

UTAH DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2016

Report No. 16-16



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jon Johnson, CPA, Audit Director
Melanie Henderson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 16-16

November 1, 2016

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

Dear Dr. Miner:

This management letter is issued as a result of the Utah Department of Health's (UDOH's) portion of the statewide federal compliance audit for the year ended June 30, 2016. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. The federal programs tested as major programs at UDOH were as follows:

- HIV Care Formula Grants (CFDA # 93.917)
- Medicaid Cluster
- Refugee and Entrant Assistance (CFDA # 93.566)

In planning and performing our audit of compliance of the programs listed above, we considered UDOH's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2016. We also considered UDOH's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major programs tested in order to determine the auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UDOH's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and would not necessarily identify all deficiencies in UDOH's internal control that might be material weaknesses or significant deficiencies as defined in the following paragraphs. However, as discussed subsequently, based on the audit procedures performed, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance presented in the accompanying schedule of findings and recommendations as Finding 1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance presented in the accompanying schedule of findings and recommendations as Findings 2 through 4 to be significant deficiencies.

UDOH's written responses to and Corrective Action Plans for the findings identified in our audit were not subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this communication is not suitable for any other purpose.

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

Sincerely,



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

cc: Robert Rolfs, MD, MPH, Deputy Director / State Epidemiologist
Nathan Checketts, Deputy Director / Director of Division of Medicaid and Health Financing
Emma Chacon, Division Operations Director of Medicaid and Health Financing
Janica Gines, Assistant Division Director of Medicaid and Health Financing
Tonya Hales, Assistant Division Director of Medicaid and Health Financing
Shari A. Watkins, CPA, Director, Office of Fiscal Operations
Darin L. Dennis, CPA, Director, Internal Audit
Marc E. Babitz, MD, MPH, Director, Division of Family Health & Preparedness
Heather Borski, Director, Division of Disease Control and Prevention

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Finding Type:

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

Applicable To:

f Federal Program

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1. INCORRECT ELIGIBILITY DETERMINATION AND INADEQUATE DOCUMENTATION

Federal Agency: **Department of Health and Human Services**
CFDA Number and Title: **93.917 HIV Care Formula Grants**
Federal Award Number: **6X07HA00032-25-00**
Questioned Costs: **\$0**
Pass-through Entity: **N/A**
Prior Year Single Audit Report Finding Number: **2015-22**

We noted internal control weaknesses and noncompliance related to the eligibility determination for 10 (11.1%) of the 90 Ryan White/HIV Care Program (Program) expenditures reviewed at the Utah Department of Health (UDOH). The 90 Program expenditures totaled \$54,870 and were taken from a total population of \$7,921,029 (federal expenditures and expenditures from rebates). The weaknesses noted are described below:

- a. The client file for one case did not contain appropriate proof of Utah residency as required by UDOH's Ryan White Policy and Procedure Manual (Manual). The caseworker failed to obtain proof of a physical address for the client and the reviewer did not detect the insufficient information. This oversight resulted in both an incorrect eligibility determination and payments made to this client during the period of ineligibility totaling \$13,253.19. Following our identification of this issue, the Program reduced subsequent draws to repay the \$13,253.19 to the awarding federal agency; therefore, we have not questioned these costs.
- b. UDOH failed to appropriately evaluate client assets for two cases. Utah Administrative Code R388-805-6(1)(a) dictates that beyond one home and one registered vehicle, clients "may not have any other assets over \$5,000," however:
 - For one case, the client self-attested on the application to owning more assets than the \$5,000 limit; however, the caseworker and reviewer failed to notice that the assets exceeded the limit. This oversight resulted in the client receiving \$4,738.51 during the period of ineligibility. Following our identification of this issue, the Program reduced subsequent draws to repay the \$4,738.51 to the awarding federal agency; therefore, we have not questioned these costs.
 - For one case, the client self-attested on the application to owning no assets; however, the case file contained evidence of an asset. The case worker had taken no action to address the actual asset value and whether the asset would affect eligibility determination. The review of the eligibility determination also failed to detect the oversight. Subsequent to our review, UDOH obtained evidence to document that the asset was under the limit and the client was eligible; therefore, we have not

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questioned the costs related to this error. However, similar oversights could result in eligibility errors for other cases.

