



OFFICE OF THE  
STATE AUDITOR



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# Department of Health and Human Services

## Audit Management Letter

For the year ended June 30, 2023

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Report No. 23-17

March 8, 2024

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### Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

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# Management Letter No. 23-17

March 8, 2024

Tracy S. Gruber, Executive Director  
Department of Health and Human Services  
195 North 1950 West  
Salt Lake City, UT 84116

Dear Director Gruber:

This management letter is issued as a result of our audit of the State of Utah's basic financial statements as of and for the year ended June 30, 2023. It is also issued as a result of the Department of Health and Human Services' (DHHS) portion of the statewide federal compliance audit (Single Audit) for the year ended June 30, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our final reports on internal controls and on compliance required under *Government Auditing Standards* and federal *Uniform Guidance* will be issued under separate cover. These reports will also provide further detail as to considerations made during the course of the audit regarding internal controls and compliance, both at the financial statement and at the federal program level, and the limited purposes of those considerations. The purpose of this letter is to communicate with DHHS management concerns identified during the course of our audit.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees to prevent or to detect and correct on a timely basis misstatements, errors, or instances of noncompliance. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements, errors, or noncompliance are not prevented or are not detected and corrected on a timely basis.

Based on the audit procedures performed, we identified a certain deficiency in internal control which we consider to be a material weakness (Findings 1 and 2). We also identified deficiencies in internal control which, while not considered material, we consider to be significant enough to merit the further attention of management and those charged with governance (Findings 3, 4, 5, and 6). We also identified Findings 3 and 4 as instances of noncompliance which we are required to report under *Uniform Guidance*.

DHHS's written responses to and Corrective Action Plans for these findings will be included in the final reports identified in the second paragraph above.

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 the DHHS'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 DHHS 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,



Bertha Lui, CPA  
Audit Director  
801-808-0481  
blui@utah.gov

cc: Nate Winters, Deputy Director, DHHS  
Nate Checketts, Deputy Director, DHHS  
David Litvack, Deputy Director, DHHS  
Jennifer Strohecker, State Medicaid Director, DHHS  
Tonya Myrup, Division Director, Child and Family Services, DHHE  
Noel Taxin, Division Director, Family Health, DHHS  
Don Moss, Executive Finance Director, DHHS  
Randall Loveridge, Director of Internal Audit, DHHS

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## Findings & Recommendations

### Finding 1. Foster Care Eligibility Reviews Not Adequately Completed

(Finding Type: Material Internal Control Weakness)

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 93.658 Foster Care Title IV-E

Federal Award Number: 2201UTFOST

2301UTFOST

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: 2022-006

For 17 of 60 (28%) cases reviewed, there was no evidence that DHHS had reviewed the initial Title IV-E Foster Care eligibility decisions. Federal regulation 2 CFR 200.303 requires that “the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

In response to a prior year audit finding, DHHS hired an employee in January 2023 to complete the review of eligibility determination. However, the review only covered new cases initiated during the current year, but not the existing cases initiated in prior years. These existing cases have never been reviewed to ensure proper eligibility decisions were made. However, benefit payments were incurred and paid during the year. Given the large number of cases requiring eligibility decisions the current team receives, the control was not properly designed and implemented to complete these reviews in a timely manner. Unreviewed or untimely reviews of eligibility decisions could lead to improper eligibility determinations and inappropriate benefit payments.

#### Recommendations:

We recommend DHHS allocate sufficient resources to expand the existing review or modify the control to ensure eligibility decisions are reviewed in a timely manner.

#### DHHS’s Response:

The department acknowledges the need for continuous effort on the internal control assessment and reasonable implementation for this area. Procedures exist and review was performed to assist with proper IV-E eligibility determination.

**Corrective Action Plan:**

The Division of Child and Family Service (DCFS) will continue efforts for accurate IV-E eligibility determination. The department and DCFS will further consider reasonable control circumstances for IV-E eligibility determination.

