

FINANCIAL-COMPLIANCE AUDIT

Department of Public Health and Human Services

For the Two Fiscal Years Ended June 30, 2017

NOVEMBER 2017

17-14

REPORT SUMMARY

The Department of Public Health and Human Services expended approximately \$4 billion in state and federal funds for benefits and claims costs incurred during the audit period. Our audit identified over \$1 million in federal costs resulting from a violation or probable violation of a federal regulation. These costs are commonly referred to as questioned costs, and are related to the department's Medicaid, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and Immunization federal programs. When this information is reported as part of the state's Single Audit, federal grantor agencies may require the department to repay these questioned costs.

### Context

The Department of Public Health and Human Services (department) is responsible for administering and supervising Montana's public assistance programs. The department's overarching goals are to provide for the health, safety, and self-sufficiency of all Montanans.

Department expenditures for the audit period included approximately \$3.5 billion in federal funds. Fifteen of approximately 120 federal programs administered by the department comprised over 95 percent of the federal expenditure total, with Medicaid and the Supplemental Nutrition Assistance Program (SNAP) comprising around 80 percent of that total. Benefits and claims expenditures totaled \$4.0 billion for the biennium, which is a \$1.0 billion increase over the previous biennium. The increase is mostly the result of increased Medicaid case load and costs, including Medicaid expansion under the Affordable Care Act.

The department also operates mental health, developmental disabilities, and long-term

care facilities. The department contracts for Medicaid claims processing services and manages a number of information systems to handle eligibility, contractor payments, and other data intensive elements of its programs.

We audited ten department programs with federal expenditures ranging between \$4.4 million and \$2.4 billion for the two fiscal years ended June 30, 2017, as major federal programs. We performed tests to determine whether the department complied with certain federal regulations in administering those programs. Other testing included, but was not limited to, consideration of transactions related to contracted services, personal services, and benefits and claims. This included understanding the department's internal control policies and procedures, performing analytical procedures, and reviewing accounting transactions. We also reviewed and tested compliance with selected state laws and federal regulations.

## Results

The prior audit report contained ten recommendations, of which the department implemented five, and partially implemented five. Recommendations partially implemented are further discussed in this report.

This report includes 13 recommendations primarily related to improving internal controls and compliance with federal laws and regulations.

The report also includes a recommendation related to the department correctly recording revenue estimates on the state's accounting records. Errors in fiscal year 2017 revenue estimates for each the general fund and federal special revenue fund resulted in a modified opinion on the department's financial schedules.

Recommendation Concurrence	
Concur	11
Partially Concur	0
Do Not Concur	2
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (17-14) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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