

SOUTHWEST BUSINESS OFFICE

Audit Report No. SWCSC0106

August 18, 2006



**MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY**

Internal Audit Report

AUDITOR'S REPORT

Southwest Business Office

Harris County, Texas

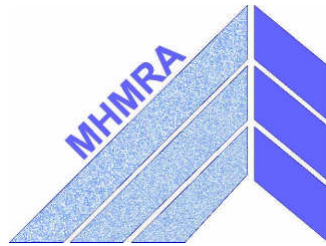
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Henry E. Webb, CFE

Internal Auditor





**MENTAL HEALTH MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY**

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Steven B. Schnee, Ph.D.
Executive Director
MHMRA of Harris County
7011 SW Freeway
Houston, TX 77074

Re: Southwest Business Office
(Report No. SWCSC0106)

BACKGROUND

Southwest Clinic is one of four clinics under the direction of the Assistant Deputy Director for Mental Health Services. There were approximately 1,550 open cases during the audit period. Generally, clients served at the clinic (who are diagnosed with schizophrenia, bipolar, major depression, or emotional disturbance), are adults 17 years of age or older, children and adolescents between the ages of 3 and 17, and new clients (intakes) referred from crisis centers, inpatient facilities, and/or other sources.

The Business Office of the Southwest Clinic is currently comprised of five employees; it supports the clinic in managing operations and financial information. The Business Office's primary function includes (re)scheduling appointments, authorizing Continuity of Care (COC), collecting payments, assessing financial eligibility, verifying client information, and checking clients in and out of the clinic.

In performing these activities, various modules of the Anasazi system are utilized. The Scheduler module is used to process appointments and generate the Consumer Encounter Form (CEF) and Appointment Form. These forms are used to check clients in and out of the clinic. Demographic and Outpatient Treatment Reviews (OTR) are conducted in the Assessment and Treatment Plan (ATP) module. These electronic forms contain client profiles and medical information. The Client Data module contains authorized COC plans, insurance coverage, financial review, and collection and billing information. In addition, insurance coverage is verified via WebCARE and telephone to ensure all third-party insurance is active for service billing.

STATE REGULATIONS

TEXAS RECOMMENDED ASSESSMENT GUIDELINE FOR ADULTS, CHILDREN AND ADOLESCENTS

The Texas Recommended Assessment Guideline (TRAG) is a systematic assessment process for measuring mental health service needs based on clients' recent principal diagnosis and nine dimensions for adults (AMH), and recent principal diagnosis and ten domains for children and adolescents (CAS). As a requirement, the results of the clinical assessment must be updated in the Client Assignment and Registration (CARE) system every 90 days. To ensure the deadline is met, the Business Office communicates verified TRAG dates to providers regarding whether to reassess clients by noting on CEFs.

In order to bill rendered services accurately, the clinical assessments must correspond to the service package(s) authorized in the system.

TEXAS ADMINISTRATIVE CODE CHAPTER 412.C – “CHARGES FOR COMMUNITY SERVICES”

The Texas Administrative Code (TAC) Chapter 412.C was established to comply with Texas Health and Safety Code 534.067 and with the purpose that fee collection is equitable, collections are provided, and contributions to local revenue are maximized.

The following is a general highlight of the requirements:

