

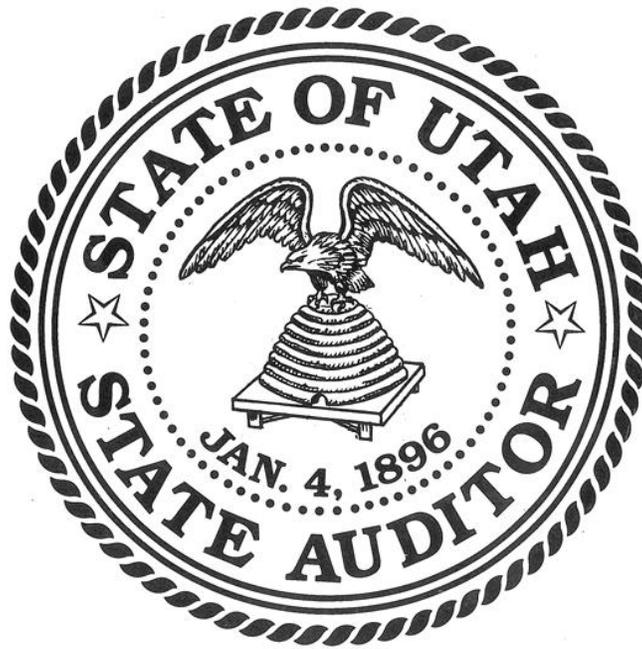
# DEPARTMENT OF HEALTH

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Single Audit Management Letter  
For the Year Ended June 30, 2015

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Report No. 15-14



OFFICE OF THE  
UTAH STATE AUDITOR

# DEPARTMENT OF HEALTH

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Single Audit Management Letter  
For the Year Ended June 30, 2015

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Report No. 15-14

AUDIT LEADERSHIP:

Van Christensen, CPA, Audit Director

Melanie Henderson, CPA, Audit Supervisor



OFFICE OF THE  
UTAH STATE AUDITOR

**SINGLE AUDIT MANAGEMENT LETTER NO. 15-14**

October 20, 2015

Joseph K. Miner, M.D., Executive Director  
Department of Health  
288 North 1460 West  
SLC, Utah 84116

Dear Dr. Miner:

This management letter is issued as a result of the Department of Health's (the Department's) portion of the statewide federal compliance audit for the year ended June 30, 2015. Our report on the statewide federal compliance audit for the year ended June 30, 2015 is issued under separate cover. The following federal programs were tested as major programs at the Department:

- Immunization Cooperative Agreements (CFDA #93.268)
- Medicaid Cluster (CFDA #93.775, 93.777, 93.778)
- Children's Health Insurance Program (CFDA #93.767)
- Maternal and Child Health Services Block Grant to the States (CFDA #93.994)
- Women, Infants, and Children (CFDA #10.557)
- HIV Care Formula Grants (CFDA #93.917)

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 OMB Circular A-133 Compliance Supplement for the year ended June 30, 2015. 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or 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 consider the deficiencies in the Department's internal control presented in the accompanying schedule of findings and recommendations as Findings 1 and 2 to be material weaknesses.

A significant deficiency 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 the Department's internal control presented in the accompanying schedule of findings and recommendations as Findings 4 through 7 to be significant deficiencies.

In addition, we noted a reportable matter of noncompliance which we are submitting for your consideration. This matter is described in the accompanying schedule of findings and recommendations as Finding 3.

