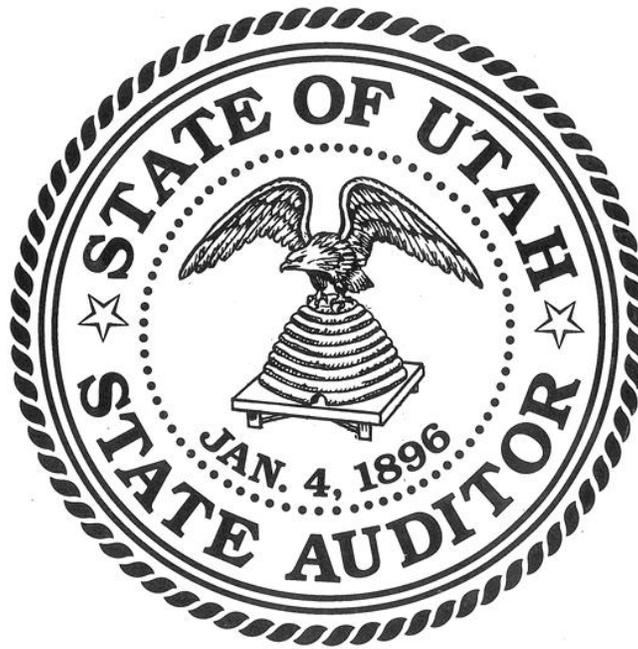


DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2014

Report No. 14-09



OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2014

Report No. 14-09

AUDIT LEADERSHIP:

Van Christensen, CPA, Audit Director

Melanie Henderson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 14-09

October 30, 2014

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

Dear Dr. 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, 2014. Our report on the statewide federal compliance audit for the year ended June 30, 2014 is issued under separate cover. We tested the following federal programs as major programs at the Department of Health:

- Immunizations and Vaccines for Children
- Title XIX Medicaid Cluster
- Children's Health Insurance Program
- Maternal and Child Health Services Block Grant to the States
- Hospital Preparedness Program

In planning and performing our audit of the federal programs listed above, we considered the Department of Health'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, 2014. We also considered the Department of Health'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 of Health'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 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 consider the deficiencies in internal control presented in the accompanying schedule of findings and recommendations as Findings 1 through 8 to be significant deficiencies.

The Department of Health'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.

This communication is intended solely for the information and use of management and others within the Department of Health and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

We appreciate the courtesy and assistance extended to us by the personnel of the Department of Health 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
Gail Rapp, Assistant Division Director 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
Jennifer Brown, Director, Division of Disease Control and Prevention

DEPARTMENT OF HEALTH
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Federal Program</u>	<u>Type/Applicability</u>	<u>Page</u>
FINDINGS AND RECOMMENDATIONS:			
1. THE DEPARTMENT OF HEALTH HAS INADEQUATE MONITORING OF DELEGATED MEDICAID PROGRAM INTEGRITY AND UTILIZATION CONTROL FUNCTIONS	Medicaid	SD-f	1
2. MEDICAID PAYMENT CALCULATION ERROR	Medicaid	SD-f	2
3. THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY COMMUNICATED	Medicaid	SD-f	2
4. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE OVER ELIGIBILITY DETERMINATION AND DOCUMENTATION (Repeat Finding)	CHIP	SD-f; RN-f	3
5. IMPROPER DRAWDOWN OF FEDERAL FUNDS	CHIP	SD-f	5
6. UNTIMELY FOLLOW-UP PROVIDER VISITS (Repeat Finding)	Immunizations & Vaccines for Children	SD-f; RN-f	6
7. INADEQUATE CONTROLS OVER TRANSPARENCY REPORTING	Maternal and Child Health Svcs	SD-f; RN-f	7
8. INADEQUATE CONTROLS OVER MCH TITLE V APPLICATION/ANNUAL REPORT	Maternal and Child Health Svcs	SD-f; RN-f	8

Finding Type:

SD Significant Deficiency of Internal Control
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

