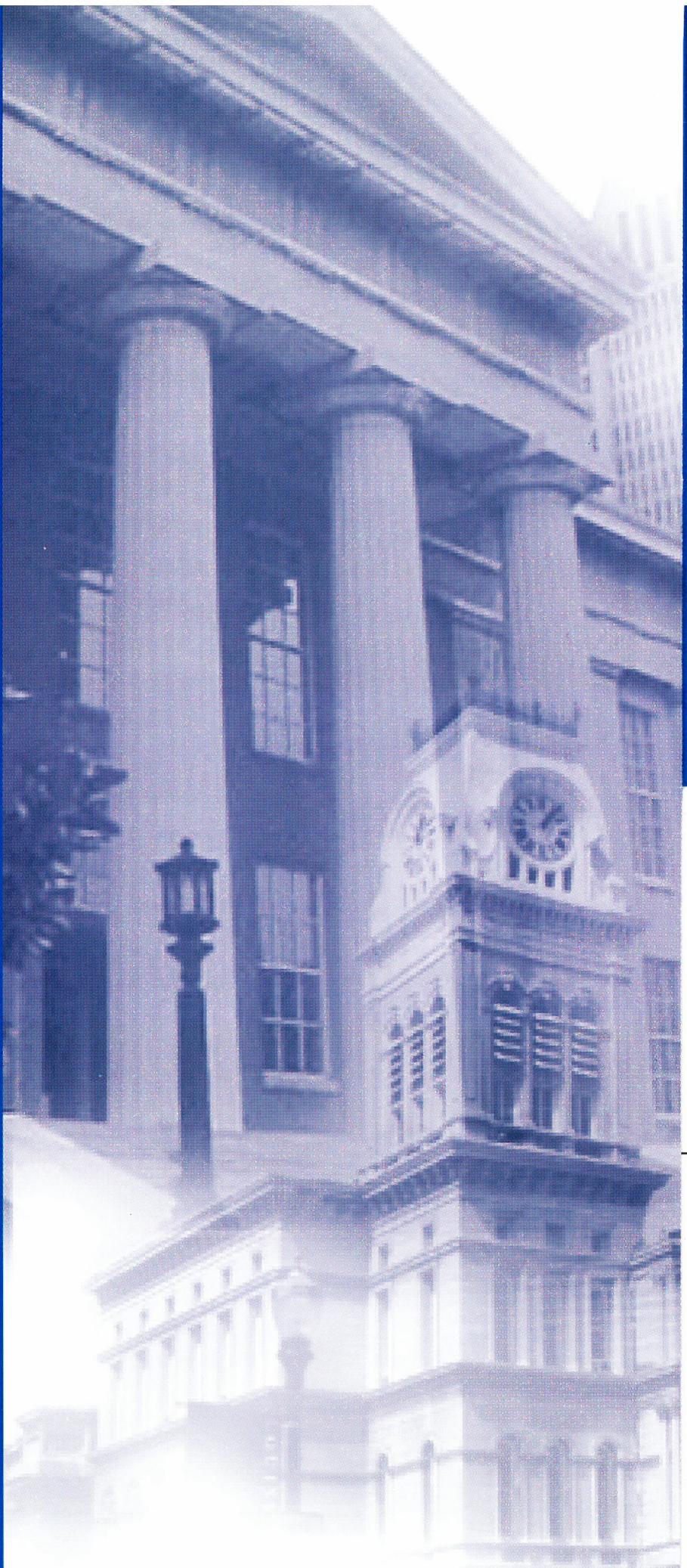




Greg Fischer
Mayor

Louisville Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.