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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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  
Emma Chacon, Assistant Division Director of Medicaid and Health Financing  
Nathan Checketts, 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**  
**Single Audit Management Letter**

FOR THE YEAR ENDED JUNE 30, 2015

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# **DEPARTMENT OF HEALTH**

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

### 1. **INADEQUATE CONTROLS OVER PASS-THROUGH EXPENDITURES**

Federal Agency: **U.S. Department of Health and Human Services**

CFDA Number and Title: **93.917 HIV Care Formula Grants**

Federal Award Number: **2X07HA00032-24-00**

Questioned Costs: N/A

Pass-through Entity: N/A

The Department of Health contracts with the University of Utah (University) to provide medical services to recipients of HIV Care Formula Grant (Ryan White/HIV Care program) funds. Client-level data from the University is necessary for the Department to determine that only eligible clients are being served with the grant funds. Section II, Attachment A, of the contract between the Department and the University requires the University to submit client-level data to the Department on a monthly basis. However, the University did not provide the data at any point during the fiscal year. Per HRSA Policy Notice 13-02 for the Ryan White/HIV Care program, all program grantees (the Department) are expected to establish procedures to ensure that all funded providers (the University) verify and document client eligibility. The Department does not have adequate controls in place to ensure they obtain the necessary data. Due to the lack of necessary client-level data, we were unable to ascertain whether funds disbursed to the University were used to service only eligible clients and whether the costs were allowable charges to the grant. Subsequent to our review, we obtained adequate evidence to determine that funds disbursed to the University were used for allowable purposes; therefore, we have not questioned costs related to this error.

#### **Recommendation:**

**We recommend that the Department of Health implement proper procedures and internal controls to ensure client-level data is obtained and that grant funds are expended only on behalf of eligible clients. We also recommend that the University of Utah fulfill its contractual agreement by providing the Department of Health with the required client-level data in a timely manner.**

#### **Department's Response:**

*The Department concurs with the recommendation. Services provided by the University must be accompanied by client-level documentation that includes: (1) date of service, (2) service(s) provided, (3) client name and DOB, (4) provider's name, and (5) billable unit along with the annual salary percentage justification. This documentation will be reviewed by Ryan White Part B Program (Program) staff in order to ensure services were provided to current eligible Part B clients. In addition, the Department is currently working with the University to move to a fee for service reimbursement model.*

# **DEPARTMENT OF HEALTH**

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

*Contact Person: Amelia Self, Program Manager Ryan White Part B Program, (801) 538-6221*  
*Anticipated Correction Date: The Program has revised its process to collect the required client level detail and anticipates having the fee for service reimbursement model in place later this year.*

### 2. **INADEQUATE DOCUMENTATION AND INCORRECT ELIGIBILITY DETERMINATION**

Federal Agency: **U.S. Department of Health and Human Services**  
CFDA Number and Title: **93.917 HIV Care Formula Grants**  
Federal Award Number: **2X07HA00032-24-00**  
Questioned Costs: **\$3,063**  
Pass-through Entity: N/A

We reviewed the eligibility determination for 46 Ryan White/HIV Care program cases. We noted internal control weaknesses and noncompliance for 12 (26%) of the 46 cases reviewed, as described below:

- a. For one case, the client was over the asset limit set forth by the Utah Administrative Code R388-805-6(1)(a). This error occurred because the case worker failed to consider all the assets in the case and the reviewer did not detect the oversight. This oversight resulted in an incorrect eligibility determination, and we have questioned the costs expended for this client during the period of ineligibility, totaling \$3,063.
- b. Documentation was missing from four case files as follows:
  - Two case files did not contain proof in the annual recertification that the clients had no insurance.
  - Two case files did not contain any documentation showing proof of residency.
  - One of the case files noted above also did not contain a timely pay statement for the client.

The documents noted above are required by the Department's Ryan White Policy and Procedure Manual (Manual). These errors occurred due to oversight by both the case workers and the reviewers. Subsequent to our review, we obtained appropriate documents and determined the clients were eligible; therefore, we have not questioned any costs related to the errors. Although the clients for these four cases were determined to be eligible to receive services, similar errors could result in ineligibility for other cases.

- c. For seven cases, the clients were deemed eligible based on documentation that was not acceptable in accordance with the Manual, as described below:

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

- Four cases did not contain proof required by the Manual that the clients had no insurance. Program personnel indicated to us that the Affordable Care Act now allows clients to receive certain services even if they have third party insurance; however, the Department has not updated its written policy to reflect this change.
- For three cases, program management approved proof of residency documentation that was not noted as acceptable documentation in the Manual. Program personnel indicated to us that the program reserves the right to accept documentation not listed in the Manual on a case-by-case basis when warranted by specific client circumstances and when properly documented; however, the Department has not updated its written policy to reflect this practice, nor does it adequately document the exceptions in the client files.

