



# Dave Yost • Auditor of State

## MEMORANDUM

**TO:** Local Region Chief Auditors

**FROM:** Tim Downing, SAS 70 Coordinator

**DATE:** June 21, 2012

**SUBJECT:** The Billing Connection, Inc. – AU324 (SAS 70/88)

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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, 2011 through December 31, 2011. A list of the clients these procedures were performed for is attached to this document.

This report may provide auditors with an understanding and evaluation of controls similar to a Type II SSAE 16 SOC 1 report (reference AU 324.12(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.

AOS contacted the IPA completing the report and the service organization to better clarify certain exceptions:

- Procedure IK:
  - *19 selections where the amount paid by DODD did not match TBC's billing system because Gatekeeper software is not programmed to include the federal percentage for adult day services and targeted case management payments for counties. In discussing this with the IPA, the amount of reimbursement was correct. The amount reimbursed is impacted by a federal percentage. When the claim is submitted to the state of Ohio, they reimburse based on the applicable federal percentage at the time of payment. Gatekeeper is not programmed to reflect this federal percentage, and thus the actual reimbursement is not reflected in Gatekeeper.*
  - *Two selections, Hardin and Mercer Counties, in which the federal percentage used in computing reimbursement changed between the time the claims were submitted and the date they were paid by DODD. TBC's billing system was not modified to reflect the revised federal percentage. In discussing this with the*

IPA, the state automatically used the correct rate if the date changes between the submission and date of payment.

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 SOC 1 report provides *no substantive evidence*. Therefore, a SOC 1 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.

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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.

# Dennis P. Williamson

Certified Public Accountant

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## 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 2011. TBC's management is responsible for the controls related to TBC's processing of Medicaid claims for the year 2011. 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 or 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, 2011:

- A. Determine the date documentation was received from the Service Documentation Tracking Log.
- B. Determine the date that data pertaining to the claim was entered into the billing system from the Service Documentation Tracking Log, the Billable Units Report, or other supporting documentation.
- 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 the 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 Billable Units Report.
- H. Determine the date the attestation memo form was sent by review of e-mails sent to customers or other documentation.
- 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 Ohio Department of Developmental Disabilities (DODD), 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 DODD 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 through review of any appropriate documentation.
- 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 DODD to entities that contracted with TBC to provide billing services on their behalf in order to select individual claims for testing under Section I.

Effective January 1, 2011, TBC began using Gatekeeper software for processing Medicaid reimbursement for their governmental customers, and Advisor software for their non-governmental customers. Thus, the names of reports specified in the program that are specific to the software that was used previously (Infall) are different for the Gatekeeper and Advisor software, but essentially accomplish the same purpose.

**RESULTS OF TESTING**

**Claims Processing**

Procedure IA – The information was obtained from the Service Documentation Tracking Log for all sixty (60) selections.

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

30 days or less	22 selections
31-60 days	22 selections
61-90 days	15 selections
155 days	1 selection

Procedure IC – There were no exceptions noted in performing this procedure for forty-six (46) selections.

Thirteen (13) selections (including at least one selection from Belmont, Champaign, Darke, Miami, Ottawa, Portage and Shelby counties) 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 for Mercer County did not reflect the names and signatures of direct service providers.

Procedure ID – There were no exceptions noted in performing this procedure for sixty (60) selections.

Procedure IE – There were no exceptions noted in performing this procedure for fifty-nine (59) selections. We were unable to perform this testing for one (1) selection (Portage County), as they do not provide attendance times for consumers.

Procedure IF – There were no exceptions noted in performing this procedure for fifty-six (56) selections. There were two (2) selections from Hardin and Mercer counties where the amount reimbursed differed from amounts submitted to DODD. This occurred because the federal percentage used in computing reimbursement changed between the time the claims were submitted and the date they were paid by DODD.

We were unable to determine the proper reimbursement rate for one (1) selection in Portage County, as discussed in 1E. We were unable to verify the proper reimbursement rate for one (1) selection in Portage County. Commercial transportation services are reimbursed based upon contractually agreed-upon rates with public transportation authorities. The contract was not available to us.

Procedure IG – There were no exceptions noted in performing this procedure for fifty-four (54) selections. Because transmissions for non-governmental customers go directly to DODD from TBC, this testing was not applicable to six (6) non-governmental selections.

The transmissions occurred within the following date ranges:

30 days or less	51 selections
31-60 days	2 selections
80 days	1 selection

Procedure IH – The information was obtained from e-mails sent to customers or other documentation for fifty-four (54) selections. Because transmissions for non-governmental customers go directly to DODD from TBC, this testing was not applicable to six (6) non-governmental selections.

The time between when the data was transmitted and the date the attest memos were sent were within the following date ranges:

1 day or less	43 selections
2 -7 days	11 selections

Procedure II – The information was obtained from the Service Documentation Tracking Log for fifty-four (54) selections. Because transmissions for non-governmental customers go directly to DODD from TBC, this testing was not applicable to six (6) non-governmental selections.

The counties all responded within thirty (30) days or less of transmission of the files.

Procedure IJ – There were no exceptions noted in performing this procedure for fifty-nine (59) selections. There was one (1) selection from Union County in which payment was denied by DODD because the consumer had exceeded their PAWS limit, and thus no reimbursement occurred.

Procedure IK – There were no exceptions noted in performing this procedure for thirty-eight (38) selections. There were nineteen (19) selections where the amount paid by DODD did not match TBC's billing system because Gatekeeper software is not programmed to include the federal percentage for adult day services and targeted case management payments for counties.

There was one (1) selection (Union County) in which reimbursement had been denied by DODD, but was still reflected as paid by TBC's billing system.

There were two (2) selections (Hardin and Mercer counties) in which the federal percentage used in computing reimbursement changed between the time the claims were submitted and the date they were paid by DODD. TBC's billing system was not modified to reflect the revised federal percentage.

Procedure II – The information was obtained from a variety of TBC documentation for seventeen (17) selections. Because transmissions for non-governmental customers go directly to DODD from TBC, this testing was not applicable to six (6) non-governmental selections.

No monthly or quarterly report was sent for one (1) selection for Trumbull County that was processed using Infall software.

TBC did not send monthly or quarterly reports for thirty-six (36) selections. Reports that had been historically provided by Infall were not available with either the Gatekeeper or Advisor software. TBC has since developed custom designed reports, and thus reporting will resume in 2012.

The time period between when the counties notified TBC that they had attested and the date TBC reported to counties fell within the following ranges. )

22 days or less	16 selections
56 days	1 selection

Procedure IM – There were no exceptions noted in performing this procedure for thirty-one (31) selections. There are no controls to prevent re-entry of non-medical transportation claims, which represent seventeen (17) selections.

There were ten (10) targeted case management selections in which duplicate entry resulted in a notification by the billing system that services had already been entered. However, the warning could be ignored, and the system would accept the duplicate entry.

This test could not be performed for counties that enter claims directly into a billing system which can be downloaded directly into TBC's billing system. This represents the remaining two (2) selections (Belmont and Champaign counties).

### Security

Procedure II – An attempt was made to gain unauthorized access to each of the billing systems utilized by TBC during the year (Infall, Gatekeeper, and Advisor). None were 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.

*Dennis P. Williamson, CPA*

Hilliard, Ohio  
June 1, 2012