

DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 1, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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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 office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$11.76. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3347 or Report ID No. 05801978 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

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February 9, 2006

**DEPARTMENT OF HEALTH AND HOSPITALS
BATON ROUGE MAIN OFFICE OPERATIONS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2005, we considered the Department of Health and Hospitals' (Baton Rouge Main Office Operations) internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Reports of the Department of Health and Hospitals (Baton Rouge Main Office Operations) are not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Health and Hospitals (Baton Rouge Main Office Operations) for the year ended June 30, 2004, we reported a finding relating to improper claims paid to a social work provider. That finding has been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

Noncompliance With State Movable Property Regulations

The Department of Health and Hospitals (DHH) did not maintain adequate control over movable property as prescribed by law. Louisiana Administrative Code Title 34 Part VII Section 307 (A) requires all acquisitions to be tagged and information reported to the Louisiana Property Assistance Agency (LPAA) within 60 days after receipt. Section 313 (A) requires that a complete physical inventory of the property owned by the agency be conducted not more than 12 calendar months after the last physical inventory. In

addition, efforts must be made to locate all movable property for which there is no explanation for the disappearance.

During the examination of the department's movable property items, the following deficiencies were noted:

- The five Certifications of Annual Property Inventories, submitted by the department during the fiscal year ending June 30, 2005, disclosed that the department was unable to locate movable property totaling \$294,622. Of this amount, \$152,472 was lost during the current fiscal year and \$79,157 was reported for the fourth year and therefore will be written off. Included in the value of the unlocated movable property were computers and computer-related equipment totaling \$279,203.
- During the fiscal year ending June 30, 2005, 106 items totaling \$454,937 were not reported to LPAA within the required 60 days. These items were reported to the LPAA untimely, ranging from 62 to 594 days after receipt by the department.
- The movable property inventory for the Office of Addictive Disorders (Property Number 390-81) was due January 10, 2005. However, it was not submitted until February 17, 2005, and not received by LPAA until March 11, 2005.

Although the department has policies and procedures that contain many elements of a good internal control system, these procedures are not followed uniformly. Failure to maintain an accurate movable system increases the risk of loss arising from unauthorized use and subjects the department to noncompliance with state laws and regulations. Also, the risk exists that confidential information may be improperly retrieved from the missing computers.

DHH should ensure that its movable property procedures are followed consistently and that all property is tagged and reported timely to LPAA. Additional efforts should be made to locate unlocated property and new procedures developed to better secure the property. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 1-9).

Improper Claims by Waiver Services Providers

Providers of waiver services billed the Medical Assistance Program (CFDA 93.778) for services that were not in accordance with policies established by DHH, Bureau of Community Supports and Services (BCSS). Waiver services are provided to eligible recipients under the New Opportunities Waiver (NOW), the Elderly and Disabled Adult (EDA) Waiver, and the Adult Day Health Care (ADHC) Waiver. These services include individualized and family support, personal care attendant, household support, personal supervision, and direct care in a licensed day care facility. Regulations and requirements

for the delivery of services and payment of claims for these waiver programs are established through administrative rules and policy manuals developed by BCSS.

We reviewed 336 claims, totaling \$238,247, filed by 10 providers during calendar year 2004. Errors were noted on 65 of the 336 claims tested (19.3%). The errors noted included the following:

- For eight claims, the providers did not maintain time sheets and/or progress notes to support and describe the services provided.
- For nine claims, time sheets and progress notes maintained by the providers did not agree to the units of service billed. The units of service billed exceeded the units of service worked.
- For 15 claims, the providers billed for day support when night support was actually provided. Day and/or night direct support are specified in the plan of care. Day support pays a higher rate than night support.
- For 24 claims, weekly units of service were not delivered according to the plan of care approved by BCSS. The plan of care specifies the units of service to be provided each week. In some instances, the units of service provided exceeded the weekly units specified in the plan of care, and in other instances, the units of service provided were less than the weekly units specified in the plan of care.
- For 23 claims, ADHC providers did not maintain adequate attendance documentation to support the days billed.
- For 10 claims, ADHC providers billed more days than were allowed for the month. ADHC services are provided on weekdays only.

These conditions occurred because the waiver services providers failed to follow established BCSS policies and regulations for providing services according to the plan of care and adequately documenting those services. Questioned costs are \$64,175, which include \$45,969 of federal funds and \$18,206 of state matching funds.

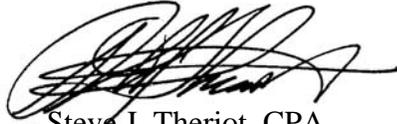
DHH management should establish, implement, and enforce adequate controls to ensure that only appropriate claims for waiver services are paid to providers. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 10-12).