Office of Internal Audit

Public Health and Wellness

Kentucky Women's Cancer
Screening Program

Audit Report

Public Health and Wellness

Kentucky Women's Cancer Screening Program

May 2014

Office of Internal Audit



Public Health and Wellness

Kentucky Women's Cancer
Screening Program

Table of Contents

Executive Summary 2

Transmittal Letter 3

 Introduction..... 3

 Scope..... 4

 Opinion 4

 Corrective Action Plan..... 5

 Internal Control Rating 6

 Background..... 7

 Summary of Audit Results..... 7

Observations and Recommendations 9

 1) Processing of Activity 10

 2) Contractor Payments 13

 3) Program Reimbursements 15

Executive Summary

PROJECT TITLE

Public Health and Wellness – Kentucky Women’s Cancer Screening Program

OBJECTIVE AND SCOPE

The objective was to obtain assurance that operational risks are adequately mitigated through the internal control structure. The primary focus of the audit was the operational and fiscal administration of the activity. This included how activity was processed, recorded, and monitored. This was a scheduled audit.

This was an operational review based on related activity during fiscal year 2011 and fiscal year 2012 (July 2010-June 2012). The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report.

INTERNAL CONTROL ASSESSMENT

Needs Improvement

RESULTS

Opportunities exist for improving the internal control structure for the administration of the Public Health and Wellness Kentucky Women’s Cancer Screening Program. Examples of the issues include the following.

- **Processing of Activity.** Issues were noted regarding the completeness and accuracy of program activity entered into the Patient Services Reporting System (PSRS).
 - There were a number of instances where activity entered into the PSRS system by Public Health and Wellness staff was inaccurate and / or incomplete.
 - There is no periodic monitoring performed to verify the accuracy and completeness of activity entered into the PSRS.
 - There are no documented policies and procedures to guide personnel in the processing of program activity.
- **Contractor Payments.** There were issues noted regarding payment transactions with the healthcare providers.
 - *Contract Pricing.* There were payment transactions that were not in compliance with the contracted price for services.
 - *Support Documentation.* There were payment transactions in which compliance with contractual terms for services could not be determined due to the lack of adequate supporting documentation.
- **Program Reimbursements.** Program reimbursements are not adequately monitored to ensure Louisville Metro Government receives all anticipated payments.



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

INGRAM QUICK, CHIEF AUDIT EXECUTIVE

JIM KING
PRESIDENT METRO COUNCIL

Transmittal Letter

May 13, 2014

The Honorable Greg Fischer
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Subject: Audit of Public Health and Wellness-Kentucky Women's Cancer Screening Program

Introduction

An audit of the Public Health and Wellness Kentucky Women's Cancer Screening Program was performed. This is a federal and state funded program which provides breast and cervical screening to underserved women. The primary focus of the audit was the operational and fiscal administration of the activity. This included how the activity was processed, recorded, and monitored, while ensuring that activity was in compliance with program guidelines.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The operating procedures for the Kentucky Women's Cancer Screening Program activity were reviewed through interviews with key personnel. The purpose of this review was to ensure that procedures are in place regarding the operational and fiscal administration of the related activity. Documentation reviewed included billing records, system generated activity reports, vendor contracts, and Louisville Metro Government financial system postings. Documentation was reviewed to determine the accuracy, completeness and timeliness of activity. The review period was fiscal year 2011 through fiscal year 2012 (July 2010-June 2012). This period was agreed upon with Public Health and Wellness management due to a change in operational management. Although this was a scheduled audit, it was included in our annual audit plan based on concerns raised by Public Health and Wellness in their fiscal year 2012 Internal Operational Assessment. The Director of Public Health and Wellness should be commended for proactively requesting the review.

The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on selective review of data.

Opinion

It is our opinion that the internal control structure for the Public Health and Wellness Kentucky Women's Cancer Screening Program needs improvement. The internal control rating is on page 6 of this report. This rating quantifies the opinion regarding the internal controls. Specific issues include the following.

