring three (3) restricted appointment employees to bring anesthesiology charges current from the 4 month backlog to present, and, (2) hiring permanent clerical staff who will rotate throughout the weekends and holidays to accomplish charge entry each day were put in place to ensure that patient charges were entered appropriately. Late charges have dropped from a high of \$81,200 in August, 1998 to \$4,407 in July, 1999. This equates to 1% of Anesthesiology's average weekly revenue.

Operating Room

Met with the Nursing Administrator over the Operating Room to discuss their charge entry process. Clerical staff was hired dedicated to charge entry and processes were added to monitor charge entry activity. The operating room recorded late charges as high as \$23,696 in August, 1998 dropping to \$528 in July, 1999. This equates to .05% of the Operating Room's average weekly revenue.

SYSTEM ISSUES

Pharmacy

In August, 1998, Pharmacy experienced a large quantity of group format errors (GFEs) which caused Pharmacy charges to post late creating many late charges. Several initiatives were added such as:

- a microwave connection
- installation of a new, larger file server dedicated specifically to Pharmacy
- moving the Pharmacy from the token ring network to the Ethernet
- upgrading the system to Novel 5.0 in an effort to increase the bandwidth of data transfer and to facilitate faster throughput and more accurate throughput of data

Late charges dropped from a high of \$711,553.83 in September, 1998 to \$366,093 in August, 1999. This equates to 20% of Pharmacy's average weekly revenue.

LAB

Laboratory Services experienced a variety of issues to the interface between the clinical and financial databases resulting in late and lost charges. Presently, the Lab manually inputs all outpatient charges due to a lack of resource scheduling in the ambulatory patient care areas. Additionally, due to the Non-Indexed Account Conversion of May 1, 1999, the Lab experienced an increase in late charges. This system problem is a focus of the SMS Strategic Assessment Team. This system problem will also be addressed with the Sunquest implementation, which is scheduled to go live in September, 1999.

Radiology

The Department of Radiology experienced routing problems with the onset of SMS Orders on the Charity Campus. Orders for Radiology services often printed at an incorrect location and/or printed in a delayed time frame, resulting in duplicate orders and the necessity to issue numerous credits. This system problem is another of the focuses of the SMS Strategic Assessment Team.

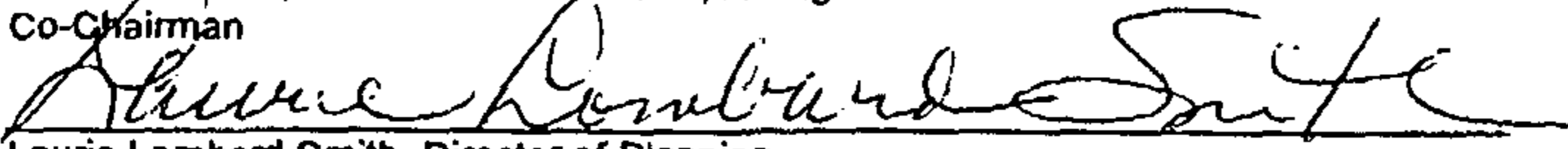
SOLUTIONS

MCL has contracted with SMS to assist in the correction to these systems issues. The contract with SMS has two main goals:

- Complete a strategic assessment of the system problems. The team remained on-site for a period of four weeks to analyze and identify the source of the charge capture issues and make recommendations for the resolutions. This SMS engagement is completed.
- Based on SMS's assessment, MCLNO has engaged SMS's assistance with the development of the implementation plan and the corrective actions necessary to correct system issues. This work is in progress. SMS reports progress weekly to the CFO.



M. Helen Bates, Chief Financial Officer, Acting
Co-Chairman



Laurie Lombard Smith, Director of Planning
Co-Chairman



**HealthCare
Services
Division**

Daniel G. Kyle, Ph.D., CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

**RE: Response to the Legislative Auditor Findings
Medical Center of Louisiana at New Orleans
Unlocated Movable Property**

Dear Dr. Kyle:

Management concurs with the finding of **Inadequate Controls over Movable Property**.

In order to resolve these control issues, we propose the following plan of action:

- Develop a job description detailing the qualifications necessary for the position of MCL Director of Property.
- Recruit and hire an individual who meets the necessary qualifications, preferably an experienced Director of Property.

