

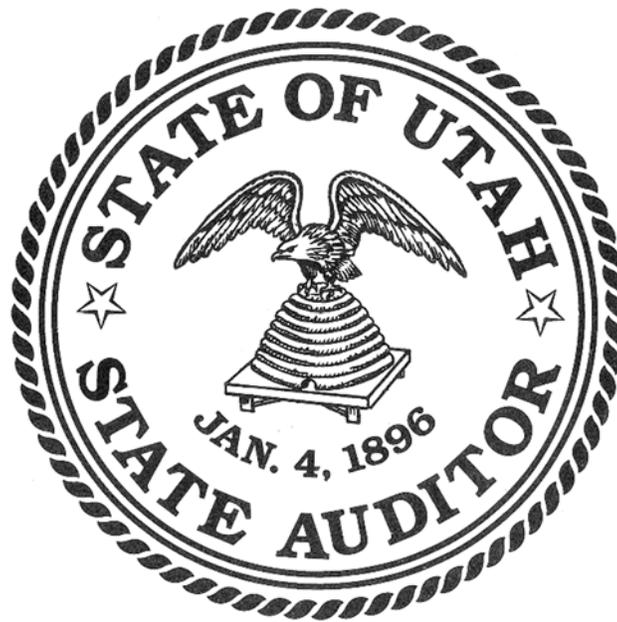
# DEPARTMENT OF HEALTH

---

Single Audit Management Letter  
For the Year Ended June 30, 2018

---

Report No. 18-04



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

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

**DEPARTMENT OF HEALTH**  
**Single Audit Management Letter**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

			<u>Page</u>
<b>SINGLE AUDIT MANAGEMENT LETTER</b>			1
<b>FINDING AND RECOMMENDATION:</b>	<u>Federal Program</u>	<u>Type/ Applicability</u>	
1. Inadequate Internal Controls Over Subrecipient Determination and Monitoring	HIV Care Formula Grants	SD-f; RN-f	3
2. Inadequate Reviews of Subrecipient Invoices	HIV Care Formula Grants	-	4
3. Inadequate Internal Controls Over Eligibility (Repeat Finding)	HIV Care Formula Grants	SD-f; RN-f	5
4. Communication of Client Responsibilities	HIV Care Formula Grants	-	7
5. Automate Eligibility Determinations for HIV Care Formula Grants	HIV Care Formula Grants	-	8

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



OFFICE OF THE  
STATE AUDITOR

**SINGLE AUDIT MANAGEMENT LETTER NO. 18-04**

October 16, 2018

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

Dear Dr. Miner:

This management letter is issued as a result of the Utah Department of Health's (DOH's) portion of the statewide single audit for the year ended June 30, 2018. 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 at DOH were as follows:

- HIV Care Formula Grants (CFDA # 93.917)
- Medicaid Cluster (MED)
- Children's Health Insurance Program (CFDA #93.767)
- Immunization Cooperative Agreements (CFDA #93.268)

In planning and performing our audit of compliance of the programs listed above, we considered DOH's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2018. 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 auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DOH's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and 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, we did not identify any deficiencies in DOH's internal control that we consider to be material weaknesses. However, we consider the deficiencies in internal control over compliance presented in the accompanying schedule of findings and recommendations as Findings 1 and 3 to be significant deficiencies.

DOH's written response 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 DOH during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



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

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

## FINDINGS AND RECOMMENDATIONS

### 1. INADEQUATE INTERNAL CONTROLS OVER SUBRECIPIENT DETERMINATION AND MONITORING

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

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

**(Ryan White HIV/AIDS Program)**

Federal Award Numbers: **2X07HA00032-27-00, 2X08HA28013-03-00, 2X09HA28337-03-00**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

We reviewed the subrecipient monitoring process completed by the Department of Health (DOH) during fiscal year 2018 for the Ryan White HIV/AIDS Program (Program) and noted a deficiency in internal controls over the classification of parties to whom DOH disburses Program funds. Per 2 CFR section 200.330, “a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.” We noted the following errors:

