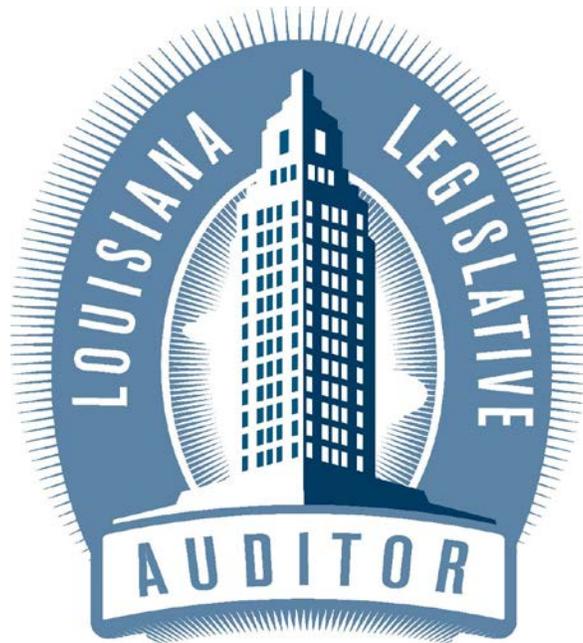


IMPERIAL CALCASIEU HUMAN SERVICES AUTHORITY  
DEPARTMENT OF HEALTH AND HOSPITALS  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED MAY 13, 2015

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

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and at the office of the parish clerk of court.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.75. 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 website at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 10836 or Report ID No. 80150046 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 Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

May 13, 2015

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Mrs. Tanya McGee, Executive Director  
Imperial Calcasieu Human Services Authority

Dear Senator Alario, Representative Kleckley, and Mrs. McGee:

This report provides the result of our procedures at the Imperial Calcasieu Human Services Authority (ImCal) for the period from July 1, 2013, through April 28, 2015. Our objective was to evaluate certain controls that ImCal uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. I hope this report will benefit you in your legislative decision-making process and business operations.

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

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

KDD:BH:WG:EFS:aa

IMCAL 2015



---

# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Imperial Calcasieu Human Services Authority

May 2015

Audit Control # 80150046

---

### Introduction

The primary purpose of our procedures at Imperial Calcasieu Human Services Authority (ImCal) was to evaluate certain internal controls ImCal uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The mission of ImCal is that all citizens with mental health issues, addictions, and developmental challenges residing in southwest Louisiana are empowered, and self-determination is valued such that individuals live a satisfying, hopeful, and contributing life. For more information on ImCal's services, see Appendix C.

On March 2, 2012, prior to the creation of ImCal, the Department of Health and Hospitals (DHH) launched the Louisiana Behavioral Health Partnership (LBHP) using a private contractor, Magellan Health Services (Magellan), as the state managing organization for all behavioral health programs. ImCal was established July 1, 2013, operating under the oversight of DHH. When ImCal began full operations on July 1, 2014, continuing transition issues attributable to the LBHP impacted the delivery of services and how those services were funded. Prior to the creation of ImCal, the services were provided as a regional office of DHH.

We evaluated ImCal'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 ImCal. Based on the documentation of ImCal's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on ImCal's participation in LBHP.

Our procedures included consideration of continuing transition issues including: ImCal's ability to deliver services and file claims with Magellan and other third-party payers; collection on the claims filed; reconciliation of revenue collections to accounting records and client health records; and achievement of 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, nonpayroll expenditures, and payroll expenditures. We will address the transition issues and the other procedures separately. For the transition issues considered, we will provide recommendations to ImCal management as appropriate.

Management's response is included in Appendix A. Our Scope and Methodology is in Appendix B.

## Results of Our Procedures

### Eligibility Determination

The 1915(i) Medicaid state plan waiver provides for coverage under the Medicaid State Plan for certain adults in need of behavioral health services. To be covered for behavioral health services provided under the Medicaid 1915(i) waiver, clients must be certified and periodically recertified through a third-party assessment. Magellan subcontracted with Pathways to perform the independent assessment function. Certification and recertification for this 1915(i) waiver is based on criteria such as age, income, and need. The time it takes for a Pathways assessor to meet with a patient for a clinical assessment varies. According to ImCal, there is only one assessor to serve the region, and the assessor serves ImCal and the private entities in the region.

