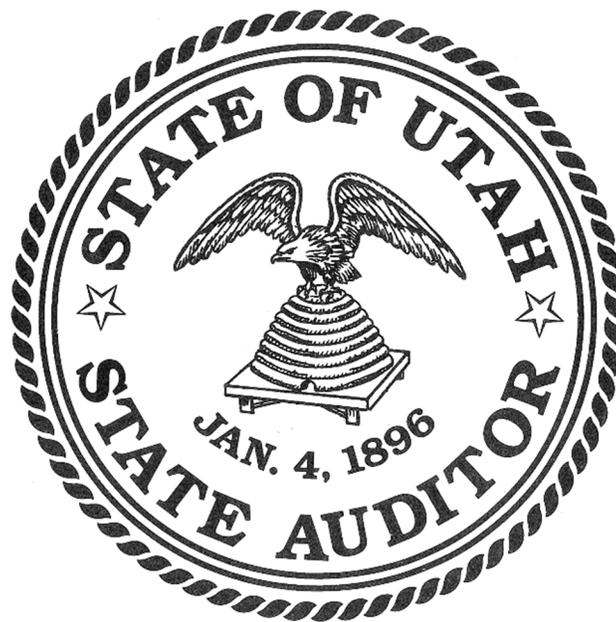


DEPARTMENT OF HEALTH

Single Audit Management Letter
For the Year Ended June 30, 2020

Report No. 20-24



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Deputy State Auditor
Bertha Lui, CPA, Senior Audit Manager

DEPARTMENT OF HEALTH
Single Audit Management Letter
FOR THE YEAR ENDED JUNE 30, 2020

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<u>Finding Type:</u> SD Significant Deficiency of Internal Control RN Reportable Noncompliance or Illegal Acts	<u>Applicable To:</u> f Federal Program
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OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 20-24

February 1, 2021

Mr. Richard G. Saunders, Executive Director
Utah Department of Health
288 North 1460 West
SLC, Utah 84116

Dear Mr. Saunders:

This management letter is issued as a result of the Utah Department of Health's (DOH's) portion of the statewide single audit for the year ended June 30, 2020. 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. We tested the following federal programs at DOH:

- Medicaid Cluster (CFDA # 93.775, 93.777 and 93.778)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA 10.557)

In planning and performing our compliance audit of the programs listed above, we considered DOH's compliance with the types of compliance requirements subject to audit as described in the *OMB Compliance Supplement* for the year ended June 30, 2020. We also considered DOH's internal control over compliance with the types of requirements described above that could have a direct and material effect on the programs tested in order to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DOH's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to be reported under Uniform Guidance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in DOH's internal control over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control over compliance (Findings 1 and 2) that we consider to be significant deficiencies.

We also identified Findings 1 and 2 as instances of noncompliance which we are required to report under the Uniform Guidance.

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

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing and not to provide an opinion on the effectiveness of DOH's internal control over compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

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

Sincerely,



Hollie Andrus, CPA
Deputy State Auditor
801-808-0467
handrus@utah.gov

cc: Heather Borski, Deputy Director
Shari A. Watkins, CPA, Chief Administrative Operations Director
Nathan Checketts, Director of Division of Medicaid and Health Financing
Emma Chacon, Division Operations Director of Medicaid and Health Financing
Tonya Hales, Assistant Division Director of Medicaid and Health Financing
Eric Grant, Assistant Division Director of Medicaid and Health Financing
Janae Duncan, Director, Division of Disease Control and Prevention
Marc E. Babitz, MD, Director, Division of Family Health & Preparedness
Kendall Woffinden, Interim Director, Internal Audit

