

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Angie Grove

MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Kent Rice, Information Systems Audit Manager
CC: Anna Whiting Sorrell, Director
Marie Matthews, Administrator
Dan Forbes, Chief
Stacey Roope, Office Manager
DATE: February 2011
RE: Follow-up IS Audit (11SP-09) Management Information and Cost Recovery System:
Claims Processing (09DP-06) Department of Public Health and Human Services

Introduction

We presented our Information Systems audit on the Management Information and Cost Recovery System (MICRS) to the Legislative Audit Committee in September 2009. The report contains five recommendations relating to:

- ▶ Identification and removal of access no longer required.
- ▶ Implementation and communication of policies regarding work requests.
- ▶ Development of documentation for manual adjustment of billing priority.
- ▶ Implementation of audit logging and requiring use of unique accounts.
- ▶ Updating the unbilled services report to include only billable services.

We requested and received information from Department of Public Health and Human Services (DPHHS) personnel regarding progress toward implementation of the report recommendations. This memorandum summarizes their responses and our follow-up work.

Background

DPHHS is responsible for managing patient care at the five State-operated institutions. All expenses for treatment and care are initially paid by the State. In order for the State to be reimbursed for the cost of services, DPHHS established the Reimbursement Office (RO). The responsibility of RO is to identify and bill any means of payment a patient might have, including Medicare, Medicaid, private pay, or private insurance.

To assist in the reimbursement process, DPHHS developed MICRS: a computer system designed to assist RO in tracking patients, generating claims based on services provided, and submitting bills to responsible payers. This system was implemented July 2003 and went through three development phases before becoming fully operational in June 2006.

Follow-up Discussion

In our original report, we concluded controls were in place to ensure MICRS was completely and accurately creating and processing claims. However, we identified areas where improvements could be made. The remainder of this memo discusses the department's implementation of our audit recommendations.

Recommendation #1:

We recommend the department develop and implement periodic review procedures to identify and remove users who no longer require access to the Management Information and Cost Recovery System.

Implementation Status: Implemented

During our audit of MICRS, we identified four individuals who still had access to the system, but no longer required it. While RO management had procedures in place to initially assess access requests, they were not performing periodic review of the MICRS access list to ensure existing accounts were still appropriate. DPHHS now issues a semi-annual report of MICRS users to RO management, who then reviews the report for appropriateness.

Recommendation #2:

We recommend the department implement and communicate formal policies and procedures regarding the Management Information and Cost Recovery System work request process, including:

- A. Developing work requests for identified system issues.
- B. Communicating and training users on new functionality resulting from system modifications.

A. Implementation Status: Being Implemented

When MICRS is not working as needed by RO staff or requires additional processes, RO uses a change management process, which involves notifying Information Technology (IT) support staff of the issue so a modification can be made. However, during our audit, we identified weaknesses with this process, including not notifying IT support when a fix needs to be made. RO has now implemented monthly meetings with IT staff to ensure any required fixes or upgrades are communicated between the two parties. They are still in the process of developing formal policies for this process.

B. Implementation Status: Being Implemented

When changes were made to MICRS, RO management was not informing RO staff of changes in MICRS operations. RO management has established a process where the staff member who initially requests the change is required to notify and train other staff about the new MICRS features. However, RO management has not yet formalized these processes in documented policies and procedures.

Recommendation #3:

We recommend the department develop documentation assigning roles and communicating responsibilities for the manual adjustment of billing priority.

Implementation Status: Implemented

MICRS is designed to automatically bill multiple resources for services in a cascading order. This process works as intended unless an additional resource is added once the billing process has already started. Because resources are to be billed in a specific order, there are times when a resource has to be retroactively billed. When these instances occur, RO staff has to manually bill the new resource and reimburse resources that may have already paid. During our audit, we noted RO had an informal process,

but had not formally documented the steps of this process including roles and responsibilities. Since issuance of our report, RO has documented policies outlining procedures, roles, and responsibilities.

Recommendation #4:

We recommend the department:

- A. Implement logging of modifications and updates to the Management Information and Cost Recovery System.
- B. Require unique accounts when updating or modifying the Management Information and Cost Recovery System.

A. & B. Implementation Status: Implemented

During our audit, we noted database administrators were all sharing the same generic account used to modify MICRS. If an unauthorized change was made, the department could not identify the specific user who made it. Additionally, the department was not logging changes to MICRS, so they would not be able to identify an unauthorized change regardless of the account used. Since the audit, the department has created a database table that stores a record of any change to MICRS. They have also established policies requiring unique accounts be used when modifying MICRS. As part of our follow-up, we verified the existence of the log table, and confirmed only unique user accounts have been used to make changes to MICRS since the log was established.

Recommendation #5:

We recommend the department update the unbilled services report to include only billable services by:

- A. Developing and implementing procedures to identify and close nonbillable services.
- B. Updating unbilled services report to remove services that have been closed.

A. Implementation Status: Being Implemented

Previously, we identified services that were open and waiting to be billed, but should have been closed and considered nonbillable. RO has now developed procedures to manually close nonbillable services on a monthly basis. However, they have not developed procedures to identify nonbillable services. They are currently in the process of adding an additional staff position with responsibility to audit records to identify all service types that cannot be billed.

B. Implementation Status: Being Implemented

During the MICRS audit, RO was using a management report to identify services that still needed to be billed; however, we noted inaccuracies in the report including claims that were not billable. As part of our follow-up, we confirmed DPHHS has updated the unbilled services report, but the new report is still in the testing phase.