- **Processing of Activity.** Issues were noted regarding the transferal of program activity from the cancer screening forms to the State's Patient Services Reporting System (PSRS).
 - There were a number of instances where activity entered into the PSRS system by Public Health and Wellness staff was inaccurate and / or incomplete.
 - There is no periodic monitoring performed to verify the accuracy and completeness of activity entered into the PSRS.
 - There are no formally documented policies and procedures to guide personnel in the processing of program activity. This increases the risk of inconsistencies with the processing of activity, along with noncompliance with program guidelines.
- **Contractor Payments.** Public Health and Wellness contracts with local healthcare providers to perform various medical services (e.g., clinical breast exams, pap tests) provided under the Kentucky Women's Cancer Screening Program. There were issues noted regarding payment transactions with the healthcare providers.
 - *Contract Pricing.* For one of twenty-three invoices reviewed, there were payment transactions that were not in compliance with the contracted price for services.

- *Support Documentation.* For eight of the twenty-three invoices reviewed, there were payment transactions in which compliance with contractual terms for services could not be determined due to the lack of adequate supporting documentation.
- **Program Reimbursements.** Program reimbursements are not adequately monitored to ensure Louisville Metro Government receives all anticipated payments from the State. The lack of monitoring and reconciliation compromises the completeness and accuracy of the reimbursements.

Corrective Action Plan

Representatives from Public Health and Wellness have reviewed the results and are committed to addressing the issues noted. Corrective action plans are included in this report in the Observations and Recommendations section. We will continue to work with Public Health and Wellness to ensure the actions taken are effective to address the issues noted.