We determined that these seven clients were eligible and, therefore, we have not questioned any costs related to these cases; however, failure to follow written policies and update the written policies in a timely manner could result in inconsistent eligibility determinations between cases or noncompliance with federal or state policies. Other noncompliance related to this program has also been addressed in Finding No. 1.

#### **Recommendation:**

**We recommend that the Department of Health strengthen internal controls over the Ryan White/HIV Care program to ensure that:**

- a. All eligibility requirements are properly considered.**
- b. All required documentation is obtained and included in the client files.**
- c. Written policies are updated in a timely manner and followed when determining eligibility. In addition, we recommend that detailed explanations be included in client files when reasonable exceptions are made.**

#### **Department's Response:**

*The Department concurs with the recommendations. The following actions will be taken to address inadequate and incorrect eligibility:*

- a. All eligibility requirements are properly considered.***

*In order to improve the review of eligibility requirements the following will occur:*

- *Review of current eligibility requirements by Program management; revisions, updates or clarification made to current eligibility requirements as documented in the Program's policy and procedure manual.*
  - *Completed by 10/31/2015*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

- *Internal staff training on and review of eligibility requirements, including acceptable forms of eligibility documentation.*
  - *Completed by 11/15/2015*
- *Information regarding eligibility requirements, including acceptable forms of eligibility documentation provided to University of Utah and Utah AIDS Foundation management and case management staff.*
  - *Completed by 11/15/2015*

***b. All required documentation is obtained and included in the client files.***

*In order to improve the review of eligibility requirements the following will occur:*

- *All new applications and re-certification applications will receive a dual review to include:*
  - *1<sup>st</sup> review-completeness: ensure that application/re-certification meets documentation requirements for eligibility.*
  - *2<sup>nd</sup> review-eligibility: ensure eligibility documentation meets criteria set by the Program; ensure income is calculated correctly; make a determination regarding eligibility.*
  - *All application/re-certification(s) with unique circumstances will receive an additional review by Program administrators.*
  - *All exceptions to eligibility requirements will be documented via a “memo on record” and saved in the client file (this process is already occurring).*
- *The dual review process will be implemented as of 10/1/2015.*

***c. Written policies are updated in a timely manner and followed when determining eligibility. In addition, we recommend that detailed explanations be included in client files when reasonable exceptions are made.***

*The following will occur to ensure timely updates of policies and adherence to said policies:*

- *Program manual will be updated on an annual basis. Revisions or changes to policies throughout the year will be documented via “policy clarification notification(s),” which will be shared with internal staff and external partners.*
  - *Completed by: 6/30/16 (current manual was updated 7/1/15)*
- *Internal staff and external partners will receive training on Program policies no less than annually.*
  - *Completed by: 11/15/2015*
- *Implementation of dual review for all applications and re-certifications.*
  - *Completed by: 10/1/2015*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

- *All exceptions to eligibility requirements will be documented via a “memo to the record” and saved in the client file (this process is already occurring)*

*Contact Person: Amelia Self, Program Manager Ryan White Part B Program, (801) 538-6221  
Anticipated Correction Date: Please see dates indicated for specific actions listed above.*

### 3. **NONCOMPLIANCE WITH MEDICAID POST-PAYMENT REVIEWS**

Federal Agency: **U.S. Department of Health and Human Services, CMS**  
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments (Medicaid)**  
Federal Award Number: **05-1505UT5MAP**  
Questioned Costs: N/A  
Pass-through Entity: N/A

Federal regulations (42 CFR 456.2) require the Department of Health, as the State Medicaid agency, to conduct Medicaid post-payment reviews on a sample basis that are designed to safeguard against unnecessary utilization of Medicaid care and services and identify suspected fraud. These regulations state that the Department may either assume direct responsibility for the post-payment reviews or contract with a Quality Improvement Organization to perform the reviews. As such, the Department also relies on the Utah Office of the Inspector General (OIG) to conduct a portion of these reviews. The Department then performs procedures to obtain evidence that the OIG is conducting the reviews. However, the OIG has not received approval to be a Quality Improvement Organization from the Centers for Medicare and Medicaid Services (CMS); therefore, it is unclear whether the Department’s monitoring of the OIG’s post-payment reviews fulfills the federal requirements.

