

ACADIANA AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 8, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 8, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. Brad Farmer, Executive Director
Acadiana Area Human Services District

Dear Senator Alario, Representative Kleckley, and Mr. Farmer:

This report provides the results of our procedures at the Acadiana Area Human Services District (AAHSD) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain controls that AAHSD uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. I hope this report will benefit you in your legislative and operational decision-making process.

We would like to express our appreciation to the management and staff of AAHSD for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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AAHSD 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Acadiana Area Human Services District

October 2014

Audit Control # 80140020

Introduction

The primary purpose of our procedures at the Acadiana Area Human Services District (AAHSD) was to evaluate certain internal controls AAHSD uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. The mission of AAHSD is to increase public awareness of and to provide access for individuals with behavioral health and developmental disabilities to integrated community-based services while promoting wellness, recovery and independence through education and the choice of a broad range of programmatic and community resources.

Results of Our Procedures

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's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on AAHSD's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, significantly changing the way AAHSD delivered services and how that service delivery was funded. Our procedures included consideration of AAHSD's ability to file claims with the LBHP State Managing Organization (Magellan) and other third-party payers, collect on the claims filed, reconcile revenue collections to accounting records and client health records, and achieve the self-generated revenue included in the annual budget. We also performed procedures on selected controls and transactions relating to cash receipts from fees, movable property, and payroll expenditures.

Claims Filing

In the district's first year of full operation, AAHSD experienced difficulties with the Magellan claims processes because of system issues in Clinical Advisor, Magellan's claims filing system, and slow eligibility determinations. Since the district uses Clinical Advisor exclusively, it has been unable to bill any third parties. The additional administrative functions and expense used to administer the new claims processes are absorbed as budget cuts and primarily balanced through not filling vacant positions. With vacant positions, its caseloads and wait times have increased, resulting in a drop in services.

Revenue Collection

As noted with claims above, AAHSD has struggled with the Magellan system issues in the claims processes, and as a result, collection on claims has lagged. Clinical Advisor was not designed to bill third-party claims and apply accurate rates. Since AAHSD was unable to bill third-party payers, it has not collected for any of these services. Denied claims and claims where the filing period has expired are issues affecting collection. AAHSD has recycled some older claims, but with varying degrees of success.

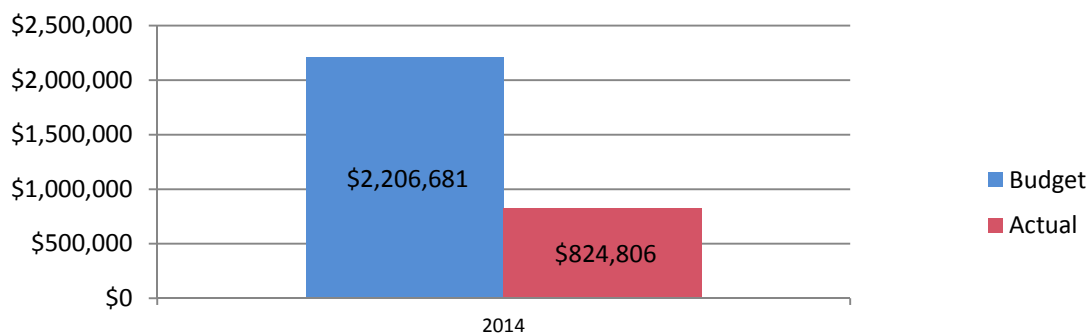
Reconciliation of Revenue to Accounting and Health Records

AAHSD is working and developing processes for reconciliation, but reconciliations of claims collections to accounting records and client files are proving difficult due to Clinical Advisor system issues, unexplained Magellan recoupments, a lack of understanding of Magellan payments, and not having access to some necessary bank information.

Self-Generated Revenue Budgets

AAHSD did not achieve its budgeted self-generated revenue for this first year of full operation. AAHSD collected approximately 37% of its budgeted self-generated revenue for fiscal year 2014 (See Exhibit 1 below). AAHSD did not set its own budget for self-generated revenue. The budget was determined by the Department of Health and Hospitals. The inability to achieve budgeted revenue essentially becomes budget cuts for the district and is absorbed primarily through not filling vacant positions. As noted previously with claims, vacant positions have caused its caseloads and waiting times to increase, resulting in drops in services.

Exhibit 1
Fees and Self-Generated Budget to Actual Revenues



Sources: ISIS Reports at June 30, 2014

Cash Receipts for Fees

For clients that are not insured and do not qualify for free care under programs administered by AAHSD, the district collects fees for the services delivered. These fees are collected at each of the clinics operated by AAHSD. AAHSD had policies and procedures and adequate controls to safeguard cash, deposit collections timely in accordance with state guidelines, and maintain sufficient documentation to support financial reporting for these fees.

Movable Property

Located throughout AAHSD's clinics and administrative offices, AAHSD owns more than 350 items of movable property valued at approximately \$657,000. AAHSD had policies and procedures and adequate controls over property to certify annual inventory, timely tag and report new acquisitions as directed by the Louisiana Property Assistance Agency, and safeguard the assets.

Payroll Expenditures

AAHSD had policies and procedures and adequate controls to maintain human resources records, maintain documentation to support financial reporting of payroll expenditures, and to follow state regulations issued by the Office of Statewide Uniform Payroll.

Comparison of Activity Between Years

We compared the most current and prior year financial activity using the AAHSD's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from AAHSD management for any significant variances that could potentially indicate areas of risk. AAHSD management provided reasonable explanations for all significant variances

Other Report

Based on our understanding of the continued transition to the Louisiana Behavioral Health Partnership and issues discussed with AAHSD management during this engagement, additional procedures were performed on transition issues experienced by AAHSD and four other human services districts/authorities. A separate informational audit, *Follow-up on the Transition to the Louisiana Behavioral Health Partnership as Experienced by Five Human Services Districts/Authorities*, was issued on September 24, 2014, detailing results of those procedures. The report can be accessed on the Louisiana Legislative Auditor's website at <http://www.la.gov>.

Under Louisiana Revised Statute 24:513, this procedural report is a public document and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Acadiana Area Human Services District (AAHSD) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain internal controls AAHSD uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability for public funds. The scope of our procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The Annual Fiscal Reports of AAHSD were not audited or reviewed by us, 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's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on AAHSD's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, significantly changing the way AAHSD delivered services and how that service delivery was funded. Our procedures included consideration of AAHSD's ability to file claims with the LBHP State Managing Organization (Magellan) and other third-party payers, collect on the claims filed, reconcile revenue collections to accounting records and client health records, and achieve the self-generated revenue included in the annual budget. We also performed procedures on selected controls and transactions relating to cash receipts from fees, movable property, and payroll expenditures.
- We compared the most current and prior year financial activity using the AAHSD's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from AAHSD management for any significant variances that could potentially indicate areas of risk.