- Financial assessment for clients (or parents) must be conducted within the first 30 days of services and annually thereafter, except by other situations as defined in the rule. There are three criteria used to calculate Monthly Ability-to-Pay (MAP) which determines the financial obligation for clients: income, extraordinary expense, and number of family members.
- Deferred payments are allowed for clients with qualified financial hardships.
- Denying services to clients is prohibited due to a client’s inability to pay as defined in the rule, or because any of the following occur: incomplete financial assessment, undetermined financial responsibility, past-due account balance, involuntarily reduced or terminated services due to non-payment, or resolution of an issue relating to payment for services pending.
- Clients have the opportunity to appeal for involuntary changes in services or referral of an approved provider because third-party insurance would not reimburse the Agency.
- The Agency is responsible for identifying all available funding sources before accessing TDMHMR funds, assisting clients to identify approved providers, and providing assistance in applying for Federal/State benefits.
- Children are required to enroll in Medicaid or Children’s Health Insurance Program (CHIP) if their parents are eligible for these funds.
- Adults are required to apply for Supplemental Security Income (SSI) if they are eligible for Medicaid.
- Full subsidy eligible clients are required to choose and enroll in a Medicare Part D prescription drug plan. For non-full subsidy eligible clients, the Agency must educate and assist clients in assessing the cost and benefits of Medicare Part D enrollment.
- A client (or parent) will incur standard charges for services for non-compliance with assignment of benefits authorization, CHIP enrollment for CAS, or Medicare Part D enrollment for full subsidy eligible client. However, the client’s account is allowed a retroactive adjustment if he or she complies within 30 days of the initial non-compliance.
- A plan is to be developed and implemented if there is a documented clinical determination (with client’s team input) to address reducing compliance, discontinuing service charges, and reducing or terminating services for non-payment. The clinical determination process involves the consideration of client’s illness, functioning level, continuation of the needed services, risk of serious deterioration of his or her health, and/or court-ordered outpatient service.
- The Agency’s staff performing these tasks related to the Charges for Community Services must demonstrate initial and annual competency (MHMRA of Harris County requires 85% passing score to satisfy the competency).

OBJECTIVE

The objectives of the audit were to determine whether:

- (1) The Business Office's systems of internal controls were reasonably adequate;
- (2) The Business Office personnel appropriately complied with applicable laws, regulations, policies and procedures;
- (3) Financial and operating data is reasonably complete, accurate, and recorded properly in the system;
- (4) Operational resources are effectively, efficiently utilized and allocated to maximize output.

SCOPE

The scope of the audit did not constitute an evaluation of the overall internal control structure of the unit. The examination was designed to evaluate and test compliance with established policies, procedures, laws, and regulations. The audit scope was for the period November 1, 2005 through April 30, 2006.

Department management is responsible for establishing and maintaining a system of internal controls to adequately comply with approved policy and procedures. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected in a timely manner. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or the degree of compliance with procedures may deteriorate.

The purpose of the audit report is to furnish management independent, objective analyses, recommendations, and information concerning the activities reviewed. The audit report is a tool to help management discern and implement specific improvements. The audit report is not an appraisal or rating of management.

Although due professional care in the performance was exercised, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud will be detected. Specific areas for improvement are addressed later in this report.

Other minor findings, not included in this report, have been communicated to management and/or corrected during the audit process. Internal Audit would like to thank management and staff for their cooperation throughout the audit.

METHODOLOGY

In order to meet the objectives, Internal Audit flowcharted and evaluated controls over the Business Office activities, reviewed the system relating to accounts, and reviewed laws, regulations, policies and procedures for compliance. Information and records were obtained from the Business and Clinical Office, Eligibility Center, and Revenue Management personnel. Audit tests and procedures are conducted as considered necessary.

The sample size and selection were statistically generated using a desired confidence level of 95%, an expected error rate of 5% to 6%, and a desired precision of +/-5%. Statistical sampling was used in order to infer the conclusions of test work performed on a sample of the population from which it was drawn and

to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that Internal Audit plan and perform the audit to afford a reasonable basis for the judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. An audit also includes assessing the estimates, judgments, and decisions made by Agency management. It is believed that this audit provides a reasonable basis for the findings, conclusions, and recommendations.

RESULTS

As a result of the audit procedures and surveys conducted, it was determined that departmental compliance with established criteria to govern Business Office activities generally meet Agency policy and procedures, except for the findings presented in the body of the report.

