

Department of Public Health and Human Services

Summary of Audit Work in Support of Statewide and Single Audits
Audit Periods Ending June 30, 2023

To: Legislative Audit Committee

From: Katie Majerus

Cc: Charlie Brereton, Director
Kim Aiken, Chief Financial and Operating Officer
Brenda Crawford, Internal Controls and Compliance Officer
Jessie Counts, Human Services Executive Director
Tracy Moseman, Early Childhood & Family Support Division Administrator

Date: September 2024

Re: Single Audit and Statewide Audit Support Work: Department of Public Health and Human Services

Introduction

The Department of Public Health and Human Services (department) administers a broad spectrum of social service and health programs for Montana. These programs include Medicaid, foster care and adoption services, nursing home and child care licensing programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health services including infectious disease control. The department contracts with various entities throughout Montana to meet the needs of its citizens.

The department manages state facilities including Montana State Hospital (Warm Springs), Montana Mental Health Nursing Care Facility (Lewistown), Montana Chemical Dependency Center (Butte), Eastern Montana Veterans Home (Glendive), Montana Veterans Home (Columbia Falls), Southwest Montana Veterans Home (Butte), and Intensive Behavior Center (Boulder).





Summary of Audit Work in Support of Single Audit

The department's internal controls and compliance with federal program requirements need improvement. We identified \$26.2 million in known questioned costs with additional likely questioned costs exceeding \$25,000.

The department spent approximately \$3.69 billion in fiscal year 2023 and \$3.58 billion in fiscal year 2022, administering a broad spectrum of social service and health programs for Montana. Over 90 percent of the funds spent by the department came from federal funding. As required by federal regulations, we audited ten federal programs administered by the department whose expenditures exceeded the major program threshold.

Many federal programs administered by the department continued to receive additional federal funding or increased flexibility during the audit period to achieve programmatic goals as a result of the COVID-19 public health emergency. Immunization related funding was used to support and strengthen COVID-19 immunization planning and implementation. Childcare funding was expanded to extend eligibility to health care workers, provide stabilization payments to providers, provide summertime scholarships, and reduce copays. Funding was also received to support the safe re-opening of schools, as well as provide air purifying units for schools. Aside from already existing programs, a new program was established and funded with only COVID-19 related funding to provide nutrition assistance for school age children and children in childcare. In some cases, additional pandemic funding came with new federal requirements in addition to or different from the requirement of normal program activity.

The table below describes the purpose of each federal program that had significant COVID-19 pandemic related funding and depicts normal grant expenditures in comparison to Covid-related expenditures for the audit period.

Federal Expenditures				
Federal Program	FY2022	FY2023	Purpose	% COVID-related
Child Care Development Fund (CCDF) reference: ALN 93.575, 93.596	\$84M	\$80M	Increases availability, affordability, and quality of child care services.	 59%
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) reference: ALN 93.323	\$44M	\$25M	Enhances the capacity of public health agencies to effectively detect, respond, prevent and control known or emerging infectious diseases	 83%
Immunization Cooperative Agreements reference: ALN 93.268	\$27M	\$22M	Reduces vaccine preventable diseases by increasing and maintaining high immunization coverage.	 47%
Pandemic EBT Food Benefits (P-EBT) reference: ALN 10.542	\$50M	\$27M	Provides nutrition assistance for school age children and children in child care impacted by the COVID-19 public health emergency.	 100%

The following table includes the total expenditures for the remaining federal programs audited, per fiscal year and the purpose of each federal program that did not have significant COVID-19 pandemic related funding.

Federal Expenditures				
Federal Program	FY2022	FY2023	Purpose	
Adoption Assistance reference: ALN 93.659	\$15M	\$16M	Facilitates placement of children with special needs in permanent adoptive homes.	
Children's Health Insurance Program (CHIP) reference: ALN 93.767	\$89M	\$89M	Provides child health assistance to uninsured, low-income children.	
Foster Care reference: ALN 93.658	\$18M	\$14M	Provides safe and stable out-of-home care to children at substantial risk of abuse, neglect, or abandonment.	
Medicaid Assistance Program reference: ALN 93.777, 93.778	\$2B	\$2B	Provides medical assistance to residents whose incomes and resources are insufficient to meet the costs of necessary medical services.	
Supplemental Nutrition Assistance Program (SNAP) reference: ALN 10.551, 10.561	\$199M	\$189M	Assists low-income households to buy the food they need for good health.	
Temporary Assistance for Needy Families (TANF) reference: ALN 93.558	\$16M	\$16M	Provides time-limited assistance to needy families with children	

For the ten programs discussed above, we performed tests to determine whether the department complied with specific federal regulations in administering the programs. From this testing, we developed and reported findings in the Single Audit report related to identified internal control deficiencies, material noncompliance and questioned costs. Based on the magnitude of the findings in each program, we rendered an opinion on the federal program as a whole. The opinion and related findings for each federal program is summarized in the table below.

