

Agency Name	Department Of Health & Human Svcs – NH Hospital
Audit Name	FINANCIAL AUDIT REPORT
Audit Period	NINE MONTHS ENDED MARCH 31, 2019
Status Report Date	3/31/2021

NOTE: Observations and Recommendations have been abbreviated for purposes of this progress report.

Summary of Audit Observations/Findings					
Number	Observation Title	Status <small>[place X in status column]</small>			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	Formal Risk Assessment Policy & Procedures		X		
2	Internal Audit Function should be Established			X	
3	Patient Services Revenue Reconciliation Policies & Procedures				X
4	Policies & Procedures for Patient Billing & Collections should be established				X
5	Accounts Receivable Policies & Procedures should be improved			X	
6	Accountability for Contract Provided Staffing should be Improved		X		
7	Expenditures for Contract Provided Staffing Services should be limited to Hospital Operations				X
8	Ensure Cafeteria Employees comply with Cash Handling Policies and Improve Accountability				X
9	Formal Business Plan and Pricing Policy for Cafeteria Operations should be established		X		
10	Timekeeping Process should be improved and Redundancies Eliminated		X		
11	Leave Taken on Holidays Should be Properly Recorded		X		
12	Weekend Pay Differential Should be Paid as Negotiated				X
13	Controls over Pharmacy Should be Improved				X
14	Controls Should Be Implemented to Review Worker's Compensation Billings				X

Number	Observation Title	Status <small>[place X in status column]</small>			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
15	Hospital Security MOU and Invoicing Review Practices for Hospital Campus Security Should Be Updated and Documented		X		
16	User Access to Critical Information Systems Should be Limited and remain current.				X
17	Disaster Recovery Plan for Critical Information Systems Should be In Place				X

<https://sunspot.nh.gov/finance/documents/financial/Fixed%20Assets-Helpful-tips.pdf>

Observation 1: Formal Risk Assessment Policies And Procedures Should Be Established

Summary of Finding: The Hospital should establish a formal and documented risk assessment process for recognizing, evaluating, and responding to risks that could affect its ability to achieve its financial accounting and reporting objectives. The process should include an IT security risk assessment to ensure the Hospital's information systems are adequately protected. A continuous monitoring of Hospital processes and activities using a risk-based mindset will promote effective planning and assist in resource allocation decision-making.

Current Status: Partially resolved. The Hospital does not have a formal, comprehensive risk assessment in place relative to financial accounting and reporting. The Hospital has consulted with its colleagues at DHHS, and should resources allow, we will conduct a comprehensive financial risk assessment of The Hospital, and develop policies whereby risk assessments are completed periodically.

Relative to IT security risk assessment, in 2017 the Department's Information Security incorporated the NIST Cybersecurity Framework (CSF) model as part of its Risk Assessment to assist in defining the Department's security posture. The Cyber Security Maturity Assessment (CSMA) focuses on NIST controls that protect critical assets, infrastructure, applications, and data by assessing Department's defensive posture

The Department utilizes a layered approach, using NIST Controls to improve its security posture. Strategically the layered approach safeguards the Department's data and systems through multiple types of security measures, each protecting against different types and sources of threat. Firewalls, intrusion detection systems, malware and network scanners, change control and integrity auditing procedures. Each serve to protect the Department's information technology resources in ways the others cannot. Organizational standards—policies, procedures, guidelines, and training (security and compliance) are utilized to safeguard the Department from insider threat and data loss. Monitoring, alerting, authorized personnel activity accounting and incident reporting are some of the additional processes strategically utilized in the Department's layered approach, which widens the security scope and enables quick and flexible response to new conditions, unexpected threats, and uncover vulnerabilities.

Additionally, the Department of Information Technology (DoIT) continuously monitors the Department's systems for cybersecurity threats and vulnerabilities. Identified threats and vulnerabilities are mitigated on the Department's behalf by DoIT. Security events and incidents impacting e-PHI are documented. Threats and vulnerabilities made known through incident investigation are documented, remediated, and used for subsequent training as appropriate. Recovery planning and processes are improved by incorporating lessons learned into future activities.

