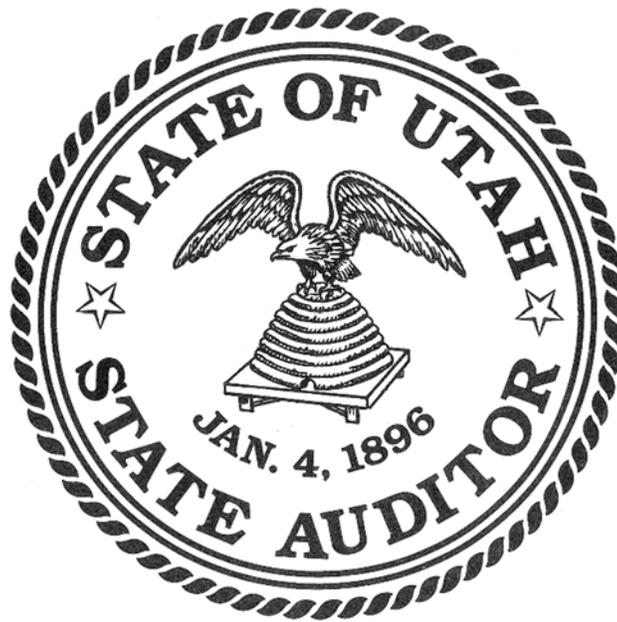


DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2017

Report No. 17-08



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jon Johnson, CPA, Audit Director
Bertha Lui, CPA, Senior Audit Manager

DEPARTMENT OF HEALTH
Single Audit Management Letter
FOR THE YEAR ENDED JUNE 30, 2017

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Inadequate Internal Controls Over Eligibility	3
<u>Federal Program</u>	<u>Type/ Applicability</u>
HIV Care Formula Grants	MW-f; MN-f

<u>Finding Type:</u> MW Material Internal Control Weakness MN Material Noncompliance	<u>Applicable To:</u> f Federal Program
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OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 17-08

October 13, 2017

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

Dear Dr. Miner:

This management letter is issued as a result of the Utah Department of Health's (DOH's) portion of the statewide federal compliance audit for the year ended June 30, 2017. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. The federal programs tested as major programs at DOH were as follows:

- HIV Care Formula Grants (CFDA # 93.917)
- Medicaid Cluster
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA #10.557)
- Special Education – Grants for Infants and Families (CFDA #84.181)

In planning and performing our audit of compliance of the programs listed above, we considered DOH's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2017. We also considered DOH's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major programs tested in order to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 DOH's internal control over compliance.

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 in internal control 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of

deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and would not necessarily identify all deficiencies in DOH's 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. We did identify a certain deficiency in internal control, described in the accompanying finding and recommendation, that we consider to be a material weakness.

DOH's written response to and Corrective Action Plan for the finding identified in our audit were not 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. Accordingly, this communication is not suitable for any other purpose.

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

Sincerely,



Jon Johnson, CPA, Audit Director
801-538-1359
jonjohnson@utah.gov

cc: Nathan Checketts, Deputy Director / Director of Division of Medicaid and Health Financing
Marc E. Babitz, MD, MPH, Deputy Director
Shari A. Watkins, CPA, Chief Administrative Operations Director
Emma Chacon, Division Operations Director of Medicaid and Health Financing
Janica Gines, Assistant Division Director of Medicaid and Health Financing
Tonya Hales, Assistant Division Director of Medicaid and Health Financing
Heather Borski, Director, Division of Disease Control and Prevention
Paul Patrick, Director, Division of Family Health & Preparedness
Curtis Burk, Assistant Director, Division of Family Health & Preparedness
Melanie Henderson, CPA, Director, Internal Audit

FINDING AND RECOMMENDATION

INADEQUATE INTERNAL CONTROLS OVER ELIGIBILITY

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

CFDA Number and Title: **93.917 HIV Care Formula Grants (Ryan White HIV/AIDS Program)**

Federal Award Number: **6X07HA00032-26-00**

Questioned Costs: **\$22,248**

Prior Year Single Audit Report Finding Number: **2016-023**

Pass-through Entity: N/A

We noted internal control design and implementation weaknesses and noncompliance related to the client eligibility determinations for 5 (5.43%) of the 92 Ryan White HIV/AIDS Program (Program) expenditures reviewed at the Department of Health (DOH). The sampled expenditures totaled \$76,360 and were taken from a total population of \$10,233,219 (federal expenditures and expenditures from rebates). The weaknesses noted are described below:

Insurance Status Requirements

- a. We identified one sampled client whose insurance status self-attestations obtained during the year under audit were inconsistent. Our investigation of this sampled item further highlighted that, as of July 1, 2016, the DOH removed requirements to obtain insurance status documentation from its eligibility policy and accepted self-attestation for both eligibility certifications performed during the year. Although federal guidelines allow for self-attestation of insurance status once during the year, verification and appropriate documentation of insurance status is required for changes in status and at least once per year (HRSA PCN 13-02).