- c. Eligibility documentation was missing from seven case files, as follows:
- One case file did not contain appropriate documentation of income as required by the Manual.
 - Six case files did not contain proof of employer-sponsored insurance denial. The Manual requires all employed clients to provide proof of no or inadequate employer-sponsored insurance.

These errors occurred due to oversight by both the caseworkers and the reviewers. Subsequent to our review, UDOH obtained appropriate documentation and determined the clients were eligible; therefore, we have not questioned any costs related to these errors. Although the clients for these seven cases were determined to be eligible to receive services, similar errors could result in ineligibility for other cases.

The Program implemented dual internal control reviews as of January 1, 2016 based on its corrective action plan from the prior year finding. We determined that only 3 of the 10 errors cited above occurred after the additional review was implemented, indicating some improvement.

Recommendation:

We recommend UDOH continue to strengthen internal controls over Ryan White/HIV Care program expenditures to ensure that all eligibility requirements are properly considered and all required documentation is obtained, reviewed, and included in client files.

UDOH's Response:

UDOH agrees with the finding.

Corrective Action Plan:

The Part B Program has already taken several steps to improve controls regarding the eligibility determination process; these include: 1) simplifying the application by creating a single application form rather than requiring multiple forms (implemented July 1, 2016); 2) conducting training regarding the eligibility requirements and determination process with internal staff and external partners (conducted June 30, July 7, July 15 and August 4, 2016); and 3) completing quality assurance for applications with assets specifically

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reviewing applications with income to determine whether or not retirement assets were indicated (completed September 30, 2016). The program will also develop a mechanism for providing more regular training to internal staff and external partners. Additionally, the Program will implement regular quality assurance of eligibility determinations.

Contact Person: Amelia Self, Program Manager, 801-538-6221

Anticipated Completion Date: January 1, 2017 – Eligibility Determination Training Schedule developed; February 1, 2017-Eligibility Quarterly QA implemented.

2. PAYMENT ON BEHALF OF INELIGIBLE RECIPIENT

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

CFDA Number and Title: **93.778 Medical Assistance Program (Medicaid)**

Federal Award Numbers: **Various**

Questioned Costs: **\$704**

Pass-through Entity: **N/A**

Prior Year Single Audit Report Finding Number: **N/A**

We tested 60 Medicaid cases and noted that one recipient remained on the Utah Medicaid program for one month after moving out of state. Medicaid Policy 207-6 states, “When an individual moves out of Utah, [the State should] consider him a Utah resident through the end of the month in which he moved out of Utah.” This error occurred because the case was not properly closed by the caseworker when the change of residence notification was received. As result, \$704 of medical assistance costs were inappropriately paid on behalf of the recipient during the one month the recipient was ineligible. Although all Medicaid expenditures are processed at UDOH, eligibility determination and case file management for Medicaid is handled by the Department of Workforce Services (DWS). The 60 Medicaid cases tested totaled \$496,387 and were taken from a total population of \$1,647,228,997 (federal and state portions).

Recommendation:

We recommend that UDOH work with DWS to ensure caseworkers record residency changes in a timely manner in accordance with Medicaid policy so clients do not receive medical benefits during periods when they are ineligible.

UDOH’s Response:

UDOH agrees with the finding.

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Corrective Action Plan:

The error on the case was a result of the worker not using the correct effective dates, resulting in the case closing a month later than it should have closed. The case was first reported to DWS in April 2016 by the State Auditor's Office, and as a result the DWS developed a new, comprehensive training regarding effective dates. This training was offered statewide during the months of September and October 2016.

