



State of Louisiana
Louisiana Department of Health
Office of Management and Finance

April 3, 2017

The Honorable J. Cameron Henry, Chairman
Louisiana State House of Representatives
House Appropriations Committee
P.O. Box 4486, Capitol Station
Baton Rouge, LA 70804

The Honorable Eric K. LaFleur, Chairman
Louisiana State Senate
Senate Finance committee
P.O. Box 94183, Capitol Station
Baton Rouge, LA 70804

The Honorable Frank A. Hoffmann, Chairman
Louisiana State House of Representatives
House Health and Welfare Committee
P.O. Box 44486, Capitol Station
Baton Rouge, LA 70804

The Honorable Fred H. Mills, Chairman
Louisiana State Senate
Senate Health and Welfare Committee
P.O. Box 94183, Capitol Station
Baton Rouge, LA 70804

RE: Louisiana Department of Health – Audit Update Report

Dear Honorable Chairs:

The Louisiana Department of Health (LDH) is audited by a number of external oversight bodies including the Louisiana Legislative Auditor (LLA), the Office of Inspector General (OIG), the Centers for Medicare and Medicaid Services (CMS) and the Internal Revenue Service (IRS). The following report outlines ongoing and completed audits for SFY 2016 that have been, or are in the process of being conducted by the various auditing bodies.

The majority of LDH audits are done by the LLA, and they have several different units that audit the Department depending on what they are reviewing. They conduct performance audits, financial audits, and they have a special Medicaid unit that is a hybrid of the two. Typically, the process consists of three stages: planning, field work, and reporting or complete.

Planning status of an audit is indicated when the Department receives an email, announcement letter, or notification of some kind that an audit is to occur. Initial meetings are then conducted with the auditors to discuss the upcoming audit. Fieldwork status is indicated when the auditors are presently auditing such as conducting interviews, testing controls, gathering data, etc. Finally, reporting status indicates when the Department meets with the auditors to discuss any findings, review a draft report, or prepare a management response, leading to a final report.

Each year, LLA issues a comprehensive financial audit for the previous state fiscal year. In the most recent one issued on January 25, 2017, the LLA reported seven findings for SFY 2016, which is half the number of findings published in their SFY 2015 Financial Audit. At this time, six of the seven findings have already been corrected, and the actions are considered “complete” according to the LDH corrective action plan tracking. The last one is in the process of being corrected.

It is also important to note the Department’s successes from the FY15 Financial Audit, in which LDH corrected all of the findings within 2015 except one. The corrected findings were related to improper uncompensated care payments to two hospitals, inadequate controls to monitor timely filing and prompt payment of Medicaid claims, noncompliance with Medicaid regulations for external quality review report – LA Behavioral Health Partnership, inadequate controls over non-emergency medical transportation services, inadequate monitoring of required medical loss ratio reporting, inaccurate annual fiscal report, inadequate monitoring of vaccines, and lack of controls over federal cash management requirements. As evidenced by our improvement and swift action on all audit findings, LDH is proud of their progress and will continue to work cooperatively with all auditing partners to ensure proper action is taken to correct findings.

The previous and on-going financial and programmatic audits performed by the various external auditing bodies, such as, LLA, OIG, CMS and IRS are summarized below:

1. OIG - Credible Fraud Referrals to the Medicaid Fraud Control Unit

- *Description:* The OIG audit objective is to determine if LDH is properly referring suspected fraud cases to the Attorney General’s Medicaid Fraud Control Unit, per the Affordable Care Act requirements.
- *Status:* Complete; OIG has notified the Department they will soon issue a report with no findings.
- *Corrective Action:* None required as there were no audit findings.

2. LLA - Third-Party Liability Requirements (TPL)

- *Description:* LLA found that LDH failed to maintain required processes that identify and recover TPL claims for medical services provided for a Medicaid-eligible recipient.
- *Status:* Complete
- *Corrective Action:* LDH has since established process to ensure federal Medicaid requirements for TPL have been met through an emergency contract with Healthcare Management Systems and subsequently a new TPL contract from July 1, 2016 through June 30, 2019. This contractor will provide LDH with documentation quarterly to support estimated TPL receivable balances to ensure accurate financial reporting.

3. LLA - Quarterly Federal Expenditure Reporting

- *Description:* LLA found that LDH failed to accurately complete the required quarterly reports of federal expenditures. This was a formatting error due to numbers being placed on the wrong line of an accounting sheet.
- *Status:* Complete
- *Corrective Action:* The Fiscal Medicaid Reporting Unit will coordinate with LDH Medicaid and put into place an additional internal control to review and compare the balances between the previous and current quarters' 64.9R Report, and the unit will update its procedures to include such review of the balances as well. All formatting errors have been fixed.

4. LLA - Women, Infants, and Children (WIC) Vendor Monitoring

- *Description:* LLA found that OPH did not implement cost containment requirements and adequately monitor WIC program vendors.
- *Status:* Complete
- *Corrective Action:* The LDH and Office of Public Health (OPH) Leadership director worked closely with the United States Department of Agriculture (USDA) to address the outstanding issues with the Vendor Monitoring and Cost Containment Requirements. In January 2016, LDH received a letter from the USDA outlining our progress. The new and improved policies were put in place October, 2016.