Since 2017, Information Security has been working to lay the groundwork to establish a comprehensive risk management plan for the Department. In 2020 the Department adopted its Data Classification Policy and Process, a key milestone to developing its risk management plan. With the adoption of the classification policy and process, Information security is now able to develop a coordinated department-

wide risk management plan, which will encompass financial, operational, compliance, reputational, and information security risk types.

Observation 2: Internal Audit Function Should Be Established

Summary of Finding: The Hospital should establish an internal audit function and work towards the implementation of leading internal audit industry practices. The internal audit function should include a formalized process, including the reporting of issues and challenges identified, and recommendations to address noted areas of concern to Hospital and DHHS upper management.

Current Status: Substantially resolved. The Hospital leadership has engaged with the DHHS Division of Program Quality and Integrity about potential options for conducting internal financial audits moving forward. While creating an internal auditing function for the Hospital may be ideal, the Hospital cannot support creating and funding such a position given the current financial situation of the state, but certainly appreciate the merits of this observation.

Observation 3: Patient Services Revenues Reconciliation Policies And Procedures Should Be Improved

Summary of Finding: The Hospital should develop formal policies and procedures over its reconciliation process for patient services receipts. Periodic and timely reconciliations should be performed to ensure the posted receipts in each system agree. The Hospital should investigate and sufficiently understand causes for any significant variances. Reconciliations should be reviewed and approved by management to ensure timely and accurate performance.

Current Status: Fully resolved. The Hospital had implemented a process to reconcile patient service receipts posted in its billing systems to state accounting systems on a monthly basis. Monthly completion is now required to be acknowledged by assigned staff. The reconciliation ensures the revenues reported in the Patient Electronic Records agrees with the amounts reported in NHFirst. NHH developed internal policies and procedures prior to the conclusion of the audit that requires sign-off by finance management within the reconciliation worksheet. Variances are investigated and corrections processed as deemed necessary.

Observation 4: Policies And Procedures For Patient Billings And Collections Should Be Established

Summary of Finding: The Hospital should establish formal billing and collections policies and procedures to support its significant accounting and financial reporting activities.

Current Status: Fully resolved. The Hospital does not concur with this finding therefore consider this observation fully resolved. All billing staff, including billing, patient financial services and utilization

management, are provided procedural guidance in the form of hard copy and electronically. Staff are encouraged to access the online version of procedures as they are subject to continual changes to reflect updates applicable to specific contracts with guarantors (payers), The Centers for Medicare and Medicaid Services (CMS), and other authoritative bodies. Updates to policies and procedures are communicated to staff after review by supervisors and various levels of management.

Observation 5: Accounts Receivable Policies And Procedures Should Be Improved

Summary of Finding: The Hospital should improve its policies and procedures for compiling and tracking its year-end accounts receivable.

Current Status: Substantially resolved. The Hospital fully concurs that the Hospital should align its accounts receivable to reflect the Department of Administrative Services (DAS) Manual of Procedure's standard of accounts receivables expected in the 60-day period following the fiscal year close. As a result of this observation New Hampshire changed its accounts receivable formulation during the FY 2020 close to align with the DAS Manual of Procedures.

Additionally, since the audit period, the Hospital has improved collections forecasting by reviewing uncollectible claims in accounts receivable and identifying and correcting issues in the application of collection percentages to our accounts receivable. The accuracy of this methodology proved to be quite accurate during the FY 2020 close, and will continue to be reviewed for further improvement. Healthcare account receivables are challenging to plan and forecast for, as they're subject to numerous variables that are outside of a hospital's control such as the tiering of insurances, issues in insurance carrier portals, and changes in insurance carrier policies.

In an effort to further improve the Hospital's forecasting abilities, as well as many other aspects of its accounts receivable, a Request for Proposal was issued for a claims management system; an industry standard tool that assists in electronic aggregation, review, and submission of claims to insurance payment portals. By having a centralized tool for adjudicating claims, the hospital will be better positioned to forecast accounts receivables in a given period. The contract is in final negotiations and is anticipated to be in place by June 2021.

