

STATE OF LOUISIANA

**Department of Health and Hospitals
Baton Rouge Main Office Operations
State of Louisiana
Baton Rouge, Louisiana**

January 7, 2004



LEGISLATIVE AUDITOR

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Edwin R. Murray, Vice Chairman

Senator Robert J. Barham
Senator Lynn B. Dean
Senator Jon D. Johnson
Senator Willie L. Mount
Representative Rick Farrar
Representative Victor T. Stelly
Representative T. Taylor Townsend
Representative Warren J. Triche, Jr.

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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. Fourteen copies of this public document were produced at an approximate cost of \$26.04. 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. 03300754 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.

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

Management Letter
Dated December 12, 2003

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 and New Orleans offices of the Legislative Auditor.

January 7, 2004



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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

December 12, 2003

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, 2003, 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, 2002, we reported findings relating to improper disproportionate share payments, improper payments for TANF initiative recipients, improper claims by waiver services providers, improper claims by case management providers, and Medicaid provider overpayment errors. The finding relating to improper payments for TANF initiative recipients is addressed again in this letter. The other findings were resolved by the department.

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, 2003.

**Lack of Internal Control Over Temporary
Assistance for Needy Families Initiatives**

The Department of Health and Hospitals, Office for Addictive Disorders (DHH/OAD) failed to implement and administer adequate controls over the Temporary Assistance for Needy Families (TANF) program initiatives (CFDA 93.558). Program initiatives administered by DHH/OAD are the Women's and Children's Residential Prevention and

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 12, 2003

Page 2

the Treatment Program and the Substance Abuse Treatment Program. A Memorandum of Understanding (MOU) between DHH/OAD and the Department of Social Services, Office of Family Support (DSS/OFS), establishes regulations and requirements for the delivery of services and payment of invoices. DHH/OAD contracts with seven residential providers to provide the residential program's services. DHH/OAD provides the substance program's services through its parish and regional clinics. According to the MOUs, the subcontracted providers must determine and document eligibility prior to services being delivered, and providers must submit monthly invoices to the DHH/OAD TANF coordinator, who is responsible for ensuring accuracy and completeness. According to the OMB Circular A-133 *Compliance Supplement*, DHH/OAD is responsible for identifying the federal award information, including the applicable compliance requirements, to all subrecipients. During fiscal year 2003, the residential program expended \$3,345,276 and the substance program expended \$1,099,102.

In our review, the following conditions were noted for the residential program:

- Monthly invoices submitted by DHH/OAD to DSS/OFS were reviewed to determine if invoices were accurately prepared and adequately supported. For all four monthly invoices tested, sufficient documentation did not exist to support the total amount billed. The testing noted significant internal control issues including incomplete billing, incorrect billing for a different contract, duplicate billing of invoices, and mathematical errors. Invoice amounts exceeded supported costs by \$41,448, which represents questioned costs.
- TANF application (EZ) forms were reviewed to determine if eligibility was verified before services were delivered. For 63 of the 160 recipients tested (39%), the form was not completed before service delivery.
- Subrecipient contracts were reviewed to determine if the providers were informed of the CFDA number for the award and the applicable compliance requirements. For all seven contracted residential providers, the contracts did not contain the required federal award information.

In addition, the following conditions were noted for the substance program:

- None of the five monthly invoices tested had sufficient documentation to support the total amount billed. The significant internal control issues observed included mathematical errors, incomplete billings, and incorrect rate usage. Invoice amounts exceeded supported costs by \$18,955, which represents questioned costs.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 12, 2003
Page 3

- The TANF EZ form was not completed before service delivery for three of the 30 recipients tested (10%).

Eligibility was not determined prior to services being provided because the residential and substance providers failed to follow established agency regulations for verifying recipient eligibility before billing for the services provided. The monthly invoices were inaccurate because the TANF coordinator did not adequately review the provider invoices. The contracts did not contain the federal award information because DHH/OAD did not appropriately identify the award information and the applicable compliance requirements.

The department should strengthen internal control to ensure that providers accurately determine eligibility before billing. The TANF coordinator should adequately review all invoices for accuracy. DHH/OAD must ensure that all subrecipients are aware of the federal award number and compliance requirements. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This letter is intended 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,



Grover C Austin, CPA
First Assistant Legislative Auditor

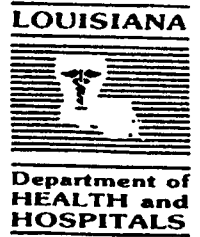
SRT:WDG:PEP:dl

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M.J. "Mike" Foster, Jr.
GOVERNOR

David W. Hood
SECRETARY

November 14, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

Dear Mr. Austin:

This letter is in response to your finding regarding the Office for Addictive Disorders' "Lack of Internal Control over TANF Initiatives".

We do concur with the findings that were submitted to us on November 4, 2003.

The Office for Addictive Disorders has already taken steps to correct some of the deficiencies that were found. Our TANF Project Coordinator, Quinetta Rowley, is responsible for the corrective action. We anticipate that the corrective action plan will be in place by January 6, 2004. Steps taken are as follows:

Residential Corrective Action Plan

1. Regional Administrators and Human Services Districts will receive written notification to review all provider invoices for incomplete billing, incorrect billing for a different contract, duplicate billing of invoices, and mathematical errors. In addition, OAD's Fiscal Director, in conjunction with the Statewide TANF Coordinator, will again review all invoices submitted from Regional Administrators and Human Services Districts for accuracy. TANF Coordinator will also provide technical assistance and information to programs regarding their responsibility to accurately prepare invoices, with sufficient documentation.
2. OAD will provide a statewide in-service for OAD Regional Administrators, Human Services Districts, and providers to ensure providers accurate completion of the TANF-EZ form and accurately determine eligibility prior to billing any services rendered to the client. To ensure compliance and assess statewide improvement, contract monitor, Jacques Detiege will routinely monitor these procedures for compliance.

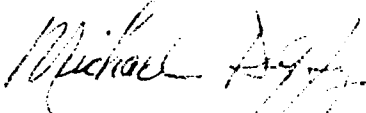
3. OAD will amend all present contracts to reflect the CFDA number for the award and the applicable compliance standards.

Substance Program Corrective Action Plan

1. As mentioned above in the Residential Corrective Action Plan OAD will: provide Regional Administrators and Human Services Districts with written notification to review all provider invoices for incomplete billing, incorrect billing for a different contract, duplicate billing of invoices, and mathematical errors. In addition, OAD's Fiscal Director, in conjunction with the Statewide TANF Coordinator, will again review all invoices submitted from Regional Administrators and Human Services Districts for accuracy. TANF Coordinator will also provide technical assistance and information to programs regarding their responsibility to accurately prepare invoices and that they are adequately supported.
2. As mentioned above in the Residential Corrective Action Plan OAD will: provide a statewide in-service for Regional Administrators, Human Services Districts, and providers to ensure programs accurate completion of the TANF-EZ form and accurately determine eligibility prior to billing any services rendered to the client. To ensure compliance and assess statewide improvement, contract monitor, Jacques Detiege will routinely monitor these procedures for compliance.
3. OAD will amend all present contracts to reflect the CFDA number for the award and the applicable compliance standards

Please inform us if this corrective action plan meets with your approval, or if we can provide you with any additional information.

Sincerely,



Michael Duffy
Assistant Secretary

MD/QR:fmd

c  Stan Mead