Federal Program Opinions and Findings		
Federal Program	Opinion	Findings
Adoption Assistance reference: ALN 93.659	Qualified	2023-051, 2023-052, 2023-067
Child Care Development Fund (CCDF) reference: ALN 93.575, 93.596	Adverse	2023-059, 2023-060, 2023-061, 2023-062, 2023-063, 2023-064 2023-067, 2023-068
Children's Health Insurance Program (CHIP) reference: ALN 93.767	Qualified	2023-065, 2023-067
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) reference: ALN 93.323	Qualified	2023-052, 2023-053, 2023-054, 2023-055, 2023-067, 2023-069
Foster Care reference: ALN 93.658	Qualified	2023-056, 2023-057, 2023-067, 2023-070
Immunization Cooperative Agreements reference: ALN 93.268	Qualified	2023-067, 2023-072
Medicaid Assistance Program reference: ALN 93.777, 93.778	Qualified	2023-066, 2023-067
Pandemic EBT Food Benefits (P-EBT) reference: ALN 10.542	Unmodified	2023-002
Supplemental Nutrition Assistance Program (SNAP) reference: ALN 10.551, 10.561	Qualified	2023-002, 2023-067, 2023-079
Temporary Assistance for Needy Families (TANF) reference: ALN 93.558	Qualified	2023-058, 2023-067, 2023-071

The section below summarizes some of the significant identified issues related to the department's administration of its federal programs. Our audit work resulted in 24 findings in the Single Audit report. Through our audit work we had findings over compliance requirements that affected multiple federal programs, which are labeled as centralized findings below. Questioned costs included below are for the whole federal program, not just for the findings listed.

Centralized Findings

Cost Allocation

Finding 2023-067



Known Questioned Costs

Material Weaknesses and Significant Deficiencies in Internal Control

The department is required to submit and follow a federally approved plan to allocate indirect costs among state and federal programs. The department did not have sufficient internal controls in place to follow the approved cost allocation plans during the audit period as they submitted their amendments to the cost allocation plans after the audit period. The questioned costs identified above will also be included in each individual program identified below. This finding also included three federal programs not considered as majors due to questioned costs identified. The department had previous single audit findings related to their cost allocation plan in the past several audits.

Department response: Conditionally Concur

Federal Funding Accountability and Transparency Act of 2006 (FFATA) Reporting

Findings 2023-068, 2023-069, 2023-070, 2023-071 and 2023-072

Material Weaknesses in Internal Control and Material Non-Compliance

The department is required to accurately, completely, and timely report all actions equal to or greater than \$30,000. We determined that the CCDF, ELC, Foster Care, TANF, and Immunization programs had multiple instances during the audit period where actions greater than \$30,000 were either inaccurately, incompletely, or untimely reported into the FFATA system. This is a repeat finding from the 2021 single audit.

Department response: Concur

Subrecipient Monitoring Disclosures and Risk Assessments

Findings 2023-053, 2023-054, 2023-056 and 2023-059

Material Weaknesses in Internal Control and Material Non-Compliance

The department did not completely provide required disclosures to its subrecipients. While the department had a template in place, it was not updated for new required disclosures during the audit period. In addition, the department did not complete risk assessments for its subrecipients as they did not have a control process in place to ensure that these risk assessments were completed for the subrecipients. For the department as a whole, the 2021 single audit contained multiple findings related to subrecipient disclosures.

Department response: Concur

Cash Management

Finding 2023-052

Material Weaknesses in Internal Control and Material Non-Compliance

For the ELC and Adoption Assistance programs, the department did not have controls in place to prevent the department from drawing excess federal funds. As a result, these two programs had multiple instances of excess federal cash during the audit period. The department had findings related to excess federal cash and corresponding internal controls from the 2021 single audit.