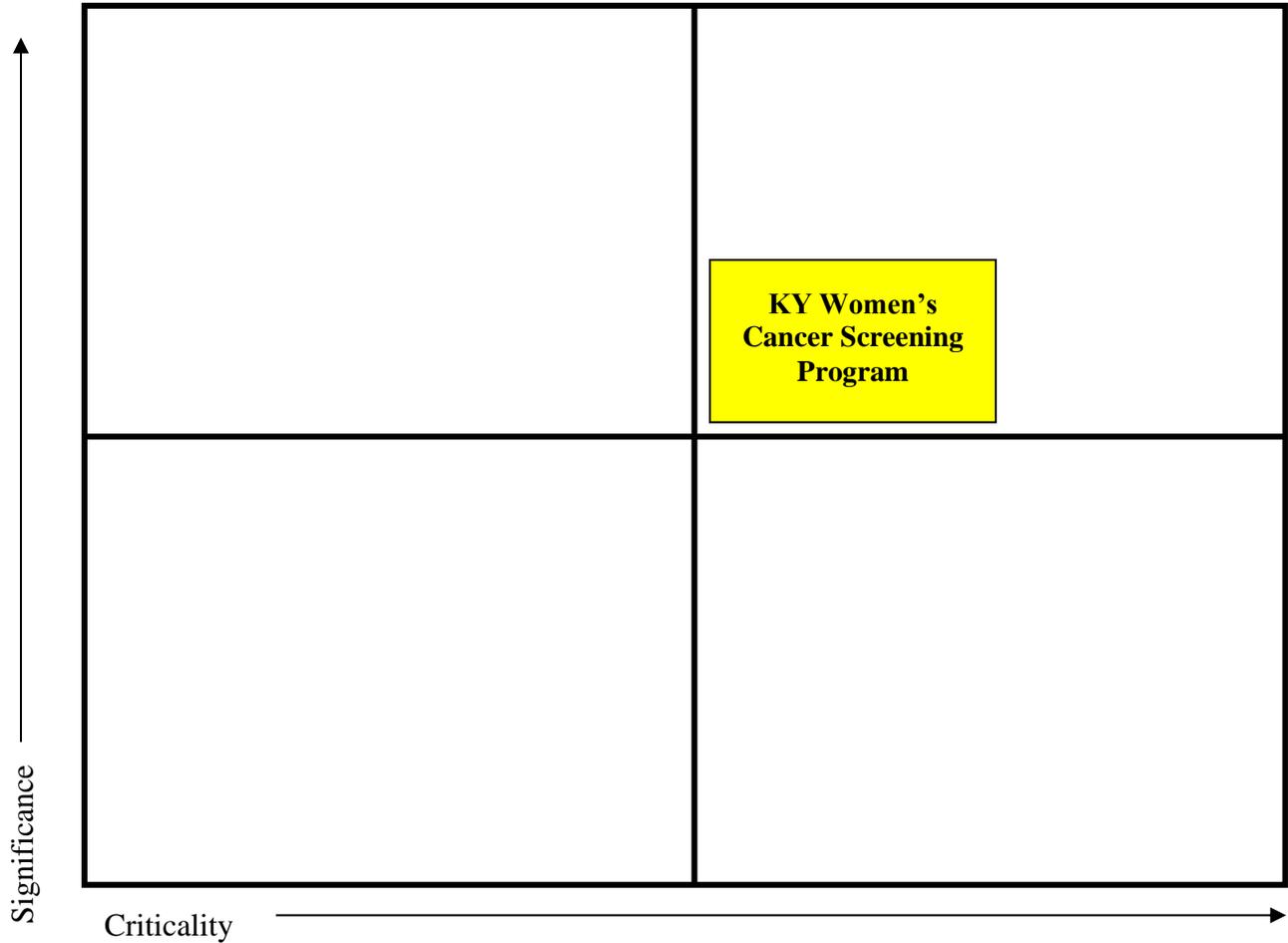
Sincerely,



Ingram Quick, CIA, CFE
Chief Audit Executive

cc: Louisville Metro Council President
Louisville Metro Council Government Accountability and Ethics Committee
Director of Metro Health and Wellness
Louisville Metro External Auditors

Internal Control Rating



<u>Criteria</u>	<u>Satisfactory</u>	<u>Needs Improvement</u>	<u>Inadequate</u>
<i>Issues</i>	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

The Kentucky Women's Cancer Screening Program (KWCSPP), established in 1990, provides breast and cervical screening to underserved women with the intent of reducing morbidity and mortality from breast cancer in women through early detection. The KWCSPP enrolls uninsured or underinsured women ages 21 to 64 with income less than 250% of the federal poverty level. To reduce the burden of breast cancer, the program has taken steps to emphasize early detection of the disease through public education, outreach activities, diagnostic services and screenings. The program has both State and Federal funds to reimburse local health departments for cancer screening and follow-up services. To assure local health departments are reimbursed for screenings and diagnostics, specific tracking information must be obtained throughout the patient's cancer screening cycle and reported to the State through the Patient Services Reporting System.

The Louisville Metro Government fiscal year 2011 budget for the Kentucky Women's Cancer Screening Program was approximately \$663,000. The budget for fiscal year 2012 was approximately \$589,000.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not performed any previous reviews of the Kentucky Women's Cancer Screening Program.

III. Statement of Auditing Standards

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

An understanding of the internal control structure was obtained in order to support the final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

A draft report was initially issued to Public Health and Wellness on March 06, 2014. After an exit conference was held at Public Health and Wellness (400 East Gray Street) on March 24, 2014, a modified draft report was issued on March 26, 2014. Attending the exit conference meeting were Dr. LaQuandra Nesbitt, Tammy Anderson and Lavonne White representing Public Health and Wellness and Ingram Quick representing Internal Audit. Final audit results were discussed.

The views of Public Health and Wellness officials were received on April 28, 2014 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or no longer than 30 days of receipt of the draft report.”

The Public Health and Wellness response were provided within this required timeframe.

Observations and Recommendations

Scope

A thorough understanding of the Public Health and Wellness Kentucky Women's Cancer Screening Program was obtained in order to evaluate the internal control structure. This was achieved through interviews of key personnel, an examination of supporting documentation and obtaining an understanding of the policies and procedures for processing, recording, monitoring, reconciling and reporting of activity.

The purpose of this review was to ensure that procedures are in place regarding the operational and fiscal administration of the activity. Documentation reviewed included billing records, system generated activity reports, vendor contracts, and Louisville Metro Government financial system postings. Documentation was reviewed to determine the accuracy, completeness and timeliness of processing this activity.