Contact Person: Tenille Tingey, DCFS Financial Manager, 385-270-3322

Anticipated Correction Date: Fiscal Year 2024

**Finding 2. Lack of Controls over Food Benefit Payments****(Finding Type: Material Internal Control Weakness)**

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 10.557 Women Infants & Children

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

DHHS did not verify food benefit expenditure detail received from its third-party service organization, along with request for reimbursing program funds, to ensure expenditures were made for allowable activities and costs before making payment. Federal regulation 2 CFR 200.303 states that “the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” DHHS has controls in place to ensure that benefit distribution information, such as eligible participants and food plans, is properly sent to its third-party service organization. However, DHHS did not verify the third-party service organization’s expenditure details to ensure that benefit payments made were in compliance with the allowable costs and allowable activities requirements before reimbursement. As a result, inaccurate, incomplete, or false payments may be paid without detection.

**Recommendations:**

We recommend DHHS establish a system of reviewing its third-party service organization’s expenditure details to ensure that program funds are paid for allowable activities and costs.

**DHHS's Response:**

The department recognizes the need to review food benefit expenditure information received from the WIC third-party host processing vendor. WIC procedures are established which support proper performance for food benefit redemption.

**Corrective Action Plan:**

The Division of Family Health (DFH) will continue efforts to ensure proper management of the WIC program. The department and DFH will consider possible improvements for managing third party food benefit redemptions.

Contact Person: Mykio Saracino, Assistant Office Director, 385-228-4798

Anticipated Correction Date: December 31, 2024

**Finding 3. Noncompliance with Required Audit of MCO Encounter and Financial Data****(Finding Type: Significant Deficiency, Reportable Noncompliance)**

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 97.778 Medicaid Assistance Program (Medicaid Title XIX)

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: 2022-009

DHHS did not have a well-established process of recording or reviewing independent periodic audits of encounter and financial data for managed care organizations (MCO) as required in Federal regulation 42 CFR 438.602(e) & (g). Per Federal regulation (2 CFR 200.303), non-federal entities must “establish and maintain effective internal controls over the Federal award that provide reasonable assurance that the non-Federal entity is managing the Federal award in compliance with...terms and conditions of the federal awards.” DHHS performs periodic audits of all MCO Medical Loss Ratio (MLR) reports, and they incorrectly believed that the control they had in place was sufficient. The audits of MLR reports were found not to be independent audits of encounter and financial data as DHHS assumed. Therefore, there was no control or compliance occurring for the required audits. For fiscal year 2023 they started to implement corrections to contract out the periodic audits to a third-party auditor, but these audits were not yet complete.

**Recommendations:**

We recommend DHHS finish establishing a process to perform and post independent periodic audits as directed by Federal regulation 42 CFR 438.602(e) & (g) and establish an effective internal control over this new process.

**DHHS's Response:**

The Division of Integrated Healthcare (DIH), Office of Managed Healthcare (OMH) agrees with this finding and recommendation.

**Corrective Action Plan:**

The department started encounter data validation audits August 22, 2023. These audits are being conducted by the department's contracted auditor. The department is currently having discussions with CMS about the types of audits that satisfy the financial audit part of the regulatory requirement. When the results from the encounter data and financial audits are completed by the department's contracted auditor, they will be posted to the department's website.

Contact Person: Greg Trollan, Office Director, Office of Managed Healthcare, 801-538-6088

Anticipated Correction Date: December 31, 2024

**Finding 4. Noncompliance with Timing of Health and Safety Surveys****(Finding Type: Significant Deficiency, Reportable Noncompliance)**

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 93.778 Medicaid Assistance Program

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

12 of the 14 facilities sampled for Medicaid Health and Safety Surveys were performed between 18.63 months and 59.5 months, including 10 sampled facilities over 28 months, from the last survey date. Federal regulation 42 CFR 442.15 requires that surveys of facilities are to be conducted "to determine compliance with the requirements at a survey interval of no greater than 15 months." According to DHHS, the surveys were backlogged due to the COVID-19 pandemic, in addition to a staffing shortage amidst a hiring freeze. The existing staff was unable to maintain regular certifications and address the backlog within the required timeline. If surveys are not completed, facilities could become

noncompliant with health and safety requirements without detection, thus potentially endangering patients.

**Recommendations:**

We recommend DHHS create a plan to clear the backlog and maintain proper timing to complete the Health and Safety Survey.