1. THE DEPARTMENT OF HEALTH HAS INADEQUATE MONITORING OF DELEGATED MEDICAID PROGRAM INTEGRITY AND UTILIZATION CONTROL FUNCTIONS

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments**
Federal Award Number: **05-1405UT5MAP**
Questioned Costs: **\$0**
Pass-through Entity: N/A

The Department of Health does not have adequate internal controls in place to ensure compliance with Medicaid program integrity and utilization control requirements that were delegated to the Utah Office of Inspector General of Medicaid (UOIG), a separate state agency. The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with program integrity requirements. The majority of the program integrity requirements were delegated to the UOIG by the Utah Legislature effective July 1, 2011. However, as the oversight entity for the Medicaid program in Utah, the Department of Health is responsible for establishing controls to ensure compliance requirements are met. Since the creation of the UOIG, the Department of Health has not implemented proper oversight controls to ensure compliance with the program integrity and utilization requirements delegated to the UOIG. Failure by the Department of Health to adequately monitor compliance functions delegated to the UOIG could result in noncompliance with the program integrity and utilization control requirements.

Recommendation:

We recommend that the Department of Health implement monitoring procedures to ensure compliance with Medicaid program integrity and utilization requirements delegated to the UOIG.

Department of Health's Response:

We concur with this recommendation. The Division of Medicaid and Health Financing has identified a position that will be responsible for monitoring the program integrity and utilization requirements performed by the UOIG. We will develop adequate procedures to ensure that compliance requirements are met.

*Contact Person: Rick Platt, Bureau Director, Financial Services, 801-538-7015
Anticipated Correction Date: June 30, 2015*

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

2. MEDICAID PAYMENT CALCULATION ERROR

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments**
Federal Award Number: **05-1405UT5MAP**
Questioned Costs: **\$0**
Pass-through Entity: N/A

We reviewed claims for 60 Medicaid service payments at the Department of Health and noted that for one (1.7%) of the cases, the claim was underpaid. This error occurred because the wrong programming logic was set up for the claim type in the Medicaid Management Information System (MMIS). We have not questioned any costs associated with this error since the claim was underpaid; however, errors like this could also result in an overpayment.

Recommendation:

We recommend that the Department of Health ensure the correct payment rate calculations are set up in MMIS.

Department of Health's Response:

We concur with this recommendation. The programming error noted in the finding has been corrected, and we will continue to review payment logic on an ongoing basis to ensure that programming is done correctly.

*Contact Person: John Curless, Bureau Director, Coverage & Reimbursement Policy,
801-538- 6149*

Anticipated Correction Date: June 30, 2015

3. THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY COMMUNICATED

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments**
Federal Award Number: **05-1405UT5MAP**
Questioned Costs: **\$0**
Pass-through Entity: N/A

We reviewed the case files for 60 Medicaid service payments at the Department of Health and noted an error related to Third Party Liability (TPL) for one (1.7%) of the cases. Although all Medicaid expenditures are processed at the Department of Health, TPL determination and case file management for Medicaid, including TPL referral to the Office of Recovery Services (ORS), is handled by the Department of Workforce Services (DWS).

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

Medicaid Policy 225-3 states that caseworkers must report TPL information to ORS. For this case, TPL information was updated but not properly communicated to ORS. This error was likely due to caseworker oversight. Not properly referring TPL information could result in Medicaid overpayments. We have not questioned any costs associated with this error since the expenditure was a capitated payment to an Accountable Care Organization (ACO) and the amount of the payment to the ACO would not have changed if the error had not occurred.

Recommendation:

We recommend that the Department of Health work with DWS to ensure that Medicaid caseworkers follow policies and procedures to report TPL information in a timely manner.

Department of Health's (DOH) Response:

We concur with this recommendation. DOH continues to monitor DWS' performance in this area. As eligibility cases are reviewed by DOH staff, we will continue to ensure that the TPL process is correctly followed.

