DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2013

Report No. 13-09

OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF HEALTH

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AUDIT TEAM:

Van Christensen, CPA, Audit Director
Stacey Whipple, CPA, Audit Supervisor
Melanie Henderson, CPA, Audit Senior

OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 13-09

October 10, 2013

W. David Patton, Ph.D., Executive Director
Department of Health
288 North 1460 West
SLC, Utah 84116

Dear Mr. Patton:

This management letter is issued as a result of the Department of Health's portion of the statewide federal compliance audit for the year ended June 30, 2013. Our report on the statewide federal compliance audit for the year ended June 30, 2013 is issued under separate cover. The federal programs tested as major programs at the Department were the Immunizations Grant Program, the Title XIX Medicaid Cluster, the Children's Health Insurance Program, and the Public Health Emergency Preparedness Program.

In planning and performing our audit of the federal programs listed above, we considered the Department's compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2013. We also considered the Department's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A material weakness over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely

basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies. These significant deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

The Department's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with OMB Circular A-133 in considering the Department's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the personnel of the Department during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

Van Christensen, CPA
Audit Director
801-538-1394
vchristensen@utah.gov

cc: Robert Rolfs, MD, MPH, Deputy Director / State Epidemiologist
Michael T. Hales, Deputy Director / Director of Division of Medicaid and Health Financing
Shari A. Watkins, CPA, Director, Office of Fiscal Operations
Darin L. Dennis, CPA, Director, Internal Audit
Marc E. Babitz, MD, MPH, Director, Division of Family Health & Preparedness
Teresa A. Garrett, Director, Div. of Disease Control and Prevention
Jennifer Brown, Bureau Director, Bureau of Epidemiology

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FOR THE YEAR ENDED JUNE 30, 2013

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Finding Type:		Applicable To:	
SD	Significant Deficiency of Internal Control	f	Federal Program
RN	Reportable Noncompliance or Illegal Acts		

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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

1. INCORRECT ELIGIBILITY AND INCOME DETERMINATIONS

Federal Agency: **Department of Health and Human Services**
CFDA Number and Title: **93.767 Children's Health Insurance Program**
Federal Award Number: **05-1205UT5021**
Questioned Costs: **$952**
Pass-through Entity: N/A

We reviewed the eligibility determination and documentation process for 60 Children's Health Insurance Program (CHIP) payments. The 60 CHIP payments totaled $3,488 and were taken from a total population of $63,258,194 (federal and state portions). We noted internal control weaknesses and noncompliance for 4 (6.7%) cases related to the 60 payments as described below. As a result of the income calculation errors described below, we have questioned the federal portion of all costs associated with these cases: $689 for federal fiscal year 2013, $191 for federal fiscal year 2012, and $72 for federal fiscal year 2011.

a. Income Calculation Errors

1) For one case, earned income was incorrectly calculated by not adequately considering guaranteed payments received from self employment as on-going. This error resulted in the child being placed on the incorrect CHIP plan from September 2011 to September 2012. In addition, subsequent to the date of our sample item, the child was placed on CHIP in October 2012 when the child was eligible for Child Medicaid 0-5. This error occurred because the caseworker did not adequately identify or correctly consider the more complex income elements of the case. This error resulted in total questioned costs of $761 for unpaid premiums from September 2011 to September 2012 plus provider payments made from October 2012 to February 2013 when the child was Medicaid eligible.

2) For one case, unearned income from a trust was incorrectly calculated. This error resulted in the child being placed on the incorrect CHIP plan from February 2011 to December 2012. This error occurred because the caseworker did not understand how to apply CHIP policy to trust income which is very infrequent and complex. This error resulted in total questioned costs of $191 for unpaid premiums from February 2011 to December 2012.

3) For one case, income was not adequately annualized to determine a best estimate of income. This error occurred because the caseworker did not adequately identify or correctly consider the more complex income elements of the case. Despite this error, the child was still placed on the correct CHIP plan; therefore, we have not questioned any costs related to this error.

b. Improper Eligibility Review

For one case, there was a simplified review performed on April 1, 2012; however, there was an income change reported on June 1, 2011, and per policy 704, if there is an income change during the previous year then a mandatory review is required rather than a simplified review. This error occurred due to the caseworker overlooking the needed action on the case. Despite this error, this case was placed on the correct CHIP plan; therefore, we have not questioned any costs related to this error.

The Department of Health sets CHIP policy and processes all CHIP expenditures. The Department of Workforce Services (DWS) handles eligibility determination and case file management for CHIP.

