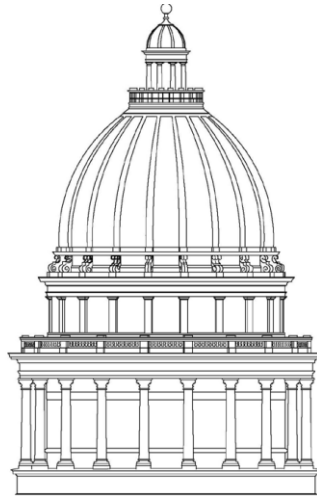


REPORT TO THE
UTAH LEGISLATURE

Number 2021-10



**A Performance Audit of the
Division of Services for People with Disabilities**

June 2021

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah



STATE OF UTAH

Office of the Legislative Auditor General

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KADE R. MINCHEY, CIA, CFE
AUDITOR GENERAL

June 15, 2021

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of the Division of Services for People with Disabilities** (Report #2021-10). An audit summary is found at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kade minchey". The signature is written in a cursive, slightly slanted style.

Kade R. Minchey, CIA, CFE
Auditor General



IN-DEPTH FOLLOW-UP

► AUDIT REQUEST

This audit is a follow-up of our 2014 Performance Audit of the Division of Services for People with Disabilities and our 2015 Follow-up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10.

This report reviews issues and reinforces recommendations addressed in these two reports, as well as DSPD's \$3.2 million anticipated budget shortfall in 2020, and highlights the need for improvement in internal and financial controls at the agency.

► BACKGROUND

Our 2014 audit found that DSPD lacked adequate policies and financial controls for determining client needs and managing the allocation of resources for additional services to clients.

Our 2015 follow-up found that client budget reviews were in the beginning phases of implementation, but that policies for requests for services (RFS requests) were still not complete. As a result, this audit was performed to follow-up a second time on DSPD's implementation of our earlier audits' recommendations.

Division of Services for People with Disabilities



KEY FINDINGS

- ✓ DSPD management discontinued client budget reviews in 2018, increasing financial risk from underutilized client budgets
- ✓ DSPD's new system for evaluating additional services requests is managed by the Request For Services (RFS) Committee, however its policies are still incomplete
- ✓ The RFS Committee is crucial to assessing client needs and reducing overspending in client budgets
- ✓ Insufficient management oversight of emergency services and Mandated Additional Needs led to DSPD's \$3.2 million anticipated budget shortfall in 2020
- ✓ Policy options exist for the Legislature and DSPD to reduce financial risk in DSPD's budget
- ✓ Internal audit has been neglected at DHS, weakening fiscal oversight and accountability of DSPD activities



RECOMMENDATIONS

- ✓ DSPD should reinstate client budget reviews
- ✓ The Request For Services Committee should be solidified in rule and the Legislature should consider creating it in statute
- ✓ DSPD should improve its forecasting of Mandated Additional Needs
- ✓ The Legislature should reconsider its policies for spending ongoing attrition savings and non-lapsing balances
- ✓ DHS should increase resources to the internal audit function to improve internal and financial control



REPORT SUMMARY

Continued Client Budget Reviews Needed for Oversight and Budget Control

DSPD management discontinued client budget reviews in 2018. Since then unspent portions of client budgets have increased each year, increasing the division's financial risk and the risk of paying for unneeded services. Client budget reviews provide budget controls that focus DSPD on client needs.

Policy Options Exist to Reduce Uncertainty and Financial Risk in DSPD's Budget

Ongoing attrition savings could be used for Mandated Additional Needs when wait list appropriations exist. Discontinuing the use of one-time funds to initiate ongoing client services can provide budget stability. Managing wait list appropriations throughout the entire year allows for emergency cases to receive funding.

\$3.2 Million Budget Shortfall Shows Need for Improvement of Fiscal Management

DSPD management's insufficient oversight of the Emergency Services Committee (ESC) and budget forecasting of client need is a major cause of DSPD's recent budget shortfall. The ESC brought more emergency cases onto services than there was available funding. Budget estimates for Mandated Additional Needs lack critical forecasting elements, leading to forecasts that have continually fallen short of client needs.

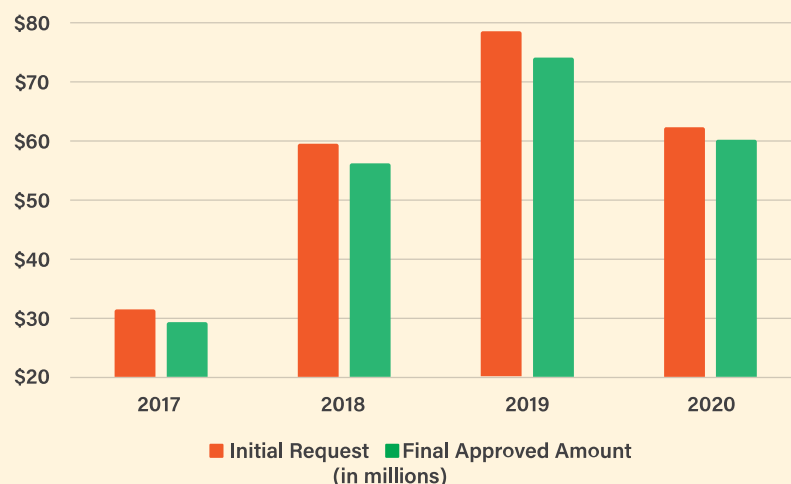
DHS' Lack of Commitment to Internal Audit Function Creates Weak Control Environment at DSPD

Management has not maintained sufficient audit staff for an effective internal audit program. Competing interests within DSPD's control environment necessitate frequent audit testing.

New Process for Reviewing Additional Services Shows Impact and Needs to Continue

The Request For Services (RFS) Committee plays a critical role in assessing client need and as a financial control to minimize overspending. The committee reduced requests for additional services by 5 percent on average between fiscal years 2017-2020. DSPD has still not completed policies for the committee. A statutory change could solidify the committee in statute and ensure it continues.

Figure 2.6 *The RFS Committee Reduced Requested Increases. For each year, the RFS Committee approved (green) smaller amounts overall than requested (red).*



Source: Auditor summary of DSPD data

REPORT TO THE UTAH LEGISLATURE

Report No. 2021-10

A Performance Audit of the Division of Services for People with Disabilities

June 2021

Audit Performed By:

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Chapter I

Introduction

This report is a follow-up of our 2014 *Performance Audit of the Division of Services for People with Disabilities* (DSPD or division) and our 2015 *Follow-up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10*. The scope of this audit focused on two main issues: the realignment of underutilized individual budgets and the implementation of a new system for evaluating additional service requests. These issues are addressed in Chapter II of this report.

In addressing these follow-up questions, we found underlying concerns with DSPD's 2020 anticipated budget shortfall of \$3.2 million. This review then led us to examine budget controls within DSPD as explained in Chapters III and IV of this report. Finally, we examined financial controls over division expenditures by the executive leadership team of the Department of Human Services (DHS). This review is found in Chapter V of this report.

This introductory chapter looks at how DSPD's budget is impacted by the number of people receiving services, the uncertainty of several key budget categories, and the growth in budget and what is driving that growth. It also shows the Legislature's budgetary and policy roles pertaining to DSPD services.

Budget Growth Can Be Limited by Effectively Managing the Number of Individuals in Services

DSPD can control overall spending by effectively managing the number of people enrolled in services. The division provides services to children and adults who have intellectual disabilities, physical disabilities, brain injuries, and autism. Services are provided through several Medicaid waivers, one of which is the home and community-based services waiver (HCBS, 1915(c)). Once an individual receives services, they typically receive services for life, so additional ongoing legislative fund matching is needed for everyone receiving services.

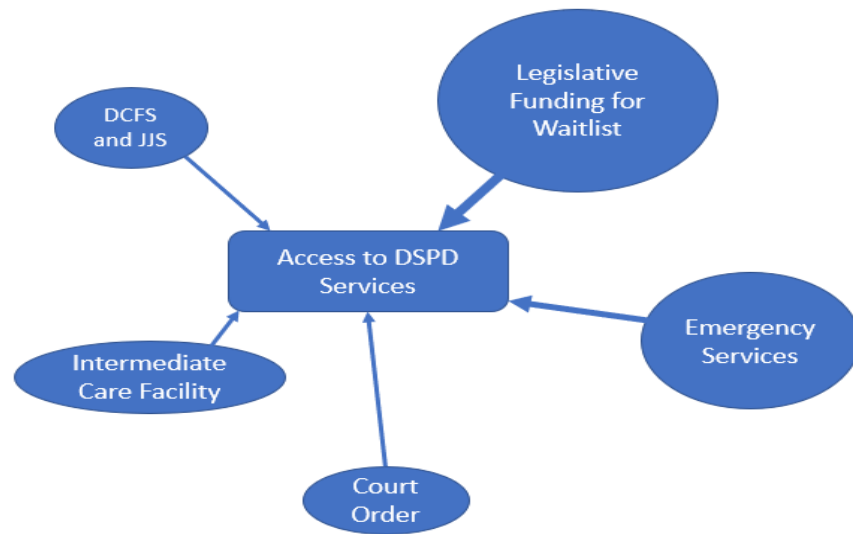
People can be brought into DSPD services a few different ways, not all of which are under DSPD's direct control. Specifically, a few individuals are brought into services through court orders and through

We found underlying concerns with DSPD's 2020 anticipated budget shortfall of \$3.2 million.

Once someone is on services, they typically receive services for life, so additional ongoing legislative fund matching is needed for people on DSPD services.

youth aging out of the Division of Child and Family Services (DCFS) and the Division of Juvenile Justice Services (JJS).

Figure 1.1. Several Ways Exist for Individuals to Access DSPD Services. Some individuals may access DSPD services through emergency services, which DSPD has direct control of.



Source: Auditor Generated

Many individuals begin to receive services when the Legislature decides to provide additional ongoing funding to reduce the number of people on the wait list.

As shown in Figure 1.1, many individuals enter services when the Legislature provides additional ongoing funding to reduce the number of people on the wait list. The Legislature may also provide funding to transfer individuals into community-based services from an Intermediate Care Facility (ICF). Finally, under the direct control of DSPD, individuals may access services through emergency services. (See Chapter III for concerns with allowing too many individuals into services through the emergency process.)

Budget Components Not Under Legislative Control Impact Areas of Appropriation

DSPD budget uncertainty in several areas makes forecasting future budgets challenging. Figure 1.2 provides important context for several different components in DSPD's budget. It shows budget items of direct (green) and limited (orange) control that either the Legislature or DSPD have over the different areas. It also shows budget components where neither direct nor limited control exist, creating uncertainty in DSPD's budget (red).

Figure 1.2. Levels of Control in DSPD Budget. The Legislature makes direct appropriations for those areas with bolded borders. The red areas represent uncertain budget elements that must be forecasted and monitored but not controlled by DSPD.

Level of Control	Legislature	DSPD		
Direct	Waiver (Wait List) & Rate Increases	Emergency Services		
Limited		Youth Aging Out (DCFS & DJJS)	ICF Transition (from DOH)	Court Order
Uncertain Budget Elements		Budget Utilization	Attrition Savings	Request for Services (RFS)

Source: Auditor Generated

Figure 1.2 is explained further by examining the Levels of Control.

Direct Control for the waiver and rate increases means that, through appropriations, the Legislature controls how much money is available for services to bring people from the wait list and whether there will be any increase in service rates. Emergency services are directly controlled by DSPD because the division decides whether to bring someone into services, based upon its own criteria. Currently, the Legislature authorizes this action through statute and intent language, which is also an exercise of control.

Limited Control means an external source, such as DCFS or the courts, initiate the addition of clients to DSPD services. DSPD's only control is to effectively facilitate the transition of clients into services.

Uncertain Budget Elements depend upon client needs and future circumstances, which requires forecasting. They include:

- 1) How much of their budgets will clients use each year (budget utilization)?
- 2) How much ongoing funding will be freed up by those leaving services in the coming year (attrition savings)?

Emergency services are directly controlled by DSPD because it decides whether to bring someone into services, based upon its own criteria.

Uncertain budget elements must be forecasted and are dependent upon client needs and future circumstances.

- 3) What additional services may be needed and requested in the coming year (Request for Services, or RFS)?

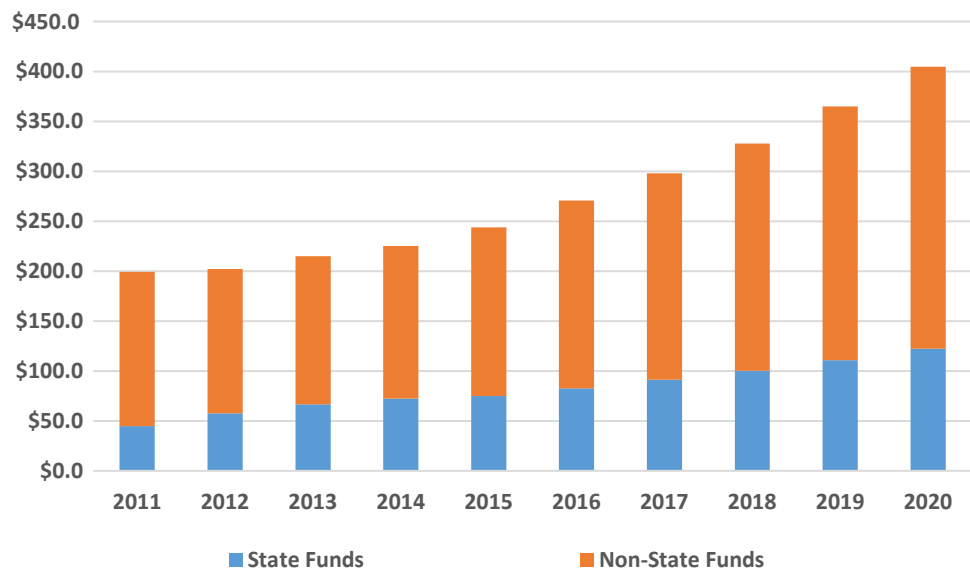
These substantial budget areas are client-driven and uncertain. They must be analyzed and reasonably forecasted to better inform funding decisions by the Legislature. These areas require active management that keeps up with client changes and adjusts to external events.

DSPD Budget Has Experienced Rapid Growth in Recent Years

DSPD's budget has increased 40 percent since 2015. As Figure 1.3 demonstrates, DSPD's budget went from \$244 million in 2015 to \$405 million in 2020. With this rapid increase in funding, it is increasingly important that DSPD internally control and manage its finances to the furthest extent possible. Chapters II through V provide recommendations to help DSPD improve in these areas.

DSPD's budget has increased 40 percent since 2015.

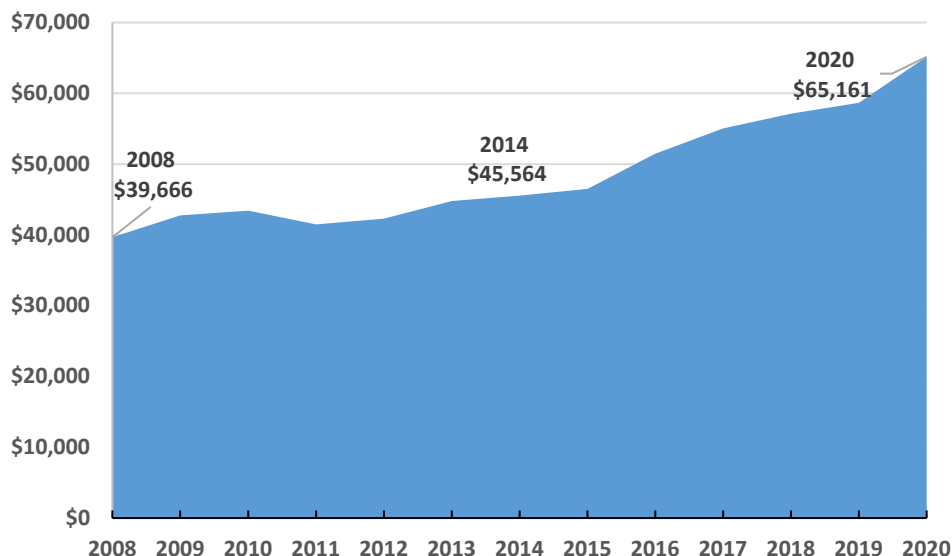
Figure 1.3. DSPD Expenditures (in Millions) Have Rapidly Increased Since 2015. Expenditures have doubled since 2012.