*Contact Person: Jeff Nelson, Bureau Director of Eligibility Policy, 801-538- 6471
Anticipated Completion Date: Completed*

3. MISSING PROVIDER AGREEMENT

Federal Agency: **Department of Health and Human Services – CMS**
CFDA Number and Title: **93.778 Medical Assistance Program (Medicaid)**
Federal Award Numbers: **Various**
Questioned Costs: N/A
Pass-through Entity: N/A
Prior Year Single Audit Report Finding Number: N/A

We tested a sample of 45 providers receiving Medicaid payments during fiscal year 2016, and noted one provider (2.2%) with whom Medicaid did not have a provider agreement. Under Utah's State Plan for the Medical Assistance Program, Section 4.13, provider agreements are required between the Medicaid agency and each provider furnishing services under the plan. UDOH asserts that the cause of the missing provider agreement was due to a filing error by UDOH. Failure to retain provider agreements could result in Medicaid payments to ineligible providers. Although a provider agreement could not be located, the services provided were deemed allowable; therefore, we have not questioned any costs related to this error.

Recommendation:

We recommend UDOH properly retain agreements for all providers receiving payments for Medicaid services.

UDOH's Response:

UDOH agrees with the finding.

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Corrective Action Plan:

The provider enrollment filing processes reviewed in the audit have largely been automated. UDOH implemented the provider enrollment module of the new Provider Reimbursement Information System for Medicaid (PRISM) on July 1, 2016. PRISM requires the provider to either upload the provider agreement into the system or to fax a provider agreement for each application submitted. The fax process requires a coversheet that allows the system to automatically attach documents to the proper provider application. The Bureau of Medicaid Operations provider enrollment staff validate that all required documents are included with each new provider enrollment application prior to approving the application. Therefore, filing errors related to provider application documentation should no longer occur.

*Contact Person: Randy Hicks, Assistant Bureau Director, Bureau of Medicaid Operations,
801 538-6891*

Anticipated Completion Date: Completed

4. INADEQUATE INTERNAL CONTROLS OVER SUBRECIPIENT MONITORING PRE-AWARD REQUIREMENTS

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

CFDA Number and Title: **93.566 Refugee and Entrant Assistance**

Federal Award Number: **1501UTRCMA, 1601UTRCMA, 1501UTRSOC, 1601UTRSOC**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

UDOH and DWS do not have adequate internal controls to ensure all required information is included in the subrecipient award documentation. According to Uniform Guidance 2 CFR 200.331(a)(1), all pass-through entities must ensure that every subaward includes specific information at the time of the subaward.

We reviewed 9 subrecipient contracts for the Refugee and Entrant Assistance Grant and noted 5 (56%) contracts which were missing required information, as follows:

a. Refugee Unaccompanied Minors (RUNC) Program and Refugee Social Services (RFSS) Program (monitored by DWS) – 6 contracts reviewed

- One contract was missing the subrecipient's unique entity identifier (DUNS).
- Two contracts were missing the following required information:
 - Federal Award Identification Number (FAIN);

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- Federal award date;
- Total amount of the federal award;
- Name of federal awarding agency; and
- Identification of whether the award is R&D.

These errors occurred due to oversight by the DWS contract analyst and contract approver.

b. Refugee Health Screenings (monitored by UDOH) – 3 contracts reviewed

Two contracts were missing the following required information:

- Subrecipient's unique entity identifier (DUNS);
- Federal award date; and
- Total amount of the federal award.

These errors occurred because UDOH did not adequately update its processes to ensure compliance with new Uniform Guidance requirements.

Not including required information in subaward documentation prior to issuance of subawards increases the risk that subrecipients will not comply with program requirements. We determined that these subrecipients were aware of program requirements; therefore, we have not questioned any costs.

Recommendation:

We recommend that UDOH and DWS strengthen internal controls for their respective programs to ensure that all required information is properly included within each agency's subaward contracts, in accordance with all applicable laws and compliance requirements.

Note: This finding was also included in the management letter to DWS. Their response and corrective action plan has been included in that letter.

UDOH's Response:

UDOH agrees with the finding.

Corrective Action Plan:

UDOH is currently testing a solution in our Contract Management System that will require all the mandatory information be entered on a subrecipient agreement prior to the agreement being submitted for review and approval. This will also allow for any changes to the mandatory information be made on an amendment.

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Contact Person: Steven Phillips, Assistant Finance Director, 801-538-6602
Anticipated Completion Date: November 10, 2016 for CMS updates