While management is diligently working to resolve the cited issue, it is worth to note that health care billing and collections are rather different. Inpatient psychiatric medical billing bear its inherent uniqueness and complexity.

Observation 6: Accountability For Contract Provided Staffing Should Be Improved

Summary of Finding: The Hospital should improve its accountability over its contracted staffing to ensure it is receiving the services specified in the Dartmouth-Hitchcock contract. The Hospital should utilize

existing contract provisions to implement controls sufficient to monitor performance. Timekeeping controls should be designed to provide management reasonable assurance that Dartmouth-Hitchcock staff are working their allotted times, and that those times are in accordance with the FTE's for the respective positions.

Current Status: Partially resolved. The Hospital has initiated a revision to the contract language. Specifically, the contract amendment provides the Contractor shall provide reports summarizing full-time equivalent staffing rendered to the hospital for each invoicing period. For non-clinical staff the Contractor shall provide hourly timecards summarizing hours worked for each invoicing period. The invoices and timecards are reviewed prior to payment authorization.

Observation 7: Expenditures For Contract Provided Staffing Services Should Be Limited To Hospital Operations

Summary of Finding: The Hospital should ensure expenditures charged to the Hospital's appropriations represent only those associated with the Hospital's operations and activities.

Current Status: Fully resolved. Effective 7/1/2019, Glenclyff Home and the Division of Behavioral Health had funds appropriated for their portion of the provider services contract, and subsequently paid for services received.

Observation 8: Ensure Cafeteria Employees Comply With Cash Handling Policies And Improve Accountability Controls

Summary of Finding: The Hospital should improve its monitoring of employee compliance with cash drawer accountability control activities to ensure controls continue to operate as management intends.

Controls over cash drawers for the Brown Café should be established to provide accountability. Cash drawers should not be shared amongst employees.

The Hospital should develop policies and procedures for reconciling cafeteria receipts per the cash register system report to revenue recorded in NHFirst. Discrepancies should be investigated and resolved in a timely manner. Reconciliations should also be documented, reviewed, and approved by management.

Current Status: Fully resolved. While the audit was being performed, Hospital Finance and Food & Nutrition management met on a regular basis to review and refine procedures to ensure procedures and process were in compliance and staff were appropriately trained. Daily variances are logged into a tracking worksheet and reviewed quarterly to identify the need for refresher training and process review.

New Hampshire Hospital's cafeteria now uses separate cash drawers to cover employee breaks and lunches. This process was implemented during the audit period. If there is a scenario where staffing is

limited, the department has opted to close cafeteria services during staff breaks to eliminate the need for a second cashier.

Lastly, the lack of reconciliation between the cash register tapes, bank deposit slips and state accounting system (NH-First) postings has been resolved. Daily deposits are processed through the Cashier's Office. The Cashier creates a deposit reconciliation form (A-15) based upon the source documents from the bank. A second employee enters the deposit summary information into NH-First. A third person, a supervisor or manager in New Hampshire Hospital finance, must approve the NH-First entry which requires comparison of deposit backup documents (register reports) to the bank deposit slips and then to the A-15. This process is performed at an appropriate supervisory/managerial level and acknowledged by the reconciler's initials and date of approval on the A-15. In addition to this reconciliation process, the hospital will require register reports to be printed from all registers daily, regardless of whether or not they are all used, to eliminate the risk of a register not being brought forth for reconciliation.

Observation 9: Formal Business Plan And Pricing Policy For Cafeteria Operations Should Be Established

Summary of Finding: The Hospital should establish a business plan for its cafeteria operations that describes the goals and objectives of offering cafeteria services and the plan for providing those services, including a determination of whether the cafeterias are to be self-funding or subsidized.

The Hospital should establish an accurate and timely management information system for its cafeteria operations, including cost reporting. The system should consider inputs such as food, labor, supplies, overhead, and other costs incurred in providing cafeteria services to employees and visitors, separately from its patient food-services costs.

The Hospital should establish formal pricing policies and procedures for its cafeteria services that consider all the costs of providing those services when setting prices. Prices should be regularly reviewed and updated as necessary.