Source: Auditor generated from FINET data

This rapid growth in expenditures is not uncommon, with national Medicaid expenditures in home and community-based services waivers going up about 5 to 10 percent a year for much of the last decade. Increases are due not only to a growing number of people on services, but also to the increase in cost per individual, as Figure 1.4 shows.

Figure 1.4. Cost Per Person on DSPD Services Has Increased Rapidly. The average cost for services in 2020 was \$65,161.

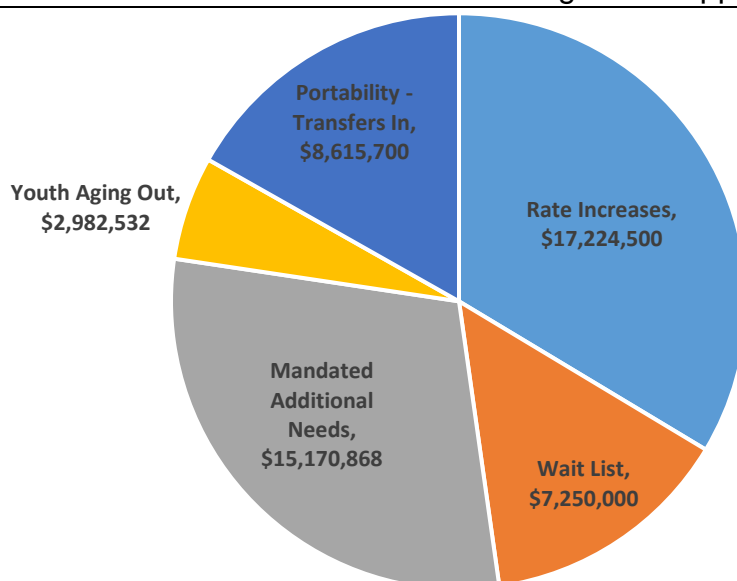


Source: Auditor generated from DSPD data

The blue field charts DSPD's cost per person, which has gone up 43 percent since 2014, from \$45,564 to \$65,161 in 2020. Roughly a third of this cost is paid by state General Fund. Figure 1.5 shows that rate increases and mandated additional needs are major contributors.

The cost per individual has gone up 43 percent since 2014.

Figure 1.5. Rate Increases and Mandated Additional Needs Have Been Major Budget Drivers In the Past Five Years. They account for more than half the increase in legislative appropriations.



Source: Auditor generated from Legislative appropriations reports and DSPD data.
Youth Aging Out: DSPD eligible youth can come from DCFS and DJJS custody upon reaching adult age.

Under the 1915 (c) Medicaid waiver, the state is obligated to provide access to all needed services covered by the waiver.

Once on the waiver, individuals may need additional services. The 1915(c) Medicaid waiver obligates the state to provide access to all needed services covered by the waiver. To pay for these mandated additional needs, DSPD requests additional ongoing funding each year from the Legislature. With such open-ended, needs-based requirements, it is essential that needs are properly identified to allow service dollars to go as far as possible. DSPD's process to request funding for additional services (RFS) helps address this concern. However, the division has had difficulty estimating future costs for mandated additional needs as will be discussed in Chapter III.

Audit Scope and Objectives

This audit began as a follow-up of our 2014 and 2015 audits of DSPD, as prioritized by our Audit Subcommittee. The Legislative Fiscal Analyst also expressed concern about recent DSPD budget issues and was interested in any relevant follow-up audit work. In addition, we discovered other areas where the DSPD budget can improve. Our outline of chapters is as follows:

- Chapter II presents our review of DSPD's remaining work in realigning underutilized individual budgets and the implementation of a new system for evaluating additional service requests.
- Chapter III addresses reasons for the \$3.2 million anticipated budget shortfall in 2020.
- Chapter IV discusses the challenges the division has with budgeting, as well as division and legislative options that can be used to reduce the likelihood of future budget shortfalls.
- Chapter V presents our evaluation of the need for effective review of financial and other operational controls of DSPD functions outside of DSPD but within the Department of Human Services' executive office and the audit bureau.

Chapter II

DSPD Discontinued Budget Reviews Removing Opportunity to Reduce Financial Risk

To gain better control of its budget, the Division of Services for People with Disabilities (DSPD or division) needs to implement more rigorous financial controls. This report follows-up on our 2014 and 2015 DSPD audits, which recommend that the division reduce the risk of overspending by establishing two financial control processes:

1. Reduce underused individual budgets through a yearly needs review,
2. Establish a process to evaluate additional service requests.

Unfortunately, in 2018 the division discontinued the underused individual client budget reviews, which we recommend they reinstate. On the positive side the division has created a process to evaluate additional service requests. To further ensure this process continues, we recommend that, at a minimum, the additional service reviews be formalized in division policy. However, the Legislature should consider formalizing these additional service reviews in statute due to their value as an essential financial control over expanding costs.

Continued Client Budget Reviews Needed for Oversight and Budget Control

Everyone brought onto a DSPD waiver is evaluated for services needed and allocated a budgeted amount to address their need. Some of these individuals' budgets go unused by tens of thousands of dollars. Adding up all the unused individual budgeted amounts can run in the millions of dollars each year. Since the division receives a budget based on actual expenditure in previous years, the division runs the risk of going over budget if more clients than expected use more services and max out their individual budgets in a given year.

When clients have plan budgets far in excess of actual expenditures, their budgets may not reflect true needs. As our 2014 audit found, this approach exposes DSPD to the risk of providing and paying for

This report is a follow-up of our 2014 and 2015 audits of DSPD. It focuses on past recommendations to improve client budget reviews and the process for evaluating additional service requests.

DSPD management discontinued recommended client budget reviews in 2018. Since then, the levels of unused budgets have increased each year, which increases financial risk to the state.

services beyond true needs. DSPD's budget reductions from client budget reviews in fiscal years 2015 through 2018, as shown in Figure 2.1, affirms this risk.

Because of the risk of overspending and providing services that may not be needed, our 2014 DSPD audit recommended the division annually reevaluate the service needs of clients with unused budgets in excess of certain amounts. DSPD implemented this recommendation and had success reducing unused individual budget amounts but stopped performing these reviews in 2018. A Medicaid rule change that year made the reviews more challenging but, in our opinion, still workable. Since then, the portion of unused budgets has been rising. We recommend that DSPD reinstate client budget reviews to better reflect actual need and reduce the risk of overspending client budgets.

DSPD Management Could Have Continued Client Budget Reviews After DOH Changed Guidelines

DSPD management discontinued client budget reviews in 2018, after the Department of Health (DOH) required budgets to be based on units instead of dollars.¹ Despite this change, reviews could have continued with an adjustment to satisfy this requirement, but budget reviews were still discontinued. Discussions with DSPD management reveal plans to start utilization reviews again.

The number of units (for example, hours of service) multiplied by the rate (dollars) equals the cost of a provided service. By focusing on units, client budgets are driven by service usage, instead of simply dollar amounts. One concern is that clients on SAS services could reduce rates of pay to get more services without submitting an RFS request. Focusing on units, limits the ability of SAS clients to get more services for the same cost. However, this change did not reduce the number of service units their assessments deemed as needed.

Despite this change in guidelines however, DSPD can still conduct client budget reviews, as they agreed to do in our previous audits, without violating the guidelines. Current DSPD management

¹ DOH explained that a sweeping change to minimum wage and overtime rules at the U.S. Department of Labor motivated DOH's 2018 budgeting guidance. See its guide for consumers, [Paying Minimum Wage and Overtime to Home Care Workers, 2016](#). A concern of the Centers for Medicare and Medicaid is that *need* drives each service plan and that DSPD clients do not overspend their budgets.

explained that with the 2018 DOH change, they had not established a method to measure underutilization with units of service, but their intent is to resume client budget reviews. Even though this could have been done back in 2018, we appreciate DSPD's intent to resume client budget reviews now and recommend they be reinstated in fiscal year 2022 and going forward.

From 2015 to 2018, DSPD Client Budget Reviews Reduced Excessive Budgets

OLAG's 2015 follow-up report found that DSPD's utilization review process reduced budgets in the first year by \$1,307,409 in General Funds (GF), and our review shows reductions continued until 2018. These individual budget reductions are not an actual dollar savings, but a risk reduction similar to a credit card limit. With a lower credit limit, there is less potential to overspend, and so with lower individual budgets there is less risk the state will have to pay for services for which it might not have the money. An excess budget review process looks at unused amounts of each individual budget and reduces the budget if the need is no longer justified. This is similar to reducing a credit limit that is higher than needed. When an individual budget exceeds \$3,000 of unused funds in a fiscal year, DSPD initiates a budget review which examines usage over the past two years. However, DSPD discontinued client budget reviews in 2018, which has led to increases in underused budgets.

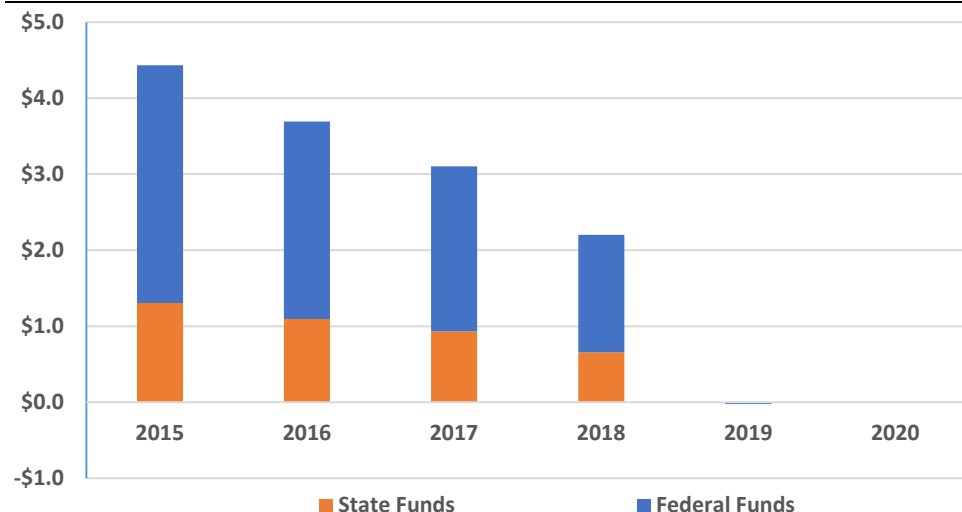
DSPD's realignment of budgets has reduced overall client service budgets. Figure 2.1 breaks down the overall dollar reductions DSPD made to client budgets from 2015 through 2020.

When implemented in fiscal years 2015 through 2018, client budget reviews were successful in reducing unused client budgets, bringing them in better alignment with client needs. DSPD intends to resume these client reviews going forward.

In DSPD's financial system, client budgets are not based on actual dollars available but are more like a credit limit for a credit card.

From fiscal years 2015 through 2018, client budget reviews reduced financial risk from underused budgets by \$4 million in state funds.

Figure 2.1. Total Amount of Budgets Reduced by Underutilization Reviews Represent Reduced Risk (in Millions). With continuous budget reviews, total budget reductions will get smaller as usage and need align with budgets more closely.



* Source: Auditor summary of DSPD Data.

Figure 2.1 shows that in fiscal years 2015 to 2018, just under \$4.0 million in ongoing state General Fund reductions (orange bars) were made to underused client budgets. The overall total reduction from 2015 to 2018 is about \$13.4 million. As expected after 2015, the total reduction amount decreased each year as individual budgets began to match usage and need more closely. After reviews were halted by management in November 2018, reductions to excess budgets ceased.

Figure 2.2 shows the number of individual clients from Figure 2.1 who had their budgets reduced, as well as the average reduction per client and the highest reduction for any one client.

Figure 2.2. Individual Impact of Client Budget Reviews. Some clients had budget adjustments in multiple fiscal years, with some budgets reduced over \$70,000 in a single year.

	2015	2016	2017	2018	2019	2020
Number of Clients	416	497	564	525	6*	0
Average Reduction (\$)	(10,568)	(7,264)	(5,789)	(4,115)	0	0
Largest Reduction (\$)	(70,911)	(81,706)	(92,478)	(56,333)	0	0

Source: Auditor Summary of DSPD Data

*Six reviews occurred in 2019 where no reductions were made but prior year reductions might have been restored.

From 2015 to 2018 the average amount reduced from individual budgets went from \$10,568 to \$4,115. As budgets were reduced each year, there should have been less excess budgeted amounts the following year. This is also impacted by DSPD reducing the threshold by which client budget reviews would be executed each year.

Perhaps what is more telling is the largest reductions in budgets. In 2017, one client's budget was reduced by \$92,478. This example raises the question of the actual level of need some clients may have had if they failed to take advantage of the funding over several years. If no budget reviews and reductions had occurred with these individuals, the money may have potentially been used for unneeded services. An initial needs assessment is likely not going to be accurate every time, so future reviews of unused budgets provide a second review of actual need. If a service plan were reduced and a service need manifested later, a request for additional services would still be available.

DSPD's Client Budget Review Process Requires Support for Needs

We believe the process outlined for client budget reviews in our 2015 follow-up audit is thorough. It was used from 2015 to 2018, and when implemented effectively, puts budget controls in place that focus DSPD on client needs. It also acts as a secondary review to reduce services when they may no longer be needed. In summary:

- First, budgets are identified using a dollar threshold of underuse for two completed plan cycles
- Second, support coordinators are alerted about the reduction
- Third, 30 days are provided for support coordinators to reply and justify why the reduction should not be finalized
- Fourth, if there is no contact after 30 days, or the support coordinator justification is insufficient, a Notice of Action is delivered, which allows 10 days for appeal. This process is carried out and overseen by DSPD's finance manager.

In restoring this vital audit recommendation, one additional element we recommend for this process is that the RFS Committee be incorporated in the budget review process; to determine the sufficiency of support coordinator evidence and/or to manage appeals

Client budget reviews provide budget controls that focus DSPD on client needs. They also provide a secondary review to reduce services that may no longer be needed.

We recommend the Request for Services Committee be incorporated into the client budget review process to determine sufficiency of evidence provided and/or to handle appeals.

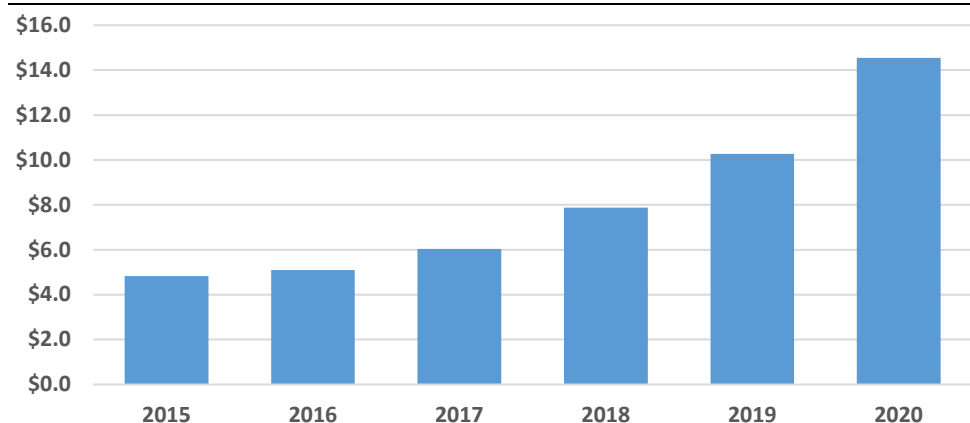
after Notices Of Actions are delivered. The RFS Committee is uniquely positioned to provide programmatic expertise and make informed decisions regarding client needs. The need for an effective RFS Committee is discussed below. The importance of overall internal controls at DSPD, like client budget reviews, is detailed in Chapter V.