*Contact Person: Jeff Nelson, Bureau Director, Eligibility Policy, 801-538-6471
Anticipated Correction Date: June 30, 2015*

4. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE OVER ELIGIBILITY DETERMINATION AND DOCUMENTATION

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.767 Children's Health Insurance Program**
Federal Award Number: **05-1405UT5021**
Questioned Costs: **\$48**
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 \$4,345 and were taken from a total population of \$50,977,332 (federal and state portions). We noted internal control weaknesses and noncompliance for 6 (10%) cases related to the 60 payments as described below. As a result of the CHIP premium error described below, we have questioned the federal portion of the unpaid premiums, resulting in \$48 of questioned costs.

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

a. Income and Asset Calculation Errors

For five cases, the income was incorrectly calculated as follows:

- 1) For three cases, the caseworker did not adequately identify or correctly consider all the income elements of the case; therefore, the income was not adequately annualized to determine a best estimate of income.
- 2) For one case, the caseworker did not accurately enter information from the client's tax return.
- 3) For one case, the caseworker did not request and consider all the client's available assets; therefore, the total assets were calculated incorrectly.

Despite these errors, the children were placed on the correct CHIP plan; therefore, we have not questioned any costs related to these errors. These miscalculations were caused by human error and caseworker misunderstanding of policy.

b. Household Size Errors

For one of the cases noted in a.1) above, the caseworker did not identify the unborn child as a member of the client's household; and thus, the household size was incorrectly calculated. Despite this error, the child was placed on the correct CHIP plan; therefore, we have not questioned any costs related to this error. The cause of this error appears to be caseworker misunderstanding of policy.

c. CHIP Premiums Not Collected

For one case, the client was not billed and did not pay any premiums for a period of two quarters. Therefore, we have questioned costs for the unpaid premiums of \$48 from February 2014 through July 2014.

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

Recommendations:

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

- a. **Understand and correctly apply income and asset determination procedures during the CHIP application and/or review process.**
- b. **Properly calculate household size.**
- c. **Ensure premiums are being charged and collected as appropriate.**

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

Department of Health's (DOH) Response:

We concur with this recommendation. DOH is committed to working with DWS to simplify and clarify policy, as well as to working through identifying system defects and prioritizing necessary improvements. The Affordable Care Act has streamlined some income and asset eligibility policy but also introduced new ways of determining the client's income. DOH reviews multiple cases through the combined Payment Error Rate Measurement (PERM)/Medicaid Quality Control (MEQC) project that focuses on modified adjusted gross income (MAGI) decisions. As of 2014, all CHIP income and household sizes are determined using MAGI methodology. DOH will continue to coordinate with DWS through the Medical Policy Coordination and other regularly scheduled coordination meetings. DOH will report the questioned costs on the CMS 21 expenditure report and pay back for the QE 12-31-2014 in January of 2015.

*Contact Person: Jeff Nelson, Bureau Director, Eligibility Policy, 801-538-6471
Anticipated Correction Date: June 30, 2015*

5. IMPROPER DRAWDOWN OF FEDERAL FUNDS

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.767 Children's Health Insurance Program**
Federal Award Number: **05-1405UT5021**
Questioned Costs: **N/A**
Pass-through Entity: **N/A**

We tested a sample of 40 cash draws made by the Department of Health for federal expenditures and noted that an incorrect Federal Medical Assistance Percentage (FMAP) rate (72.24% instead of 79.24%) was applied for three (7.5%) of the draws. The Department of Health should use the FMAP rate provided by the U.S. Department of Health and Human Services for the applicable federal fiscal year so the proper amount is drawn. This error resulted in the Department of Health drawing down \$1.2 million fewer federal dollars for expenditures than they were allowed; therefore, we have not questioned any costs.

Recommendation:

We recommend that the Department of Health strengthen controls to ensure the proper FMAP rate is used so the correct amount of federal funds is drawn.

Department of Health's Response:

The Department of Health concurs with this recommendation. DOH will add to the cash status review process a validation of the FMAP rate to ensure the correct federal funds are drawn.

