

ACADIANA AREA HUMAN SERVICES DISTRICT

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 7, 2022

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Acadiana Area Human Services District



September 2022

Audit Control # 80220023

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 relating to patient billing cycle, contracts, and information system access.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in AAHSD’s procedural report dated August 5, 2020. We determined that management has resolved the prior-report findings related to Not Billing in Accordance with Insurers’ Contract Terms, Failure to Submit Delinquent Accounts Receivable for Collection, and Inadequate Segregation of Duties. The prior-report finding related to Inadequate Controls Over Subrecipient Determinations and Agreements has been partially resolved and is addressed again in this report.

Current-report Findings

Inadequate Controls over Subrecipient Agreements

For the second consecutive engagement, AAHSD failed to comply with all regulations set forth by 2 CFR § 200.332. As a result, AAHSD or the subrecipient may not comply 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 (AL 93.243); Temporary Assistance for Needy Families (AL 93.558); Opioid State Targeted Response (AL 93.788); Block Grants for Community Mental Health Services (AL 93.958); Block Grants for Prevention and Treatment of Substance Abuse (AL 93.959); Projects for Assistance in Transition from Homelessness (AL 93.150); having awards totaling \$3,895,985 and \$6,108,836 allocated to AAHSD for fiscal years 2021 and 2022, respectively.

We reviewed all 28 agreements identified by AAHSD as subrecipients and determined that for 18 (64%) of the subawards, AAHSD was unable to provide documentation of whether each subrecipient was required to obtain an audit or that the audit was reviewed so that timely and appropriate action could be taken for any findings pertaining to the federal awards, as required by federal regulations. Additionally, for all 28 of the subrecipients, AAHSD could not provide evidence that the required risk assessment was performed to evaluate each subrecipients' risk of noncompliance with federal regulations and the terms of the subaward.

AAHSD management should strengthen its policies and procedures to ensure that regulations set forth by 2 CFR § 200.332 are being addressed timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Untimely Billing of Patient Services

AAHSD did not bill for patient services performed in a timely manner. Failure to bill for patient services timely increases the risk of the claim being denied by the patient's insurance provider and increases the likelihood of the patient's account becoming uncollectible.

AAHSD follows LDH policy *14.1, Liability Limitation Schedule for LDH Provided Services*. Per the policy, "billing for services rendered shall be sent monthly to the client or responsible party in accordance with the Liability Limitation Schedule." AAHSD sends the initial bill to Medicare, Medicaid, and/or private insurance companies for those patients with insurance coverage. After third party claims have been exhausted, AAHSD bills patients who assume full or partial responsibility.

Based on a review of 20 billable patient services, three (15%) of the services were billed to the appropriate party more than 31 days after their initial service date. The services were billed 37 to 139 days after the date of service due to errors and administrative delays from a biller being on leave, manual billing via email, and billing to the wrong third party.

AAHSD management should strengthen its controls over the billing process to ensure all billable patient services are timely and accurately billed. Management partially concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

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
- Agreed payments posted to the patient's account to third party payment detail
- Properly reported receivables

AAHSD entered into an Agency Participation Agreement with the Office of Debt Recovery (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. We obtained and reviewed all of the placement files AAHSD submitted to ODR from July 1, 2020, to February 28, 2022, and compared the totals to the bad debt recorded on patient accounts in the EHR system.

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, payments agree to the third party payment detail, and past due accounts were submitted to ODR for collection.

Contracts

We obtained a listing of contracts that were funded by federal interagency transfer funds from the LDH, Office of Behavioral Health that were in effect during the two years ending June 30, 2022. 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 § 200.332 when a contractor was identified as a subrecipient. We reviewed all 29 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 § 200.332.

Based on the results of our procedures, we identified weaknesses over AAHSD's controls for performing certain procedures required of AAHSD by federal regulations, as noted in the Current-report Findings section above.

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 1, 2020, to February 28, 2022, 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 to ensure duties were properly segregated. Based on these procedures, we determined AAHSD had adequate segregation of duties over cash handling.

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.

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

JKB:RJM:BH:EFS:aa

AAHSD2022

APPENDIX A: MANAGEMENT'S RESPONSES



**ACADIANA AREA
HUMAN SERVICES DISTRICT**
Serving Acadiana with Quality Compassionate Care

August 9, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Mr. Waguespack,

Please accept this response to the audit conducted by your office on the Acadiana Area Human Services District (AAHSD). There were two findings listed: 1) Inadequate Controls over Sub-Recipient Agreements; 2) Untimely Billing of Patient Services.

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,

Brad Farmer
Executive Director

AAHSD 2022 Audit Findings

Finding:

Inadequate Controls over Subrecipient Agreements

Comment:

We concur with this finding. AAHSD works closely with the Louisiana Department of Health (LDH) regarding interagency transfers (IAT) and other grant funding, including TANF and Block Grant funds. Much of the information required to demonstrate compliance with this element is maintained by LDH and was not always accessible to us in a timely manner. Additionally, we have worked with LDH to revise the documentation regarding risk assessment for the subrecipients.

Corrective Action:

- AAHSD will develop and implement an appropriate checklist of required information regarding:
 - identification of Federal award information
 - a risk assessment of the subrecipients' non-compliance
- AAHSD has revised our contract template to include the necessary information regarding audits of subrecipient organizations
- AAHSD will request all necessary information from subrecipient organizations at the initiation of the contracting process rather than waiting on notification from LDH

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 2022 Audit Findings

Finding:

Untimely Billing of Patient Services

Comment:

We concur in part with this finding. AAHSD does recognize billing for services within 31 days as a best practice; however, we also recognize that many services billed after the 31-day period are still reimbursed at the full amount. We do strive to meet this timeframe but sometimes fall short of this goal.

Corrective Action:

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

- complete all required documentation for services and bill for such within timeframes established in policy
- continue with recent changes/updates to billing process
 - special work detail to address secondary billing
 - special work detail to assist clinic managers and physicians to correct failed claims
 - providing spreadsheets with error and corrective actions needed; including required signatures
 - review of billers' dashboards to ensure processing of claims and to identify pending claims
 - review payer sites to resolve rejected or denied claims

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.

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Acadiana Area Human Services District (AAHSD) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls AAHSD 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 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 controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to patient billing cycle, 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.