Underused Budget Amount Increasing Since Client Budget Reviews Ceased

Since DSPD discontinued client budget reviews in 2018, underused budgets have increased at a substantially higher rate than in previous years, increasing the state's financial liability. As our 2014 DSPD audit found, when clients have budget plans far in excess of actual expenditures, their budgets may not reflect true needs. This condition exposes DSPD to the risk of providing and paying for unneeded services. The audit also stated that DSPD was unable "...to identify the true cost of running its programs."²

Figure 2.3 shows that individual budgets continue to inflate after utilization reviews ceased in 2018. Not unlike an excessive spending limit on a credit card, this expansion only increases the risk of overspending by the division and providing services beyond need.

Figure 2.3. Representing Obligations, Not Actual Savings or Appropriations, Unused Budget Amounts Are Increasing (in Millions). Like an excessively large credit limit, the unused portions of all individual budgets have been increasing since budget reviews ceased in 2018. State funds shown are estimated.



Source: Auditor Summary of DSPD Data

Figure 2.3 shows that unspent budgets have been increasing since DSPD discontinued client budget reviews in 2018. Totals are more reflective of an increased credit limit than actual dollars.

² A Performance Audit of the Division of Services for People with Disabilities, 2014, Pgs. 39-40

Underused budgets, or the unused portion of budgets, are measured by taking the total amount of money allocated to individual client budgets and subtracting total actual expenditures. In Figure 2.3, the total unused portion of budgets, increased by 30 percent from fiscal year 2017 to 2018 and from 2018 to 2019. The percentage increase jumped to 42 percent from 2019 to 2020. DSPD reported that much of the 2020 increase could have been a result of COVID-19 impacts on services. Multiple variables effect these increases. For example, money allocated to client budgets has increased with Legislative appropriations for rate increases. Also, the number of clients serviced has increased by 18 percent since 2015. In contrast, the percent of total budgets being spent has been decreasing. In 2015 clients spent 92 percent of their budgets, but that decreased in 2020 when clients only spent 88 percent of their budgets.

Budget Inactivity Report and Sample Shows The Extent Budgets Are Going Unused

A review of the individual payment inactivity report and a sample of that report reveal budgets of up to \$50,000 that have not been spent in over two years, except for paying support coordinators. The failure to make use of the payment inactivity report is symptomatic of DSPD failing to review client budgets. It raises concerns about how pervasive this, or similar conditions, might be in client budgets overall, further emphasizing the need for client budget reviews.

Figure 2.4 charts data from the payment inactivity report. It shows clients who have been allocated a budget for needed waiver services, but have gone three months or more without any expenses for a waiver service except for the payment of a support coordinator.

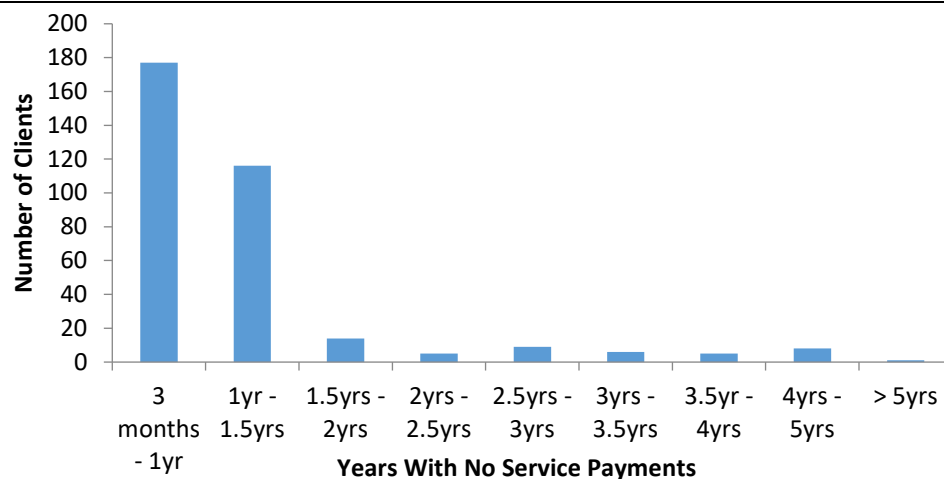
The percentage of spending in client budgets decreased from 92 to 88 percent from 2015 to 2020.

A payment inactivity report shows that some clients have not received waiver services for five years, but their support coordinators are still being paid.

164 clients have gone more than one year without receiving services.

The failure of DSPD to review the unspent budget report is another example of a decrease in its monitoring and financial controls.

Figure 2.4. The Payment Inactivity Report Shows Client Budgets with No Payments for Waiver Services for More Than Three Months. Since 2016, 341 clients have gone without payments to their service plans for more than three months.



Source: Auditor Summary of USTEPS Inactivity Report Data (DSPD)

Clients can experience periods of time when they do not receive DSPD waiver services, like a necessary surgery that requires an extended stay in the hospital. Figure 2.4 shows that about 52 percent of clients have not received waiver services for between three months and one year. More than these, we are concerned with the 164 clients in Figure 2.4 who have gone more than one year, and even past five years, without receiving waiver services. An effective utilization review could identify these cases for possible budget reductions.

We sampled ten clients shown in Figure 2.4 and found that each one has an active budget in DSPD’s system. Adding the budgets of the most recently completed fiscal year for these clients, about \$226,170 was allocated despite no waiver services provided to them. Half of the sampled clients had budgets between \$30,000 and \$53,000. Additionally, about \$24,124 in expenditures has still been charged to these clients’ budgets to pay their support coordinators, even though they were not receiving waiver services. DSPD’s failure to review the unspent budget report is another example of a decline in its monitoring and financial controls, which is discussed in Chapter V.

New Process for Reviewing Additional Services Shows Impact and Needs to Continue

One recommendation from our 2015 report was to follow-up again “...to report the outcome of DSPD’s new system for evaluating additional service requests.” Since our 2014 audit of DSPD, the division has developed and implemented a Requests for Services (RFS) process that, is having an impact in reducing the amount of initial budget requests. DSPD’s Medicaid waivers require the division to provide additional services that a client needs, also referred to as mandated additional needs. This new RFS process requires that support coordinators supply documented evidence of the need for additional services they request for their clients. This request will then be submitted to the RFS Committee which reviews the documentation and makes a determination.

As will be shown, the RFS Committee plays a critical role as a financial control that reviews individual budget need and reduces overspending. We therefore recommend that, at a minimum, DHS executive leadership formalize the committee practices in rule. Also, because of the previous lack of follow through on our utilization review recommendation (discussed in the first half of the chapter) we also recommend that the Legislature consider a change in statute to ensure the RFS Committee and its essential processes continue.

New RFS Committee Is Critical in Determining Client Needs

The RFS Committee is integral to DSPD’s ability to efficiently and effectively carry out its mission and requires evidence that services are needed. For each request, the committee interacts with a client’s support coordinator, reviews each client budget, and determines client needs based on its research. The large number of requests for additional services the RFS Committee receives further emphasizes its importance as a budget control process.

Figure 2.5 shows that RFS requests were trending rapidly upward until 2020 since the RFS Committee began. Fiscal year 2016 was omitted from the graph because only a partial year’s data was available.

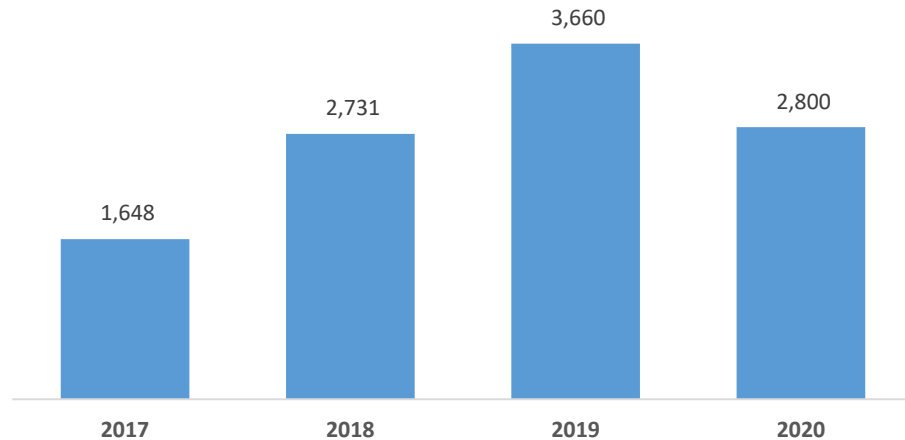
The Request for Services Committee plays a critical role as a financial control that reviews individual budget needs and reduces overspending. It should be formalized in rule.

We recommend that the Legislature consider a change in statute to ensure the RFS Committee and its essential processes continue.

The importance of the Request for Services Committee is reflected in the number of requests for additional services it receives and reviews.

We documented 936 individual clients who did not go through the RFS committee to request additional services for CARES Act funding.

Figure 2.5. The Number of Requests for Additional Services Has Been Increasing. With escalating requests for additional services, the need for the RFS Committee is even more crucial, as its reviews act as a check to ensure requested services are supported with valid documentation. Note that the 2020 drop appears to be related to COVID-19 effects and service fluctuations.



Source: Auditor Summary of DSPD data

One explanation for the 2020 drop in Figure 2.5 is DSPD's decision to divert RFS requests from the RFS Committee to its finance director to process requests more quickly during the COVID-19 pandemic. Another COVID-19-related explanation is that due to restrictions, the potential for exposure, and closures, clients did not use day services at normal levels in 2020. DSPD explained that clients switched services with neutral budget changes and RFS requests were not submitted. Finally, DSPD received more flexibility in using CARES Act funds in early 2020. For example, they were allowed to pay parents or guardians for providing services. This would take the place of day services formerly utilized by clients. These cases did not go through the RFS process, but through an alternate fiscal review.

DSPD Did Not Use New RFS Process in 2020 for Many COVID-19 Budget Changes. For fiscal year 2020, we documented 936 individual clients who did not go through the RFS Committee to request additional services for CARES Act funding. We understand the COVID-19 pandemic has presented many challenges for Utah and its citizens, and that a quickly changing environment for RFS requests would create a larger workload for the RFS Committee. However, it is concerning that DSPD was willing to circumvent the new RFS process when pressed in 2020. This bypassing also raises the financial risk to the state if CARES Act funding is not spent according to

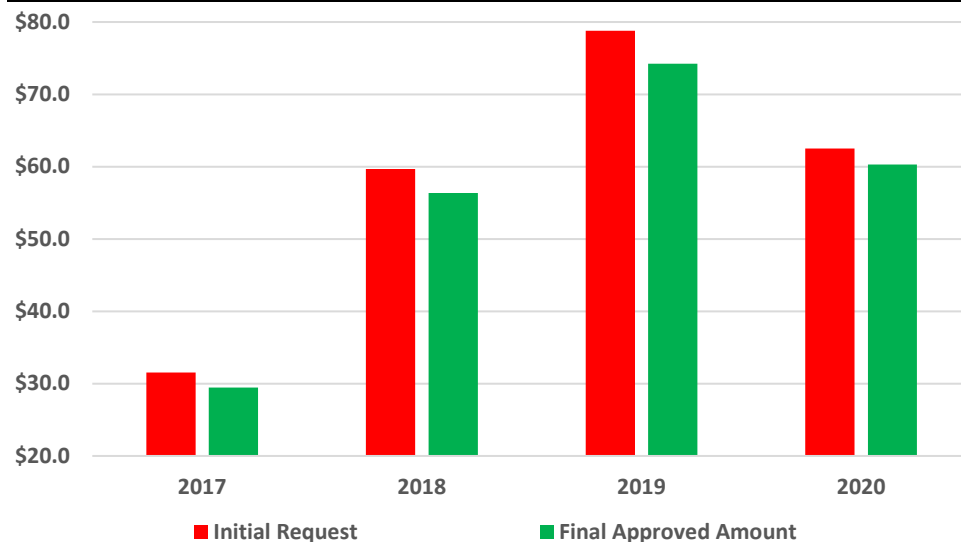
federal law. Due to the importance of the RFS Committee and the new processes being implemented, we recommend that DSPD review them and pro-actively plan so that any future occurrences can be managed without circumventing the new RFS Committee.

New RFS Process Provides Crucial Financial Control

The RFS process reduced requests for additional services an average of 5 percent each year from 2017 to 2020, which is about \$921,000 in state GF annually. Through our interviews of DSPD personnel, observation of the RFS Committee, and data analysis of RFS Committee actions, we can validate a functioning committee that is having an impact. However, as of our 2015 follow-up report, policies and procedures had not been completed for the RFS Committee and its processes, which remains the case today.

Figure 2.6 shows the difference in total dollars between RFS requests to the RFS Committee, and the actual amounts it approved.

Figure 2.6. The RFS Committee Reduced Requested Increases (in Millions). For each year, the RFS Committee approved smaller amounts overall (green) than had been requested (red).



Source: Auditor Summary of DSPD Data

To illustrate, as previously shown in Figure 2.5, the RFS Committee received 2,731 RFS requests in fiscal year 2018. Instead of approving these requests at their original requested amounts, Figure 2.6 shows that the RFS Committee reviewed the requests and often approved smaller amounts than had been requested. In 2018, this

We recommend that DSPD review its processes for the Request for Services Committee and proactively plan so that the committee is not circumvented in the future.

The RFS Committee reduced requests for additional services by 5 percent on average between fiscal years 2017 and 2020.

DSPD's request for services process is still a work in progress and needs to be formalized in policy.

If utilized, the RFS Committee satisfies the concerns our 2014 audit had regarding requests for additional services.

We recommend that DHS solidify the RFS process. Given the importance of the process, we also recommend that the Legislature consider formalizing it in statute.

resulted in RFS requests approved at about \$3.3 million less than originally requested. When reviewing needed services, the RFS Committee acts as a budget control mechanism helping to ensure DSPD's effective and efficient use of state resources.

Despite Improvements, New RFS Processes Still Being Implemented and Refined. DSPD does not have a formalized policy for the RFS Committee or RFS process available in its internal directives. After speaking with the RFS Committee administrator, we believe the implementation of policies and procedures is still a work in progress. We have learned that DSPD is currently reviewing its new RFS procedures to reduce the time it takes to process a request. While speed and efficiency in the RFS process are important, any changes to it should not remove evidentiary documentation requirements or lessen the scrutiny of the RFS Committee in determining the needs of clients. These are crucial controls provided by the RFS Committee.

To summarize, these were the concerns about RFS requests from our 2014 audit:

- A lack of standardized policies for setting appropriate limits to client budgets and sufficiently documenting additional need
- A lack of reliable data to assess additional need and allocate resources accordingly
- An absence of a standardized assessment tool and procedures to evaluate RFS requests
- No control mechanism to weigh need and compare alternatives

The functioning RFS Committee appears to satisfy all these concerns if it continues to operate at a high level and completes its policies and procedures to ensure the above functions are covered in policy. To reiterate, the RFS Committee plays a critical role as a financial control that reviews individual budget need and reduces overspending. DSPD needs to formalize the committee practices in written policy. Additionally, because of the previous lack of follow-through on our utilization review recommendation, we recommend that DHS solidify the request for services (RFS) process in rule. And given the importance of the process, we also recommend the Legislature consider placing it in statute.