FINDING

Business Office Policy and Procedures

The Business Office Policy and Procedures manual is not maintained or enforced by the appropriate authority. A current, accurate Policy and Procedures manual can provide standards, guidance and measurable criteria. For a good management practice to exist, a policy and procedure manual should promote standardization and consistent operating activities among the clinics. Also, it may serve as a supplement for employee training.

RECOMMENDATION

- It is recommended that the Policy and Procedures manual be revised to reflect current operations, approved by the (Assistant) Deputy Director of Mental Health Division, read and understood by employees, and continuously enforced by the appropriate management team. Additionally, input from department(s) that have an impact on Agency Policy and Procedures (such as the Revenue Management Department), should be addressed.
- Recommended revision to the Business Office Policy and Procedures effective September 1, 2005 include the following:
 - Utilize Scheduler system to process client status.
 - Pre-number documents.
 - Retain support documents for temporary data.
 - Eliminate the use of manual cash summary sheet.
 - Remove policy Bus #18 for Consumer Registration as that activity is conducted at the Eligibility Center.
 - Modify or update procedures for client refunds, daily cash count, suspense codes, balance research and type of authorization reports.
 - Add policy or procedure for donation collection, photographic identification, check-out process, client information verification process, walk-in process, Medicare Part D reimbursement process, and supervisory review of cash count and adjusting items.

Management Response

“The items listed will be reviewed and updated if necessary.”

FINDING*Record Retention and Destruction*

Record Retention and Destruction Schedule policy in effect January 24, 2001 from the Quality Management Department was not complied with by the Southwest office and/or not even aware of by its employees.

Not considering the legal and safety issues of disposing of documents could be detrimental to the Agency. For example, a court decision may request certain records for relevant evidence. Following a systematic destruction schedule reduces the risk of spoliation, and shows accountability over records produced by Agency employees.

RECOMMENDATION

- Business documents should be retained following guidelines from the Record Retention and Destruction Schedule Policy AD-40. Categories include: administrative records; financial records; personnel and payroll records; support services records; and electronic data processing records.

Management Response

“A new filing system has been implemented to include the destruction date of the documents in accordance with Record Retention and destruction schedule dated 1/24/06. Additional space has been made to store all business office records.”

FINDING*Safeguarding Cash Source*

The Agency policies are not being followed which provide, for the safeguarding of cash. At the Southwest Business Office, a general key to the cash drawer was utilized by non-authorized staff, and the cash drawer not locked when the cash fund is not in use. Therefore, the cash fund(s) is exposed to the risk of cash misappropriation.

RECOMMENDATION

To reduce the risk of cash misappropriation, the Agency Policies BUS-F/B:16.1 and BUS-F/B:19.1 were established, and it is the responsibility of Agency employees to comply with them:

- *“The custodian is responsible for having these funds locked in a safe place. In the event the fund is lost or stolen, the petty cash custodian shall be responsible for replacing the balance that was lost or stolen.”*
- *“The keys to the locking bar should be in the possession of the Unit Director and/or the custodian of the funds... Should it be necessary for multiple staff to have access to the funds, it will be necessary that the Unit Director develop appropriate unit specific policies and procedures to control these funds...If, in the opinion of the Unit Director, multiple staff need to have access to the funds, the Unit Director must have the Department Head and the Business Manager consent in writing before choosing and implementing the processes outlined above...It is also the responsibility of the Unit Director to provide for the necessary security of these funds. The custodian of the funds bears the total responsibility to safeguard and to properly account for the funds in his/her possession.”*

Management Response

“Cash is maintained in a locked vault located in the business office. Through out the day the money is taken from the draw and put in the vault, until it is deposited.”