Factors influencing the timing of assessments include the service needs of the client and availability of Pathways' assessors, but assessors are mandated by contract to see referrals from inpatient psychiatric settings within 72 hours of discharge and routine outpatient referrals within two weeks of the referral. Most clients referred by the ImCal clinic staff are given an appointment with the Pathways assessor within 30 days of the request for a 1915(i) assessment. According to ImCal, the eligibility process from assessment to approval by Medicaid takes approximately 60-90 days. This 60- to 90-day delay before providing needed services for this at-risk population could increase the burden of seeking treatment or deter them from treatment altogether. During this time, the Medicaid state plan allows ImCal to provide limited services to the individual through six 'pass-through' appointments and 12 medication management consultations for mental health and 24 'pass-through' appointments for substance abuse.

Re-certifications are required every 12 months from the time initial eligibility was approved. Pathways has indicated to ImCal that they need a 60-day notice on upcoming re-certifications that are needed. This puts additional administrative burdens on ImCal to review client accounts and determine who will need a re-certification and when.

In addition, ImCal was unaware of the 1915(i)-Only waiver program for individuals who do not qualify for full Medicaid coverage due to the financial qualifications but need the behavioral health services that are normally covered under a 1915(i) waiver. In these instances, an independent clinical assessment must be performed. If the individual meets the clinical level of need criteria, the financial requirement is reviewed again but with a spouse's income removed for the determination. The individual may then be determined to be 1915(i)-Only eligible and Medicaid would pay for only the specific 1915(i) waiver behavioral health services that the client needs. Per ImCal management, DHH failed to provide sufficient information to ImCal for the proper handling of these 1915(i)-Only waivers.

**Recommendation:** ImCal should work closely with DHH and Magellan to ensure that the 1915(i) eligibility determinations can be completed timely. For the delay caused by lack of capacity by Pathways, ImCal should request that both DHH and Magellan instruct Pathways to consider increasing capacity.

---

## Qualified Medicare Beneficiary Plus Claims

ImCal is not billing Medicaid for individuals enrolled in Medicare and eligible for Medicaid as co-insurance. For Medicaid to pay the co-insurance, a modifier is required because of the nature of the procedures codes. However, Medicare will not pay its share if the claim contains the modifier. Currently, ImCal is billing Medicare but not billing Medicaid for the co-insurance claim. To bill both, ImCal must electronically file the Medicare claim without a modifier, then once the payment and explanation of benefits is received manually file the Medicaid claim, adding the required modifier.

ImCal is working with its electronic health record service company for a solution. There is a risk that the solution may not be determined or implemented timely enough for ImCal to meet the required filing limitations for claims with Medicaid, which is six months from the receipt of the explanation of benefits from Medicare. According to ImCal, there are approximately 150 claims that fall into this population at this time.

**Recommendation:** Even though Medicaid co-insurance payments may be small, ImCal should continue working with its system vendor to find an effective and efficient solution. ImCal should also work with DHH and any other districts/authorities that use the same system to develop a solution. With tight funding and routine budget cuts, ImCal should work to maximize any billings and collections.

---

## Reconciliation of Medicaid Revenues to Accounting and Health Records

In the authority's first year of full operation, ImCal experienced difficulties with the Magellan system of payment. ImCal is working on developing processes for reconciliation, but reconciliation of claims collections to accounting records and client files has not been completed. ImCal noted various reasons, including: (1) the Magellan check registers lack detailed patient information related to claims paid and other claims information; (2) a lack of instruction, guidance, or training from DHH; and (3) unexplained recoupments of funds by Magellan.

Magellan makes recoupment of claim payments from ImCal's deposits for various reasons without identification by patient, claim reference, or explanation for the recoupments. In addition, check registers are not received timely from Magellan. For example, as of February 6, 2015, the latest check register received was for December 7-13, 2014.

Despite needed improvements in Magellan information to assist ImCal in the reconciliation process, we were able to reconcile the Magellan payments received to the patient records. While timely reconciliation is difficult, reconciliations to the accounting records and client records are possible.

**Recommendation:** ImCal should work diligently with DHH and Magellan to gain the understanding of Magellan remittance information to reconcile Magellan payments to

accounting records and client records. Reliable reconciliation processes are part of effective internal control that ImCal needs to ensure accurate and timely financial reporting.