Recommendations:

We recommend that the Department of Health work with the Department of Workforce Services to strengthen internal controls, provide employee training, and ensure that eligibility decisions are appropriate by ensuring that Department of Workforce Services eligibility specialists:

a. Understand and apply both Medicaid and CHIP eligibility policies during the CHIP application and/or review process.

b. Properly calculate household monthly income.

c. Understand CHIP policy for eligibility reviews when income changes are reported.

Department of Health's Response:

The Department of Health (Health) concurs with this finding and recommendation. As the state agency ultimately responsible for CHIP, Health must ensure that eligibility for the program is accurately determined. Health has delegated CHIP eligibility determination and case management to the Department of Workforce Services (DWS) through an operating agreement. The operating agreement establishes targets for accuracy and provides bonuses if DWS meets those accuracy targets. State and federal rules require several different reviews to ensure that eligibility decisions are made correctly.

Health has reviewed the corrective action plan submitted by DWS for the FY 2013 audit and will work with DWS to implement the actions they have proposed. Health will continue to work with DWS to involve Health policy specialists with the DWS program specialists to clearly interpret the policy manuals, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training. Health will continue to meet weekly with the eligibility system steering group to further enhance and strengthen the eligibility system (eREP). The Medicaid Quality Control Unit (MEQC) will continue to

focus their review projects on error prone areas to shore up DWS' understanding of the policy and how it relates to specific cases.

Health will actively reinforce the corrective action plans as agreed upon between the agencies in the regular weekly meetings with DWS. As DWS perfects their "targeted training" approach, Health will continue its oversight responsibility to verify that the DWS staff are understanding the concepts by watching the various error rate measures for trends and providing appropriate and timely feedback to DWS. Health will work closely with DWS to develop and implement the new Affordable Care Act provisions by January 2014, and ensure that DWS eligibility staff understands the changes in eligibility that will occur.

Contact Person: Jeff Nelson, Bureau Director, Eligibility Policy, (801) 538-6471
Anticipated Correction Date: June 30, 2014

2. INCORRECT ELIGIBILITY DETERMINATION AND INADEQUATE DOCUMENTATION OF ELIGIBILITY

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Program**
Federal Award Number: **05-1305UTSMAP**
Questioned Costs: N/A
Pass-through Entity: N/A

We reviewed the case files for 60 Medicaid service expenditures at the Department of Health. The 60 Medicaid payments totaled $501,235 and were taken from a total population of $1,913,136,408 (federal and state portions). Of these case files, we noted 2 cases (3.3%) with eligibility determination errors.

a. For one case, new income information provided by the client was not applied to the case in a timely manner, and as such, the caseworker did not consider income properly for the eligibility decision for one month. This error did not result in an incorrect eligibility decision; therefore, we have not questioned any costs related to this error. However, such errors could result in improper eligibility decisions. This error occurred because the caseworker was waiting for additional verifications for other family members before processing the new income information.

b. For one case, a signed application was not included in the case file documents. It was determined through subsequent eligibility reviews that this client was eligible; therefore, we have not questioned any costs related to this error. However, such errors could result in improper eligibility decisions. This error occurred due to oversight when the case file was transferred from the Department of Health to the Department of Workforce Services in 2007.

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Although all Medicaid expenditures are processed at the Department of Health, eligibility and case file management for Medicaid is handled by the Department of Workforce Services.

Recommendation:

We recommend that the Department of Health work with the Department of Workforce Services to ensure that eligibility specialists follow established policies and procedures when determining eligibility for Medicaid Programs, including adequate documentation of all eligibility factors and decisions.

Department of Health's Response:

The Department of Health (Health) concurs with this finding and recommendation. As the single state agency ultimately responsible for Medicaid, Health must ensure that eligibility for the program is accurately determined. Health has delegated Medicaid eligibility determination and case management to the Department of Workforce Services (DWS) through an operating agreement. State and federal rules require several different reviews to ensure that eligibility decisions are made correctly.

Health has reviewed the corrective action plan submitted by DWS on this finding and will work with DWS to implement the actions they have proposed. Health will continue to work with DWS to involve our policy specialists with the DWS program specialists to clearly interpret the policy manuals, review training materials for accuracy, and also meet with eligibility workers whenever possible to provide in person training. Health will continue to meet weekly with the eligibility system steering group to further enhance and strengthen the eligibility system (eREP). The Medicaid Quality Control Unit (MEQC) will continue to focus their review projects on error prone areas to shore up DWS' understanding of the policy and how it relates to specific cases.

Health will actively reinforce the corrective action plans as agreed upon between the agencies in the regular weekly meetings with DWS. As DWS perfects their "targeted training" approach, Health will continue its oversight responsibility to verify that the DWS staff are understanding the concepts by watching the various error rate measures for trends and providing appropriate and timely feedback to DWS. Health will work closely with DWS to develop and implement the new Affordable Care Act provisions by January 2014 and ensure that DWS eligibility staff understands the changes in eligibility that will occur.