Recommendations

1. We recommend that the Division of Services for People with Disabilities reinstate client budget reviews, beginning fiscal year 2022, and solidify them in rule.
2. We recommend that the Department of Human Services formalize the Request for Services process and committee in rule.
3. We recommend the Legislature also consider putting the Request for Services process and committee in statute.
4. We recommend that the Division of Services for People with Disabilities complete policies and procedures for the Request for Services Committee and report them to the Department of Human Services executive management no later than January 1, 2022.

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Chapter III

\$3.2 Million Anticipated Budget Shortfall Shows Need For Improvement of Fiscal Management

The Division of Services for People with Disabilities (DSPD) had a \$3.2 million anticipated budget shortfall in fiscal year 2020. This shortfall was largely due to insufficient budget oversight by DSPD management. Budget oversight has lacked for two primary reasons.

- More people were brought onto DSPD waivers through emergency services than there was funding available.
- The division underestimated mandated services costs in the prior year's budget request.

Unfortunately, these concerns are not new. Similar budget shortfall matters prompted our 2014 audit of the division with the same issues largely responsible. We recommend that DSPD incorporate more fiscal control in its management of the waivers under its stewardship. Enhanced fiscal control should include updating its policies to ensure adequate funding for emergency services cases. Also, DSPD needs to establish a better method of forecasting future mandated services.

Emergency Services Committee's Overspending Was a Major Cause of the Recent Anticipated Budget Shortfall

DSPD's Emergency Services Committee (ESC) accepted more individuals into services than could be supported. This action overcommitted DSPD financially and contributed to its \$3.2 million structural imbalance. DSPD reports that traditionally, the ESC has committed ongoing attrition savings to clients in emergency situations to bring them into services.³ We recommend that DSPD update its policies to ensure funding is available for future emergency cases.

³ Management of attrition savings is a budget area that DSPD directly controls. However, attrition savings get little oversight internally or externally. Policy options for attrition savings are discussed in Chapter IV.

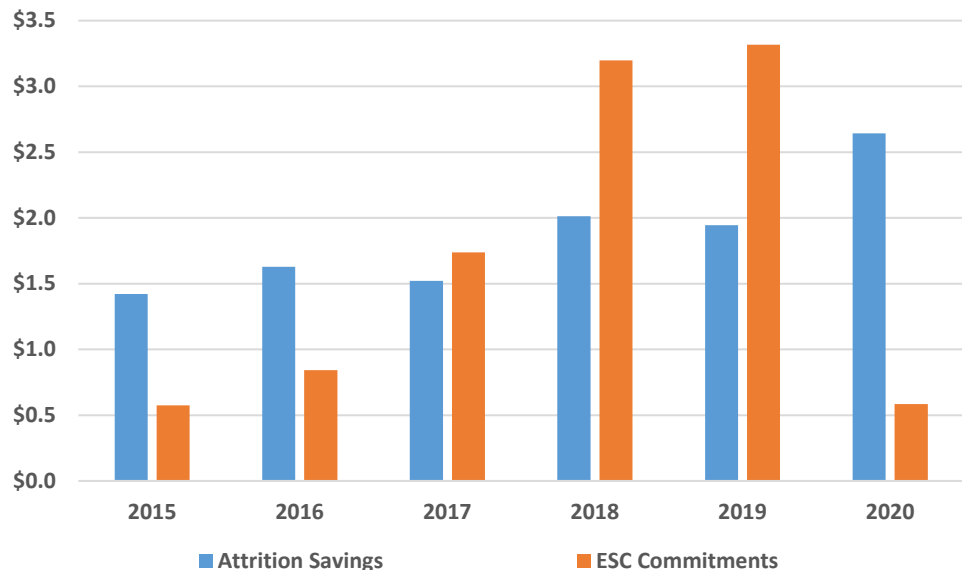
DSPD's \$3.2 million anticipated budget shortfall in fiscal year 2020 was largely due to insufficient budget oversight of emergency services and mandated additional needs.

Emergency Services Committee Overcommits Available Funding

DSPD managers acknowledged that the ESC did not manage attrition savings very well in fiscal years 2017 through 2019 and brought more people into services (through emergency services) when budgeted funds were insufficient to cover their costs. Cases are designated as emergency cases for individuals who are experiencing a serious need for services. These individuals may or may not be on the waitlist. The ESC meets periodically to evaluate these cases and has traditionally used attrition savings to bring them into services.

Figure 3.1 charts the fiscal impact of the ESC on DSPD's budget from 2015 through 2020. Ongoing General Fund totals are estimated, using client budgets for both attrition savings (blue) and financial commitments made by the ESC to bring clients into services (orange).

Figure 3.1. Emergency Services Committee (ESC) Spending Exceeds Funds Available (in Millions). The ESC committed more funds in fiscal years 2017 through 2019 than were available from attrition savings. Once this concern was identified, the ESC stopped meeting in early 2020 to allow attrition savings to catch up.



Source: Auditor Analysis and Summary of DSPD data

As Figure 3.1 shows, the ESC overcommitted services in fiscal years 2017 through 2019. The ESC made ongoing General Fund commitments of \$1.7 million, \$3.2 million, and \$3.3 million in these years, respectively. These amounts exceeded the estimated ongoing General Fund available from attrition savings by about \$216,000,

In fiscal years 2017 through 2019, DSPD committed more ongoing attrition savings to emergency cases than were available for use.

\$1.2 million, and \$1.4 million in those years. After it was understood how much the committee had overcommitted, the ESC stopped meeting early in fiscal year 2020 to allow attrition savings to catch up.

DSPD's ESC Policies Are Outdated And Lack Financial Direction

As is evident from Figure 3.1, the ESC's fiscal discipline and DSPD management's oversight of ESC activities were lacking in fiscal years 2017 through 2019. In our discussions with DSPD managers who currently sit or previously sat on the committee, they expressed awareness of their mistakes and said that going forward, the ESC will have more direction in operational matters. Interestingly, during the period in question, DSPD had a written policy to govern the ESC. The policy was issued in December 2004, but has not been updated since then. Also, the policy lacks guidance for use of attrition savings or other financially tailored policy to ensure funds are available to bring individuals into services. We recommend that DSPD management provide better oversight of the ESC. At a minimum, we recommend that DSPD update policy for the ESC in performing its duties. Financial parameters for using attrition savings bringing individuals into services should be included.

Other Options for Funding Emergency Cases Exist. A broad interpretation of statute, coupled with intent language, currently allows DSPD to admit emergency cases with attrition savings. The Legislature might wish to reconsider this policy. Another option would be for emergency cases to be incorporated into DSPD's management of the wait list instead of using attrition savings for them. Policy options to these ends are detailed in Chapter IV.

Inadequate Budget Forecasting of Mandated Additional Needs Contributes to Budget Shortfalls

DSPD's inadequate forecasting of client need was a significant factor in its \$3.2 million anticipated budget shortfall in fiscal year 2020. In seven of the past eight years, DSPD failed to accurately forecast and request enough funding from the Legislature to cover mandated additional needs (also referred to as Requests for Services or RFS). When forecasting mandated additional needs, DSPD does not include current and future clients' needs in its estimates. If DSPD were to do so, we believe forecasting could be improved. Overall, better

DSPD needs to update its policies for the Emergency Services Committee, including language to enhance financial controls and the use of attrition savings.

The Legislature may wish to reconsider its policy for using attrition savings to bring emergency cases into services. Other options exist as well.

Improved forecasting of client needs will reduce the financial risk associated with mandated additional needs at DSPD.

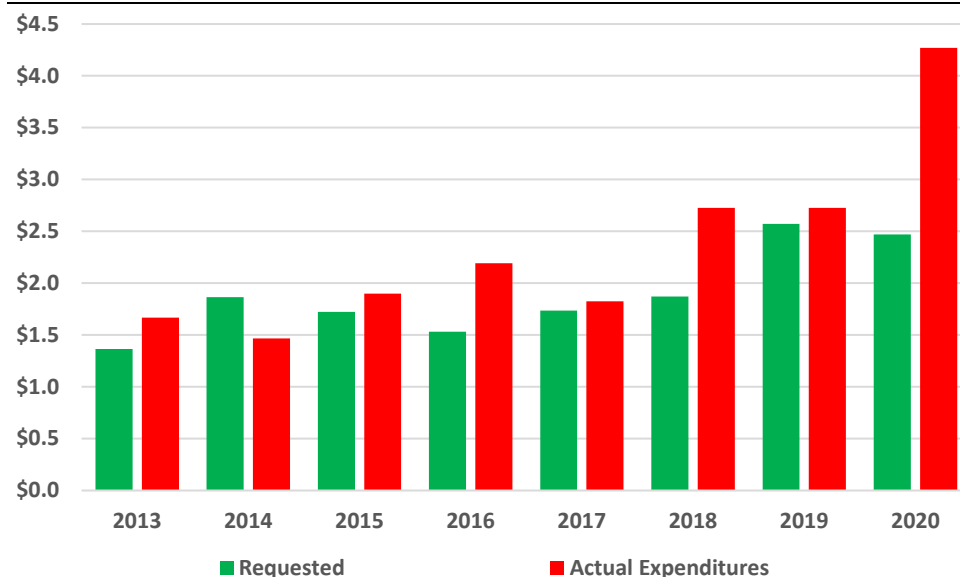
fiscal management of DSPD's client population is needed; incorporating critical elements of current and projected client needs is a facet of this better management, as will be discussed.

DSPD Management's Inadequate Forecasting of Client Need Led to Insufficient Budget Requests

As Figure 3.2 shows, DSPD's budget requests for mandated additional needs have repeatedly fallen short of actual needs. The existence of mandated additional needs creates financial risk and therefore requires careful estimation. Specifically, this situation exists because the federal Medicaid waiver requires all needs to be met when a client is brought into services. It is crucial that DSPD request an amount of money sufficient to cover the anticipated RFS costs of its client population; otherwise, DSPD has to fund mandated additional needs from other areas of its organization.

DSPD has not estimated RFS costs well, coming up short on its legislative requests in seven out of the past eight years as shown in Figure 3.2 (totals are shown for state General Fund).

Figure 3.2. Under-projection of Mandated Needs Contributed to the Division's \$3.2 Million Anticipated Shortfall in 2020 (in Millions). DSPD's forecasted and requested amounts (green) are rarely enough to cover actual RFS expenditures (red).



Source: Auditor Summary of DSPD Data

In fiscal year 2020, DSPD projected and requested \$2.47 million (state General Fund) for mandated additional needs, which ended up

being short of actual expenditures by 73 percent. This large under-projection for mandated needs contributed to the division's \$3.2 million anticipated shortfall in fiscal year 2020. As exhibited in Figure 3.2, requested funding for fiscal years 2015 through 2016 and 2018 through 2019 also fell significantly short. This same issue was evident as far back as fiscal year 2013, which prompted our 2014 DSPD audit.

Our 2014 audit stated the following, which described the effect of this condition that continues to plague DSPD's financial health.

DSPD's growth in service needs and related costs has exceeded the amount of funding received to cover such costs, creating a budget shortfall. DSPD has transferred unused funding within its budgeted line item and used one-time funding for ongoing purposes. To offset the shortfall, in fiscal years 2013 and 2014, DSPD requested and received from the Legislature additional building block appropriations for what the division refers to as a "structural imbalance."⁴

Forecasting clients' future needs is crucial when budgeting for upcoming fiscal years. However, as discussed below, DSPD management does not include future client needs in its estimates for mandated additional needs budget requests.

DSPD Management's Mandated Need Estimates Fail to Consider Current and Projected Client Needs

DSPD's fiscal management of client populations needs to improve. In prior estimates for mandated additional needs, DSPD management has not included current or projected client needs. Instead, historical data from the most recently completed fiscal year is used. As a result, DSPD estimates fail to provide the level of precision necessary to request adequate funding for mandated additional needs, and prevent or minimize a structural imbalance in its budget. Right now, a clear link between client need and DSPD's budget requests for mandated additional needs is broken. DSPD requests do not represent client needs but are petitions to pay for service charges from two years prior.

With these conditions, when the Legislature sets an appropriation for mandated additional needs, it is akin to making a payment in

DSPD management under-projected mandated additional needs in seven out of the last eight years, contributing to its \$3.2 million budget anticipated shortfall in fiscal year 2020.

A structural imbalance from underestimated service needs was a concern in our 2014 audit of DSPD. It is an issue that continues to create financial risk at the division.

⁴ *A Performance Audit of the Division of Services for People with Disabilities*, 2014, Pg. 10.

Client need does not currently drive DSPD's budget requests for mandated additional needs. The link between the two is broken at present.

arrears with future obligations already added to the balance. The challenge for DSPD is that these future obligations must be paid when services are provided, i.e., right now. This puts a premium on DSPD management's forecasting of client need and its budget requests for mandated additional needs.

Current and Projected Needs Are Not Accounted for in DSPD Forecasting. Our 2015 follow-up audit describes the methodology DSPD used then to estimate mandated additional needs. Except for the most recent budget request for fiscal year 2022, this approach has been used each year since fiscal year 2015.

When DSPD staff project the value of anticipated additional services that will be needed for the upcoming fiscal year, they use a calculation based on the actual expenditures for additional needs from the history of the prior two years. DSPD projects in this manner because, at the time DSPD is required to submit budget requests for the next fiscal year, they are unable to evaluate what will be spent during the entire current fiscal year (as the year has not come to a close). Therefore, they go back two years where the expenses have been finalized.⁵

Our concern with this methodology is that it fails to account for the critical elements of current and projected need for additional services, along with the implications for DSPD's budget. For example, our 2015 report recommended this current (2021) audit to follow up on DSPD's progress in implementing client budget reviews and its new RFS Committee. Actions to these ends have been taken, but as Chapter II laid out, progress in implementing them is behind what might reasonably be expected. Better fiscal management of DSPD's client population is necessary and incorporating critical elements of current and projected client needs is a facet of this better management.

National best practices also support the use of projections. In its article titled, *Best Practices: Financial Forecasting in the Budget Preparation Process*, the Government Finance Officers Association (GFOA) states that "A financial forecast is a fiscal management tool that presents estimated information based on past, current, and

⁵ *A Follow-up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10*, 2015, Pg. 5

projected financial conditions.” While DSPD’s use of historical data to estimate future needs is common in forecasting, multiple years of historical data are typically needed to capture trends that can be projected into the future. But instead of multiple years, DSPD uses one year of data that is two years removed from the requested budget year. With this approach, DSPD’s estimates fail to account for the fact that the client population has changed and client needs have evolved.

Furthermore, adjusting to external events that impact services is complicated with the current model. For example, the 2022 budget request is based on 2020 expenditures, a year when COVID-19 altered the delivery of services and abnormal amounts of federal money were infused into the system. To compensate, DSPD had to alter its model, not just incorporate the anomaly into its estimates.⁶ Inconsistent modeling between years reduces data reliability and transparency in decision-making. Improvements in forecasting client need is important to overcoming these weaknesses.

DSPD Management Can Improve Forecasting For Mandated Additional Needs

DSPD management needs to improve its forecasting, it does not use tools currently available for estimating future client needs and managing its budget. DSPD’s current method does not consider trends with current expenditures, client demographics, or service types. Prior estimates have not utilized data from its RFS Committee, USTEPS demographics, or Contracts Approvals and Payments System (CAPS). We believe DSPD has data available that can enable a more robust approach to estimating client needs and the opportunity is there for incorporating these elements of forecasting into its analyses.