- a. For one agreement, DOH had originally determined the entity to be a “Medium Risk” subrecipient at the beginning of fiscal year 2018. However, DOH subsequently inappropriately changed the classification of the agreement with the entity from subrecipient to contractor, resulting in the entity not being properly monitored in accordance with 2 CFR section 200.331. According to DOH’s Subrecipient Risk Assessment and Monitoring Policies & Procedures (OFO04.01), the Office of Fiscal Operations (OFO) Auditor “will perform a desk audit on one invoice semi-annually [in April and October] on 10% of agreements where the subrecipient was deemed medium risk.” As a result of this misclassification, the agreement with this entity was not included in the population sampled to receive desk audits.
- b. DOH inappropriately treated one entity as a subrecipient during fiscal year 2018 based on the terminology in the agreement. However, based on the terms of the agreement and actual services provided by the entity, the relationship was that of a contractor. Federal regulations (2 CFR section 200.330(c)) state, “in determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement.”

These errors were caused by the Program’s misinterpretation of the role of subrecipients versus contractors as set forth in 2 CFR section 200.330. The correct classification is critical to guarantee that proper monitoring is performed to ensure that federal funds passed through to subrecipients are used for authorized purposes and in compliance with the federal requirements and terms and conditions of the agreement.

**Recommendation:**

**We recommend DOH strengthen internal controls to properly classify federally funded contractual relationships as either subrecipients or contractors in accordance with 2 CFR section 200.330 and ensure the proper monitoring of all subrecipients.**

**DOH's Response:**

*The Department of Health agrees with this finding.*

**Corrective Action Plan:**

*Both agreements noted in the finding have been changed to the appropriate designation. The Program attended department-wide grant management training and is utilizing an AGA questionnaire provided in the training to ensure all contractual relationships are properly classified. The Department will continue to work to improve proper contract designations between subrecipients and contractors.*

*Contact Persons: Amelia Self, Prevention, Treatment and Care Program Manager, 801-538-6221  
Brianne Glenn, Policy and Eligibility Manager, 801-538-6738*

*Anticipated Correction Date: January 2019*

**2. INADEQUATE REVIEWS OF SUBRECIPIENT INVOICES**

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

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

**(Ryan White HIV/AIDS Program)**

Federal Award Numbers: **2X07HA00032-27-00, 2X08HA28013-03-00, 2X09HA28337-03-00**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

We reviewed 89 expenditures for the Ryan White HIV/AIDS Program (Program) and noted 5 disbursements to one subrecipient paid on behalf of ineligible clients or for excessive service expenditures based on inconsistencies related to invoiced mileage charges compared to travel time. Federal cost principles under Uniform Guidance require expenditures to be necessary, reasonable, and on behalf of eligible clients in order to be allowable costs to a federal program. These errors occurred due to inadequate reviews of subrecipient invoices. Inadequate reviews of subrecipient invoices could result in improper and excessive expenditure of federal funds. Because our projected error for the Program disbursements to this subrecipient was less than \$25,000, no costs have been questioned.

**Recommendation:**

**We recommend DOH perform appropriate reviews of subrecipient invoices to ensure expenditures are on behalf of eligible clients and are reasonable in accordance with Uniform Guidance cost principles.**

**DOH's Response:**

*The Department of Health agrees with this finding.*

**Corrective Action Plan:**

*The Program has added clarifying language to subrecipient contracts with regard to travel and mileage expenditures effective July 1, 2018. The Program has implemented additional review requirements of invoices that appear to have excessive charges effective July 1, 2018.*

*Contact Persons: Amelia Self, Prevention, Treatment and Care Program Manager, 801-538-6221  
Brienne Glenn, Policy and Eligibility Manager, 801-538-6738*

*Anticipated Correction Date: July 2018*

**3. INADEQUATE INTERNAL CONTROLS OVER ELIGIBILITY**

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

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

**(Ryan White HIV/AIDS Program)**

Federal Award Numbers: **2X07HA00032-27-00, 2X08HA28013-03-00, 2X09HA28337-03-00**