Current Status: Partially resolved. The Hospital has hired new Food & Nutrition management who are actively working to improve overall operations of the meal preparation and delivery process. Management's near-term goal is to define the objective of the cafeteria operation, improve cost tracking and cost reporting. As part of this ongoing effort, the hospital has been substantially able to account for cafeteria expenses separately from patient meal costs through enhanced job costing, which enables cost reporting of cafeteria's financial operation. Product pricing strategies are underway in conjunction with the other initiatives. In particular, the Hospital has been able to develop a breakeven pricing strategy for its catering services. Once this new pricing methodology is proven effective, management will conduct further review of product pricing related to general cafeteria operations. Management intends to monitor cafeteria financial performance regularly with improved information to ensure it is meeting established business goal.

Observation 10: Timekeeping Process Should Be Improved And Redundancies Eliminated

Summary of Finding: The Hospital should consider the feasibility of implementing an automated timekeeping system for direct care, food service and facilities employees that will automatically upload timekeeping information into TMS, similar to those used by other State agencies.

Current Status: Partially Resolved. Should funding become available, The Hospital would welcome the opportunity to implement a timekeeping system. The Hospital had explored a solution used by other state agencies however found the system worked well for part-time employees but not full-time and varying shift employees.

There have been previous efforts to implement a timekeeping system statewide that did not come to fruition. In early March 2021, Department of Administrative (DAS) confirmed that it is implementing a new automated timekeeping system, Workforce Management, for the Department of Corrections. Next steps are to implement Workforce Management for the Department of Safety and then to move on to work with the Department of Health and Human Services (DHHS) including NH Hospital. DAS estimates that the system will be rolled out to DHHS by the end of SFY2022. The successful implementation of Workforce Management would address several current audit findings relative to timekeeping and payroll processes.

Observation 11: Leave Taken On Holidays Should Be Properly Recorded

Summary of Finding: The Hospital should work with the DAS to develop and implement procedures to properly account for employees scheduled to work on a paid holiday to ensure employees are compensated in accordance with the CBA and State policy.

Current Status: Partially resolved. Within the next six months, DAS will work with the Hospital to review the agency's leave request and approval procedures, specifically as it relates to an employee taking leave after being scheduled to work a holiday. DAS will ensure that the agency procedures include clear instruction in order to avoid inconsistency. In addition, DAS will inquire of other agencies that have similar holiday scheduling arrangements, to promote consistency across state agencies.

As mentioned in our response to Observation 10, the Department of Administrative Services has identified a new automated time keeping system and is working diligently to roll it out to several State agencies in the next few months. The new timekeeping system will have capabilities to alert management to common payroll process issues and thus prevent the submission or processing of timecards with unresolved issues such as noted in this finding.

Observation 12: Weekend Pay Differential Should Be Paid As Negotiated

Summary of Finding: The Hospital should pay the nursing staff weekend direct care shift differentials as negotiated in the Collective Bargaining Agreement. If management determines that the current payment of the nursing direct care weekend shift differential is necessary for the continued operations of the Hospital, then the Hospital should seek proper and formal authority to continue making payments in this manner.

Current Status: Fully Resolved. While it appears that there was documented approval of the higher incremental rate many years ago, it does not appear that current authoritative documents, such as the CBA, have been updated to reflect this previous approval. As a result, DAS will work with the Hospital to research the appropriate mechanism to re-establish formal authority for the current pay rate, and the personnel to whom it applies.

As of pay period beginning December 18, 2020, DAS's Division of Personnel has identified a group of employees hired on or before 2/12/2010 with applicable shift differentials as negotiated in the Collective Bargaining Agreement. DAS was provided with this information, and created separate payroll codes in the system only accessible to these employees. Eligible nursing staff hired after this date have access to codes reflective of current applicable rates as negotiated in the Collective Bargaining Agreement.

Observation 13: Controls Over Pharmacy Operations Should Be Improved

Summary of Finding: The Hospital should ensure its pharmaceutical controls establish accountability for the pharmaceutical inventory upon receipt and maintain accountability for that inventory through subsequent issuance of the drugs. Pharmacy management should be aware of and review and monitor inventory adjustments.