---

## Reconciliation of Other Revenues to Accounting Records

Self-generated revenues collected by ImCal for private-pay patient fees, insurance payments, and medical record fees are submitted to the State Treasurer through DHH Fiscal. ImCal has been unable to perform reconciliations of the amounts sent to DHH for deposit into the ImCal state treasury account to what is recorded by DHH Fiscal in the accounting system by budget code. Per ImCal management, ImCal has been unsuccessful in obtaining assistance from DHH Fiscal to run reports in the accounting system and obtain detail necessary to identify proper coding.

**Recommendation:** ImCal should work with DHH Fiscal to gain information and access needed to accomplish timely and accurate reconciliations.

---

## Collection of Accounts Receivable

ImCal does not have adequate procedures in place for tracking and collecting accounts receivable. In a review of accounts receivable, we noted the following deficiencies:

- ImCal has no report that provides a complete listing of accounts receivable, including dates of claims and aging of the balances. Therefore, it is unable to effectively monitor and attempt to collect on outstanding receivables.
- Private-pay patients are not timely or consistently billed because ImCal is unable to bill these balances through their system. The biller must run a patient balance report, manually determine the individual's account balance, and manually force the information into a statement. Because of the time involved and the difficulty to perform private-pay billing, these billings are not performed on a set schedule or timeframe, resulting in incomplete billings.

Failure to perform adequate collections procedures increases the risk that delinquent accounts will become uncollectible and may impair ImCal's ability to fund its ongoing operations. ImCal has no contract in place to send uncollectable accounts to a collection agency; however, it is currently working on contracting with a private entity.

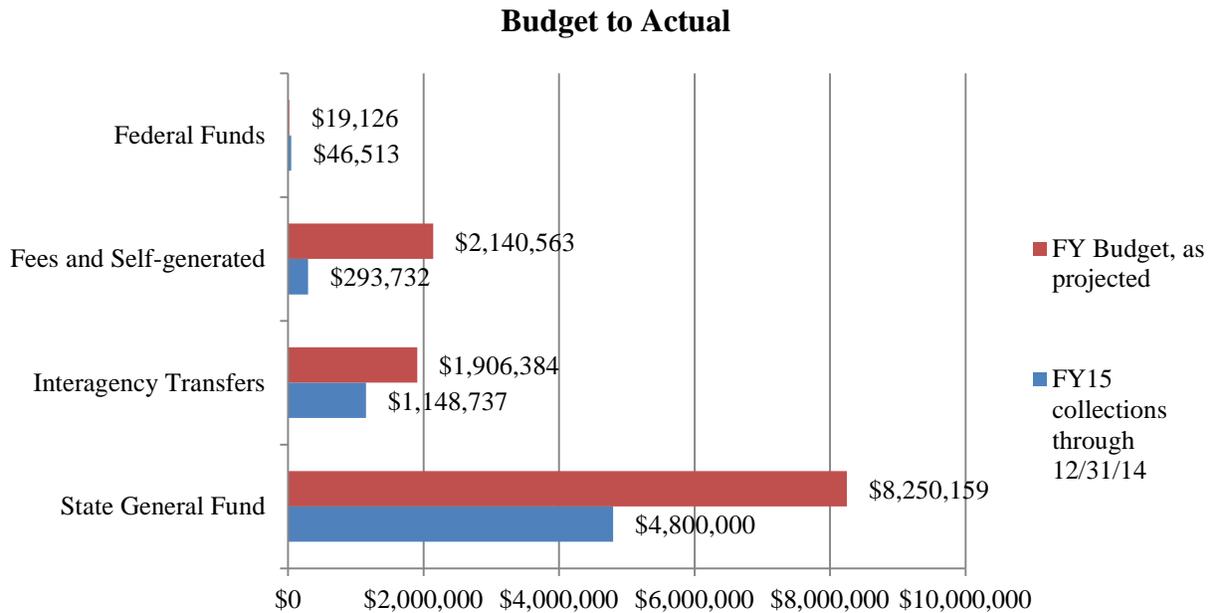
Due to issues with the electronic billing system provided by Magellan, ImCal purchased its own electronic health records system. However, ImCal's system is not properly designed or being effectively used to ensure sufficient tracking, billing, and monitoring of accounts receivable. At the time of our review, ImCal had been using the new system for a year and three months.

