

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



MANAGEMENT LETTER
ISSUED MARCH 19, 2008

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

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LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT
PAUL E. PENDAS, 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 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 \$15.96. 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. 07501927 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.



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 1, 2008

**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, 2007, 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 Report of the Department of Health and Hospitals (Baton Rouge Main Office Operations) is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. 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, 2006, we reported findings relating to improper claims by waiver services providers, duplicate claims paid to case management providers, improper claims by non-emergency transportation service providers, improper claims by long term personal care service providers, ineffective Medicaid eligibility quality control system, failure to maintain adequate third-party liability documentation, and inadequate conversion to electronic case records for Medicaid eligibility. The findings relating to duplicate claims paid to case management providers, improper claims by non-emergency transportation services providers, improper claims by long term personal case service providers, failure to maintain adequate third-party liability documentation, and inadequate conversion to electronic case records for Medicaid eligibility have been resolved by management. The findings related to improper claims by waiver services providers and ineffective Medicaid eligibility quality control system are addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All 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, 2007.

Improper Claims by Waiver Services Providers

The Department of Health and Hospitals (DHH) paid providers of waiver services in the Medical Assistance Program (CFDA 93.778) for services that were not in accordance with departmental policies. Waiver services are provided to eligible recipients under the New Opportunities Waiver, the Elderly and Disabled Adult Waiver, and the Supports Waiver. These services include individualized and family supports, personal care attendant, household supports, personal supervision, and supported employment. 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 DHH. These regulations include developing a comprehensive plan of care, providing services consistent with the approved comprehensive plan of care, maintaining adequate documentation to support services billed, and filing progress summaries as required.

We reviewed 477 claims, totaling \$291,276, filed by seven providers for 45 recipients during calendar year 2006. Errors were noted on 135 of the 477 claims tested (28.3%). We noted the following errors:

- For 105 claims, weekly hours of service were not delivered according to the plan of care approved by DHH. The plan of care specifies the units of service to be provided each week. The recipient record did not contain documentation as to why the services were not provided according to the plan of care.
- For 40 claims, the providers did not maintain time sheets, progress notes, and/or logs to support and describe the services provided and the units of service billed.
- For 11 claims, the comprehensive plan of care was not present in the recipient record.
- Monthly progress summaries were not prepared for 21 of 35 recipient records that required monthly progress summaries.
- Quarterly progress summaries were not prepared for 15 of 35 recipient records that required quarterly progress summaries.

The waiver services providers failed to follow established DHH policies and regulations for providing services according to the plan of care and adequately documenting those services. Questioned costs are \$2,619, which include \$1,825 of federal funds and \$794 of state matching funds.

DHH should establish, implement, and enforce adequate controls to ensure that only appropriate claims for waiver services are paid to providers in accordance with departmental policies and federal regulations. Management concurred in part with the finding and outlined corrective action (see Appendix A, pages 1-7).

Ineffective Medicaid Eligibility Quality Control System

For the second consecutive year, DHH did not operate its Medicaid Eligibility Quality Control (MEQC) system in accordance with the guidelines approved by the Centers for Medicare and Medicaid Services (CMS). States are required to operate a MEQC system that redetermines eligibility for individual sampled cases of beneficiary eligibility made by state Medicaid agencies or their designees in accordance with the requirements in 42 CFR 431.800 through 431.865. DHH is operating a MEQC pilot project approved by CMS that allows the department to perform targeted or focused reviews. The pilot project requires DHH to perform 220 reviews each month. DHH policy for MEQC requires that reviews be completed within 45 days after the review sample has been identified.

The MEQC section did not perform any reviews for three months (March, April, and May 2007). In a test of 60 cases assigned for MEQC review, in months where some reviews were performed, test results disclosed that 28 of the 60 cases (47%) were not reviewed within the 45 days normally allowed. Reviews were completed 78 to 278 days late.

Although DHH is required to operate a MEQC system, the department failed to assign sufficient personnel to perform the reviews required by the system. For example, during the period from March 2007 through May 2007, the department did not have anyone performing the MEQC system reviews. Failure to operate the MEQC system in accordance with the approved MEQC pilot project results in noncompliance with federal regulations and may allow incorrect eligibility determinations to go undetected. Therefore, payments may be made for recipients who are not Medicaid eligible.

DHH should ensure that eligibility reviews are performed in accordance with the approved pilot project for the MEQC system and should include assigning sufficient personnel to perform all required reviews timely. Management concurred with the finding and outlined corrective action (see Appendix A, pages 8-9).

