

METROPOLITAN HUMAN SERVICES DISTRICT  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 24, 2014

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

September 19, 2014

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Ms. Yolanda Webb, Executive Director  
Metropolitan Human Services District

Dear Senator Alario, Representative Kleckley, and Ms. Webb:

This report provides the result of our procedures at the Metropolitan Human Services District (MHSD) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain controls that MHSD 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 decision-making process.

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

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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MHSD 2014



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Metropolitan Human Services District

September 2014

Audit Control # 80140018

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## Introduction

The primary purpose of our procedures at the Metropolitan Human Services District (MHSD) was to evaluate certain internal controls MHSD 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 MHSD is to fulfill its statutory role as the planning body for behavioral health and developmental disability services for residents of Orleans, Plaquemines, and St. Bernard parishes by ensuring that eligible residents in these parishes have access to person-centered and recovery-focused supports designed to optimize their role in the community.

## Results of Our Procedures

We evaluated MHSD'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 MHSD. Based on the documentation of MHSD's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on MHSD's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, significantly changing the way MHSD delivered services and how that service delivery was funded. Our procedures included consideration of MHSD'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.

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### Claims Filing

In the second year of LBHP operation, MHSD successfully navigated the changes required by the implementation of LBHP and routinely submitted Magellan claims through Clinical Advisor, Magellan's electronic health record system. MHSD implemented a separate electronic health record system to use for billing third-party claims and also billed these claims routinely.

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### Revenue Collection

MHSD routinely collected on the claims filed with Magellan and other third-party payers. Any previous issues with denied claims were minimized.

## Reconciliation of Revenue to Accounting and Health Records

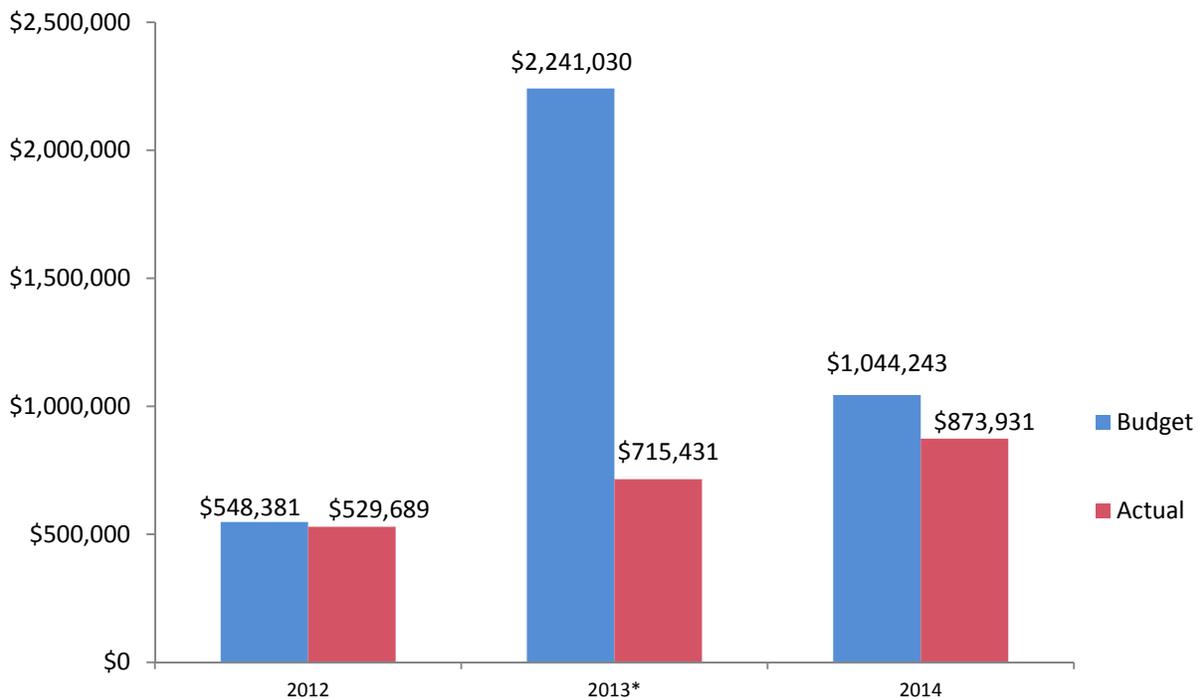
MHSD reconciled revenue collected from claims to the accounting records and to client health records with one exception. During the past year, Magellan recouped some erroneously paid claims for several of the human services district/authorities without identifying the correct district/authority from which to take the recoupments. Until these recoupments were applied to the correct district/authority by the Department of Health and Hospitals Fiscal Section, MHSD was unable to correctly apply these recoupments to client records.

## Self-Generated Revenue Budgets

MHSD did not achieve its budgeted self-generated revenue for either year under review. MHSD collected approximately 32% of its budgeted self-generated revenue for fiscal year 2013 and 84% for fiscal year 2014. While a larger percentage of budgeted self-generated revenue was collected in fiscal year 2014, MHSD voluntarily reduced its 2014 budget by approximately \$1.1 million to adjust for what it expected to collect (See Exhibit 1 below). MHSD reduced expenditures accordingly to balance the budget through certain operational efficiencies.

### Exhibit 1

#### Fees and Self-Generated Budget to Actual Revenues



\*For the budgeted self-generated revenue for fiscal year 2013, \$1,692,649 was for participation in the LBHP; \$504,138 was for a grant that was not received; and \$44,243 was for patient fees not associated with the LBHP.

Sources: ISIS Reports at June 30, 2012, June 30, 2013, and June 30, 2014

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## **Comparison of Activity Between Years**

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

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## **Other Report**

Based on our understanding of the continued transition to the Louisiana Behavioral Health Partnership and issues discussed with MHSD management during this engagement, additional procedures were performed on transition issues experienced by MHSD and four other human services district/authorities. A separate informational audit, *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.lla.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 Metropolitan Human Services District (MHSD) for the period from July 1, 2012 through June 30, 2014. Our objective was to evaluate certain internal controls MHSD 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 MHSD were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. MHSD's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated MHSD'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 MHSD.
- Based on the documentation of MHSD's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on MHSD's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, significantly changing the way MHSD delivered services and how that service delivery was funded. Our procedures included consideration of MHSD'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 compared the most current- and prior-year financial activity using the MHSD's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from MHSD management for any significant variances that could potentially indicate areas of risk.