Department response: Concur

Childcare and Development Fund

\$21.5M

Known Questioned Costs

\$22.3K

Likely Questioned Costs

Finding 2023-63

Material Weakness in Internal Control and Material Non-Compliance

The department received \$68,075,745 in ARPA Stabilization funds, which the department used to partner with childcare providers to support the stability of the childcare sector during and after the COVID-19 public health emergency. There were four original funding cycles, which took place through August 2022. At the end of the fourth cycle, the department had a surplus of funds. With this surplus of funds, the department emailed with providers in childcare “deserts” to inquire whether they were interested in this funding. The correspondence did not result in obligating these funds by the September 30, 2022, deadline. As the department did not have effective internal controls in place to obligate these “desert” funds and they did not obligate these funds, we question \$3.5 million of the “desert” payments made.

Department response: Do not Concur

Finding 2023-064

Material Weakness in Internal Control and Material Non-Compliance

The department established the Best Beginnings Child Care Scholarship Program to subsidize the cost of childcare for families meeting federal eligibility requirements. The department used a portion of the state’s Coronavirus Response and Relief Supplemental Appropriations (CRRSA) federal funds to establish a summertime program. For the summertime program, the department reimbursed families who did not meet the eligibility requirements of the Best Beginnings Child Care program for the cost of summertime care for elementary students. The department’s internal controls were not effective in ensuring that the families receiving reimbursements for the summertime program were eligible to receive the funds under federal regulations. As a result, we question \$17.1 million of reimbursement payments made under the summertime program.

Department response: Conditionally Concur

Epidemiology and Laboratory Capacity

\$3.4M

Known Questioned Costs

Finding 2023-055

Material Weakness in Internal Control and Material Non-Compliance

During the audit period, the department distributed federal ELC funds to 45 county or local governments (county) and to schools in 42 counties. Distributions to counties were to support localized preparedness for adequate staffing and were backed by subaward agreements. The school distributions were provided to safely re-open schools around the state during the public health emergency. We conducted a sample of 40 distributions, 20 to counties and 20 to schools. From this sample we determined that the department's monitoring procedures were insufficient due to lack of supporting documentation or due to identification of unallowed costs not identified in the department's review. The department's internal controls were not adequate to ensure the subawards of federal ELC funds were expended on allowable costs and supported, as required by federal regulations. We questioned \$3.4 million of costs related to this program.

Department response: **Conditionally Concur**

Foster Care

\$17.2K

Known Questioned Costs

>\$25.0K

Likely Questioned Costs

Finding 2023-057

Material Weakness in Internal Control and Material Non-Compliance

The department maintains subrecipient agreements with seven tribes located within the state and two colleges. The department provides federal funds to these entities to either help administer the Foster Care program, provide stipends to college students studying social work, or provide training to department staff. We conducted a sample of payments made to the subrecipients during the audit period. From our sample we determined there were \$2,471 of federally funded wages unsupported, \$6,278 of federal funded operation expenses unsupported, and \$8,418 of unsupported or miscalculated indirect costs. As a result of the level of activity, likely questioned costs exceed \$25,000

Department response: **Partially Concur**

Other Single Audit Related Information

At times during the audit, we experienced delays in receiving support or responses to requests that delayed our audit work. In some cases, there was a delay in responding to initial requests of several weeks, while others were delays while waiting on responses from the department's federal contacts. In addition, significant additional time was spent by both our office and the department in working through very complex issues, which resulted in extra calendar time needed to complete the audit.