Noncompliance With State Movable Property Regulations

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 items for which there are no explanations for their disappearance.

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

- The 25 Certifications of Annual Property Inventories, submitted by the department during the fiscal year ending June 30, 2007, disclosed that the department was unable to locate movable property costing \$468,192. Of this amount, \$196,992 was lost during the current fiscal year and \$38,034 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 \$428,070 (91%).
- During the fiscal year ending June 30, 2007, 68 items totaling \$380,114 were not reported to LPAA within the required 60 days. These items were reported to LPAA untimely, ranging from 63 and 244 days after receipt by the department.

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 property 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 retrieved improperly 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 should be developed to better secure the property. Management concurred with the finding and outlined corrective action (see Appendix A, page 10).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, 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 compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the department and its management, others within the entity, and the Louisiana Legislature 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,



Steve J. Theriot, CPA
Legislative Auditor

JES:WDG:PEP:sr

DHH07

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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



Roxane A. Townsend, M.D.
SECRETARY

November 20, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

The Department of Health and Hospitals (DHH) provides the following in response the findings noted in your letter dated November 5, 2007. We understand that this audit is still in draft until the audit is completed.

Improper Claims by Waiver Service Providers

Finding: Failure to deliver weekly hours of service according to the approved plan of care

DHH concurs in part with this finding: Waiver participants must have flexibility built into the waiver service delivery process. Current policy allows flexibility through the development of an alternate schedule included in the CPOC. The prior authorization is issued by DHH for these services on a quarterly basis to allow for this flexibility. It is expected that there are circumstances that exist which make delivery of the weekly service hours impractical or impossible, however, DHH agrees that if the flexibility is not in the alternate schedule, that appropriate documentation should exist in the recipient recorded explaining the deviation in the schedule.

Corrective action plan: DHH will continue to reinforce provider compliance with documentation requirements through training and technical assistance.

DHH action to be taken:

- 1) Review all policy to determine if revisions are needed.
- 2) Issue letters to providers with errors noted in this category requiring plans of correction.
- 3) Require the providers who were found to be out of compliance to attend training provided by the Program Office(s).
- 4) Review all records identified in the audit and take appropriate action. If the number of service hours delivered are consistently less than the hours scheduled on the CPOC, the participant's team with regional office representation will meet and assure the individuals' health and safety needs are being met.

- 5) If the participant's health and safety is not in question, DHH will ask the appropriate regional office to meet with the participant's family and support coordination to revise the participant's CPOC to more adequately reflect the participant's assessed needs.
- 6) If the number of service hours delivered are greater than the hours on the CPOC schedule, then a determination must be made to see if the CPOC adequately addresses the participant's needs. The waiver cannot pay for services delivered outside of an approved CPOC (which includes any approved revision).
- 7) If the CPOC is accurate, then the provider must provide appropriate documentation as to why the CPOC schedule is not followed.
- 8) If there is suspicion of fraudulent activities or abuse, referral will be made to the Medicaid Waiver Compliance Section for notification to the appropriate entity.

Anticipated completion date is February 15, 2008.

Contacts: NOW Provider Letters: Jean Melanson
 NOW Provider Audits: Charles Ayles
 EDA Provider Letters: Susan Robinson

Providers who fail to return monies owed will be referred to DHH Program Integrity for recoupment.

Anticipated completion of corrective action if referral to Program Integrity is initiated is June 30, 2008. This is subject to change depending on appeals and/or other action by the provider.

Contacts: Joe Kopsa
 Lori Stephens

If you have any additional questions or concerns, please feel free to contact Randy Davidson at 225342-4818.

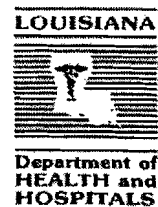
Sincerely,


Jerry Phillips
Medicaid Director

JLP/jm



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

Roxane A. Townsend, M.D.
SECRETARY

November 20, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

The Department of Health and Hospitals (DHH) provides the following in response the findings noted in your letter dated November 5, 2007. We understand that this audit is still in draft until the audit is completed.

Improper Claims by Waiver Service Providers

Finding: Monthly progress summaries were not prepared

DHH concurs with the requirement that "Home and Community Based Services (HCBS) Waiver Program Standards for Participation" requires providers to prepare monthly and/or quarterly progress summaries. This requirement is set forth in the waiver policy manuals.

Corrective action plan: DHH will continue to reinforce provider compliance with documentation requirements through training and technical assistance.