FINDING*Service Data Reconciliation Process*

Due to inadequate procedures or ineffective processes in place, a month of service data reconciliation review noted the following deficiencies:

- Service data was not reconciled daily to prevent service data corrections made after billing. There are five business days given for corrections according to Revenue Management Department. Any services corrected after billing are re-billed as necessary and, ultimately, lengthens the third-party payment collection process.
- Some service codes were inappropriately excluded from the reports for duplication of transactions. Examples of code exclusion are staff travel, assessment of consumer, and specimen collection. Further testing of code exclusion indicated that there was no logical explanation for the overlapped service time of a provider performing two tasks simultaneously to different clients at different locations.
- No documentation for the children’s unit could be provided to validate the reconciliation process for the reviewed month.
- There was unclear documentation for permanently deleted service data in the Anasazi system.

RECOMMENDATION

Management should consider drafting a guideline for the service data reconciliation process. Generally, the guideline may include:

- Conduct daily reconciliation (with appropriate service codes);
- Maintain sufficient documentation for identifying data entry adjustments or deletions (such as system-generated identification numbers);
- Conduct periodic monitoring over the process to ensure procedures are being followed.

Management Response

1. *“The duplicate service report will be run daily in both units.*
2. *All codes will be included.*
3. *A copy of the deletion log along with the corrected screen shots will be retained per agency policy for two years.”*

FINDING*Interpretation Service*

Employees were utilized for interpretation service (not in compliance with Agency policy and standard for interpretation program). As confirmed with individual and interpretation program records, employees, who have not passed the language competency exam were either unwillingly interpreting for clinical services or not aware of the option or requirement of interpretation service.

According to Agency Policy AD-35, “it is expected that all staff who are certified in a language other than English will make themselves available through their supervisors to provide interpretations on an as needed basis, upon request. It is expected that certified internal staff will be utilized within each component as the first option to provide interpretation for both emergency and on-going services. A list of currently certified staff may be requested from the OD/HR Department.” A further requirement from the Quality Management Department is that foreign language (Spanish) speaking employees willing to interpret must meet a minimum 80% test score to qualify for the interpretation program and income compensation.

RECOMMENDATION

- Individual should be allowed the option to join the interpretation program and management should only utilize individuals who have passed the language competency exam.

Management Response

1. *“Interpreters will be requested through QM for all non English speaking consumers when language certified staff are not available to provide interpreter services.*
2. *Staff will be given the information about the interpretation program.*
3. *Only qualified staff will be asked to interpret.”*

FINDING

Financial Review Status Verification

A deficiency in preparing for next appointments was noted in that the system was not used to verify recent financial review status. One primary function of the Business Office is to verify financial review status for compliance with “Charges for Community Services”. This rule requires an annual financial review to determine financial obligation for clients. Financial review date on the Consumer Encounter Form (CEF) provided no financial review status whether completed or incomplete. Thus, sole usage of the form could expose the risk of non-compliance with regulation.

RECOMMENDATION

- Anasazi system should be used to verify most recent financial review status. Results of the verification should be noted on the CEF.

Management Response

1. *“Business office staff will be re-trained on how to look-up the last financial in the financial form in Anasazi.*
2. *The Business Office Supervisor will be instructed on monitoring methods to implement to ensure that this process is taking place.*
3. *The IT and management staff will be petitioned to find an electronic method of providing accurate information on the encounter form.”*

FINDING

Quality Monitoring of Annual Financial Assessment

Results of the audit indicated no supervisory review over completed annual financials for reasonable record accuracy before filing to centralized storage. In addition, there is no indication from training records that

the immediate supervisor acquired adequate knowledge of managing the financial assessment process or providing feedback to staff. Furthermore, it was noted that these procedures were not performed by staff: use of Medicare Secondary form for Medicare clients, identification of qualified family member as defined in guidelines, submission of Consumer Office Benefit form, and determination of Medicaid plans for proper system input.

According to Business Office Policy Bus #20, “supervisors with oversight responsibility for staff completing financial assessments will at a minimum audit at least 2 financial assessments per staff member per month to identify if correct procedures were followed in determination of the financial assessment. Results will be logged on the Financial Assessment Audit form and maintained in an audit binder by the supervisor.” Also, as stated in “Charges for Community Services”, “all local mental health authority staff who are involved in implementing or explaining the content of this subchapter must demonstrate competency prior to performing tasks related to charging for community services and annually thereafter”.