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

DEPARTMENT OF HEALTH AND HOSPITALS _____

This letter is intended solely for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

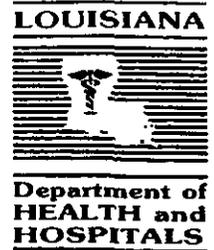
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Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D., M.P.H.
SECRETARY

September 29, 2005

Mr. Steve J. Theriot, CPA, Legislative Audit
Office of the Legislative Audit
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Reference is made to Mr. Wesley D. Gooch's, C.P.A., letter to me regarding the reportable audit finding "Noncompliance with State Movable Property Regulations".

The department concurs with the finding. The finding crossed departmental lines, therefore, please find attached each agencies' response along with their corrective action plans. The response from Developmental Disabilities Council was transmitted to your office under separate cover.

Should you have any questions regarding this matter, please advise.

Sincerely,

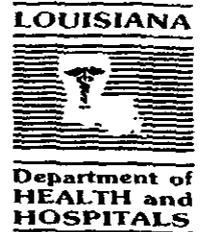
Stan Mead, Director

cc: Charles Castille
Cheryll Bowers-Stephens, M.D., MBA
Michael Duffy
Susan Dean



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D., M.P.H.
SECRETARY

September 26, 2005

MEMORANDUM

TO: Stan Mead
Director of Fiscal Management

FROM: Michael Duffy *MD*
Assistant Secretary

RE: **Audit finding for OAD**

Please find attached the corrective action plan you requested regarding the audit report for the Office for Addictive Disorders' Property Number 390-81 that was conducted by the Legislative Auditor.

If you need additional information, please contact David McCants at 225.342.2570

MD/DM/tmar

Attachments

c: David McCants

Unlocated Movable Property

Concur with the Individual Finding:

Corrective Action Plan

Steps have been taken to remove the equipment from Office of Addictive Disorders (Property Number 390-81) master listing as outlined in the regulations.

Late Submission

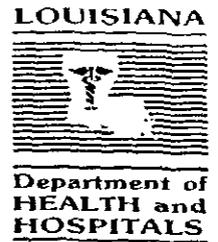
Concur with the Individual Finding:

Corrective Action Plan:

All annual inventory certification will be hand carried to LPAA on or before the due date. A back-up person has been assigned to handle all property issues in the absent of the property manager.



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Frederick P. Cerise, M.D., M.P.H.
SECRETARY

MEMORANDUM

TO: Stan Mead, Director
DHH/OM&F/Division of Fiscal Management

FROM: Susan Dean, DHH Property Manager *SDean*
DHH/Office of Management & Finance

DATE: September 26, 2005

RE: Audit Finding
Property Agency #390-03
Agency Numbers 305 & 307

In response to the audit findings regarding moveable property for the above referenced agency numbers, please accept the following explanations:

SCHEDULE OF UNLOCATED PROPERTY
Agency #305 & 307

As indicated on the Schedule of Unlocated Property for DHH/OM&F property, the figures stated on this schedule do not reflect the actual dollar amount of property reported during that particular certification year. Searching for unlocated property is a continuous job for all property control coordinators within my jurisdiction. Please see the following schedule which will confirm this statement.

Current Certification - F/Y 2004-2005

Reported Unlocated Total	\$152,472
Located Total	50,716
Remaining Unlocated Total	\$101,756

F/Y 2003-2004 (First Year)

Reported Unlocated Total	\$ 44,084
Located Total	14,985
Remaining Unlocated Total	29,126

F/Y 2002-2003 (Second Year)

Reported Unlocated Total \$ 54,751
Located Total 20,884
Remaining Unlocated Total \$ 33,867

F/Y 2001-2002 (Third Year)

Reported Unlocated Total \$ 81,283
Located Total 40,923
Remaining Unlocated Total \$ 40,360

It is my opinion that the increased missing properties for the current fiscal year (2004-2005) are a direct result of a new procedure instituted within our agency. This past inventory was the first to be taken utilizing scanners and the "Scan and Validate" system. The majority of our offices were not equipped with scanners in-house. Scanners were shared amongst offices, with each office being given a set amount of time to complete their inventory. This created a problem and most likely resulted in some of the offices rushing through their inventory and not being as thorough as they should have been. It is also possible that the Property Location Coordinators neglected to scan many items that had tags that were not visible and easily accessed by the scanner ray.

Because of the increased volume of missing property for the current fiscal year, and in an attempt to possibly recover some of the unlocated items, a letter was issued to each office (with a copy to the approving authority) requesting that they review their inventory and take the necessary action required to locate the items that had been reported missing, in addition to the previous years' unlocated items. (Copy of letter attached)

Although I am offering reasons for the missing properties, I do concur with the finding.