Accuracy and Completeness of Program Activity

A sample of 100 patient files, which included 166 patient service billing records, was examined for the period July 1, 2010 through June 30, 2012. The review consisted of examining support documentation to verify that activity was entered accurately and completely into the Patient Services Reporting System.

Compliance with Contractual Terms

A sample of 23 invoices (reflecting transactions with 5 vendors) was examined for the period July 1, 2010 through June 30, 2012. The review consisted of examining supporting documentation to verify payment transactions were in compliance with contractual terms and prices.

Program Reimbursements

All program reimbursements from the State were examined for the period July 1, 2010 through June 30, 2012. The review consisted of verifying the reimbursement posted to the appropriate account within the Louisville Metro financial system.

This information was reviewed to ensure program activity was processed accurately and appropriately. Our examination would not reveal all issues because it was based on a selective review of data.

Observations

Some issues were noted with the Public Health and Wellness Women's Kentucky Cancer Screening Program. As a result, the effectiveness of the internal control structure needs improvement. Opportunities to strengthen the controls are as follows.

- 1) Processing of Activity
- 2) Contractor Payments
- 3) Program Reimbursements

Details of these begin on the following page.

1) Processing of Activity

Issues were noted regarding the completeness and accuracy of program activity entered into the Patient Services Reporting System (PSRS). As reimbursements from the State are based on information reported by way of the PSRS, it is imperative that the data input is accurate and complete. Specifics include the following.

- There were 54 instances in which the Current Procedure Terminology (CPT) code for an office visit noted on the billing record was not accurately reflected within the PSRS.
 - There were 46 instances in which the CPT code for an office visit was accurately reflected on the billing record; however, the correct code did not get keyed into PSRS. As a result, the office visit may not have been reimbursed at the proper rate.
 - There were 38 instances where the CPT code for an office visit entered into the PSRS was not accurate based on the title of the medical professional noted on the billing record. The CPT code related to an office visit varies based on the medical professional (e.g., APRN, RN) performing the evaluation.
 - There were eight instances in which the CPT code for an office visit was inaccurately reflected in the PSRS as the entry was a duplicate. Although all medical procedures were performed on the same day, the patient encounter was erroneously keyed into the PSRS as two separate reimbursable office visits.
- There were 18 instances in which the medical procedures (e.g., clinical breast exams, mammograms) performed during the patient encounter were not accurately reflected within the PSRS.
- There were 28 instances in which data related to the patient encounters was not keyed into the PSRS in a timely manner. Services provided in one fiscal year were not keyed into the system until the subsequent fiscal year. The untimely processing of activity limits the Patient Services Reporting System's usefulness as a reporting and monitoring tool.
- There was one instance in which data documented on the billing record was not keyed into the PSRS. A documented reason for not entering the data could not be found.
- **Activity Reconciliation.** Monitoring procedures need to be improved in order to verify the accuracy and completeness of activity. There is no periodic comparison performed to ensure screenings and diagnostics noted on the billing records agrees with the data reported in the PSRS. Without a formal monitoring and reconciliation process, there is an increased risk that inaccurate activity entered into the system could go undetected.
- **Policies and Procedures.** There are no updated formal documented policies and procedures to guide personnel in the processing of program activity. Though reference materials were available to guide in accessing the system and processing activity, the material was informal and reflected guidelines used prior to program modifications. The lack of documented procedures increases the risk of non-compliance with program guidelines. This could also lead to inefficiencies and inconsistencies with processing and monitoring of activity.

