



Mary Taylor, CPA
Auditor of State

MEMORANDUM

TO: Local Region Chief Auditors

FROM: Kelly Berger-Davis, SAS 70 Coordinator

DATE: June 22, 2009

SUBJECT: The Billing Connection, Inc.- SAS 70/88

Attached is the most recent Agreed Upon Procedures (AUP) report for the above mentioned service organization related to the processing of Medicaid claims. The report covers the period January 1, 2008 through December 31, 2008. A list of the clients these procedures were performed for are attached to this document.

This report may provide auditors with an understanding and evaluation of controls similar to a Tier II SAS70 report (reference AU324.12(b)). Auditors should determine the effect of the findings/results disclosed in this AUP report on their audit. Although the exceptions noted may not require opinion modification, auditors should consider the significance of the weaknesses and determine whether client communication might be appropriate.

If auditing a County MRDD board that is a direct service provider and uses The Billing Connection for processing Medicaid billings on their behalf, auditors should also follow the guidance in the IOC dated April 23, 2003 attached to this document. The referenced memo is applicable to this service provider because The Billing Connection is a company that split off from Healthcare Billing Services, Inc., and from our understanding their operations mirror each other. If you find that this is no longer accurate, please contact the SAS 70 Coordinator.

Also, remember:

- Per 30500 App A, ¶ 6, a SAS 70 report provides *no substantive evidence*. Therefore, a SAS 70 report alone does not fulfill our audit evidence obligations.
- In reviewing the procedures the auditors performed at TBC, they are a combination of substantive and control procedures. Therefore, the AUP report will provide evidence of control operating effectiveness and some substantive evidence.

- Judging the sufficiency of evidence is your responsibility. You should read the AUP report and determine whether the substantive procedures and results + *other* substantive procedures **you** performed at a county MRDD board (including A-133 substantive tests that may also provide evidence regarding financial statement amounts) are sufficient to support your financial opinion, especially if TBC' activity is material to a major fund.
- Our financial audit requirements may overlap with A-133 in some respects, but there are significant differences, too. Please consider whether/if your cumulative audit evidence (which should include TBC' AUP) supports your opinion on the financial statement and your A-133 opinion/report.
- User Control Considerations should be considered and testing developed at each individual entity. No UCCs were identified in the report however, based on your entity's procedures, you may identify UCCs at your particular entity.

Note: Auditors should remember to document SAS 70 reports in accordance with AOSAM 30500 Appendix A. In addition, paragraph .14 states that we should not include complete copies of SAS 70 reports in our working papers because they may contain confidential or proprietary information for which state or federal law prohibits disclosure – only this memo and pertinent excerpts should be included.



Auditor of State
Betty Montgomery

INTER-OFFICE COMMUNICATION

TO: Local Region Chief Auditors
FROM: Michael Gehlmann, SAS 70 Coordinator *MG*
DATE: April 23, 2003
SUBJECT: Healthcare Billing Services, Inc.

We have received comments from some counties that use Healthcare Billing Services, Inc. (HBS) expressing their concern that we are making unnecessary requests for client billing records. This memo addresses this issue.

There are a number of county MR/DD boards and school districts that use HBS to process Medicaid billings on their behalf. Currently, all of the governmental clients of HBS are direct service providers (i.e., the governmental entity is the service provider rather than using a contract service provider) and receive Medicaid funding under awards passed-through the Ohio Department of MR/DD (ODMRDD). The guidance in this memo applies only to those auditees.

HBS does not have a SAS 70 report, but does have an agreed upon procedures (AUP) engagement performed and Accounting and Auditing Support (A&A) has agreed to those procedures. The attached report covers the period from May 1, 2002 through December 31, 2002. The AUP engagement provides information regarding the design and operating effectiveness of controls at HBS relevant to Medicaid billing services provided to its local government clients. The report also includes substantive compliance testing procedures for allowable service type, calculation of service units billed and client/ patient eligibility.