The GFOA recommends a forecast that “...extends several years into the future...” and further recommends the “...forecast, along with its underlying assumptions and methodology...be clearly stated and

The Government Finance Officers’ Association states that a financial forecast should be based on past, current, and projected financial conditions. DSPD does not currently incorporate these elements into its estimates of client need.

Without key elements of forecasting, DSPD’s methodology for estimating client need does not constitute a complete forecast.

⁶ In response to the Legislative Fiscal Analyst’s recent concerns with its estimates, DSPD management added an additional variable for its fiscal year 2022 budget request. In summary, DSPD calculated the average percentage by which it underestimated mandated additional needs in previous fiscal years and applied it to the 2022 number, which was calculated from 2020 expenditures.

made available to stakeholders in the budget process...” and that the “...forecast should be regularly monitored and periodically updated.”

Additionally, DSPD could study whether different services it provides correlate with demographic characteristics in its client population such as age, gender, or disability type. These correlations and trends could be used to project future client needs for those services and be applied to mandated additional needs budget requests.

These elements are lacking in DSPD’s estimates of client need and in its mandated additional needs budget requests. Forecasting of client need should feed into budget requests for mandated additional needs. Weighed against these elements, DSPD’s current method for estimating client needs falls short of a complete forecasting tool.

DSPD Has the Data to Forecast Client Needs. DSPD’s CAPS system has detailed data of service and eligibility codes that is ideal for forecasting client needs. We have documented a forecasting model DSPD utilized in years past. It used CAPS data to forecast monthly expenditures, and also forecasts expenditures for an entire fiscal year. This model is evidence that data is available, and that more advanced and accurate forecasts of client needs is possible at DSPD.

We also learned that the Department of Human Services’ (DHS) internal audit team supplied this model and aided in forecasting when it was used, but DSPD discontinued its use in favor of the current approach—a change which we question. Consequently, DHS’ Bureau of Internal Review and Audit (BIRA) could play a significant role in monitoring and evaluating DSPD’s forecasting methodologies for both clients’ needs and mandated additional needs budget requests.

We reported on these issues before, but DSPD management has yet to complete implementation of vital past audit recommendations when millions of dollars of finite state resources are in question. We recommend that DHS’s executive leadership team ensure timely and enduring implementation and completion of former and current recommendations to DSPD, which include ensuring that proper controls, policies, and budgetary (forecasting) tools are fully utilized.

In addition to the recommendations from our past audits, we recommend that DSPD integrate forecasting to estimate client needs and mandated additional needs budget requests. DSPD should outline and clearly state its methodology and underlying assumptions, and

DSPD has the data and capability to incorporate forecasting into its estimates for client need and its mandated additional needs budget requests.

We recommend that DHS’s executive leadership team ensure timely and enduring implementation of our past and current audit recommendations for DSPD.

regularly monitor and periodically update its forecast. This will require DSPD to adopt its former forecasting tool or develop one capable of estimating current and projecting future client need, as well as apply trends in current expenditures, client demographic, and service types.

Recommendations

1. We recommend that the Department of Human Services' executive leadership team ensures timely and enduring implementation and completion of our former and current recommendations to the Division of Services for People with Disabilities, which includes ensuring proper controls, policies, and budgetary forecasting tools are fully utilized.
2. We recommend that the Division of Services for People with Disabilities' management increase its fiscal oversight of the Emergency Services Committee (ESC). At a minimum, the division should formally update ESC policies, with a focus on its use of attrition savings.
3. We recommend that the Division of Services for People with Disabilities' management incorporate forecasting (see Recommendation 4) into its estimates for client needs and mandated additional needs budget requests. We further recommend that the division outline and clearly state its methodology and underlying assumptions and regularly monitor and periodically update its forecast.
4. In conjunction with Recommendation 2, we recommend that the Division of Services for People with Disabilities develop and begin using a forecasting model capable of incorporating the following:
 - Multiple years of historical expenditures
 - Current expenditures
 - Client characteristics and service trends to estimate client needs and improve mandated additional needs budget requests

Chapter IV

Legislature and DSPD Should Consider Policy Changes to Reduce Budget Uncertainty

Changing the way certain funding sources are managed within the Division of Services for People with Disabilities (DSPD) could help reduce budget uncertainty. The potential of a budget shortfall from underestimating mandated services or higher budget usage by clients could also be minimized. In this chapter, we recommend four policy and financing options that DSPD and the Legislature should consider to allow for flexibility in DSPD's budget and to address future potential budget shortfalls. These options are as follows:

- Using ongoing attrition savings for mandated additional needs
- Reconsidering the practice of making ongoing service commitments with one-time funds through nonlapsing balances (NLBs)
- Managing wait list appropriations throughout the year
- Providing a financial buffer, such as a rainy-day fund, contingency fund, or banking ongoing attrition saving

Policy Option 1

Ongoing Attrition Savings Could Be Used for Mandated Additional Needs

The Legislature may wish to clarify the use of attrition savings in DSPD's budget. We have concerns with attrition savings, which occur when individuals leave services, making their budgets available for allocation to another client. First, client budgets not fully spent (discussed in Chapter II) inflate attrition savings. Second, attrition savings vary each year, providing an uncertain funding source from year to year. Third, spending of attrition savings lacks accountability with the current control structure (discussed in Chapter V). A less risky use of attrition savings could be to spend them on additional services through the RFS committee (discussed in Chapter II), when wait list funding is available. The RFS committee reviews and makes

Options exist for the Legislature and DSPD to reduce financial risk in DSPD's budget and address future potential budget shortfalls.

Attrition savings occur when individuals leave services making their budgets available to be allocated to another client.

ongoing funding decisions for requests for additional services from client support coordinators. Limiting the use of attrition savings for additional needs can provide the following.

- Ongoing resources for mandated additional needs
- A financial cushion to manage the uncertainty with forecasting additional client need (discussed in Chapter III)
- More direct legislative control over DSPD's budget by limiting DSPD's ability to put individuals on services without legislative appropriations intended specifically for that purpose

Statute Does Not Specifically Address Use of Ongoing Attrition Savings for Emergency Cases

DSPD cites statute as its authority to use ongoing attrition savings for emergency cases.⁷ However, statute does not specify such authority for emergency cases, some of whom may not be on the waitlist.

Instead, *Utah Code* 62A-5-102(7) provides three different uses for attrition savings, as given below.

- Transition of clients from the intermediate care facility to waiver services
- Getting people off the waitlist
- Using unexpended funds for one-time expenditures, unless otherwise designated by the Legislature

We recognize that emergency cases could fall within the text requiring individuals to be brought off the wait list. However, this is a broad application of statute that does not provide accountability for the use of ongoing attrition savings. As discussed in Chapter III, ongoing attrition savings were not managed appropriately in recent years, leading to a \$3.2 million anticipated shortfall.

⁷ Two aspects of attrition savings to manage are 1) ongoing funds and 2) one-time funds. Ongoing funds can be used to bring individuals into services or pay for additional needs. One-time funds accumulate when someone leaves services and up to when their ongoing funding is reallocated. Statute does not currently outline this contrast, but only addresses the use of one-time funds. We are concerned with policy regarding the use of ongoing attrition savings when someone leaves services.

The Legislature would have more control over DSPD's budget by limiting the division's ability to start individuals on services without legislative appropriations intended specifically for that purpose.

Ongoing attrition savings were not managed appropriately in recent years, leading to a \$3.2 million anticipated budget shortfall.

The Legislature should consider the degree to which it wants to increase accountability of DSPD spending and clarify the policy of using ongoing attrition savings for emergency cases, incorporating them into the wait list funding instead. We also recommend the Legislature clarify the use of ongoing attrition savings in statute.

Policy Option 2

Reconsider the Practice of Using One-time Funds For Ongoing Service Commitments

DSPD currently uses one-time funds through nonlapsing balances (NLBs), to bring individuals into ongoing services. Our 2014 audit warned about the use of one-time funds for ongoing purposes, a practice that the Legislature has allowed. Given the recent \$3.2 million anticipated budget shortfall at DSPD (discussed in Chapter III), we re-examined this practice and believe it increases financial risk at DSPD. Therefore, we reiterate the warnings in our 2014 audit and caution against the use of NLBs for ongoing service commitments. We recommend that the Legislature consider this practice and determine whether it should be continued.

The Use of Nonlapsing Balances (NLBs) to Make Ongoing Service Commitments Increases Financial Risk

DSPD cites legislative intent language as its authority to use NLBs to make ongoing service commitments. DSPD has received similar authority from the Legislature each year since at least the 2010 General Session. But the intent language cites one-time funding (nonlapsing balances) as the source, which is problematic. This is because, as our 2014 audit warned, using one-time funds to pay for ongoing expenses creates a structural imbalance, meaning additional ongoing funds must be appropriated in following years to fill the fiscal holes. We believe this practice increases financial risk at DSPD.

The Legislature has passed intent language directing the use of DSPD's NLBs. Importantly, one-time attrition savings contribute to DSPD's NLBs. The 2018 Legislative General Session intent language, approved for the fiscal year 2019 budget, is an example. And, DSPD has received similar authority from the Legislature since at least 2010:

Under Subsection 62A-5-102(7)(a) of the *Utah Code*, the Legislature intends that the Division of Services for People

DSPD cites legislative intent language as its authority to use non-lapsing balances to make ongoing service commitments.

with Disabilities (DSPD) use Fiscal Year 2019 beginning nonlapsing funds to provide services for individuals needing emergency services, individuals needing additional waiver services, individuals who turn 18 years old and leave state custody from the Divisions of Child and Family services and Juvenile Justice Services, individuals court ordered into DSPD services and to provide increases to providers for direct care staff salaries. The Legislature further intends DSPD report to the Office of Legislative Fiscal Analyst by October 15, 2019, on the use of these nonlapsing funds.

Bringing emergency cases onto waiver services, permitting additional waiver services, dealing with individuals who leave youth services custody, and giving pay increases to direct care staff all need ongoing funding but can be paid with one-time monies according to this intent language. However, NLBs are, by their nature, one-time funds and statute requires for them to only be used on one-time expenditures. The budgetary Procedures Act (*Utah Code* 63J-1-603) says that “An agency may not include a proposed expenditure on its one-time projects list if: ... (iii) the expenditure will require a legislative appropriation in the next fiscal year.”

Our concern with this intent language is that it appears to authorize NLBs, a one-time funding source, for use in budget areas that require ongoing funding. Despite this confusion, DSPD used NLBs to make ongoing service commitments as recently as fiscal year 2019. So, DSPD using one-time funds to fill ongoing services is a concern despite the interpretation of the intent language.

Allowing this structural imbalance approach increases financial instability, relinquishes control of state resources from the Legislature to an agency, and diminishes oversight and accountability of spending. We reiterate the caution from our 2014 audit regarding the practice of using NLBs, or any other one-time funds, to bring individuals into ongoing DSPD services. We recommend that the Legislature consider mandating against this practice going forward.

Nonlapsing balances are, by their nature, one-time funds, and statute requires for them to only be used on one-time expenditures.

Policy Option 3

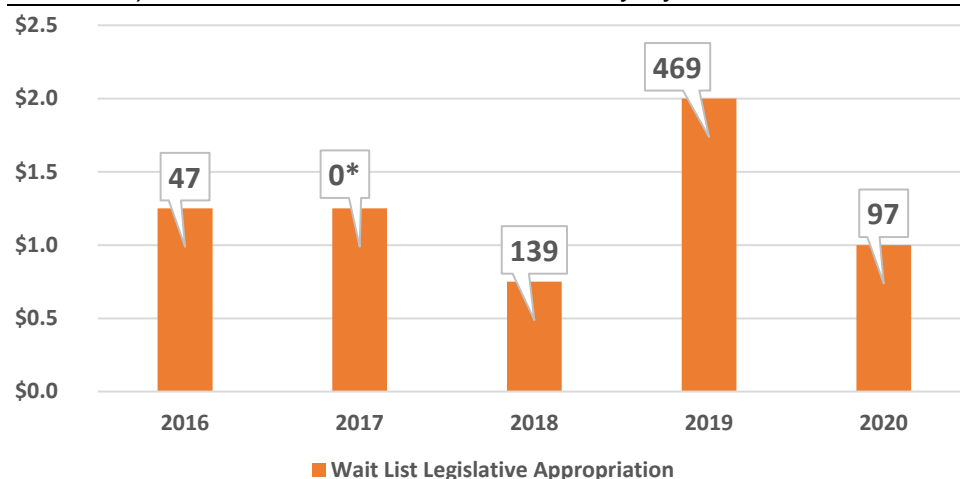
Managing Wait List Appropriations Over an Entire Year Allows for Emergencies

DSPD's goal to bring individuals off the waitlist as soon as possible in the new fiscal year leaves no funding for emergency cases that may have greater needs later in the year.

DSPD's goal is to move clients off the waitlist onto services as soon as possible in the new fiscal year. However, this current practice leaves no wait list funding for emergency cases later in the year. Emergency cases can arise for individuals already on the wait list whose needs have escalated. Emergencies can occur for individuals not on the wait list as well. If ongoing attrition savings are no longer used to admit emergency cases, then spending wait list funds throughout the year is one approach DSPD should consider for them. This approach allows the Legislature more control over waiver costs by controlling funding available to bring new people into services from the wait list. If ongoing attrition savings are not managed properly or not available, emergency cases can be left without service options. Managing wait list appropriations throughout the entire year provides access to funding for emergency cases that may occur later in the year.

The Legislature appropriates ongoing funds to move people from the waiting list to services. Figure 4.1 shows that the legislative funding to do this varies from year to year. The number of people who can be taken into services any given year varies according to the cost of services needed to meet needs.

Figure 4.1. The Legislature Appropriates Funds (orange bars) to Move Individuals from the Wait List to Services (in Millions). The number of individuals brought into services (numbers above each bar) differs because service costs vary by individual.



Source: DSPD

*Appropriation that year was used to fund a structural imbalance

In 2019, 469 individuals were started on services, most beginning shortly after the fiscal year began in July. This is done by DSPD as part of their performance metric to bring people into services quickly. Unfortunately, this massive influx uses funding that would otherwise be available later in the year for others who might have greater needs, like emergency cases. Recently, DSPD's emergency services committee has not been functioning because of the lack of funding from its 2020 anticipated budget shortfall, but the need still exists.

DSPD should consider moving wait listed people off the wait list in a more measured way, spreading the process out over several months. An approach like this would use appropriated wait list funding over a longer span instead of bringing everyone onto services at the start of the year. More importantly, emergency cases could be incorporated into DSPD's normal operations with this approach because funding would be available over a longer time span.

Policy Option 4

Financial Management Options Should be Considered to Reduce Risk of Overspending

If the recommendations made in this report are followed, we believe that financial risk in DSPD's budget can be minimized. However, knowing that all uncertainty and risk cannot be eliminated because of mandated additional needs, attrition savings, and underutilized client budgets, set-aside funding may be needed. We recommend the Legislature consider providing DSPD with a financial safety net to soften the impact of financial shortages in the future. Examples include a General Fund restricted account like the Medicaid Restricted Account, banking ongoing attrition savings for use throughout a fiscal year, and maintaining a NLB amount for use in financial emergencies.

To give flexibility to DSPD, the Legislature has already provided statutory authority for DSPD to carry forward unspent funds in a fiscal year. Figure 4.2 shows the amount of DSPD's carryover funds and legislative cuts over the past five years.