Contact Person: Jeff Nelson, Bureau Director, Eligibility Policy, (801) 538-6471
Anticipated Correction Date: June 30, 2014

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3. NONCOMPLIANCE WITH TIMING REQUIREMENTS OF HEALTH AND SAFETY SURVEYS FOR NURSING HOME FACILITIES

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Program**
Federal Award Number: **05-1305UTSMAP**
Questioned Costs: N/A
Pass-through Entity: N/A

The Centers for Medicare and Medicaid Services (CMS) require that Health and Safety surveys be conducted by the Department of Health on nursing home facilities receiving Medicaid payments no less frequently than every 15.9 months. These surveys help ensure facilities meet prescribed health and safety standards for Medicaid providers. The Department of Health did not conduct a survey within the required timeframe for 15 of the 97 Utah nursing home facilities receiving Medicaid payments. On average, the past due surveys were performed 2 months beyond the time requirement, with the longest just over 6 months beyond the requirement. This noncompliance is a result of changes in survey staffing and the survey process, though significant progress has been made in this area since the prior year, as shown in the noncompliance rate falling from 45% in fiscal year 2012 to 16% in fiscal year 2013. If surveys are not conducted in the prescribed manner, including the frequency, health and safety violations may go undetected.

Recommendation:

We recommend that the Department of Health strengthen existing controls over nursing home health and safety surveys to ensure that they are performed in a timely manner.

Department of Health's Response:

Since the time of the audit, the Bureau of Health Facility Licensing and Certification has requested a building block to increase the staffing for nursing home surveys. Staffing shortages were addressed in the initial response. In lieu of a building block, the Department reallocated funds to the Bureau to increase staffing.

The Bureau used the funding with matching federal funds to hire four new staff for nursing facility surveys in June of 2013. The staff are currently undergoing CMS training and are assisting with the survey schedule. Staff can be certified to survey after 6 months of on the job training. CMS has also allowed the Bureau to utilize a prior version of survey so that other staff in the office in other survey sections can assist with nursing facility surveys. Both of these factors have helped to increase the frequency of surveys.

In Federal Fiscal Year 2012, there were 56 of 100 nursing facility surveys completed by the Bureau. As of the end of the FFY on September 30, 2013, the Bureau completed 87 of 102 nursing facility surveys, 85%.

Contact Person: *Joel Hoffman, Bureau Director, Health Facility Licensing and Certification, (801) 538-6279*

Anticipated Correction Date: It is anticipated that the Bureau will be back into full compliance with CMS requirements by the end of the Federal Fiscal Year, September 30, 2014.

4. UNTIMELY FOLLOW-UP PROVIDER VISITS

Federal Agency: **Department of Health and Human Services, CDC**
CFDA Number and Title: **93.268 Immunizations and Vaccines for Children**
Federal Award Number: **5H23IP822520-10**
Questioned Costs: **N/A**
Pass-through Entity: N/A

The Department is not performing timely follow-up visits for Immunizations Grant Program providers. During our review of 25 provider files, we noted 3 providers that had deficiencies noted during their annual site visit but the Department did not perform follow-up visits within 3 to 6 months as required by the Department's policy. This error occurred because one of the employees who performs the visits was out sick for an extended amount of time. None of the noted deficiencies would result in vaccines being withheld from providers; therefore, we have not questioned any costs. Failure to perform follow-up site visits in a timely manner could result in grant providers continuing to have deficiencies related to record keeping, safeguarding of vaccines, or eligibility screenings.

Recommendation:

We recommend that the Department of Health perform timely follow-up provider visits to ensure providers are complying with requirements related to record keeping, safeguarding of vaccines, and eligibility screenings.

Department of Health's Response:

The Utah Department of Health, Immunization Program, completes follow-up site visits to Vaccine for Children (VFC) providers based on the compliance formula established by the national VFC program. VFC Provider Relations' staff are receiving a review of all VFC policies including need for performance and documentation of follow-up provider site visits. The trainings are scheduled in three components during October, November, and December 2013. The VFC Coordinator will monitor CO-CASA and provider files on a quarterly basis to check VFC Provider Relations staff compliance with follow-up site visits.

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The VFC Provider Relations staff trainings are scheduled in three components during October, November, and December 2013. The VFC Coordinator will monitor CO-CASA and provider files on a quarterly basis to check VFC Provider Relations staff compliance with follow-up site visits. Immediately following the audit, the VFC Coordinator followed up on those identified as out of compliance but the staff involved had left employment.

Contact Person: Bob Kuhn, Administrative Services Manager, (801) 538-6887
Anticipated Correction Date: June 30, 2014