Most of our clients that contract with HBS document services provided using a form designed by HBS or a form in substantially the same format as that designed by HBS. HBS has indicated that most of its governmental clients use this form as the original document to record the provision of service and maintain a permanent record of individual client/ patient services. For local governments using HBS, auditors should consider the form submitted to HBS as the original record of service document (unless auditors strongly believe this approach would not be appropriate due to the design of the government's information system). **Accordingly, auditors will not need to complete the ODMRDD substantive procedure No. 1 in Part L of the Medicaid FACCR (procedure No. 2 should be performed).** The tests under procedure No. 1 are addressed by the AUP engagement. (Auditors should review the AUP report and document the affect its findings have on the auditee's report on compliance. The FACCR should reference this working paper documentation.) If these testing procedures have been started, there is no need to complete the planned testing (document the reasons in the working papers and include this memo).

Finally, HBS retains client submitted documents for a period beyond the end of the audit period. These documents include the original record of service forms, and may include other documents such as original ODMRDD payment remittance advices and denied claims reports. It is expected that AOS staff will not normally need these documents to complete testing for auditees using HBS. If staff believes that certain records maintained by HBS are needed, A&A should be consulted prior to requesting such records.

Contact your assigned A&A representative if you have any questions pertaining to this matter.

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURES**

The Billing Connection, Inc. and
Representatives of the State of Ohio – Office of the Auditor

We have performed the procedures enumerated below, which were agreed to by The Billing Connection, Inc. ("TBC") and representatives of the State of Ohio – Office of the Auditor ("AOS"), solely to assist with respect to evaluating certain procedures performed by TBC and evaluating certain controls related to TBC's processing of Medicaid claims for the year 2008. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the AOS. Consequently, we make no representation regarding the sufficiency of the procedures performed described below either for the purpose for which this report has been requested of for any other purpose.

PROCEDURES PERFORMED

I. Claims Processing

Perform the following testing for 60 random selections of claims paid during the year ended December 31, 2008:

- A. Determine the date documentation was received.
- B. Determine the date the data pertaining to the claim was entered into the billing system.
- C. Ensure that all required billing elements are present on the documentation.
- D. Determine that the services provided per the documentation qualify for Medicaid reimbursement.
- E. Recompute billable units per the documentation to determine that it was calculated properly.
- F. Recompute the amount submitted for reimbursement for the selection by multiplying billable units by the Medicaid reimbursement rate (using the appropriate federal percentage, where applicable). Determine that the rate is the approved Medicaid rate for that service as of the date of the selected claim.
- G. Determine the date that the selected claim was included in a batch that was transmitted for attestation per the Detail Units Billed Report (2007) or the Billable Units Report (2008).
- H. Determine the date the attestation memo form was sent.
- I. Determine the date the data was attested per the Service Documentation Tracking Log.
- J. Trace inclusion of units per the documentation to the Reconciled Detail By Consumer report prepared by the State of Ohio, or to an Exception Report if for some reason the claim was denied. Investigate any exceptions between the units computed per the documentation and the reports.

- K. Determine if payments received from ODMRDD for the selected claims were applied properly to the billing system by comparing the selection to information on the appropriate Summary Reconciliation by Code Report.
- L. Determine the date that the monthly/quarterly report for the selected claim was sent.
- M. As a test of the system, attempt to re-enter the same claim for the consumer selected to ensure controls exist to prevent duplicate entry of claims.

II. Security

Attempt to make an unauthorized access onto the billing system as a test of security.

OVERVIEW OF TESTING PERFORMED

Statistical sampling was applied to claims paid by the State of Ohio to entities that contracted with TBC to provide billing services on their behalf in order to select individual claims for testing under Section I.

RESULTS OF TESTING

Claims Processing

Procedure IA – The information was obtained from the Service Documentation Tracking Log for all but one of the selections. No log could be located for this selection, so the first day of the subsequent month was used for testing purposes.

Procedure IB – The information was obtained from Service Documentation Tracking Log or Billable Units report for all of the selections. Documentation was reviewed and data was entered into the system after it was received in the following timeframes:

90 days or less	56 selections
91-100 days	3 selections
256 days	1 selection

Procedure IC – There were no exceptions noted in performing this procedure for 40 selections. We were unable to perform this testing for seven (7) selections, as Stark and Fairfield counties do not provide documentation for adult day services to TBC that is necessary to make this determination. We were unable to perform this testing for two (2) selections as the documentation necessary to make this determination had been returned to Auglaize County so that their auditor could perform the necessary testing in conjunction with their annual audit.

There was no indication that the individuals were transported in seven (7) selections. However, the County Boards no longer provide this information, because transportation is not longer a billable service.