FINDINGS AND RECOMMENDATIONS

1. MEDICAID PROGRAM REVIEW ACCURACY RATES 9 POINTS BELOW TARGET

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

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

Federal Award Numbers: **Various**

Questioned Costs: **\$0**

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

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

The Department of Workforce Services (DWS) Program Review Team (PRT) process had an 88% accuracy rate, as compared to its 97% target accuracy rate, and payment errors of \$45,249.99, as identified by the DOH Medicaid Eligibility Quality Control (MEQC) team during a recent review. The MEQC team reviewed 295 cases subject to a PRT review. In these 295 cases, the MEQC team identified 36 errors resulting in a 12% error rate (88% accuracy rate). While DWS counselors incorrectly determined applicants' initial eligibility, the PRT process did not identify or correct these errors. Examples of incorrect eligibility determinations included cases where:

- An individual was approved for an incorrect medical program;
- An individual was ineligible for the medical program issued; or,
- Denial of the program was incorrect.

The MEQC team also identified areas of concerns in the PRT process contributing to its inability to identify and correct errors, including: misapplication of Medicaid policies, inadequate documentation of review, incorrect level of review, improper correction of errors, inadequate procedures and guidance, and incorrect methods in calculation of the error rate. Because there is no federal requirement to return eligibility-based overpayments, we have not questioned any costs.

The eligibility determination accuracy rate is used to determine the state's Federal Medicaid Assistance Percentage (FMAP). Thus, if the State does not meet its target accuracy rates, the federal government could potentially reduce the FMAP rate. Even minimal reductions in the FMAP rate could lead to significant reductions in the federal dollars used to fund Medicaid in the State of Utah.

Recommendations:

We recommend that:

- **DWS improves its PRT case review process to remedy the concerns identified above (e.g., misapplication of Medicaid policies and incorrect level of reviews) to meet the 97% target accuracy rate; and,**
- **DOH provides assistance to DWS as needed to improve the PRT process.**

DOH's Response:

The Utah Department of Health agrees with this finding.

Corrective Action Plan:

The Division will be ready as needed to assist or consult with DWS as they strive to improve PRT's outcomes.

Contact Person: Jeff Nelson, Bureau Director, Eligibility Policy, 801-455-0224

Anticipated Correction Date: September 2021

Auditor's Note:

See Department of Workforce Service Report No. 20-34 for DWS's response to this finding.

2. USE OF APPROPRIATE NATIONAL CORRECT CODING INITIATIVE (NCCI) EDIT FILES NOT VERIFIED

Federal Agency: **Department of Health and Human Services**
CFDA Number and Title: **93.778 Medical Assistance Program (Medicaid Title XIX)**
Federal Award Numbers: **Various**
Questioned Costs: **\$0**
Pass-through Entity: **N/A**
Prior Year Single Audit Report Finding Number: **N/A**

The Department of Health (DOH) did not verify its third-party contractor's use of appropriate National Correct Coding Initiative (NCCI) edit files. According to the NCCI Medicaid Policy Manual and the NCCI Medicaid Technical Guidance Manual, DOH is required to use the most recent quarterly Medicaid NCCI edit files to ensure the proper payment of procedures. While DOH obtained from the federal government website the updated quarterly edit files and then sent the files to its third-party contractor, it did not independently verify the contractor's use of the updated edit files. Rather, DOH felt that reviewing the weekly and quarterly reports delivered by the contractor provided adequate verification. Not verifying the use of the appropriate edit files may result in improper payments.

Recommendation:

We recommend DOH implement procedures to verify that the third-party contractor uses the most recent quarterly Medicaid NCCI edit files.

DOH's Response:

The Utah Department of Health agrees with this finding.

Corrective Action Plan:

- 1. The Division will create a Standard Operating Procedure for NCCI edit files. The procedure will include the following three areas:
 - a. How the NCCI edit files are obtained*
 - b. How the NCCI edit files are delivered to the contractor*
 - c. How the Division will validate that the files have been properly loaded**
- 2. The Bureau of Medicaid Operations will create test scenarios with the contractor to confirm that the proper NCCI edits are firing when appropriate.*

Contact Person: Shandi Adamson, Bureau Director, Medicaid Operations, 801-793-7261
Anticipated Correction Date: July 2021