**DHHS's Response:**

The Division of Licensing and Background Checks (DLBC), Office of Licensing (OL) agrees with this finding and recommendation.

**Corrective Action Plan:**

DLBC/OL is taking the following steps to achieve compliance with required survey timeframes:

1. Increase Health Facility Licensing fees by 43% to facilitate the hiring of 4 additional staff.
2. Dedicate one-time funds for contracting with a third-party surveyor to help address Health and Safety survey backlog.
3. Work with the DHHS, Office of Innovation to review the health facility team's processes to improve efficiencies.
4. Organize a separate complaint investigation unit to help expedite complaint and survey completion.

Contact Person: Simon Bolivar, Office Director, Office of Licensing, 801-803-4618

Anticipated Correction Date: July 1, 2024

## **Finding 5. Untimely Implementation of Provider Eligibility Requirement Changes**

**(Finding Type: Significant Deficiency)**

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 93.778 Medicaid Assistance Program

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

DHHS did not properly review and approve 1 of 42 Medicaid provider applications reviewed during the audit. Per Federal regulations (2 CFR 455 Subpart E), providers must be screened, and their license and certifications must be verified before they are initially validated or revalidated. Effective July 1, 2021, requirements for Case Managers provider group were updated to require a Case Manager Certificate to be eligible for providing Medicaid services. Because DHHS did not implement the requirement in the system until June 15, 2022, the system did not have the proper criteria to determine provider eligibility during the period of delayed implementation. As a result, DHHS risks using Medicaid funds on ineligible providers.

**Recommendations:**

We recommend that DHHS implement procedures to ensure that eligibility requirements are implemented promptly after new eligibility requirements are announced by State Medicaid.

**DHHS's Response:**

The Division of Integrated Healthcare (DIH), Office of Medicaid Operations (OMO) agrees with this finding and recommendation.

**Corrective Action Plan:**

The Division of Integrated Healthcare has a standard operating procedure to ensure timely compliance for new Medicaid rules, regulations, policy changes and other operational requirements. As additional system requirements are identified, that information is entered into the Division's tracking system called "SPOT". SPOT is an effective "ticket" system that manages future enhancements, change requests, defects, and other system needs. Prioritization and escalation of the "ticket" ensures that complex or high priority items receive the necessary attention promptly. During the time of the audit finding, DIH was involved in the final stages of PRISM testing and go-live activities and could not make any system changes or it would have potentially impacted the release of the PRISM system. The effective date of the SPOT standard operating procedure was April 3, 2023. Utah Medicaid is in compliance with the audit recommendation.

Contact Person: Shandi Adamson, Office Director, Office of Medicaid Operations, 801-793-7261

Anticipated Correction Date: April 3, 2023

## **Finding 6. Pharmacy Rebate Invoices Not Checked for Accuracy and Timeliness**

### **(Finding Type: Significant Deficiency)**

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: 93.778 Medicaid Assistance Program

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Pharmacy rebates invoiced quarterly in fiscal year 2023 were not reviewed to ensure invoices are accurate and sent in a timely manner within 60 days after the end of the quarter. According to Federal regulation 2 CFR 200.303, non-federal entities must “establish and maintain effective internal controls over the Federal award that provide reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the federal awards.” Although DHHS had sufficient internal controls over rebates in prior years, the control deficiency was a result of staff turnover during the year, combined with inadequate communication and training of the new staff. Lack of review may result in pharmacy invoices not sent in accordance with federal guidance.

### **Recommendations:**

We recommend that controls be reinstated, and that the responsible employee be given proper training to correctly determine whether pharmacy rebates are reviewed for accuracy and timeliness.

### **DHHS’s Response:**

The Division of Integrated Healthcare (DIH), Office of Financial Services (OFS) agrees with this finding and recommendation.

### **Corrective Action Plan:**

We will immediately reinstate the controls and provide training to the responsible employee and the backup to monitor the accuracy and timeliness of the rebates. We will ensure that this training includes a standard operating procedure detailing how these reviews will be conducted.

Contact Person: Jamie Sorenson, Office Director, Office of Financial Services, 385-290-5380

Anticipated Correction Date: March 31, 2024