Noncompliance with this requirement could cause a federal granting agency to disallow certain Medicaid costs. As such, the Department of Health either needs to conduct all required post-payment reviews or obtain approval from CMS for the OIG to function as a Quality Improvement Organization.

#### **Recommendation:**

**We recommend that the Department of Health obtain approval from CMS to allow the OIG to conduct a portion of the post-payment reviews required by 42 CFR 456.2.**

#### **Department’s Response:**

*The Department concurs with this recommendation. The Department will work with both CMS and the OIG to determine the best course of action to ensure that the post-payment review process is in compliance with federal regulations.*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

*Contact Person: Tad Purser, Program Manager II, Bureau of Financial Services,  
(801) 538-6431*

*Anticipated Correction Date: June 30, 2016*

#### 4. **INCORRECT PAYMENT RATE INPUT IN MMCS**

Federal Agency: **U.S. Department of Health and Human Services, CMS**  
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments (Medicaid)**  
Federal Award Number: **05-1505UT5MAP**  
Questioned Costs: N/A  
Pass-through Entity: N/A

We reviewed 60 Medicaid service payment claims at the Department of Health to determine that claims were paid at the allowable cost. We noted that one out of 60 (1.7%) claims was overpaid by \$.09. The correct payment should have been the capitated rate specified in the provider contract. This error occurred because the wrong rate was entered into the Medicaid Managed Care System (MMCS) and controls failed to catch the error. After the error was identified, the Department corrected the rate in MMCS and reprocessed all claims at the correct amount, resulting in a total adjustment of \$2,936. Because the claims have been corrected, we have not questioned any costs related to this error. Although the amount of the error noted was small, the amount and volume of transactions subject to this control could be significant; therefore, failure to ensure rates are correctly entered could result in significant errors.

#### **Recommendation:**

**We recommend that the Department of Health strengthen internal controls to ensure the correct payment rates are input into MMCS.**

#### **Department's Response:**

*The Department concurs with this recommendation. The Department has already instituted a procedure requiring staff responsible for entering or changing capitation rates in MMCS to notify his/her supervisor who will review the rates and ensure they have been entered correctly before they are saved to the system.*

*Contact Person: Julie Ewing, Bureau Director, Bureau of Managed Health Care,  
(801) 538-2195*

*Anticipated Correction Date: Already corrected.*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

#### 5. **UNTIMELY FOLLOW-UP PROVIDER VISITS**

Federal Agency: **U.S. Department of Health and Human Services, CDC**  
CFDA Number and Title: **93.268 Immunization Cooperative Agreements**  
Federal Award Number: **1H23IP000771-01**  
Questioned Costs: N/A  
Pass-through Entity: N/A

We reviewed 35 provider files and noted two providers that had deficiencies noted during their annual provider visit, but the Department of Health did not have documentation that follow-up visits were performed within the deadline required by PEAR (the case management system). These deficiencies occurred because of high turnover and lack of staffing of representatives that conduct provider visits. The noted deficiencies would not have resulted 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 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's Response:**

*The Department concurs with this recommendation. The VFC program is taking a two prong approach to ensure compliance. First, the program will work to create an environment to attract and retain qualified staff. Second, the program will make adjustments to their policies and procedures to: 1) Visit 50% of providers as required by federal guidelines which will allow existing staff to complete the required visits, 2) provide better monitoring of follow-up visits.*