LATE ADDITIONS (created over 60 days after acquisition date)

All property items that were acquired on July 29, 2004 were tagged timely, but due to a clerical oversight, were not entered into the LPAA prior to the 60-day deadline. This oversight was recognized and the employee responsible for the error was counseled.

The remaining items that were not entered timely were the result of negligence on the property control coordinators located in field offices statewide. These coordinators did not return the information in the allotted time frame for our office to meet the deadline. Letters were issued to each Property Control Coordinator reiterating the DHH policy and procedures.

I do concur with the finding.

I am aware of non-compliance of state moveable property laws, namely, the volume of unlocated property and delayed tagging of new qualified property. In order to achieve compliance with the regulations and laws, memoranda is issued frequently as reminders to all property control locations, along with frequent training of newly appointed property control coordinators.

Should you have any questions or require further information, please contact me at 225-342-5702 or e-mail me at svdean@dhh.la.gov.



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Frederick P. Cerise, M.D., M.P.
SECRETARY

September 23, 2005

MEMORANDUM:

TO: Mr. Stan Mead
Director of Fiscal Management
Department of Health and Hospitals

FROM: Cheryll Bowers-Stephens, M.D., MBA
Assistant Secretary-Office of Mental Health
Department of Health and Hospitals

RE: Legislative Audit Finding

This is a response to the audit finding for fiscal year ending June 30, 2005 from the Office of Mental Health. The Office of Mental Health submitted its inventory *January 14, 2002* and reported *3 laptops* that were reported missing at that time. Listed below were the laptops that were reported unlocated.

Tag #	Item Description	Location Code	Acq. Cost
39005-000068	IBM Notebook	MIRCH Room	\$7,638.00
39005-000106	Gateway 2000 Laptop	MIRCH Room	\$5,522.00
39005-000270	Dell Laptop	MIRCH Room	\$3,796.00
Total			\$16,956.00

Since *01/14/02*, the Office of Mental Health has made every attempt to try to locate these laptops and have not been successful. Subsequently, the Office of Mental Health has taken the attached corrective action plan. (See Attached)

The Office of Mental Health recognizes the importance of maintaining an accurate inventory and concur, with the individual finding. The Office of Mental Health will continue to comply with the Department of Health and Hospitals property rules and regulations and continue to stress the importance to all OMH staff.

CBS/cpc

CORRECTIVE ACTION FOR MONITORING OF LAPTOPS

1. Effective immediately, because of the high probability of laptop displacement, a semi-annual inventory on laptops will be performed.
2. When laptops are purchased, they are tagged and are assigned to OMH staff. Our spare laptops are locked in a secure location and the key is maintained by the Property Manager.
3. It is the responsibility of OMH Information Technology Section to inform the Property Manager, Charlotte Clouatre when a laptop is assigned to an employee.
4. At that time, the employee is to complete an Employee Acceptance Responsibility Form and return it to the Property Manager for her approval. (See attached Form)
5. Semi-Annual inventory-employees are to bring the laptop to the Property Manager to inspect and at that time the employee will have to complete another Employee Acceptance Responsibility Form.
6. When employees return laptops (employee resigning, etc.): Employees are to return the laptop to the Property Manager, it is then locked in a secure location and the key is maintained by the Property Manager.



DEVELOPMENTAL DISABILITIES

Post Office Box 3455 • Baton Rouge, Louisiana 70821-3455 • 225-342-6804 (Voice & TDD)

Web Site: www.laddc.org

Member, National Association of Developmental Disabilities Councils

September 19, 2005

Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In regard to the audit report on the Louisiana Legislative auditor, the Developmental Disabilities Council responds to the following findings:

1. Noncompliance with State Movable Property Regulations – unable to locate moveable property. The Council concurs with the Finding. The Council is currently unable to locate five pieces of computer equipment with a total cost of \$13,818. The Council has been unable to locate this equipment since 2002. Every inventory assessment since 2002 has failed to locate this property. Since 2002, the Council has replaced the Office Coordinator responsible for Property Control and has insured that the incumbent Office Coordinator is well trained in the policies, procedures and requirements of Property control. The Deputy Director, David Martin is the person responsible for insuring compliance with Property Control Regulations and for securing training for personnel responsible for property control.
2. Noncompliance with State Movable Property Regulations – failure to properly tag and report acquisitions within 60 days after receipt. The Council concurs with the Finding. The Council acquired a computer on 6/14/2004, and did not report the acquisition until 11/18/2004. Since 6/14/2004, the Council has replaced the Office Coordinator responsible for Property Control and has insured that the incumbent Office Coordinator is well trained in the policies, procedures and requirements of Property control. Since 2004 the Council has complied with the tagging and reporting requirements. The Deputy Director, David Martin is the person responsible for insuring compliance with Property Control Regulations and for securing training for personnel responsible for property control.