RECOMMENDATION

Management should consider the following:

- Periodic review of complete financials should be conducted by the immediate supervisor and be in accordance with Business Office Policy, Eligibility Center Policy and regulations.
- The immediate supervisor should obtain financial training for quality monitoring and meet required score, to ensure competency levels.

Management Response

1. *“The Business Office supervisor will be trained to complete financials.*
2. *Once trained the BOS will supervise the Eligibility Coordinator and conduct the necessary audits.*
3. *Until that time I will request that the EC eligibility trainer conduct the audit.*
4. *The Business Office Supervisor has been trained on the procedure for completing Eligibility Financials. The Training was completed on 8/10/06. Amended 8/10/06.”*

FINDING

Service Authorization from Behavioral Health Organization (BHO)

There is a lack of effective processes in place to ensure service authorization is obtained in a timely manner from the BHO, original documents are properly retained/ filed, or authorized data is accurately input in the system for billing. Results of service authorization testing indicated the following sample errors:

- 2 out of 7 samples (86%) could not provide the outpatient treatment review form (OTR).
- 5 out of 7 samples (71%) could not provide the authorization letter (NOC) as approval for services.
- 2 input errors in the system were noted for incorrect insurance plan code or authorized date.

Based on the insurance plans, specific services are required to have authorization from behavioral health organizations before rendering services. Therefore, it is critical to track when authorization is given and when the authorization letter is received. To ensure rendered services are collectible, a (first source) record of authorization should be maintained and accurately input in the system.

RECOMMENDATION

Management should consider these improvements:

- Maintain a tracking tool, such as a log to record the following: actual date of OTR requested, OTR faxed/received, follow-up calls, NOC received and/or phone authorizations;
- Design a filing system to organize documents for pending or completed status;
- Run Suspense report periodically to capture by-passed services needing authorization;
- Conduct periodic review of data input accuracy in the system.

Management Response

“As of 08/07/06 A spreadsheet has been put out on Pluto with daily recording of OTR received. Binders has been put in the Business Office label; Copies of OTR Adult’s received OTR Children recieved. A red folder is put on the BHO desk for follow-up on OTR’s. BHO will run a Suspense Report every other day for non-authorization of services. Starting 08/14/06 Supervisor will review new data input accuracy on a weekly basic with BHO.”

FINDING

Insurance Verification

As results of testing insurance verification, 19% (out of 43 samples) could not validate that insurance verification was performed or had inaccurate insurance data in the system.

To maintain client insurance information accuracy for billing, insurance verification is conducted on a periodic basis. A form is filled out for verification results except for Medicaid insurance where a designated website(s) is used. New data is then updated in the system.

RECOMMENDATION

- A closer supervision should be conducted to ensure consistency and accuracy of insurance verification process.

Management Response

“BHO is being trained by [REDACTED]. A binder label Insurance Verification Medicare and Private Insurance, both are in alphabetical order and by dates. Each verification form is filled out correctly. Supervisor will monitor the binders weekly to assure complete records. Each business office staff is being trained to verify insurance correctly”.

FINDING

Prenumbering Documents

A repeated numbering system was used for service invoices, but no effective process is in place to account for documents. (Such as CEF, providing appointment information and utilizing for Agency medication approval, 25% out of 43 samples for testing could not be provided.) (Also, service invoices not submitted for entering could not be detected, as management’s objective is to enter all services within 24 to 48 hours from date of service.)

When prenumbering control is used appropriately and effectively, it provides management with a reasonable assurance that all documents can be accounted for. Through the reconciliation process, any

skipped numbers in the sequence can be easily identified. Furthermore, it provides an assurance that actual and not fictitious transactions are recorded.

RECOMMENDATION

Following general guidelines for pre-numbering documents should be considered:

- Use unique identification to pre-number documents.
- Reconcile documents and identify any skipped numbers daily.
- Follow up on missing documents with appropriate personnel.