Federal guidelines also indicate that “the recertification process includes checking for the availability of all other third party payers” (HRSA PCN 13-02) and require DOH to “vigorously pursue enrollment into health care coverage for which their clients may be eligible” (2016 ADAP Manual §III.3.C) to ensure the Program is the payer of last resort.

Failure to establish appropriate policies and procedures and obtain appropriate documentation in accordance with federal guidelines could jeopardize the Program’s “payer of last resort” status and subject federal funds to fraud and abuse. Due to the deficient policy and because DOH did not obtain appropriate documentation of insurance status, we have questioned the \$3,233 related to this sample item and the additional costs paid on behalf of this client during the fiscal year, totaling \$6,465.

Income and Asset Requirements

- b. For three cases, our income calculations projected annual income higher than the allowed 250% federal poverty level. DOH, as authorized by federal regulations, established income calculation methodologies in its policy manuals; however, the eligibility reviewers did not follow the established methodologies, which resulted in artificially low income calculations.

Because we were unable to otherwise determine that these clients were eligible, we have questioned the \$890 related to these sample items and the additional costs paid on behalf of these clients during the fiscal year, totaling \$14,193.

- c. For one case, the client submitted only two of three available pay stubs for income verification; however, DOH policy at the time required three pay stubs. Failure to obtain the required documentation could result in incorrect eligibility determination. (This case was also included in b. above; therefore, no further questioned costs have been reported.)
- d. For one case, the client self-attested on the application to owning no assets; however, the case file contained pay stubs with evidence of a 401(k) asset. Prior to November 30, 2016, Utah Administrative Rule R388-805-6(1)(a) included an asset test which stipulated that beyond one home and one registered vehicle, Program clients “may not have any other assets over \$5,000.” (The asset test was removed from Utah Rule as of November 30, 2016.) However, the case worker and eligibility reviewer failed to detect and consider the asset value and its effect on the eligibility determination for this case, which occurred prior to the rule change. We were unable to determine the actual asset value; therefore, we have questioned the \$66 related to this sample item and the additional costs paid on behalf of this client during the fiscal year, totaling \$1,590.

Level of Service Eligibility

- e. For one case, DOH approved the client for non-insurance based services only, but the sample item was a payment for insurance based services. Although DOH may determine that Program clients are eligible for different levels of service, Program eligibility requirements and DOH policy stipulate that clients must be determined eligible for the services they receive. Inaccurate documentation and inadequate training caused this error to occur. (This case was also included in d. above; therefore, no further questioned costs have been reported.)

Recommendation:

We recommend DOH design and implement policies and internal controls over Program eligibility determinations that comply with federal requirements and ensure eligibility is properly determined and documented.

DOH's Response:

We agree with the finding.

Corrective Action Plan:

To address the specific issues addressed in the finding the Program has implemented or plans to implement the following policies and procedures:

1. *Obtain proof of insurance denial for clients working 30 hours or more per week.
(Implemented June 1, 2017)*

2. *Provide regular training to staff and case managers on eligibility criteria, the recertification process, required documentation, and income calculation methodologies. The training dates for SFY2018 are 10/17/17, 1/17/18 and 4/17/18.*
3. *The asset test was removed from Utah Rule 388-805 as of November 30, 2016.*

In addition to the corrective actions listed above, the Program has and continues to implement procedures to strengthen internal controls; these efforts include:

- *Simplified the application process by creating a single application form. (Implemented July 1, 2016)*
- *Implemented monthly Quality Assurance (QA) of all eligibility determinations; 10% of each type of eligibility determinations are reviewed.*
- *Transitioned from a bi-annual re-certification to a variable month re-certification. By doing so clients still re-certify every six-months; however the Program has reduced the number of re-certifications requiring review from nearly 900 (twice a year) to roughly 150 per month, resulting in a more manageable workload for eligibility specialists. (Implemented April 1, 2017)*
- *Development of an online client portal which will be used for re-certification. The portal will allow the electronic submission of re-certification along with initial eligibility determination. The RFP for this project is anticipated by the end of 2017.*
- *Evaluation of Program staffing structure to ensure greater attention towards eligibility policy issues, including policy development, implementation, enforcement, and monitoring.*

*Contact Person: Amelia Self, Program Manager, 801-538-6221
Anticipated Correction Date: December 31, 2017*