*Contact Person: Rich Lakin, Program Manager Immunization Program, (801) 538-9450*

*Anticipated Correction Date: Corrective actions are currently in process. January 1, 2016 is the designated date in which the Program will begin site visits for 50% of the providers.*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

#### 6. **INADEQUATE CONTROLS OVER MCH TITLE V APPLICATION/ANNUAL REPORT**

Federal Agency: **U.S. Department of Health and Human Services**

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

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

Questioned Costs: N/A

Pass-through Entity: N/A

Amounts reported by the Department of Health on the 2014 MCH Title V Application/Annual Report (Report) were based upon unreliable supporting documentation. Supporting documentation included information obtained from local health departments (LHDs). This information was unreliable because subcategories did not accurately sum to totals. These errors were caused by an ineffective review of the report data and not enforcing the submission of accurate information from LHDs. If reports are not reviewed to ensure the data is accurate and reliable, inaccurate information may be provided to the granting agency.

#### **Recommendation:**

**We recommend that the Department of Health review for reasonableness the supporting documentation used to prepare the MCH Title V Application/Annual Report and validate unusual amounts with LHDs.**

#### **Department's Response:**

*We are currently investigating whether the information we need for Form 5 could be obtained from sources other than the LHDs, including but not limited to: Vital Records, CSHCN billing records, and Medicaid. Additionally we are planning to pilot test a new data collection form for the coming year that has been streamlined to collect only the information that is absolutely necessary for Form 5. Since the Department does not have direct oversight over the LHD data collection and reporting mechanisms, we are also in the process of re-evaluating how the Block Grant reporting process can be improved between the two entities.*

*Contact Person: Lynne Nilson, Bureau Director, Bureau of Maternal and Child Health,  
(801) 273-2858*

*Anticipated Correction Date: Immediate corrective action has been taken to revise the data collection for Form 5 to ensure that the subtotals provided by the LHDs match their separately reported totals. This new data form incorporates a logic check that will provide instant feedback to the LHDs if the data entered does not total correctly. This new form will be pilot tested in the upcoming Block Grant reporting year.*

## **DEPARTMENT OF HEALTH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

#### 7. **NONCOMPLIANCE WITH INVESTIGATIONS OF HIGH-RISK VENDORS**

Federal Agency: **U.S. Department of Agriculture**

CFDA Number and Title: **10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

Federal Award Number: **3UT700709**

Questioned Costs: N/A

Pass-through Entity: N/A

During federal fiscal year 2014, the Department of Health completed compliance investigations for 14 food vendors, which is 4.75% of the total 295 food vendors with which the Department contracts. Federal regulations (7 CFR 246.12(j)(4)) require the state agency administering the program to conduct compliance investigations of a minimum of 5% of the total of food vendors and *all* high-risk vendors up to the 5% minimum. All 14 of the completed compliance investigations during federal fiscal year 2014 were for high-risk vendors. We tested three of these high-risk vendor compliance investigations and noted that for one of them (33%) the Department did not have any documentation verifying that an investigation had been completed. The Department indicated that these errors occurred as a result of staff turnover and improper data entry into the VISION system. Failure to complete the minimum vendor compliance investigation requirement could result in reimbursing an ineligible vendor.

#### **Recommendation:**

**We recommend that the Department of Health establish appropriate internal controls to ensure they are in compliance with the 5% minimum vendor compliance investigation requirement, and that they retain all documentation of the compliance investigations they conduct.**

#### **Department's Response:**

*The Department concurs with the recommendation. The WIC program will review their procedures to make sure that they perform compliance investigations on the required minimum 5% of food vendors and all high-risk vendors up to the minimum 5%. WIC will also perform reviews of compliance investigations to ensure that documentation supporting the investigation and its findings is kept for the requisite period of time.*

*Contact Person: Chris Furner, WIC Program Manager, (801) 273-2918*

*Anticipated Correction Date: It is anticipated that we will exceed the 5% high risk threshold this year as expected by our Federal oversight agency.*