Management Response

“Explore electronic methods to combine super bill and encounter form including a numbering system.”

FINDING

Use of Client Deposits Control Report

Business Office staff manually log transactions on the “Weekly Summary of Cash Receipts” for cash collection although the system-generated reports summarize transactions electronically. In addition, two extra carbon copies of the “Weekly Summary of Cash Receipts” sent to the Cashier’s Office are destroyed as they serve no useful purpose.

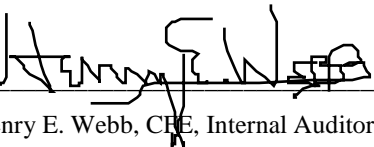
Appropriate access level in the system and segregation of duties provides reasonable internal control over the cash collection cycle. Also, system-generated reports serve as a daily summary of cash receipts.

RECOMMENDATION

To promote operational efficiency and elimination of paper waste, the procedure of writing transactions on the “Weekly Summary of Cash Receipts” should be discontinued. The “Client Deposits Control Report” should be used for deposit and ledger reconciliation purposes.

Management Response

“08/11/06 Proposed recommendations are good, time saver, and cost effective for the agency.”



Henry E. Webb, CFE, Internal Auditor



Cheire Lee, Staff Internal Auditor

CC: Rose Childs, MSW, CSWM, Deputy Director, Mental Health Division
 Kenneth Collins, LMSW, Deputy Director, Mental Retardation Division
 Barbara Dawson, MSE, Deputy Director, Comprehensive Psychiatric Emergency Program Division
 Avrim Fishkind, MD, Medical Director, Comprehensive Psychiatric Emergency Program Division
 Sarah Flick, MD, Medical Director, Mental Retardation Services
 Sylvia Muzquiz, MD, Medical Director, Mental Health Services
 Jeanne Mayo, MS, JD, General Counsel
 David Witt, MPA, CPA, Chief Financial Officer
 Eric S. Eaton, CPA
 Audit Committee

ATTACHMENT A
SUMMARY OF RECOMMENDATIONS
August 18, 2006

Unit: Southwest Clinic Area: Business Office		
Inherent Risk: Low Moderate High	Control Environment: Well Controlled Acceptable Poorly Controlled	Overall Risk: Low Moderate High
Type of Procedures: Audit		
Scope: <ul style="list-style-type: none"> * Using Internal Control Evaluation (ICEs) forms, documented internal controls * Conducted a preliminary survey reviewing applicable policies and procedures, etc. * Interviewed various staff, obtained understanding of management controls * Examined detailed receipts, vouchers, and supporting documentation 		
Priority Rating: 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Audit Recommendations: Revise Business Office Policy and Procedures Manual Follow Policy for Record Retention and Destruction Provide for Safeguard of Cash Provide Guidelines for Service Data Reconciliation Process Utilize Qualified Staff for Interpretation Service Use Anasazi System to Verify Financial Review Status Conduct Quality Monitoring of Annual Financial Assessment Obtain Financial Assessment Training Design/Maintain A Service Authorization Process and Monitor It Continously Closely Supervise Insurance Verification Processes for Consistency and Accuracy Utilize Prenumbering of Documents Discontinue Use of the Weekly Summary of Cash Receipts Form	
Follow-up: Nine Months		

Priority Rating

1. Implement immediately (30 - 90 days) - Serious internal control deficiencies or recommendations to reduce cost, maximize revenues, or improve internal controls that can be easily implemented.
2. Work towards implementing (6 - 18 months) - Less serious internal control deficiencies or recommendations that can not be implemented immediately because of constraints imposed on the unit (i.e., budgetary, technological constraints).
3. Implement in the future (2 - 3 years) - Recommendations that should be implemented but that can not be implemented until significant and/or uncontrolled events occur (i.e. legislative changes, buy and install major systems, requires third party cooperation).