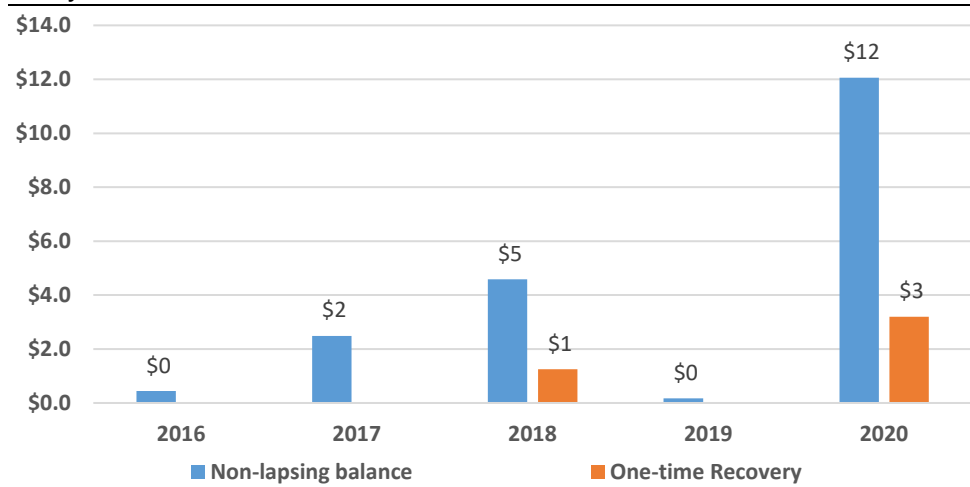
Recently, DSPD's emergency services committee has not been meeting because of the lack of funding from the anticipated 2020 budget shortfall. However, the need to function still exists.

Set-aside funding may be needed given that all uncertainty and risk cannot be eliminated because of mandated additional needs, attrition savings, and underutilized client budgets.

To provide flexibility to DSPD, the Legislature has already provided statutory authority for DSPD to carry forward unspent funds in a fiscal year.

With the influx of federal CARES Act funding, DSPD was able to end the year with a \$12 million dollar carryover balance and the Legislature also recovered the \$3.2 million supplemental.

Figure 4.2. DSPD Nonlapsing Balances and Legislative Recovery of One-time Funds (in Millions). 2016 and 2019 carryover funds were limited.



Source: DSPD

However, carry-forward balances are not always sufficient. Furthermore, as mentioned in Chapter III, bringing too many cases through emergency services and underestimating mandated additional needs contributed to DSPD's \$3.2 million anticipated shortfall in 2020. However, a more significant carryover balance from the previous year could have lessened the impact. As the 2020 Legislative General Session ended, the COVID-19 epidemic responses began. With the influx of federal CARES Act funding, DSPD was able to end the year with a \$12 million dollar carryover balance and the Legislature recovered the \$3.2 million supplemental.

To provide a more consistent financial backup for unexpected increases in mandated additional needs and usage rates, the Legislature and DSPD could consider the following options.

- **Establish Contingency Appropriations.** This idea is patterned after the Medicaid Restricted Account, a General Fund Restricted account that provides a buffer to the Department of Health if consensus estimates are short and imbalance occurs with Medicaid funding in a given year. Consensus estimates are agreed to each year between the Department of Health, Legislative Fiscal Analyst, and Governor's Office of Management and Budget.
- **Banking Ongoing Attrition Savings for Future Months.** DSPD may consider reallocating ongoing attrition savings on a

delayed schedule so that ongoing attrition savings realized are not reallocated until three or six months later in the year. In years where mandated services or usage rates are more than expected near the end of the year, unallocated ongoing attrition savings would still be available for use.

- **Establish a Balance Cap Amount.** The Legislature could allow DSPD to set aside a certain amount of NLBs for defined emergency purposes, carry them over from year to year, and not sweep them if they are below that limit.

These options may require some legislative changes but could provide DSPD with available funding in years when mandated needs and utilization rates are greater than predicted. However, DSPD will still have to avoid overspending on emergency services, make more accurate mandated services forecasts and decrease underused budgets on a regular basis.

Despite legislative changes, DSPD would still need to avoid overspending on emergency services, make more accurate mandated services forecasts, and decrease underused budgets on a regular basis.

Recommendations

1. We recommend that the Legislature reconsider its policy for ongoing attrition savings and consider directing the savings toward the Request for Service Committee for Mandated Additional Needs when wait list funding is available. (Policy Option 1 of this chapter.)
2. We recommend that the Legislature reconsider its policy of allowing nonlapsing balances to be used to make ongoing services commitments. (Policy Option 2 of this chapter.)
3. We recommend that the Legislature allow the Division of Services for People with Disabilities to manage wait list appropriations in a way that would allow them to get people onto services throughout the year. (Policy Option 3 of this chapter.)
4. We recommend that the Division of Services for People with Disabilities use this legislative permission to adopt rules that spread out wait list appropriations during the year. (Policy Option 3 of this chapter.)

5. We recommend that the Division of Services for People with Disabilities manage waiting list appropriations throughout the fiscal year and consider including emergency cases in this funding stream. (Policy Option 3 of this chapter.)
6. We recommend that the Legislature consider providing a fiscal cushion in DSPD's budget to provide flexibility in years of financial shortages and compensate for uncertainty in key budget areas. (Policy Option 4 of this chapter.) Policy options for the Legislature to consider accomplishing this may include the following:
 - a. Create a General Fund Restricted Account like the Medicaid Restricted Account
 - b. Allow DSPD to hold ongoing attrition savings for use during a fiscal year
 - c. Have a nonlapsing balance cap that carries over from year to year for defined emergency purposes.

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Chapter V

DHS Should Strengthen Internal Audit Function Amid DSPD Financial Concerns

The Department of Human Services' prior management failed to maintain adequate resources in the Bureau of Internal Review and Audit (BIRA).

As previously discussed, the Department of Human Services' (DHS) management has not adequately addressed significant financial concerns with the Division of Services for People with Disabilities (DSPD). This insufficient focus on financial integrity is further highlighted by the lack of attention and resources for DHS's internal audit. Our review of DSPD's budget issues quickly led us to include other DHS offices that are now responsible for monitoring and review of DSPD's service billings and financial controls. Specifically, we found that DHS's prior management failed to maintain adequate resources in the Bureau of Internal Review and Audit (BIRA or internal audit) while maintaining only limited financial review capabilities in the department's Office of Quality and Design (OQD).

Prior management's lack of focus on strong financial controls has contributed to growing financial concerns and conflicts of interest. Also, competing interests within DSPD and DHS organizational structures necessitate more robust financial controls and more frequent audits of those controls. To satisfy audit standards that require testing of financial controls, we recommend BIRA have sufficient resources to conduct regular testing of financial controls in DHS agencies.

Failure to Strengthen Internal Audit Contributed to Financial Concerns and Conflicts of Interest

Management allowed the number of full-time equivalent positions at BIRA to decrease over the years by attrition.

Prior DHS management allowed the number of full-time equivalent (FTE) positions at BIRA (internal audit) to decrease over the years without replacing them. The remaining BIRA audit staff focus much of their time on fraud cases and conflict of interest cases, with half their cases at DSPD. The Office of Quality and Design (OQD) was created to combine the review processes of DHS divisions and is the only unit in DHS that conducts regular reviews of billings. However, OQD's financial reviews appear to be deficient. We concur with a preliminary report by the Office of the Inspector General (OIG) that has found OQD reviews to be insufficient.

International Auditing Standards also require that the internal audit function review controls. However, due to the decline in its FTE positions, BIRA does not have the resources to conduct ongoing reviews of financial controls. BIRA's reviews of the effectiveness of current controls and promoting continuous improvement of these controls is critical for maintaining proper management of budgets at DSPD and other DHS divisions.

Management Has Not Maintained Sufficient Audit Staff For an Effective Internal Audit Program

Over the years, prior DHS management reduced the number of internal audit staff at BIRA by more than half. As Figure 5.1 shows, the number of internal audit staff has decreased from a high of 9.6 FTEs in 2004 to 4.1 FTEs in 2021. Admittedly, much of the decrease occurred during the reduction in force cuts in 2010, but the FTEs have not been replaced since.

Figure 5.1. BIRA Full-Time Equivalent Counts by Fiscal Year. The number of auditors at BIRA has decreased by more than half since Fiscal Year 2009.

BIRA FTE Counts			
FY 2004	FY 2009	FY 2010	FY 2021
9.6	8.6	5.6	4.1

Source: DHS

After the audit director left in 2016, DHS management did not fill the position, but retained an existing auditor as acting director of BIRA.

The Utah Internal Auditing Act requires that an agency head maintain sufficient internal audit staff for an effective program. It states that the audit committee or agency head shall “ensure that: the audit director employs a sufficient number of professional and support staff to implement an effective internal audit program.”

To evaluate the amount of audit resources needed at DHS, we compared the number of audit staff at DHS with other large state agencies. As Figure 5.2 shows, DHS has fewer internal audit resources per number of staff at the agency than any other large state agency.

Due to its decreasing number of FTE positions, BIRA does not have the resources to conduct ongoing reviews of financial controls.

Prior DHS management reduced audit staff within BIRA by more than half.

The Utah Internal Auditing Act requires that the agency head maintain sufficient internal audit staff for an effective program.

At 982 agency FTEs per auditor, DHS has the lowest audit resources compared to seven other large state agencies.

A 2019 report by the Office of the Legislative Fiscal Analyst (LFA) estimated 12.4 audit FTEs for DHS.

Figure 5.2. DHS Has More Agency Staff per Internal Audit FTE (Full Time Equivalent) than Other Large State Agencies. With fewer audit staff, DHS has less ability to audit and review financial transactions and controls than other agencies' internal audit offices.

Department	FTE	Internal Audit FTE	Staff per Auditor	Budget per Auditor
Human Services	4,027	4.1	982	\$ 197,778,085
Public Safety	1,427	2*	714	\$ 164,748,000
Corrections	2,446	4.75	515	\$ 75,490,089
Natural Resources	1,425	3	475	\$ 136,560,400
Tax Commission	650	2	325	\$ 50,117,500
Transportation	1,692	6	282	\$ 498,980,200
Workforce Services	2,047	10	205	\$ 261,437,990
Health	1169	7	167	\$ 937,665,033

*Public Safety is currently in the process of hiring 2 audit staff though they currently have none.
Source: Auditor Generated

At 982 FTEs per auditor, DHS has the smallest number of audit resources compared to seven other large state agencies. Since DHS is more comparable to the Department of Health (DOH), which also deals with large numbers of Medicaid payments to outside providers, we believe DHS should have an FTE per auditor ratio closer to DOH.

An agency's total budget divided by the number of audit staff gives the budget per auditor amount. This has value in determining the number of auditors needed, but does not account for the complexity of an agency's operations, for which a better measure is the number of staff. A 2019 report by the Office of the Legislative Fiscal Analyst (LFA), using another state's methodology, estimated 12.4 audit FTEs for DHS, which would decrease its current FTE per auditor ratio to 325 staff per auditor. Since House Bill 365 from the 2021 Legislative General Session will combine the Department of Health with the Department of Human Services, the audit needs of the combined agency will have to be reassessed. However, given the lack of audit resources at DHS, more audit resources will still be needed.

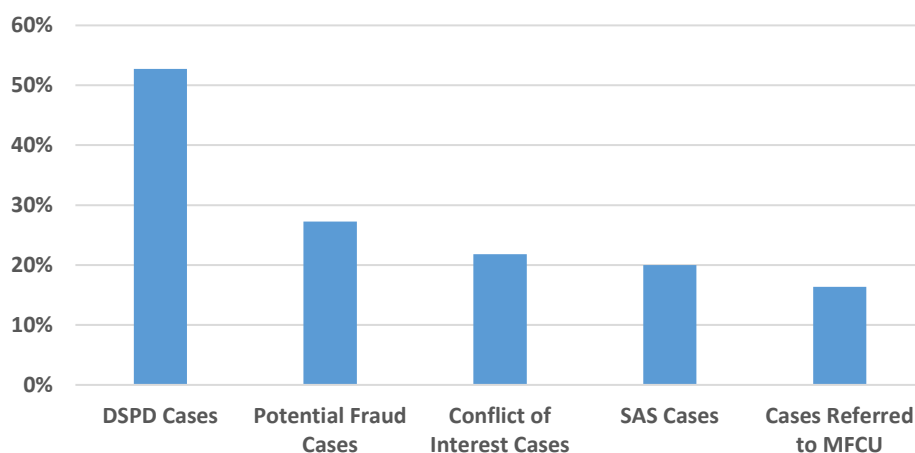
Reduced BIRA Resources Focus on DSPD, Fraud, and Conflict of Interest Cases

With limited employee resources, BIRA seems to have focused on issues that can become more severe (such as fraud and conflicts of interest), rather than on preventative audit work such as internal

control review. Furthermore, with a total of four full-time auditors since 2016, over half of BIRA's cases (53 percent) are with DSPD. Though DSPD is the largest DHS division, there are four other divisions, five offices, and two institutions in DHS. But BIRA focuses more on DSPD because of the higher potential for fraud activity.

In Figure 5.3, 27 percent of BIRA's cases are potential fraud investigations, with 22 percent of cases being conflicts of interest.

Figure 5.3. Since 2016, More than Half of BIRA's Resources Have Been Spent on DSPD Cases. Though the categories overlap, a lot of the cases at DSPD include fraud, conflict of interest, and Self-Administered Services (SAS) cases.



Source: Auditor Generated

Over the past four years, BIRA has referred 16 percent of its cases to the Medicaid Fraud Control Unit (MFCU) at the Utah Office of the Attorney General. One fifth of BIRA audits are of DSPD's Self-Administered Services program (SAS), which allows clients to contract for their own services. A 2006 audit of this program by BIRA revealed that the SAS program "...has a higher risk of fraud and abuse than traditional provider-directed services as SAS services are often provided by client families/relatives with fewer built-in controls."

Programs like SAS highlight the need for regular testing of financial controls to verify they are in place and effective, as well as the need for proposing continuous improvement in the control system. BIRA needs more resources to focus on *preventing* fraud, waste, and abuse by reviewing, testing, and conducting audits of the necessary controls. BIRA's last audit of controls was five years ago—a 2016 performance audit of DHS contracting processes.

Due to limited employee resources, BIRA must focus on fraud rather than preventative audit work such as reviewing internal controls.

One fifth of BIRA audits are of DSPD's Self-Administered Services program, which has a higher risk of fraud and abuse.

BIRA needs more resources to focus on preventing fraud, waste, and abuse.

Very Limited DSPD Billing Reviews Are Conducted with DHS Resources

Our review shows that OQD's financial review of billings has limitations and represents the extent of regular reviews of DSPD billings conducted by DHS. As required by Medicaid, DHS does review samples of DSPD billings through its OQD office and does find overbilling concerns. However, the extent of overbilling concerns is unknown without a thorough investigation.