Recommendations

Appropriate personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The accuracy and completeness of billing records related to the Kentucky Women's Cancer Screening program should be monitored on a regular basis. This includes ensuring that patient encounters are accounted for, all applicable information is provided, and that the information is accurate.
- ✓ Program activity should be entered into the PSRS on a regular, timely basis. Routine submission would allow for activity to be reflected in the fiscal year in which it occurred. Timely and accurate reporting increases the usefulness of the PSRS as a management and reporting tool.
- ✓ Independent verification and monitoring of activity is an important element of an effective internal control structure. This provides additional oversight, and increases the likelihood of detecting inaccurate activity. An effective monitoring system should include the independent review of supporting documentation and its reconciliation to activity reports. Routine supervisory review should be performed to ensure that proper reconciliations are performed and variances are explained.
- ✓ Periodic reconciliations should be performed for a sample of billing records related to the Kentucky Women's Cancer Screening program. The billing records should be compared to the PSRS to verify the completeness and accuracy of activity. At a minimum, the reviewer's signature and the date of review should be noted on the billing record to indicate the review was performed, and the data appears appropriate. Any discrepancies noted during routine monitoring activities should be thoroughly investigated and the outcomes properly documented.
- ✓ Documented procedures for the processing of program activity should reflect the most current processes, be updated periodically, and should be distributed to all applicable personnel involved in processing. This will help ensure adherence to applicable guidelines, consistency in processing, and promote efficiency and effectiveness.

Public Health and Wellness' Corrective Action Plan

Public Health and Wellness concurs with and will implement the recommendations related to the processing of program activity. In addition, Public Health and Wellness notes the following:

Corrective action plans for issues related to the accuracy and completeness of billing records were implemented in fiscal year 2012. This corrective action includes single office visits coded per Patient Encounter Form, verification of vendor invoices using Kentucky Department of Public Health supplied data which reflects CPT codes entered by Public Health and Wellness staff, and paying invoices only when services are reconciled against system activity reports (i.e., PSRS 750 site). Supervisor will randomly select five charts per month to monitor staff accuracy with coding and data entry. Invoice reconciliation began July 2012. Approval of invoices will indicate that reconciliation has been performed.

To address issues related to entering program activity into the system in a timely manner, Public Health and Wellness will date stamp each Patient Encounter Form upon receipt in the Kentucky Women Cancer Screening Program at Public Health and Wellness (actual date stamping began November 2013). Public Health and Wellness will establish a protocol that all services and associated data must be entered into the Patient Services Reporting System no later than five business days after receipt to Public Health and Wellness.

2) Contractor Payments

Public Health and Wellness contracts with local healthcare providers to perform various medical services (e.g., clinical breast exams, pap tests) provided under the Kentucky Women's Cancer Screening Program. There were issues noted with payment transactions with the healthcare providers. Specifics include the following.

- **Contractual Compliance.** For ten of the twenty - three invoices reviewed, there were issues noted concerning compliance with contractual documentation.
 - There was one payment transaction which was not in compliance with the contracted price for services. The price for screening mammograms on the contract was \$40 per screening while the rate charged on the invoice was \$50.
 - There was one payment transaction in which there was an erroneous use of an inappropriate contract. The vendor has multiple contracts with Public Health and Wellness to perform medical services for various programs (e.g., family planning, cancer screenings). The services were procured using a contract that was not specific to the Kentucky Women's Cancer Screening Program.
 - There were eight payment transactions in which compliance with contractual terms could not be determined. Although the activity appeared to be appropriate, a lack of supporting documentation impaired the ability to verify compliance with contractual terms. The medical services provided could not be verified to contractual terms as the invoices did not specify the quantity or description of the medical procedures performed. In addition, invoices did not provide patient names for verification to the PSRS.
- **Payment Timeliness.** According to Kentucky Revised Statute 65.140, all local governments are required to pay for goods or services within thirty working days of receipt of a vendor's invoice. Of the 23 invoices reviewed, 14 were not paid within the required timeframe. The payment time for the 14 invoices ranged from 35 to 158 days.

Recommendations

Appropriate personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ As part of the payment approval process, appropriate personnel should thoroughly review invoices to ensure accuracy, appropriateness and agreement to contractual terms.
- ✓ With the centralization of departmental business operations, the Office of Management and Budget provides oversight of the procurement process to fiscal administrators and departmental personnel. Additional training to clearly define roles and responsibilities may be necessary to assist in providing assurance that payments are made in accordance with Louisville Metro Government policies and procedures and adhere to provisions within the contract.
- ✓ Sufficient documentation should be provided to allow independent verification of expenditures to contractual terms prior to the approval of payment. The documentation should be explicit as to the medical services performed as well as the names of patients receiving such services.