If there are any other questions or concerns, please contact me at 342-6804.

Sincerely,

Sandee Winchell
Executive Director

cc: Stan Mead



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Frederick P. Cerise, M.D., M.P.H.
SECRETARY

January 5, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

Re: Single Audit Finding – Improper Claims by Waiver Services Providers

Please accept this letter as a response to the Legislative Auditor finding regarding Improper Claims by Waiver Services Providers. It is our understanding that the Legislative Auditor found claims billed by providers of waiver services for services that were not in accordance with policies established by the Department of Health and Hospitals (DHH).

We concur with the finding.

The “Home and Community Based Services (HCBS) Waiver Program Standards for Participation” require providers to maintain documentation of services rendered as per the approved comprehensive plan of care (CPOC). In addition, the provider is required to maintain documentation of the day-to-day activities of the recipient (service logs and progress notes). These requirements are reinforced in Provider Enrollment Orientation and periodically thereafter. Biannual monitoring reviews of at least 2.5% of participant populations are conducted consisting of case record reviews at case management agencies, staff interviews, home visits and interviews with the recipient/family or guardian, interviews with direct care staff, and record review and staff interviews at the service provider agencies. Also, service providers undergo annual licensing reviews by the Department of Social Services (DSS).

Background Information

Senate Concurrent Resolution 41 of Governor Blanco’s Health Care Reform initiative calls for the DHH to plan for implementing an Office for Elderly Long Term Care Services that has administrative, programmatic, budgetary, and policy development authority over the complete array of Medicaid-funded long-term care services for older adults and adults with disabilities.

Mr. Steve J. Theriot, CPA
January 5, 2006
Page 2 of 3

On November 1, 2005, as a result of Governor Blanco's Health Care Reform initiative, the Bureau of Community Supports and Services (BCSS) was restructured and became the Division of Long Term Supports and Services (DLTSS). As such, some functions and programs were changed. DLTSS is now programmatically responsible for the Elderly/Disabled Adult (EDA) Waiver, Adult Day Health Care (ADHC) Waiver, Long-Term Personal Care Services (LT-PCS), Support Coordination Services – HIV, development of a Medicaid Assisted Living Waiver service, and Program of All-Inclusive Care for the Elderly (PACE). The Children's Choice (CC) and New Opportunities Waivers (NOW) are now administered by the Office for Citizens with Developmental Disabilities (OCDD).

HB 528 transfers licensing authority for providers of LTC services from the DSS to the Health Standards Section (HSS) within the DHH. To reduce fragmentation and consolidate functions, HSS is now responsible for conducting the monitoring function of waiver providers, previously a responsibility of BCSS. In addition, to meet the objective of improving the efficiency and effectiveness of licensing long term care providers, the licensing regulations are undergoing review. This review will ultimately serve to streamline standards and assure consistency with federal and state statutory requirements and to ensure that they support the vision, values, and guiding principles of the Louisiana LTC services system.

Corrective Action

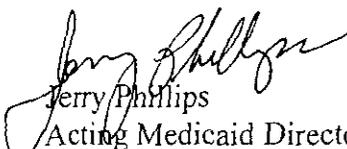
In view of these dynamic changes, DLTSS recognizes that corrective action for the deficient claims will be a collaborative effort to include OCDD and HSS. Therefore, we will work jointly to collect all improperly paid funds and to accomplish the following:

- Develop an integrated database for tracking audit findings and aberrant/irregular/improper provider billing practices.
- Reinforce provider compliance with documentation and billing practices through training, technical assistance, and agency memoranda.
- Incorporate robust sanctioning actions/authority in the licensing standards (HSS).
- Enforce sanctions fully and fairly (HSS).
- Ensure that monitoring procedures in each region are standardized and implemented in a uniform manner.
- Ensure that monitoring samples are representative and non-duplicative.
- Obtain Plans of Correction from the service providers with deficient claims which state that monies collected on invalid billings as identified will be reimbursed to the department.

Mr. Steve J. Theriot, CPA
January 5, 2006
Page 3 of 3

For the most part, these corrective actions are of an ongoing nature and will require significant time to implement because the rule-making process will be involved. As we progress with these actions, we will keep you informed. The person responsible for the corrective action is Gay Pinsonat and her telephone number is (225) 219-0212. Please contact her if you need any additional information.

Sincerely,


Jerry Phillips
Acting Medicaid Director

JP:GP