Questioned Costs: **\$9,897**

Prior Year Single Audit Report Finding Number: **2017-011**

Pass-through Entity: N/A

The objective of the Ryan White HIV/AIDS Program is to improve the quality, availability, and organization of healthcare and support services for low-income, uninsured, and underinsured people living with Human Immunodeficiency Virus (HIV) in Utah. DOH is required to vigorously pursue other health insurance opportunities for Program clients to ensure that the Program is the payor of last resort. We noted internal control weaknesses and noncompliance related to the vigorous pursuit of other insurance enrollment opportunities for 2 (2.25%) of the 89 Program clients reviewed at DOH. The sample items, totaling \$99,080, were taken from a population of \$10,801,647 (federal expenditures and expenditures from rebates). The weaknesses noted are described below:

- a. One client who had declined available coverage through an employer was approved for Program-sponsored insurance coverage, but the client's case file did not have any documentation to support the exception to Program policies. Although Program policies and procedures permit clients to decline employer-sponsored insurance coverage for specific reasons, approval for program-sponsored insurance coverage after such

declination must be reviewed, approved, and documented at eligibility determination. Due to this error, we have questioned the \$10 related to this sample item and the additional costs of \$1,457 paid on behalf of this client during the fiscal year, together totaling \$1,467.

- b. For one client, DOH did not perform adequate procedures to determine whether the client had employer-sponsored insurance available to him due to assumptions made about the type of employer and due to information provided by client self-attestations. Federal guidelines require that the Program “maintain policies regarding the required process for the pursuit of enrollment for all clients, to document the steps during [its] pursuit of enrollment for all clients...” and to “ensure that eligibility for other funding sources is aggressively and consistently pursued” (HRSA PCNs 13-04 and 16-02). Federal guidelines also state that “at one of the two required certifications during a year, [the Program] may accept client self-attestation for verifying... insurance status” and “appropriate documentation is required for changes in status and at least once a year” (HRSA PCN 13-02). Due to this error, we have questioned the \$4,215 related to this sample item and the additional costs of \$4,215 paid on behalf of this client during the fiscal year, together totaling \$8,430.

Inadequate policies and documentation of vigorous pursuit of insurance jeopardizes the “payor of last resort” status of the Program and subjects federal funds to potential misuse.

**Recommendation:**

**We recommend DOH improve policies and internal controls over Program eligibility determination to ensure client insurance status is vigorously pursued, reviewed, and documented in client files.**

**DOH's Response:**

*The Department of Health partially agrees with this finding.*

**Auditor's Concluding Remark:**

We, the auditors, acknowledge that DOH has disagreed with some of the issues noted in this finding. While DOH appears to believe that the client noted in b. above is eligible to participate in the Program, we were unable to corroborate evidence of the client's insurance status. As such, we consider the client ineligible. Because corrective actions outlined by DOH address the concerns raised in our finding and recommendation, we will not issue any further remarks related to the disagreements noted in DOH's response.

**Corrective Action Plan:**

- a. *This error came to the attention of the Program prior to the audit and action was taken to remove the client from Program-sponsored insurance coverage as of 4/1/2018. The Program has implemented additional controls over the approval of program sponsored insurance coverage to prevent this error occurring in the future. These controls include*

*additional documentation and review of client eligibility prior to enrolling client in insurance services.*

- b. The Program documented efforts taken to research all available insurance coverage for the client; however, documentation did not include information from the employer. Based on Program practice and historical knowledge, the Program made an informed decision regarding the availability of insurance from a specific type of employer. The Program acknowledges that insurance availability can change over time. The Program is reviewing policy and procedures to identify areas to improve documentation of compliance to vigorous pursuit mandate.*

*Contact Persons: Amelia Self, Prevention, Treatment and Care Program Manager, 801-538-6221  
Brienne Glenn, Policy and Eligibility Manager, 801-538-6738*

*Anticipated Correction Date: November 2018*

#### **4. COMMUNICATION OF CLIENT RESPONSIBILITIES**

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

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

**(Ryan White HIV/AIDS Program)**

Federal Award Numbers: **2X07HA00032-27-00, 2X08HA28013-03-00, 2X09HA28337-03-00**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

Based on our observations while performing eligibility testwork for the Ryan White HIV/AIDS Program, we feel DOH could improve procedures for reminding clients of their responsibilities to inform the Program of changes in their employment status and the availability of other insurance coverage. Upon application, Program clients acknowledge by signing the application their responsibility to report changes in income or the availability of other health insurance within a timely manner. Failure to provide such information could result in benefits being terminated.