Current Status: Fully resolved. The Hospital has implemented changes based upon the audit recommendations that requires the Chief Pharmacist or designee to review and approve invoices. Additionally, the Hospital's Chief Pharmacist has initiated training of all staff on how to run inventory reports.

The Hospital does not concur with the observation that the Hospital does not have a regular process to check inventory for shrinkage. The NH Board of Pharmacy is the regulatory body that governs the operations and performance of Pharmacies and Pharmacists within this state. Administrative Rule Ph 703.03, Controlled Drug Losses, requires only that Schedule II drugs (most tightly controlled) be subject to monthly perpetual inventory. The Hospital records perpetual inventory of all controlled substances, Schedules II-V and compares to physical inventory, keeping practices and policies in-line with regulatory requirements and industry standard practices.

Observation 14: Controls Should Be Implemented To Review Workers' Compensation Billings

Summary of Finding: The Hospital should develop policies and procedures for reviewing and monitoring workers' compensation charges recorded in the Hospital's accounts. The Hospital should regularly request and review sufficient support for the charges to reasonably ensure that charges posted to the Hospital accounts are for Hospital employees and that charges are accurate.

Current Status: Fully Resolved. While the audit was ongoing, the Hospital worked with the Department of Administrative Services (DAS) to receive details of charges related to the worker's compensation amount charged to the Hospital. All charges were found to be valid for current and former employees. Review and reconciliation is now a standard process as charges are posted to the Hospital. A formal internal policy and procedure for the review and reconciliation of charges have been documented.

Observation 15: Hospital Security Memorandum Of Understanding And Invoicing Review Practices For Hospital Campus Security Should Be Updated And Documented

Summary of Finding: The Hospital should implement an effective review and approval control prior to payment of campus security invoices. The control should include a review of underlying supporting documentation for the cost incurred to ensure payment is based on the actual costs of providing services, not budgeted amounts. If the Hospital determines certain provisions of the MOU no longer meet its needs, revisions should be made accordingly and communicated to appropriate employees to ensure consistency in operation.

Current Status: Partially resolved. Hospital Leadership is currently reviewing the Memorandum of Understanding (MOU) and working with the Department of Safety (DOS) to ensure accuracy in service expectations and documentation to reconcile charges.

Observation 16: User Access To Critical Information Systems Should Be Limited And Remain Current

Summary of Finding: The Hospital should routinely and regularly review and evaluate employee and contractor access to its critical IT systems. The Hospital should immediately act to ensure that all employee and contractor access levels are appropriately limited to the needs and responsibilities of the user.

Current Status: Substantially resolved. A significant portion of the accounts referenced were medical students and residents who come to the hospital on varying rotations, but have no access to systems unless they are physically present at the hospital. The hospital is collaborating with its contractor to ensure accounts are created and terminated as students move through their clinical rotations. Additionally, the hospital has adopted a monthly review process to ensure credentials are deactivated, and is reviewing its HR protocols relative to termination to ensure Information Systems is notified when employees leave the organization.

Observation 17: Disaster Recovery Plan For Critical Information System Should Be In Place

Summary of Finding: A current, comprehensive, and tested IT disaster recovery plan should be in place for the Hospital's mission-critical IT systems and assets. The Hospital should coordinate the development of such a plan with its IT resources including DoIT representatives. The plan must be documented and provided to all staff that have related responsibilities in the event of a disaster. The Hospital should periodically test the plan and ensure employees are aware of their responsibilities and are regularly trained in the proper operation of the plan.

Current Status: Fully resolved. The Hospital does not concur with this finding therefore consider this observation fully resolved. The hospital regularly works to update and improve policies as aspects of IT and IS systems change, and recently included a Responsible, Accountable, Consulted, and Informed (RACI Matrix) in its Downtime plan.

It is also worth noting that the Hospital's medical record, and its associated systems, are now cloud-based, offering significant systems redundancy. This change occurred after the audit period. Additionally, the hospital routinely executes planned and unplanned downtime events to ensure staff are prepared in the event of a true downtime.