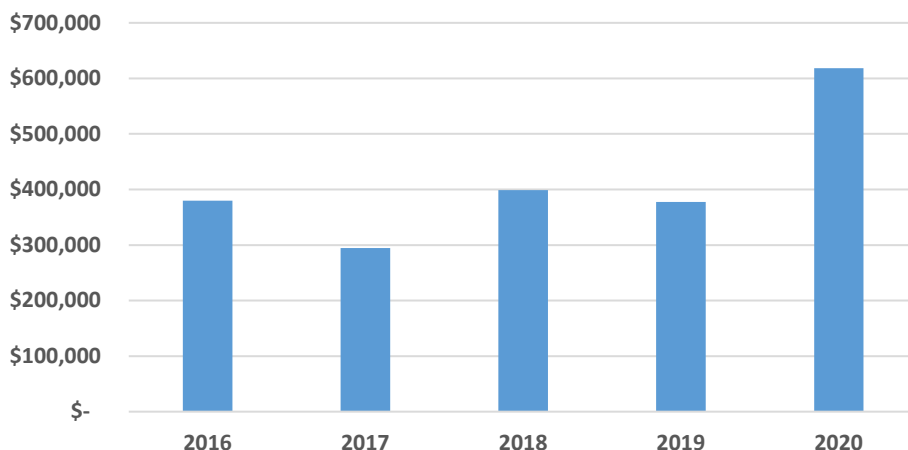
OQD reviews are focused on quality, which is a very necessary function. However, this focus leaves time for only a limited review of billings. OQD's statutory charge is to "...monitor and evaluate the quality of services provided by the department." The statute creating OQD does not require the office to review finances, however, as part of their quality monitoring of traditional providers, OQD reviewers do include a four-question review of provider billings. This financial review represents just 7 percent of the questions the reviewers try to answer. As fitting within the quality review charge of the office, these reviewers have social work backgrounds with only one staff having a financial/accounting background.

DSPD's finance unit and DHS's Office of Fiscal Operations report reviewing financial billings only on an ad hoc basis when cases with concerns come to their attention. One DSPD supervisor expressed concern that they do not have the resources and do not know of anyone else in DHS that looks at many of the exceptions or atypical billings that could be potential overbillings/paybacks or concerns.

Given the large number of invoices that DSPD pays, the potential for overbillings could be large. In fiscal year 2020, DSPD paid 360,896 invoices, while the Division of Child and Family services made 128,188 payments that same year. These two divisions alone had over \$400 million in total payments in fiscal year 2020. As Figure 5.4 shows, overbillings stayed below \$400,000 for DSPD until 2019, then increased to just over \$600,000 in 2020.

One DSPD supervisor expressed concern that they do not have the resources and do not know of anyone else in DHS that looks at many of the exceptions or atypical billings that could be potential overbillings/paybacks or other concerns.

Figure 5.4. Collected DSPD Overbillings Have Recently Increased. Overbillings occur when service providers charge DSPD for services they have not provided; when identified, they are required to pay back the overcharges.



Source: DSPD Data

OQD does review a sample of billings to determine if overbilling has occurred but does not know the full extent of the issue. We did not review the extent of the overbilling problem.

The financial reviews that OQD conducts represent a financial control that needs to be regularly reviewed by experienced auditors to ensure it is an adequate and effective control. One area that should be audited is the extent of overbillings and developing controls to detect and decrease overbillings. However, BIRA currently does not have the resources and an audit by the Office of the Inspector General (OIG) has revealed further weaknesses in OQD's financial review process.

OIG Audit Highlights Need for Regular and Adequate Testing of Financial Controls

The preliminary findings of an OIG review of Medicaid payments reveal that OQD's financial review process is insufficient to provide confidence that DSPD provider billings are accurate or appropriate. An OIG auditor shadowed OQD as it conducted reviews of DSPD providers and noted that reviewers spent very little time examining documents that would verify claim accuracy. Reviewers also failed to ask pertinent follow-up questions and often did not receive sufficient documentation to verify the level and intensity of services provided.

OQD does review a sample of billings to determine if overbilling has occurred but does not know the full extent of the issue.

The preliminary findings of an OIG review of Medicaid payments reveal that OQD's financial review process is insufficient to provide confidence that DSPD provider billings are accurate or appropriate.

More frequent reviews of financial control processes similar to this OIG audit need to be occurring throughout DHS so that problems are identified and corrected early.

Prior DHS management was made aware but failed to act on serious conflicts of interest within OQD.

Other OIG findings reveal a lack of auditing and review of financial controls needed to ensure billing is accurate, a lack of sufficient provider documentation to support billing, and a complete lack in confidence in the billing data supplied by DSPD because DSPD does not use Medicaid codes throughout the system. Although OQD has only been in operation for a few years, a properly resourced internal audit function should have been reviewing these crucial OQD functions early on and verifying the ability of this important control to detect billing errors. Regular and more frequent reviews of financial control processes, like this OIG audit, need to occur throughout DHS so that problems are identified and corrected early. Note that, at the time of this writing (June 2021), the OIG audit report is still in draft form and has not been released. DHS has not had the opportunity to review and respond to the OIG report.

Serious Conflicts of Interest at OQD Went Unresolved

As early as 2017, prior DHS management was made aware of but failed to act on serious conflicts of interest within OQD. After our audit began and new DHS management arrived, BIRA investigated the conflict of interest and new DHS management addressed it. One finding of the BIRA report says that, due to these conflicts of interest, “DSPD has had a loss of revenue from provider overpayments and increased write-offs.” BIRA has recommended that new DHS management refer the case to the Medicaid Fraud Control Unit.

The failure of previous DHS management to act earlier and investigate this case and the failure to provide adequate audit resources are concerning. However, several managers in DHS have expressed concern about the lack of focus on auditing from upper management, suggesting the tone at the top of prior DHS management was not focused on fiscal responsibility and audit but on other priorities. We have confidence in the current DHS executive leadership team to correct this focus, as has already been shown by actions to correct the conflicts-of-interest concern.

Effective Internal Audit Focuses on Control Testing

As mentioned, due to lack of resources, BIRA spends much of its time focusing on fraud and conflict of interest cases, unable to conduct needed reviews of controls that would help prevent these cases in the first place. However, according to international standards for internal

auditing, internal audit should also be assisting “...the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.” International internal auditing standards also state the following.

The internal audit activity *must* evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:

- Achievement of the organization’s strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programs
- Safeguarding of assets
- Compliance with laws, regulations, policies, procedures, and contracts

Our survey of DSPD and its billing control system revealed that DHS conducts only limited reviews of DSPD billings, conducted by reviewers at OQD with little or no background in accounting or auditing. Due to the large number of billings at DSPD and DHS as a whole, BIRA reviews of effectiveness of current controls and promoting continuous improvement of these controls are critical for maintaining proper management of budgets at DSPD and other DHS divisions. We recommend that BIRA resources be increased to better match DHS and DSPD needs for financial review.

Robust Financial Control Environment Needed Because of Conflicts in System

Past occurrences of conflict or competing interests within DSPD and DHS necessitate more robust financial controls and more frequent audits of those controls. For example, DSPD has responsibility to provide services to its clients but does not monitor the work of its support coordinators or service providers. That function has been delegated to OQD. Also, support coordinators are hired and can be fired by clients but are also contractors of DSPD, creating competing interests. Some of these structural conflicts may be resolved with organizational changes but others will need controls to be regularly reviewed by internal audit to ensure that the controls are adequate and working effectively.

International internal auditing standards state that the internal audit activity *must* evaluate the adequacy and effectiveness of controls.

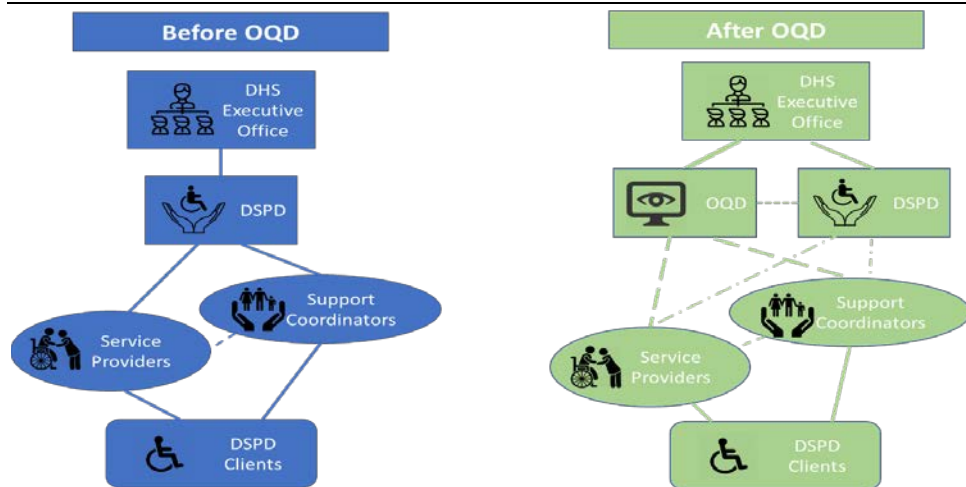
BIRA reviews of the effectiveness of current controls and promoting continuous improvement of these controls are critical for maintaining proper management of budgets at DSPD and other DHS divisions.

Conflicts or competing interests within DSPD and DHS organizational structures necessitate more robust financial controls and more frequent audits of those controls.

DSPD Is Ultimately Responsible for Results of Operations No Longer Under Their Direct Control

With OQD's creation in 2018, contract writing and monitoring were removed from all DHS divisions, which limited DSPD's control over its service providers and support coordinators. In the 2019 Legislative General Session, these changes were solidified in statute. As Figure 5.5 shows, OQD has more oversight of service providers and support coordinators than DSPD since it writes and monitors their contracts and can issue corrective action. DSPD still has billing and other functions for service providers and support coordinators.

Figure 5.5. Organizational Structure Before and After the Formation of OQD. After OQD was formed, DSPD no longer has direct control over its support coordinators or service providers.



Source: Auditor Generated

DSPD is ultimately responsible for meeting the needs of DSPD clients as well as the proper expenditure of funds. Prior to the formation of OQD (blue figures), DSPD had direct control and oversight over the support coordinators and services providers providing services to its clients, as shown by solid lines. After OQD's formation (green figures), DSPD no longer performs direct control and oversight over these front-line staff or service providers, shown by the dotted lines. OQD now monitors the quality of support coordinators' work and can issue corrective action for non-compliance with their contracts, exhibited with thicker dashed lines. This new structure relies on frequent communication and cooperation between DSPD, OQD, providers, and support coordinators, as shown by weaker dotted lines.

After the formation of OQD, represented in green in Figure 5.5, DSPD no longer has direct control and oversight over their front-line staff, the support coordinators, or their service providers.

One complaint among support coordinators we interviewed has been that DSPD has not been informing them of changes in a timely manner. Though this complaint can be remedied within the current structure, the lack of a quality monitoring role for DSPD affords them less contact and oversight of support coordinators, which could lead to less communication. Also, as mentioned in Chapter II, we found that reviews of the Payment Inactivity Report stopped around the time OQD was formed. This is an important monitoring function for DSPD's budget control, but with the monitoring team's move to OQD, review of this report soon ceased.

Restructuring the monitoring and contract writing functions could give direct control to DSPD over its service providers and support coordinators. However, within the current structure, more review by BIRA is needed to ensure that controls are working effectively.

Competing Interests Within DSPD's System Necessitate Frequent Audit Testing

Our review identified concerns where DSPD parties have competing interests that could lead to increased costs and inefficiencies. Potential issues exist with support coordinators, service providers, and in the Self-Administered Services (SAS) program which require a greater review of controls.

Controls Are Needed for Support Coordinators Because They Work Directly for the Client. Support coordinators are hired by DSPD clients and can be fired by the clients. As contractors of DSPD, support coordinators are the eyes and ears of DSPD as to the well-being and safety of DSPD clients. Thus, they work for both DSPD and the client, which can have competing interests. Some support coordinators admitted that they have requested services for the client that the client desired, even though the support coordinator did not believe the DSPD client needed the service. We are concerned that a support coordinator may request the services for fear of losing the client. Support coordinators also approve billing invoices of service providers as well as review their clients' use of SAS services. Since they could be fired by a client, support coordinator review of their client's use of SAS services could be compromised.

Service Providers Need Controls that Counter Revenue Motives. Service providers have the incentive to maximize revenues

In our review, we identified concerns where DSPD parties have competing interests that could lead to increased costs and inefficiencies.

As contractors of DSPD, Support Coordinators work both for DSPD and their clients which can have competing interests.

The Self-Administered Services program accounts for most of the fraud cases that BIRA conducts.

by providing more services. They also have frequent contact with clients who often have limited intellectual capacities and could be persuaded to request more services. Support coordinators have reported a residential provider that threatened to have them fired by their client if they did not request added services the provider desired.

Controls Are Needed in the Self-Administered Services Program Because of Conflicts of Interest. Under the SAS program, guardians of DSPD clients often hire family members to provide respite and other services for their disabled child. As was mentioned earlier in this chapter, there are fewer controls to prevent abuse of this program. Even though there is a professional accounting firm hired to monitor payroll and avoid incorrect or overpayments, this program still accounts for one fifth of cases that BIRA conducts.

Due to these competing interests, frequent audit review of controls is necessary to provide assurances that programs are operating efficiently. We recommend that as soon as the Bureau of Internal Review and Audit has sufficient resources, they begin reviewing financial controls at OQD and DSPD.

Recommendations

1. We recommend that the Department of Human Services' executive leadership team consider increasing resources in the Bureau of Internal Review and Audit to better match Human Services' and the Division of Services for People with Disabilities' needs for financial review.
2. We recommend that as soon as the Bureau of Internal Review and Audit has sufficient resources, the bureau begin reviewing financial controls at the Office of Quality and Design and Division of Services for People with Disabilities, specifically reviewing the controls for support coordinators, service providers, and the Self-Administered Services program.
3. We recommend that the Bureau of Internal Review and Audit review overpayments and the processes needed to limit overbilling.

Agency Response

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State of Utah

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor

Department of Human Services

Executive Director's Office

TRACY S. GRUBER
Executive Director

NATE CHECKETTS
Deputy Director

DAVID LITVACK
Deputy Director

June 7, 2021

Kade R. Minchey CIA, CFE, Auditor General
Office of the Legislative Auditor General Utah State Capitol Complex
Rebecca Lockhart House Building, Suite W315
P.O. Box 145315
Salt Lake City, UT 84114-5315

Dear Mr. Minchey,

Thank you for the opportunity to respond to the recommendations in *A Performance Audit of the Division of Services for People with Disabilities (Report #2021-10)*. We appreciate the effort and professionalism of you and your staff in this review and the collaboration needed from our staff to provide requested information, answer questions, and plan changes to improve the program. We believe that the results of our combined efforts will make a better, more efficient program for people with disabilities in Utah.

We concur with all recommendations in this report and have outlined our actions and timelines to demonstrate our agreement. Our teams in Services for People with Disabilities (DSPD), operational excellence, data, Internal Audit, legislative and stakeholder relations, Quality and Design, and communications are mobilized to partner on actions and to assist the Legislature in their decisions on behalf of those we serve.

The Department of Human Services is committed to efficient operational processes and effective use of taxpayer funds and values the insight this report provides on areas that need improvement.

Sincerely,

Tracy S. Gruber, Executive Director

TSG/hb

195 North 1950 West, Salt Lake City, Utah 84116
telephone: (801) 538-4001 email: dhsinfo@utah.gov web: hs.utah.gov

CHAPTER II

Recommendation 2.1. We recommend that the Division of Services for People with Disabilities reinstate client budget reviews, beginning fiscal year 2022, and solidify them in Rule.

Department Response: The Department concurs and will begin the reviews within the first quarter of FY 2022.

What: The Department will reinstate budget reviews reconciling underutilized budgets, and will establish policies and procedures and an Administrative Rule (Rule) for these reviews.

How: The Department will identify underutilized client budgets using a threshold that will be established in Department Administrative Rule and policy. The Department will establish a Rule that will follow a public input process. Steps the Department is considering including in this policy are:

- Monitor for a threshold of underuse (by a fixed dollar amount or percentage) for two completed plan cycles;
- Alert support coordinators about the reduction;
- Provide 30 days for support coordinators to reply and justify why the reduction should not be final;
- DSPD finance staff, who participate in RFS committee meetings, review the justification from support coordinators and make decisions about reductions;
- If support coordinators fail to respond within 30 days, or their justification is insufficient, deliver a Notice of Action, which allows 10 days for appeal. The appeal process will go through the RFS committee; and
- Monitor the plan to ensure that the budget is reduced as required.