During our eligibility testwork, we noted an instance where a client declined health insurance offered by a new employer, did not report the new employment or health insurance availability to the Program until DOH began the redetermination process, but was allowed to continue in the Program. The Program did take appropriate steps to gather information about the employer's next open enrollment and evaluate the possibility of enrolling. We concluded that this action was appropriate within the context of current Program policies. However, HRSA guidelines require the Program to "establish stronger monitoring and enforcement of sub-grantee processes to ensure that clients are enrolled in coverage options for which they qualify" and "inform clients about any consequences for not enrolling" (HRSA PCN 13-04).

Based on our review of 89 case files for eligibility requirements, other than signing the original application, we did not observe any other subsequent documentation notifying clients of their

responsibility to inform the Program of changes in employment status or the availability of other insurance. In prior years, clients were required to acknowledge this responsibility in writing; however, in recent years, the Program has revised its policies and forms and has discontinued documenting the communication of the clients' responsibilities. The revisions to policies and documentation have resulted in vague and inconsistent communication, monitoring, and enforcement of this key requirement.

**Recommendation:**

**We recommend the Program revise its policies and procedures to ensure that continuing eligibility requirements and client responsibilities are appropriately communicated to clients and to ensure that the client acknowledgment of their responsibilities is properly documented.**

**DOH's Response:**

*The Department of Health agrees with this finding.*

**Corrective Action Plan:**

*The Program will add language to the Clients Rights & Responsibilities section of the application that clients must sign acknowledging their responsibility to inform the Program of changes in their employment status and the availability of other insurance coverage.*

*Contact Persons: Amelia Self, Prevention, Treatment and Care Program Manager, 801-538-6221  
Brianna Glenn, Policy and Eligibility Manager, 801-538-6738*

*Anticipated Correction Date: January 2019*

**5. AUTOMATE ELIGIBILITY DETERMINATIONS FOR HIV CARE/RYAN WHITE PROGRAM**

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

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

**(Ryan White HIV/AIDS Program)**

Federal Award Numbers: **2X07HA00032-27-00, 2X08HA28013-03-00, 2X09HA28337-03-00**

Questioned Costs: N/A

Prior Year Single Audit Report Finding Number: N/A

Pass-through Entity: N/A

DOH utilizes manual processes to gather information and determine eligibility for Ryan White HIV/AIDS Program clients, including income verification, residency, and other applicable factors. DOH, in conjunction with DWS, uses various other electronic systems to determine eligibility for other federal programs (i.e. Medicaid, CHIP, SNAP, etc.) but does not currently use such other systems in determining eligibility for the Ryan White HIV/AIDS Program. The

use of such systems may provide greater efficiency and effectiveness in administering Ryan White HIV/AIDS Program eligibility determinations.

**Recommendation:**

**We recommend DOH investigate options for automation of Ryan White HIV/AIDS Program eligibility determinations to provide greater efficiencies and effectiveness of Program operations.**

**DOH's Response:**

*The Department of Health agrees with this finding.*

**Corrective Action Plan:**

*The Program has previously inquired about utilizing the electronic eligibility system used by Medicaid, but determined it would likely require significant modifications to comply with Ryan White Program requirements and be cost prohibitive. The Department will continue to investigate if existing systems can be utilized to automate eligibility determinations.*

*The Program has already started the process towards implementing their own electronic eligibility system. An RFP was released in 2017 and a contract entered into in early 2018 for the development of an electronic, web-based eligibility and data management system specific for the Ryan White Program. As of September 2018, the Program has begun user testing of the application system with an anticipated full implementation in 2019.*

*Contact Persons: Amelia Self, Prevention, Treatment and Care Program Manager, 801-538-6221  
Brienne Glenn, Policy and Eligibility Manager, 801-538-6738*

*Anticipated Correction Date: June 2019*