Additionally, MCL must establish a more accurate methodology of taking the annual movable property inventory and maintaining an accurate accounting for the inventory. In order to accomplish this MCL will:

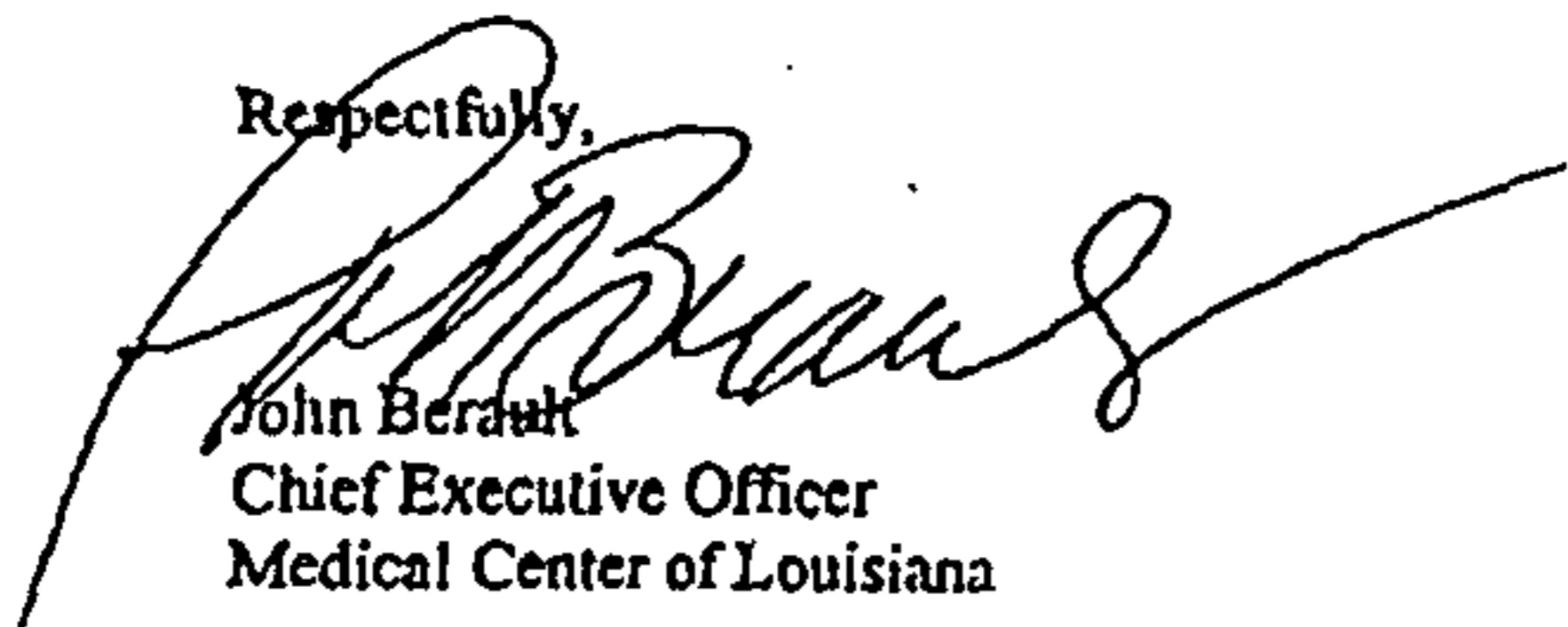
- Develop policies and procedures to insure adequate controls exist over the movable property and its related database.
- Establish an accurate moveable property database.
- Re-tag all moveable property with smaller more durable tags to improve tag permanency.
- Develop a training program for property staff which includes:
 - Taking an accurate inventory
 - Insuring that all moveable property is tagged and recorded accurately and within 45 days of receipt as required by LPAA
 - Maintaining an accurate moveable property database, insuring all appropriate paperwork is completed, filed and recorded on both the MCL database and LPAA.
- Complete an accurate FY 2000 movable property inventory by 3/31/00 and resolve the discrepancies by 6/30/00.

Medical Center of Louisiana

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These actions will be the responsibility of Helen Bates, Acting CFO - MCL, the Controller - MCL, to be hired and the Director of Property - MCL, to be hired.

Respectfully,



John Berault
Chief Executive Officer
Medical Center of Louisiana

cc: Helen Bates
Ed Booker
Ken Laney
Debbie Zimmerman



Health Care
Services
Division

September 8, 1999

Daniel G. Kyle, Ph.D., CPA
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Legislative Audit Response
Medical Center of Louisiana
Electronic Data Processing Controls

Dear Dr. Kyle:


Management concurs with the finding related to Electronic Data Processing (EDP) Control Weaknesses.

In order to resolve these control issues the following actions will be taken:

- 1) Written procedures will be finalized and issued.
- 2) LSU Health Sciences Center (LSUHSC)-HCSD Information Systems will take control of the entire security administration process. All other hospitals adopted this procedure. Control will transfer to LSUHSC-HCSD IS within 2 weeks from this response.
- 3) Future plans are for security administration for SMS accounts to be placed under the Security group at LSU Health Sciences Center (LSUHSC). LSUHSC already has a group dedicated to this function. Last year, in an audit response concerning security administration for HCSD we indicated a desire to create such a group in Baton Rouge or New Orleans for the HCSD hospitals. To leverage economies of scale, and the experience LSUHSC has in enterprise security administration, we will propose the creation of one to two additional positions to service the security needs of HCSD. When approved, control will transfer to this group.

Greg Speyer, Chief Information Officer, LSUHC-HCSD, will be responsible for the implementation of these procedures.

Respectfully,


John S. Berault
Chief Executive Officer
Medical Center of Louisiana

cc: Helen Bates
Ed Booker
Greg Speyer
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