Action taken: Memorandum was issued on August 27, 2007 of mandatory provider training that was conducted by Unisys, the Medicaid Fiscal Intermediary, during the period September 11, 2007 and October 4, 2007.

DHH action to be taken:

- 1) Review all policy to determine if revisions are needed.
- 2) Issue letters to providers with errors noted in this category requiring plans of correction.
- 3) Review all records identified in the audit and take appropriate action.

Anticipated completion of corrective actions is March 15, 2008.

Contacts: NOW Provider Letters: Jean Melanson
 NOW Provider Audits: Charles Ayles
 EDA Provider Letters: Susan Robinson

If you have any additional questions or concerns, please feel free to contact Randy Davidson at 225-342-4818.

Sincerely,

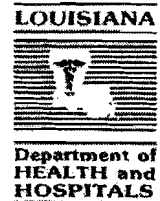
Jerry Phillips
Medicaid Director

JLP/jm



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS



Roxane A. Townsend, M.D.
SECRETARY

November 20, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

The Department of Health and Hospitals (DHH) provides the following in response the findings noted in your letter dated November 5, 2007. We understand that this audit is still in draft until the audit is completed.

Improper Claims by Waiver Service Providers

Finding: Quarterly progress summaries were not prepared.

DHH concurs that the "Home and Community Based Services (HCBS) Waiver Program Standards for Participation" requires providers to prepare monthly and/or quarterly progress summaries. This requirement is set forth in the waiver policy manuals.

DHH Corrective action plan: Continue to reinforce provider compliance with documentation requirements through training and technical assistance.

Action taken: Memorandum was issued by DHH on August 27, 2007 of mandatory provider training to be conducted by Unisys, the Medicaid Fiscal Intermediary, during the period of September 11, 2007 and October 4, 2007. These trainings were conducted in various locations throughout the state.

DHH action to be taken:

- 1) Review all policy to determine if revisions are needed.
- 2) Issue letters to providers with errors noted in this category requiring plans of correction.
- 3) Review all records identified in the audit and take appropriation action.

Anticipated completion of corrective action is March 15, 2008.

Contacts: NOW Provider Letters: Jean Melanson
NOW Provider Audits: Charles Ayles
EDA Provider Letters: Susan Robinson

If you have any additional questions or concerns, please feel free to contact Randy Davidson at 225-342-4818.

Sincerely,

Jerry Phillips
Medicaid Provider

JP:ilm



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Roxane A. Townsend, M.D.
SECRETARY

November 20, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

The Department of Health and Hospitals (DHH) provides the following in response the findings noted in your letter dated November 5, 2007. We understand that this audit is still in draft until the audit is completed.

Improper Claims by Waiver Service Providers

Finding: CPOC was not present in the recipient record.

DHH agrees that the CPOC must be maintained in the recipient record.

Corrective Action Plan: DHH will notify the direct service provider cited in the audit of this deficiency and the relevant policy requirements and require that appropriate corrective action be taken.

Anticipated completion date of corrective action is December 7, 2007.

Contact: Jean Melanson

DHH will Review the records identified in the audit to insure that the current and approved CPOC is present and will take appropriate action as necessary.

Anticipated completion date of the above corrective action is March 15, 2008.

Contact: Charles Ayles

If you have additional questions or concerns please feel free to contact Randy Davidson at 225-342-4818.

Sincerely,

Jerry Phillips
Medicaid Director

JLP/jm



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Roxane A. Townsend, M.D.
SECRETARY

November 20, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

The Department of Health and Hospitals (DHH) provides the following in response the findings noted in your letter dated November 5, 2007. We understand that this audit is still in draft until the audit is completed.

Improper Claims by Waiver Service Providers

Finding: Providers did not maintain time sheets, progress notes, and/or logs to support services provided and billed.

DHH concurs with the requirement that "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. Additionally the providers are required to maintain documentation of the day-to-day activities of the recipient (progress notes).

Corrective action plan: DHH will continue to reinforce provider compliance with documentation requirements through training and technical assistance.

Action taken: Memorandum was issued on August 27, 2007 of mandatory provider training that was conducted by Unisys, the Medicaid Fiscal Intermediary, during the period September 11, 2007 and October 4, 2007. DHH readily provides technical assistance and providers are encouraged to call DHH or its contractors if any questions concerning documentation requirements or billing issues arise.

DHH action to be taken:

- 1) Review all policies to determine if revisions are needed.
- 2) Issue letters to providers with errors noted in this category requesting plans of correction.
- 3) Require the providers who were found to be out of compliance to attend training provided by the Program Office(s).

