



# Report Highlights

## Department of Health and Hospitals

### Baton Rouge Main Office Operations

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Financial Audit Services • December 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, 2013.

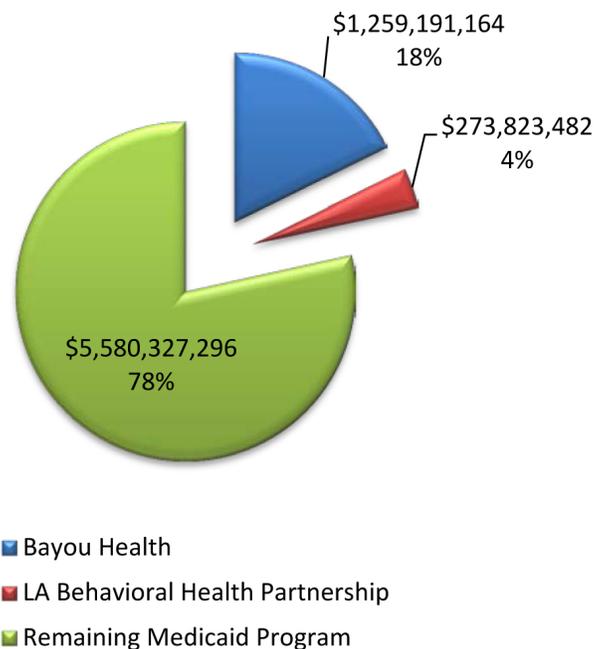
### What We Found

- **DHH failed to obtain an external quality review on the privatized state management organization (Magellan) for the Louisiana Behavioral Health Partnership.** The two-year contract for almost \$363 million with Magellan will expire on February 28, 2014, and could be extended for an additional year without DHH knowing if the contractor has substantially complied with federal regulations, state regulations, and contract requirements. The Legislative Auditor also issued a separate report in August of 2013 on this program that is available on our website.
- **Although required by the Governor's Executive Order, the Coordinated System of Care (CSoC) Governance Board, established within DHH, failed to execute a memorandum of understanding (MOU) with the Office of Juvenile Justice, the Department of Children and Family Services, and the Department of Education for behavioral health care of at-risk children.** Without the MOUs, required dollars did not flow between these agencies to fund needed services for Louisiana's at-risk children and youth with significant behavioral health challenges or related disorders. The CSoC is part of the Louisiana Behavioral Health Partnership. In 2012, with an MOU, DHH collected about \$5.6 million. In 2013, without an MOU, only about \$345,000 was collected.

Fiscal year 2013 was the first full year of implementation for two major privatizations at DHH: Bayou Health (Medicaid services) and the Louisiana Behavioral Health Partnership (state behavioral health services).

#### Louisiana Medicaid Program Actual Expenditures for Fiscal Year 2013

Source: Medicaid Financial Report - SFY 2013



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## What We Found (Cont.)

Additional findings within this management letter include:

- **In June 2013, the Legislative Auditor’s Investigative Audit Division issued a report stating “From March 27, 2007, to February 1, 2013, former DHH Fiscal Director Deborah Loper diverted checks issued to DHH totaling at least \$1,058,446 to a private bank account for personal use.** DHH’s lack of adequate internal controls over incoming mail and funds transfers appears to have allowed Ms. Loper to divert these checks to a private bank account without detection. Because Capital One Bank allowed Ms. Loper to deposit checks issued to DHH into a private bank account, Ms. Loper was able to convert these public funds for personal use.”
- **For the third consecutive year, DHH did not have an effective internal audit function.** An effective internal audit function is important to ensure that DHH’s assets are safeguarded and that management’s policies and procedures are uniformly applied.
- **Improper payments for waiver services have been reported in 11 of the last 14 audits totaling \$564,365.** For the second consecutive year, DHH paid Medicaid New Opportunities Waiver (NOW) claims for services totaling \$16,217 that were not documented in accordance with established policies. In the Plan of Correction, DHH intends to change NOW policy to provide additional “flexibility” for the provider regarding the hours noted in the approved plan of care. This weakening of controls may hurt the program, allowing excess or unused hours of care that could better be used to expand services to other needy individuals. With a waiting list for waiver services approaching 10,000 people, providers should follow the approved plan of care or notify the department that the plan of care can be changed to expand limited waiver dollars to others in need of services.
- **DHH did not seek federal approval for significant changes to its Cost Allocation Plan during fiscal year 2013.** The Cost Allocation Plan controls the flow of approximately \$100 million of administrative expenses. DHH failed to submit a new plan or plan amendments for required federal approval. The lack of approval puts these dollars at risk.
- **Seventeen Medicaid draws during the fiscal year exceeded the appropriate documentation by more than \$10,000.** Unsupported draws increases the risk for federal disallowance for which the state may be liable. DHH should have made adjustments to correct inaccurate draws through the quarterly reconciliation process. However, DHH did not consistently perform the reconciliations.
- **DHH did not make sufficient efforts to collect federal and state supplemental drug rebates as required by federal guidelines and department policy.** Collection letters totaling \$4,408,436 for the quarter ending September 30, 2012, were not mailed by the required January 2013 date, and collection letters totaling \$20,218 were still not mailed until requested by the auditors on March 12, 2013.
- **For the sixth consecutive year, DHH paid \$12,956 in claims to providers of Non-Emergency Medical Transportation for services billed to Medicaid that were not provided in accordance with established policies which, if disallowed, may need to be refunded to the federal grantor.**