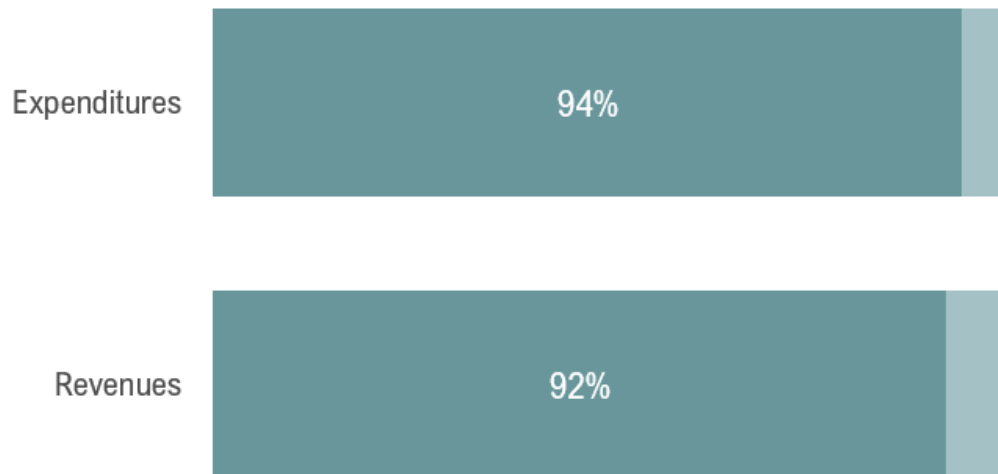
In addition to the audit work resulting in findings discussed above, significant audit work also included Medicaid and CHIP eligibility testing. We completed testing over eligibility determinations for new applicants as well as samples of cases reviewed for renewal under the public health emergency unwinding process. The public health emergency flexibilities ended in 2023 with the continuous enrollment period ending on 3/31/23. As required by the federal government, the department started completing redeterminations in April 2023 resulting in cases either being renewed or terminated. Federal guidance was very specific in how to approach unwinding renewals and what situations required follow up. Our audit testing only covered the first 3 months of the unwinding process, while the department had until April 2024 to complete all unwinding-related renewals. Now that the unwinding process is complete, the department will be required to continue their normal renewal process and follow up on discrepancies as outlined in their state plan. Our sample included both Medicaid and CHIP cases that were renewed and terminated per the specific federal guidance for the unwinding process. The results of all of our eligibility testing did not result in any reported internal control deficiencies or material noncompliance with federal regulations and guidance.

Summary of Audit Work in Support of Statewide Audit

During our audit work at the department in support of the fiscal year 2022 Statewide Audit, we identified a weakness in the department's internal controls related to preparation of the Schedule of Federal Expenditures. In our follow-up on this recommendation for the fiscal year 2023 Statewide audit we determined the department implemented our recommendation. Because the Single Audit report includes both fiscal years 2022 and 2023, this recommendation is included in the report in the financial findings section of the Single Audit Report as 2023-11.

Audit work focused primarily on expenditures for personal services, other services, federal grants benefit expenditures, and associated asset and liabilities accounts. The figure below depicts the portion of the department's revenues and expenditures that were considered material to the state as a whole for fiscal year 2023.

The majority of the department's revenue and expenditures was considered **risky and audited by us** for the the statewide audit.



We audited the following financial activity of the department in support of our audit on the state’s Annual Comprehensive Financial Report (ACFR):

Department of Public Health and Human Services

Fiscal Years 2022 and 2023 Financial Activity Audited in Support of the State’s ACFR

ACFR Opinion Unit	Activity Audited	2022 Amount	2023 Amount
General Fund	Personal Services Expenditures	\$93.1M	\$99.5M
	Other Services Expenditures	\$59.1M	\$94.0M
	Benefit Expenditures	\$317.9M	\$388.4M
State Special Revenue Fund	Personal Services Expenditures	\$16.9M	\$17.1M
	Other Services Expenditures	\$0	\$13.4M
	Benefit Expenditures	\$193.3M	\$193.2M
Federal Special Revenue Fund	Due from Federal Government- Asset	\$136.1M	\$130.3M
	Accounts Payable- Liability	\$136.7M	\$158.6M
	Federal revenue	\$2,603.2M	\$2,602.7M
	Personal Service Expenditures	\$80.8M	\$91.8M
	Other Service Expenditures	\$137.3M	\$153.0M
	Grant Expenditures	\$120.3M	\$107.0M
	Benefit Expenditures	\$2,318.5M	\$2,329.7M
Governmental Activities	Personal Services Expenses	\$190.8M	\$208.4M
	Other Services Expenses	\$196.4M	\$260.4M
	Grant Expenses	\$120.3M	\$107.0M
	Benefit Expenses	\$2,829.7M	\$2,911.3M
	Operating Grants & Contributions Revenue	\$2,698.2M	\$2,699.8M

Prior Audit Recommendations

Our prior Financial-Compliance audit of the department (#21-14) contained nineteen recommendations. We determined the implementation status of these recommendations as follows:

Fully Implemented: 10

Partially Implemented: 4

Not Implemented: 5

The five recommendations not fully implemented are addressed in the findings outlined in the Single Audit section of this document.

Our 2019 financial-compliance audit had six recommendations still outstanding through the 21-14 audit. We determined the implementation status of these recommendations as follows:

Fully Implemented: 1

Partially Implemented: 1

Not Implemented: 4

For the five recommendations not fully implemented, we have determined that three of the recommendations do not warrant further follow up. We will continue to follow up on two recommendations related to cash management.