Steve Teriot, CPA
November 20, 2007
Page 2

4) Review all records cited in the audit and take appropriate action.

Anticipated completion of corrective action to send letters and review records is March 15, 2008.

Contacts: NOW Provider Letters: Jean Melanson
 NOW Provider Audits: Charles Ayles
 EDA Provider Letters: Susan Robinson

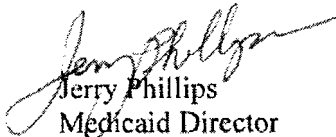
Providers who fail to return monies owed will be referred to DHH Program Integrity for recoupment.

Anticipated completion of corrective action if referral to Program Integrity is initiated is June 30, 2008. This is subject to change depending on appeals and/or other action by the provider.

Contacts: Joe Kopsa
 Lori Stephens

If you have any additional questions or concerns, please contact Randy Davidson at 225-342-4818.

Sincerely,


Jerry Phillips
Medicaid Director

JLP/jm



Kathleen Babineaux Blanco
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Roxanne A. Townsend, M.D.
SECRETARY

October 29, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please allow this letter to serve as the Department of Health & Hospitals' official response to your audit finding of Ineffective Medicaid Eligibility Quality Control System which is referenced in your correspondence dated October 16, 2007.

DHH respectfully concurs with the finding of the audit.

Corrective Action Plan

As a result of reorganization within DHH, the MEQC section was moved from the Program Integrity Section to the Eligibility Policy Section on May 14, 2007. As soon as the reorganization was accomplished, the vacant positions were posted and steps were undertaken to fill those positions. The one existing reviewer in the Shreveport region returned from FMLA on June 18, 2007, and began reviewing cases upon her return. The three vacancies were filled by two employees on September 10, 2007 and the remaining one was filled September 17, 2007. The MEQC unit is now fully staffed and to date the following reviews have been completed:

LaChip	114
LaMoms	99
Long Term Care	51
Negative reviews	<u>255</u>

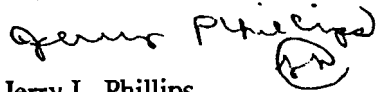
TOTAL	519
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With the unit fully staffed and operational, all backlog cases will be completed shortly after the New Year, if not before, and the unit will be able to timely complete all current work.

Mr. Steve Theriot, CPA
October 29, 2007
Page 2

If you have any questions or concerns regarding this finding, please contact Lou Ann Owen of my staff at 225-342-4094.

Sincerely,

Handwritten signature of Jerry L. Phillips in cursive, with a circled initial 'JP' below it.

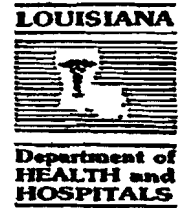
Jerry L. Phillips
Medicaid Director

JLP:LAO

Cc: Charles Castille, Undersecretary
Jeff Reynolds, Director, Fiscal Services



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Kathleen Babineaux Blanco
GOVERNOR

December 12, 2007

Roxane A. Townsend, M.D.
SECRETARY

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

RE: Noncompliance with State Movable Property Regulations

Dear Mr. Theriot:

In response to your offices letter dated November 13, 2007, the Department of Health and Hospitals concurs with your offices "Noncompliance with State Movable Property Regulations" finding.

It is our opinion that the Department has sufficient moveable property policies and procedures in place for a good internal control system but several our offices did not follow our existing policies and procedures. Our corrective action plan involved notifying each of the non-compliant DHH offices and requiring them to submit correspondence back to DHH identifying their specific corrective action plan and the individual within their office responsible for ensuring compliance to these regulations. It was also reiterated to each of these offices the importance of ensuring compliance to our existing moveable property policies and procedures.

The following DHH employees have been identified as being responsible for ensuring compliance for our non-compliant offices:

Medical Vendor Administration: Mr. Darryl Johnson
OS/ Medical Director and State Health Officer: Ms. Charlayne Prentiss
OMF/Division of Information Technology: Ms. Leslie Toler
Office for Citizens with Developmental Disabilities: Ms. Kathy H. Kliebert
Office for Addictive Disorders: Mr. David McCants

If you have any questions about this matter or need any additional information, please contact Jeff Reynolds at 225-342-8222 or by e-mail at jreynolds@dhh.la.gov.

Sincerely,

Charles F. Castille, Undersecretary

c: Roxane A. Townsend, M.D., Secretary

OFFICE OF MANAGEMENT AND FINANCE
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"AN EQUAL OPPORTUNITY EMPLOYER"