One (1) selection for Miami County did not include signatures of service providers, as they have an electronic signature program. Original signatures are maintained in the service provider’s personnel file maintained by the county.

One (1) selection from Washington County did not include signatures, initials, or titles of service providers. They have an electronic documentation system, and this information is not included in the documentation provided to TBC.

One (1) non-medical transportation selection from Fairfield County did not reflect the consumer's Medicaid number.

One (1) selection from Van Wert County did not include the location where services were provided.

Procedure ID – There were no exceptions noted in performing this procedure for 51 selections. We were unable to perform this testing for nine (9) selections, five (5) for Stark, two (2) for Fairfield, and two (2) for Auglaize Counties, as noted in Procedure 1C.

Procedure IE – There were no exceptions noted in performing this procedure for 50 selections. We were unable to perform this testing for nine (9) selections for Stark, Fairfield, and Auglaize Counties, as previously noted. We noted that the billable units keyed into the system for one (1) selection from Union County were incorrect.

However, we noted from documentation that was provided that the billable units keyed into the billing system for one (1) of the selections for Stark County was incorrect.

Procedure IF – There were no exceptions noted in performing this procedure for 51 selections. We were unable to perform this testing for nine (9) selections for Stark, Fairfield, and Auglaize counties, as previously noted.

Procedure IG – There were no exceptions noted in performing this procedure for 58 selections. Because transmissions for non-governmental customers go directly to the state of Ohio from TBC, this testing was not done for two (2) such selections.

All transmissions occurred within thirty (30) days of entry into the billing system with one (1) exception which took 132 days.

Procedure IH – The information was obtained from e-mails sent to customers or other documentation for 58 selections. Transmissions from non-governmental customers go directly from TBC to the State of Ohio. Consequently, this testing was not done for two (2) such selections.

The attest memo was sent within five (5) days of transmission of the files for all 58 selections.

Procedure II – The information was obtained from the Service Documentation Tracking Log for 55 selections. TBC could not locate Tracking Logs for three (3) selections. This step is not applicable to non-governmental customers, which represent two (2) selections.

The County Boards all responded within 16 days of transmission of the files.

Procedure IJ – There were no exceptions noted in performing this procedure for 57 selections. Three (3) selections were denied and were traced to appropriate denied claims reports from the State of Ohio.

Procedure IK – There were no exceptions noted in performing this procedure for 56 selections. Three (3) selections were denied, and thus application of payment is not necessary. The billing rate for one (1) selection was changed by the State of Ohio. TBC applied the amount paid by the State of Ohio to their billing system.

Procedure IL – The information was obtained from a variety of TBC documentation for all 60 selections.

TBC reported to customers within 90 days from transmission of the files for 55 selections. Three (3) selections tested were reported within 91 to 139 days. Two (2) selections were non-governmental customers where transmission was made directly to the State of Ohio by TBC and not to the customer.

Procedure IM – There were no exceptions noted in performing this procedure for 47 selections. There are no controls to prevent re-entry of non-medical transportation claims, which represent the remaining thirteen (13) selections.

Security

Procedure II – An attempt was made to gain unauthorized access to the billing system which was not successful.

DISCLAIMER

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of the billing procedures and overall system of controls of TBC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the parties specified in our engagement letter and is not intended to be and should not be used by anyone other than those specified parties.



Worthington, Ohio
June 19, 2009

The Billing Connection, Inc.

AS of 09/30/2008

Client
Ashland CBMR/DD
Ashtabula CBMR/DD
Auglaize CBMR/DD
Brown CBMR/DD
Champaign CBMR/DD
Columbiana CBMR/DD
Coshocton CBMR/DD
Darke CBMR/DD
Fairfield CBMR/DD
Guernsey CBMR/DD
Hardin CBMR/DD
Highland CBMR/DD
Jackson CBMR/DD
Lawrence CBMR/DD
Logan CBMR/DD
Mercer CBMR/DD
Miami CBMR/DD
Morgan CBMR/DD
Muskingum CBMR/DD
Ottawa CBMR/DD
Pike CBMR/DD
Shelby CBMR/DD
Stark CBMR/DD
Trumbull CBMR/DD
Union CBMR/DD
Van Wert CBMR/DD
Vinton CBMR/DD
Washington CBMR/DD
Windfall Industries