**Recommendation:** ImCal should work diligently with the system vendor and any management of other district/authorities who use the same system to design and implement effective internal controls over accounts receivable. Considering the tight budgets and routine budget cuts, ImCal should make every effort to maximize collections.

### Meeting Self-generated Revenue Budgets

Since ImCal is in its first year of operation, management expresses concern about the authority being able to meet the self-generated revenue budget set forth for the fiscal year ended June 30, 2015. In analyzing the revenues received through December 31, 2014, it appears ImCal will not successfully meet its self-generated budget. ImCal had only collected approximately 14% of its annual fiscal year 2015 budget through December 31, 2014. ImCal does not set its own budget for self-generated revenue; the budget was determined by DHH. In the breakdown, fees and self-generated revenue includes Medicaid, third-party insurance, and private-pay patient revenues.

The inability to meet the self-generated revenue budget essentially becomes budget cuts for ImCal that could negatively impact the delivery of needed services.



Source: 2015 Budget and ISIS Transaction Detail

**Recommendation:** ImCal management should work closely with DHH to ensure self-generated revenue budgets are reasonable and obtainable.

## Other Procedures Performed

---

### Cash Receipts for Fees

Because of increased risk due to fiscal year 2015 being ImCal's first year of operation, we performed procedures to ensure controls were in place and operating over cash receipts. For clients that are not insured and do not qualify for free care under programs administered by ImCal, the authority collects fees for the services delivered. These fees are collected at each of the clinics operated by ImCal. Our procedures determined that ImCal has 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

ImCal took ownership on July 1, 2014, of all the movable property that had previously been accounted for by the regional offices of DHH. Located throughout ImCal's clinics and administrative offices, ImCal owns more than 260 items of movable property with original costs of approximately \$681,900. Our procedures determined that ImCal has policies and procedures and adequate controls over property to safeguard assets, certify annual inventory, timely tag and report new acquisitions, and properly dispose of items as directed by the Louisiana Property Assistance Agency.

---

### Non-payroll Expenditures

Because of increased risk due to fiscal year 2015 being ImCal's first year of operation, we performed procedures on non-payroll expenditures to ensure controls were in place and operating. Our procedures determined that ImCal has policies and procedures and adequate controls to process non-payroll expenditures, maintain documentation to support financial reporting of non-payroll expenditures, and to follow state regulations applicable to ImCal.

However, there was an issue with the coding of expenditures by DHH which ImCal management needs to work with the DHH Fiscal Director on to ensure that expenses are coded correctly in the state accounting system. Some transactions go directly to DHH for payment, and ImCal is not included in the decision for how expenditures are coded in the accounting system until an error is noted during ImCal's budget monitoring process. For example, the monthly expenditure for network services have been set by DHH to post to expenditure codes that ImCal allocates no budget funds to, so each month ImCal must notify DHH to correct the coding of the expense to the proper expenditure code. According to ImCal, there is a large percentage of errors and ImCal has made several attempts to have DHH correct the errors. These errors cause inefficiencies in ImCal's work flow and could cause inaccurate financial reporting.

---

## **Payroll Expenditures**

Because payroll expenditures are the largest expense and this is ImCal's first year of operation, we performed procedures to ensure controls were in place and operating. Our procedures determined that ImCal had policies and procedures and adequate controls to maintain human resources records, maintain documentation to support financial reporting of payroll expenditures, and follow state regulations issued by the Office of Statewide Uniform Payroll.

---

## **Distribution**

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



## **APPENDIX A: MANAGEMENT'S RESPONSE**





*Imperial Calcasieu*  
HUMAN SERVICES AUTHORITY

*Building Strength in Our Community*

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Post Office Box 94397,  
Baton Rouge, Louisiana 70804

April 14, 2015

Dear Mr. Purpera,

Please accept this official response to the draft Imperial Calcasieu Human Service Authority legislative report submitted by your office via email on April 1, 2015. We are grateful for the opportunity to respond. Overall, ImCal HSA agrees with all the recommendations included in this report and offers the following comments and plans of action:

Regarding the reconciliation of Medicaid and other revenues, ImCal has been working with DHH and the auditor team to revise internal processes related to the reconciliation of remittance information to bank statements and ImCal's Electronic Health Record (EHR). We are now able to reconcile 100% of all Magellan payments and recoupments through our bank statement and client record. In addition, ImCal has sought assistance from Acadiana Area HSD and DHH to ensure we have access to the appropriate revenue reports to be able to reconcile other revenues by coding back to ImCal's budget. The ImCal accountant now routinely runs these reports and reconciles the coding applied by DHH to the monthly closings generated by ImCal.