When: The Department will reinstate budget reviews by August 31, 2021, following closure of FY 2021 and analyzing budget utilization over FY 2020 and FY 2021. The Department will conduct these reviews annually each August, upon the closure of the previous fiscal year. The Department will submit Rule for public comment by January 31, 2022.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.17821

Recommendation 2.2. We recommend the Department of Human Services formalize the Request for Services (RFS) process and committee in Rule.

Department Response: The Department concurs.

What: The Department will establish a Rule formalizing the Request for Services (RFS) process and committee.

How: The Department will establish a Rule that includes public input. If needed, the Department will change policies and procedures to match changes adopted by the Department after receiving public input.

When: The Department will submit the Rule for public comment by January 31, 2022.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 2.3. We recommend the Legislature also consider putting the Request for Services (RFS) process and committee in statute.

Department Response: The Department concurs that it is important to formalize the RFS process and committee.

What:

As stated in its responses to Recommendation 2.2 and 2.4, the Department will establish this process in Rule, policy, and procedure. The Department will defer to the Legislature's judgement regarding the need to adopt legislation, in addition to the establishment of Rule, policy and procedure. The Department will provide information to legislative staff and legislators, if statutory changes are being considered.

When: The Department actions are outlined in its responses to Recommendations 2.2 and 2.4. Action for this recommendation will be determined by the Legislature.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 2.4 We recommend the Division of Services for People with Disabilities complete policies and procedures for the Request for Services Committee and report them to the Department of Human Services executive management no later than January 1, 2022.

Department Response: The Department concurs.

What: The Department will establish policies and procedures for the Request for Services committee.

How: The Department will use audit findings to guide discussions with stakeholders in providing feedback on proposed policies and procedures. The process will include reviewing services and needs of people in the Client Budget Inactivity Report; a means for cross-training staff in the RFS process; and criteria for staff to assist in the RFS process in the event of an emergency where workloads may increase.

When: The Department will have policies and procedures in place by January 1, 2022.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

CHAPTER III

Recommendation 3.1. We recommend the Department of Human Services executive leadership team ensure timely and enduring implementation and completion of our former and current recommendations to Division of Services for People with Disabilities, which includes ensuring proper controls, policies, and budgetary (forecasting) tools are fully utilized.

Department Response: The Department concurs. The Department's Executive Director's Office (EDO) will ensure these audit recommendations will be fully implemented within the timeframes identified in this response.

What: EDO will meet regularly with DSPD leadership to review implementation of these audit recommendations. Also, as EDO identifies additional resources for the Bureau of Internal Review and Audit (BIRA), EDO will direct BIRA to systematically and periodically audit DSPD's implementation of these audit recommendations.

How:

- DSPD will submit a monthly report to EDO regarding implementation of these audit findings. The Deputy Director over DSPD will review this report with the DSPD Director on a regular basis. If there are delays in implementation, EDO will develop a corrective action plan with the DSPD Director to ensure implementation of these findings.
- EDO will direct BIRA to include a review of these audit findings as one of its audit projects for FY 2023 and FY 2024.
- EDO will work with DSPD to assess different forecasting models and ensure DSPD adopts a model that will help improve its ability to estimate key components that drive its overall budget.

When:

- DSPD will submit monthly written reports to EDO during FY 2022.
- BIRA will begin annual reviews of implementation of findings no later than July 2022.
- DSPD will develop its FY 2022 and FY 2023 budget estimates that will be included in the FY 2023 Governor's Budget (December 2022) using the updated forecasting model.

Contact: Nate Checketts, Deputy Director, natechecketts@utah.gov, 801-538-4001

Recommendation 3.2. We recommend that the Division of Services for People with Disabilities management increase its fiscal oversight of the Emergency Services Committee (ESC). At a minimum, DSPD should formally update ESC policies, with a focus on its use of attrition savings.

Department Response: The Department concurs.

What: The Department will update and formalize ESC policies and procedures to ensure fiscal accountability and oversight of attrition savings.

How: The Department will engage stakeholders in providing feedback on policies and procedures keeping the audit findings as a core guide in the discussions. The Department will review and revise draft directives to match and enhance ESC practices. Revisions will include a monthly review of available attrition savings via the attrition savings and allocation summary report. Proposals for ESC funding for individuals will require cost estimate projections for the fiscal year and quarterly oversight of any spending within the first fiscal year to determine any cost savings or possible reduction in services as support needs are met. All funding requests will be reviewed and prioritized for recommendation by the ESC and submitted for approval or denial by the Executive Director's Office through FY 2023.

When: The Department will formally update policies and procedures for the ESC by January 31, 2022.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 3.3. We recommend that the Division of Services for People with Disabilities management incorporate forecasting (see Recommendation 4) into its estimates for client needs and its Mandated Additional Needs budget requests. We further recommend DSPD outline and clearly state its methodology and underlying assumptions and regularly monitor and periodically update its forecast.

Department Response: The Department concurs.

What: The Department's budget requests for Mandated Additional Needs for FY 2022 and FY 2023 (that will be considered as part of the FY 2023 Governor's Budget process) will be based on this revised process.

How:

- Analyze which client characteristics are the best predictors of increased services needs (Mandated Additional Needs).
- Consult with the Bureau of Internal Review and Audit (BIRA) in developing the forecasting methodology.
- Document the calculation and methodology in the FY 2022 and FY 2023 budget request.
- Following FY 2022 and FY 2023 submissions, analyze alternative forecasting methods to determine the most accurate and effective model.
- Review and analyze the calculation annually and make improvements in the methodology.

When: The Department will incorporate the revised process as it develops its FY 2022 and FY 2023 budget estimates for the FY 2023 Governor's Budget process (December 31, 2021).

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 3.4. In conjunction with Recommendation 2, we recommend that the Division of Services for People with Disabilities develop and begin using a forecasting model capable of incorporating:

- multiple years of historical expenditures,
- current expenditures, and
- client characteristics and service trends to estimate clients' future needs and improve Mandated Additional Needs budget requests.

Department Response: The Department concurs.

What: The Department's budget requests for FY 2022 and FY 2023 developed for consideration in the FY 2023 Governor's Budget process will be based on this revised forecasting methodology.

How:

- Analyze which client characteristics are the best predictors of expenses.
- Consult with the Bureau of Internal Review and Audit (BIRA) in developing the forecasting methodology.
- Review and analyze the calculation annually and make improvements in the forecasting methodology.

When: December 31, 2021

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

CHAPTER IV

Recommendation 4.1. We recommend the Legislature reconsider its policy for ongoing attrition savings and consider directing the savings towards the Request for Service Committee for Mandated Additional Needs when wait list funding is available. (Policy Option 1 of this chapter.)

Department Response: The Department will work with the Legislature as it considers policy changes in this area. If legislative changes occur, the Department will align its Administrative Rules, policies, and procedures to this new direction.

What: The Department will continue to monitor and track Mandated Additional Needs appropriations throughout the year and track attrition savings. To better support the Request for Services committee, the Department will develop an improved process to track the funding when services are added to an individual's service plan to meet their needs.

When: By July 30, 2021, The Department will review and evaluate the current attrition tracking process and will implement a better process for the Request for Services Committee to track funding increases to meet service needs. If the Legislature adopts a policy to use attrition savings for Mandated Service Needs, the Department will develop a revised policy within 90 days of enacted legislation.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 4.2. We recommend the Legislature reconsider its policy of allowing non-lapsing balances to be used to make ongoing services commitments. (Policy Option 2 of this chapter.)

Department Response: The Department concurs that it is important to try to align one-time funding with one-time expenditures. The Department will work with the Legislature as it considers policy changes in this area. If legislative changes occur, the Department will align its Administrative Rules, policies, and procedures with this new direction.

What: The Department will conduct its own review of DSPD's use of non-lapsing funds and ensure any proposal for the use of non-lapsing funds for ongoing services includes a plan to fund those expenditures once the non-lapsing funds have been exhausted.

When: By December 31, 2021, the Department will review DSPD's use of non-lapsing funds. Additionally, if the Legislature adopts a policy to limit the use of non-lapsing funds, DSPD will develop a revised policy within 90 days of enacted legislation.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 4.3. We recommend the Legislature allow the Division of Services for People with Disabilities to manage wait list appropriations in a way that would allow them to bring individuals onto services throughout the year. (Policy Option 3 of this chapter.)

Department Response: The Department concurs that there is value in developing a process that allows individuals to enter services throughout the year. This value must be balanced with the interest of individuals to enter services as soon as possible based upon greatest need. The Department will work with the Legislature as it considers policy changes in this area. If legislative changes occur, the Department will align its Administrative Rules, policies, and procedures with this new direction.

What: Upon action by the Legislature allowing the Department to manage appropriations for the wait list throughout the fiscal year, the Department will develop a Rule to align with the legislative directive. The Rule will describe the methodology and process for identifying individuals coming into services throughout the year.

When: The timeline for implementation of this recommendation is dependent upon the timing of legislative action. If the Legislature adopts a policy allowing the Department to manage wait list appropriations in a way that would bring individuals into services throughout the year, the Department will develop a policy within 90 days of enacted legislation.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 4.4. We recommend the Division of Services for People with Disabilities use this legislative permission to adopt Rules that spread out wait list appropriations throughout the year. (Policy Option 3 of this chapter.)

Department Response: The Department agrees to align Rules with legislative direction and recognizes the value of bringing people into services throughout the year from a fiscal perspective. The Department will work with the Legislature to provide information and ideas that will inform its decision on new legislation to fund and manage the needs of individuals on the wait list.

What: Upon action by the Legislature requiring the Department to manage appropriations for the wait list throughout the fiscal year, the Department will develop Rule to align with the legislative directive. The Rule will describe the methodology and process for identifying individuals coming into services throughout the year.

How: In response to any enacted legislation, data and research staff will estimate the number of people who can come into services, based on expected service needs and costs related to those needs for people on the wait list, dividing this across the year.

When: Policy and Rule will be developed within 90 days of enacted legislation. The Department would spread out wait list appropriations in the fiscal year following the enacted legislation.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 4.5. We recommend that Division of Services for People with Disabilities manage wait list appropriations throughout the fiscal year and consider including emergency cases in this funding stream. (Policy Option 3 of this chapter.)

Department Response: The Department agrees to align Rule, policies and procedures with legislative direction.

What: The Department will develop Rule, policies and procedures to include the methodology and process for identifying individuals coming into services throughout the year. This Rule will include the methodology for utilizing appropriations for Emergency Services throughout the year, upon direction from the Legislature.

In response to any enacted legislation, policies and procedures will be developed for staff to transition people into services throughout the year, and identifying the breakdown used for Emergency Services and those at the top of the wait list.

How: The Emergency Services Committee will track requests for Emergency Services and the estimated costs. Data and research staff will estimate the number of people who can come into services based on expected service needs and costs related to those needs for people on the wait list, dividing this across the year. If direction is given to include Emergency Services needs, this will be incorporated into the

estimates for the number of people who will come off of the wait list, adjusting it to account for emergency service needs that are identified throughout the year.

When: Rule, policies and procedures will be developed within 90 days of enacted legislation.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

Recommendation 4.6. We recommend the Legislature consider providing a fiscal cushion in DSPD's budget, to provide flexibility in years of financial shortage and compensate for uncertainty in key budget areas. (Policy Option 4 of this chapter.) Policy options for the Legislature to consider to accomplish this may include:

- a. Creating a General Fund Restricted Account similar to the Medicaid Restricted Account**
- b. Allowing DSPD to hold ongoing attrition savings for use throughout a fiscal year, and**
- c. Having a Non-lapsing Balance cap that carries over from year to year for defined emergency purposes.**

Department Response: The Department concurs with this recommendation to establish a budgeting tool that will allow flexibility to cover unforeseen service needs throughout the fiscal year. As the Legislature considers establishment of flexible budgeting tools, the Department, in consultation with the Governor's Office of Planning and Budget, will work with the Legislature. Upon action by the Legislature, the Department will align its Administrative Rules, policies, and procedures to the new policy.

What: The actions the Department takes is dependent upon the action taken by the Legislature to establish flexibility.

When: The Department will develop a revised policy and adopt use of this tool in the following fiscal year after it is approved by the Legislature.

Contact: Angie Pinna, DSPD Director, apinna@utah.gov, 801.448.1782

CHAPTER V

Recommendation 5.1 We recommend the Department of Human Services (DHS) executive leadership team consider increasing resources in the Bureau of Internal Review and Audit (BIRA) to better match DHS' and the Division of Services for People with Disabilities' needs for financial review.

Department Response: The Department concurs with this recommendation. The DHS executive leadership team agrees with the Auditor General that a robust internal audit program is critical to sound fiscal management of Department resources.

What: The Department of Health and the Department of Human Services are currently recruiting for an Audit Director to serve both Departments during the agency consolidation transition period. That

individual will become the Audit Director of the Utah Department of Health and Human Services on July 1, 2022. Additionally, the Department of Human Services is analyzing its current budget to identify funding to recruit additional auditors within BIRA.

When: By June 30, 2021, the Department will identify resources to hire additional auditors in BIRA.

Contact: Nate Checketts, Deputy Director, natechecketts@utah.gov, 801-538-4001

Recommendation 5.2 We recommend that as soon as the Bureau of Internal Review and Audit has sufficient resources, the bureau begin reviewing financial controls at Office of Quality and Design and Division of Services for People with Disabilities. Specifically, the support coordinators, service providers and Self-Administered Services program.

Department Response: The Department concurs with this recommendation.

What: The Bureau of Internal Review and Audit (BIRA) is currently doing a performance audit of the DSPD Self-Administered Services program.

BIRA will also do an audit on budgetary tools needed to give DSPD management better information to manage their budget. Criteria will be developed on how to better estimate future client needs and identifying needed elements and practices of forecasting. Areas to be reviewed include attrition savings, emergency services, wait list increases, youth aging out, court orders, and Request for Services (RFS), in addition to forecasting criteria.

Once additional resources are available, BIRA will incorporate reviews of support coordinators and service providers.

How: BIRA will review the areas described in the preceding paragraphs, will issue written reports to Department leadership on its review, and will establish timelines for following up with DSPD on implementation of any response to findings.

When: The Self-Administered Services program review and budgetary review will be completed by December 31, 2021.

Contact: Rich Sallstrom, Director of Fiscal Audit, Bureau of Internal Review and Audit, rsallstr@utah.gov, 801-538-9895

Recommendation 5.3. We recommend that the Bureau of Internal Review and Audit review overpayments and the processes needed to limit overbilling.

Department Response: The Department concurs with this recommendation.

What: Based on resources available, the Bureau of Internal Review and Audit (BIRA) will review DSPD overpayments and processes needed to limit overbilling, including reviewing Office of Quality and Design's (OQD) monitoring activities.

How:

- BIRA will conduct reviews of overpayments, including OQD's responsibilities in collecting these overpayments and monitoring DSPD services.
- BIRA will review internal controls of both DSPD and OQD regarding preventing overbillings and collecting overpayments.
- BIRA will make recommendations to improve DSPD's and OQD's financial controls to prevent overbilling and collect overpayments.
- DSPD will implement the detailed recommendations made by the BIRA.

When: After receiving more resources, BIRA will conduct reviews of DSPD financial controls and overbillings beginning FY 2022 and will issue reports on these areas by June 30, 2022. DSPD will implement recommendations in the timeline identified in the review process.

Contact: Rich Sallstrom, Director of Fiscal Audit, Bureau of Internal Review and Audit, rsallstr@utah.gov, 801-538-9895