- ✓ Care should be taken to ensure invoices are paid in compliance with State law. Any situations in which an invoice will not be paid within the required timeframe, such as disputes with the vendor, should be properly documented.
- ✓ Appropriate personnel should date stamp all invoices upon receipt. This would allow determination of timeliness and identify areas where delays may occur. It may be beneficial to have all invoices come into one central location for date stamping and tracking. The invoices could then be distributed to program managers for review and approval for payment.

Public Health and Wellness' Corrective Action Plan

Public Health and Wellness concurs with and will implement the recommendations related to the contractor payments. In addition, Public Health and Wellness notes the following:

Vendors are now required to submit itemized invoices at contract prices along with supporting documentation which includes patient names, types of services and associated CPT codes. This was implemented in July 2012.

Date stamping of invoices was implemented in November 2012. Public Health and Wellness will establish procedures for documenting invoices that are not paid within the thirty day timeframe. Public Health and Wellness will consult with OMB to discover current Louisville Metro Government process and comply with current process. Program manager documents on invoices when invoices are able to be paid.

3) Program Reimbursements

Monitoring and reconciliation of reimbursements from the State for the Kentucky Women's Cancer Screening Program is inadequate. There were issues noted which compromise the completeness and accuracy of program receipts.

- Program reimbursements are not adequately monitored to ensure Louisville Metro Government receives all anticipated payments. There is no reconciliation performed to verify accuracy or completeness prior to posting program reimbursements to the Louisville Metro financial system.
- Internal Audit was able to verify the reimbursements posted to the appropriate account within the Louisville Metro financial system. However, verifying the accuracy and completeness of the reimbursement could not be performed because information provided to support the reimbursement from the State was insufficient. The Monthly Grants / Payments Authorized Report included a total amount reimbursed for the program but did not include time parameters for the reimbursement.
 - The State administers the Patient Services Reporting System (PSRS) which records patient information and services rendered. Local health departments throughout Kentucky are required to use the system as a data management system for clinical activities. The accuracy or completeness of program reimbursements could not be determined due to the reliability of system generated reports and the incapability of the system. As such, PSRS does not provide sufficient accountability for program activity and does not serve as an effective monitoring tool.

Recommendations

Appropriate personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ It is imperative that appropriate personnel reconcile activity by ensuring the amount of services rendered is properly billed and the reimbursement is posted to the proper account in the Louisville Metro Government financial system. This reconciliation could be done on the total reimbursed amount, with periodic spot checks of detail to ensure accuracy and completeness. Supervisory personnel should periodically review the reconciliations to ensure all program activity is properly accounted for.
- ✓ Public Health and Wellness management should consult with appropriate State personnel to address any issues with the Patient Services Reporting System. The goal is having a system that can provide accountability and transparency for all State funded program activity administered by Public Health and Wellness. Other local health departments that process similar program activity could be consulted on how they use PSRS to reconcile reimbursements to system generated activity reports.

Public Health and Wellness' Corrective Action Plan

Public Health and Wellness concurs with the recommendation related to program reimbursement. However, Public Health and Wellness notes the following:

Program reimbursements are received by the Office of Management and Budget (OMB). Our OMB Business Administrator attempted to acquire reports from the Kentucky Department for Public Health to assist with reconciliation of services to revenue. The Kentucky Department for Public Health has made it clear they are not able to provide "...the detail requested because the Contracts and Payments Branch has never had access to specific service records or counts of services by dates."

The recommended solution has been ineffective due to the Kentucky Department for Public Health not addressing systematic issues nor providing the information needed to carry out an effective reconciliation process. Public Health and Wellness remains unable to perform program reconciliation of monthly payments received by the Kentucky Department for Public Health.

Office of Internal Audit

Phone: 502.574.3291

www.louisvilleky.gov/InternalAudit/