We strongly agree with the auditors' recommendation to strengthen our accounts receivable program. ImCal had initially utilized the DHH/OBH-supported Online Accounts Receivable System (OARS). DHH recently shut down the OARS program, and ImCal learned in the course of this audit that DHH would not be replacing OARS with any accounts receivable program. ImCal is now working closely with our EHR vendor to find an accounts receivable program to purchase in order to perform the billing, tracking, and collections of all patient accounts.

ImCal will continue to work closely with DHH regarding reduction of the over-inflated self-generated revenue target and the continued provision of adequate funding to maintain services. In addition, ImCal will continue to work with DHH, OBH, Magellan and the Bayou Heath plans in determining client eligibility for 1915i waiver services and Medicaid billing in order to ensure clients have timely access to care and revenue streams are maximized.

I would to thank the auditing team for their assistance during this process. The ImCal HSA Executive Management Team learned a great deal from their expertise.

Sincerely,

Tanya M. McGee,  
Executive Director

cc: Douglas L. Hebert, Jr., ImCal HSA Board Chair



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at Imperial Calcasieu Human Services Authority (ImCal) for the period from July 1, 2013, through April 28, 2015. Our objective was to evaluate certain internal controls ImCal uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over 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 for ImCal were not audited or reviewed by us, and accordingly, we do not express an opinion on those reports. ImCal's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions. We performed the following procedures:

- We evaluated ImCal'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 ImCal.
- Based on the documentation of ImCal's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions focusing on ImCal's participation in the Louisiana Behavioral Health Partnership (LBHP). The LBHP launched on March 1, 2012, prior to the creation of ImCal. When ImCal began operations on July 1, 2014, the partnership significantly impacted the delivery of services and how that service delivery was funded. Our procedures included consideration of ImCal's ability to provide services; 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, non-payroll expenditures, and payroll expenditures.
- We compared the most current and prior-year financial activity using ImCal's system-generated reports to identify trends and obtained explanations from ImCal management for any significant variances that could potentially indicate areas of risk. Management's explanations were reasonable.

The purpose of this report is solely to describe the scope of our work at ImCal and not to provide an opinion on the effectiveness of the ImCal'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.



## APPENDIX C: BACKGROUND

ImCal's primary focus is to increase public awareness and provide access for individuals with behavioral health and developmental disabilities to integrated community-based services while also promoting wellness, recovery, and independence through education and the choice of a broad range of programmatic and community resources.

ImCal's continuum of care includes a wide range of levels of care and services to the residents of Allen, Beauregard, Calcasieu, Cameron, and Jefferson Davis parishes. ImCal operates three outpatient behavioral health clinics, two behavioral health outreach clinics, and the Developmental Disabilities Divisional Office which serves as the single point of entry for the five-parish service areas into the developmental disability services system.

ImCal's behavioral health clinics and its contracted service providers served 3,869 adults and 3,369 children between July 2014 and December 2014. The clinics provide services such as individual, group, and family therapy; intensive outpatient treatment; psychiatric evaluations, psychosocial evaluations, medication management, support services, and support groups; aftercare services to patients stepping down from more intense levels of care such as inpatient rehabilitation, crisis intervention, drug screens, and education on a variety of topics; and comprehensive transition and discharge planning for ongoing treatment or recovery support. They also contract for services to be provided such as mental health court case management, a crisis phone line, outpatient gambling treatment program, an inpatient substance abuse program, a community-based outpatient treatment program, an intensive outpatient treatment program for persons with addictive disorders, pharmacy services, crisis stabilization and intervention services for children and adolescents, nurturing parenting programs, functional family therapy, and prevention programs.

The Developmental Disability Divisional Office of ImCal served 1,079 adults and 405 children between July 2014 and December 2014. This divisional office provides an array of community- and home-based services such as a flexible family fund, supported independent living, Children's Choice Waiver program, New Opportunities Waiver program, support waiver program, Residential Options Waiver program, and support coordination including the coordination and referral of individuals to residential programs with active treatment services and supports in a 24-hour residential setting.