5. LLA - Waiver Service Providers:

- *Description:* LLA found that LDH paid New Opportunities Waiver (NOW) and Community Choices Waiver (CCW) claims under Medicaid for waiver services that were not documented in accordance with established policies.
- *Status:* Complete
- *Corrective Action:* LDH program offices worked to clarify policy guidelines and document requirements related to changes in the client's schedule. The Department reviewed the transactions identified and determined the problem was related to improving documentation at the provider level, but appropriate levels of service were provided.

6. LLA - Reporting of Sub-recipients

- *Description:* LLA found that the OPH Schedule of Expenditures of Federal Awards (SEFA) did not contain an accurate listing of amounts provided to sub-recipients, causing a net understatement of \$19.4 million.
- *Status:* Complete
- *Corrective Action:* LDH worked closely with the Division of Administration (DOA) to develop and implement a new sub-recipient indicator field on SRM Purchase Orders and trained staff on new reporting requirements.

7. LLA - Sub-recipient Monitoring Requirements

- *Description:* LLA found that OPH did not adequately monitor WIC program sub-recipients; possibly resulting in federal disallowed costs the state may have to return.
- *Status:* Complete
- *Corrective Action:* OPH drafted policies and procedures to address this issue, and monitors/audits cash payments to each sub-recipient.

8. LLA - Internal Audit Function

- *Description:* LLA concluded that LDH does not have an adequate internal audit function to examine, evaluate, and report on its internal controls.
- *Status:* On-Going
- *Corrective Action:* The Internal Audit Section is on track to complete all corrective action by June 30, 2017. The Section has documented its plans to audit all seven LDH agencies in FY17 using a risk-based audit plan, and ensure all audit reports contain management responses. An internal quality review program is in place. In addition, LDH is working to fill vacant audit positions. An additional auditor has been hired.

9. LLA - Medicaid Dental Services

- *Description:* LLA reviewed the Medicaid Dental Services Program, primarily data driven, to look for improper payments for dental claims.
- *Status:* Complete. LLA has issued a report for this audit. LDH provided a formal response on March 22, 2017. The LLA report was issued on March 22, 2017.

10. LLA - Multiple IDs

- *Description:* LLA reviewed Medicaid payments for additional and/or outstanding duplicate payments made for Medicaid recipients with multiple IDs in managed Care and Legacy Fee for Service.
- *Status:* Complete. LLA has issued a report for this audit to LDH and this report will be public on 4/3/2017. LDH provided a formal response on March 23, 2017.

11. LLA - Fee For Service/Managed Care Organization

- *Description:* The LLA audit objectives are to 1. Identify duplicate payments for Medicaid claims and encounters between fee for service and managed care and 2. To determine if claims were paid properly by managed care vs. Fee for Service.
- This audit may be released in 2 separate audit reports to address the dual objectives.
- *Status:* Fieldwork

- *Anticipated End Date:* May, 2017

12. LLA - Pharmacy – Refills

- *Description:* The LLA audit objective is to identify claims paid for drugs that were refilled in violation of state or federal law.
- *Status:* Reporting. Validation of results is underway.
- *Anticipated End Date:* April/May, 2017

13. LLA - Pharmacy – Duplicate Therapies

- *Description:* The LLA audit objective is to identify claims paid for concurrent intake of drugs with a focus on ADHD medications and opioids in order to identify outliers for indications of fraud waste and abuse.
- *Status:* Fieldwork
- *Anticipated End Date:* May/June, 2017

14. LLA - Lab Claims

- *Description:* The LLA audit objective is to identify lab claims that violate program rules.
- *Status:* Fieldwork
- *Anticipated End Date:* April/May, 2017

15. LLA - Improper Payments – Home and Community Based Services

- *Description:* The LLA audit objective is to identify improper payments to providers of home and community-based services. This is a follow-up review to a previous LLA performance audit (Improper Payments in HCBS Programs issued in September 2011). *Status:* Fieldwork
- *Anticipated End Date:* April, 2017

16. LLA - Nursing Homes

- *Description:* The LLA audit objective is to review LDH oversight of nursing homes, including evaluation of processes to ensure accuracy of payments/rates and the existing rate setting process.
- *Status:* Planning; Entrance meeting conducted 3/14/2017. Fieldwork to begin in early April, 2017.
- *Anticipated End Date:* June/July, 2017

17. LLA - Office of Behavioral Health

- *Description:* The audit objective is to determine if there is adequate statewide access to care for people with mental health or substance abuse issues.
- *Status:* Fieldwork.
- *Anticipated End Date:* June, 2017

18. OIG - Provider Preventable Conditions

- *Description:* The OIG audit objective is to determine if LDH has made improper payments to providers for preventable conditions (also known as hospital-acquired conditions).
- *Status:* Fieldwork. Initial planning meetings with OIG have been completed. OIG is currently reviewing claims data.
- *Anticipated End Date:* December, 2017

19. CMS - Review of Program Integrity

- *Description:* This audit's objective is to review all of LDH's Program Integrity processes related to Medicaid managed care to assess compliance with regulations.
- *Status:* Fieldwork. LDH has provided data to CMS for their review. In addition, CMS was on-site at LDH in March, 2017 to conduct interviews and obtain information.
- *Anticipated End Date:* February, 2018

20. IRS - Financial Transactions Review – IT Security

- *Description:* This review is required by the IRS for agencies that administer federal tax information (FTI). The IRS will be looking at the Department's IT security for financial transactions. This review also looks at the Office of Technology Services.
- *Status:* Fieldwork. IRS was on-site at OTS in January, 2017. This is an ongoing review.
- *Anticipated End Date:* March, 2018

Sincerely,



W. Jeff Reynolds
Undersecretary