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

*Contact Person: Steven Phillips, DOH Assistant Finance Director, 801-538-6602
Anticipated Correction Date: Completed*

6. 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: **1H23IP000771-01**
Questioned Costs: **N/A**
Pass-through Entity: **N/A**

We reviewed 35 provider files and found one provider that had deficiencies noted during their annual site visit, but the Department of Health did not perform follow-up visits within 3 to 6 months as required by the Department's policy. This error occurred because of a 50% turnover in representatives who conduct site visits. The noted deficiency would not result in vaccines being withheld from providers; therefore, we have not questioned any costs. Failure to perform follow-up provider 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 Department of Health concurs with the recommendations. In discussing the findings of the audit completed in May 2014 with the Auditor, we agree with the finding that one follow-up visit was missed in a review of 35 VFC provider files and with their statement that it occurred due to unusually high staff turnover at that time. The Department of Health will ensure follow-up visits are completed as required by the federal grant guidelines.

*Contact Person: Jennifer Brown, Division Director of Disease Control and Prevention,
801-538-6131*

Anticipated Correction Date: June 30, 2015

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

7. INADEQUATE CONTROLS OVER TRANSPARENCY REPORTING

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.994 Maternal and Child Health Services Block Grant**

Federal Award Number: **6B04MC26699-01-02**

Questioned Costs: **\$0**

Pass-through Entity: N/A

The Department of Health does not have adequate controls to ensure compliance with subaward reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA). We reviewed 2 subaward obligations for the Maternal and Child Health Services Block Grant subject to FFATA reporting requirements and noted the required information had not been reported to the FFATA Subaward Reporting System (FSRS). Information must be reported no later than the last day of the month following the month in which the award agreement was signed. After our inquiry of the submissions, the Department of Health reported the 2 subawards to the FSRS; however, they were reported more than 4 months late by that time. This error was the result of an oversight by department personnel. Failure to report the necessary information prevents public access to the information about public spending, resulting in a lack of transparency.

Recommendation:

We recommend that the Department of Health strengthen internal controls in order to report the necessary information to the FSRS by the required deadline.

Department of Health's Response:

The Department of Health concurs with the recommendation. The Office of Fiscal Operations has initiated additional controls to ensure compliance with sub-award reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA).

Contact Person: Jerry Edwards, Financial Manager II, 801-538-6647

Anticipated Correction Date: Completed

DEPARTMENT OF HEALTH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

8. INADEQUATE CONTROLS OVER MCH TITLE V APPLICATION/ANNUAL REPORT

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.994 Maternal and Child Health Services Block Grant**

Federal Award Number: **6B04MC25374-01-06**

Questioned Costs: **\$0**

Pass-through Entity: N/A

The Department of Health lacks internal controls to ensure that their MCH Title V application/annual report (Report) is accurate. We reviewed the Report and noted the following errors:

- On Form 7 of the Report, incorrect percentages were used for the ‘Pregnant Women’ and ‘Others’ lines under the Primary Sources of Coverage Section. These percentages should be based on the primary insurance coverage of the total individuals served under each category. The errors were the result of a formula mistake in the spreadsheet used to calculate this data; the Department of Health used the previous year’s number for the total of individuals served rather than the current year’s number.
- On Form 8 of the Report, incorrect data was entered in three fields. The data on this report should match information that is obtained from the state’s vital statistics file. One error was the result of information being taken from the wrong category of the vital statistics data. The other errors were the result of numbers being transposed when compiling the report.

The errors noted above occurred because of an oversight by department personnel and an inadequate review of the report to ensure the reported information is accurate.

Recommendation:

We recommend that the Department of Health review the forms after they are prepared to help ensure that the data was compiled and reported correctly.

Department of Health’s Response:

The Department of Health concurs with this recommendation and intends to add a review step to the process to ensure the data was compiled and reported correctly.

Contact Person: Curtis Burk, Financial Manager II, 801-538-6510, ext. 0

Anticipated Correction Date: January of 2015