Good Morning



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Financial-Compliance Audit

Department of Public Health and Human Services

Fiscal Years 2020 and 2021



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Presentation Outline

01. Overview

- 02. Prior Audit Recs
- 03. Medicaid/CHIP Eligibility
- 04. Subrecipient Monitoring
- 05. Allowable Costs
- 06. Internal Controls
- 07. Cost Allocation
- 08. Reporting



PUBLIC HEALTH AND HUMAN SERVICES



Financial Schedules

2020 • \$3 Billion in expenditures

2021 • \$3.5 Billion in expenditures

- Audit Areas
 - Federal Revenues
 - Benefits & Claims
 - Personal Services
- Unmodified Opinion

Federal Program	Expenditures
Medicaid	\$3,438,419,042
Supplemental Nutrition Assistance Program (SNAP)	<mark>415,944,94</mark> 4
Other	411,222,086
COVID Relief Fund (CRF)	241,558,783
Children's Health Insurance Program (CHIP)	161,350,136
Child Care Development Fund (CCDF)	66,220,231
Temporary Assistance for Needy Families (TANF)	45,991,165
Low-Income Home Energy Assistance Program (LIHEAP)	43,705,389
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	42,076,638
Foster Care	39,154,651
Federal Emergency Management Agency (FEMA)	10,576,726
Total	\$4,916,219,791

Major Federal Programs

- Child Care Development Fund (CCDF)
- Children's Health Insurance Program (CHIP)
- Foster Care
- Low-Income Home Energy Assistance Program (LIHEAP)
- Medicaid
- Supplemental Nutrition Assistance Program (SNAP)
- Temporary Assistance for Needy Families (TANF)
- Coronavirus Relief Fund (CRF)
- Federal Emergency Management Agency (FEMA)
- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

27 Prior Audit Recommendations

15 8 Fully Implemented Partially Implemented

-

Not implemented

Medicaid/CHIP Eligibility



Changes from Prior Audit

- Legislative Changes
 - Confirm eligibility prior to payment of benefits
 - Using tax and wage income
 - Montana residency requirements
- Compliance Supplement
 - Not expected to test beyond the requirements of the state

- Questioned Costs
 - Federal government will not make financial recoveries based on eligibility errors.

- PERM Program
 - 7.8% 2020 Montana Eligibility PERM rate
 - 5.8% prior audit estimated error rate



Testing Approach

- Internal Control Testing
 - Combined for Medicaid and CHIP
 - Minimum Sample size of 60
 - Tested 64 (48 Medicaid/16CHIP)
- Compliance Testing
 - Separate for Medicaid and CHIP
 - Minimum sample size of 60
 - Tested 120 (60 Medicaid/60 CHIP)



- 19 cases with internal control and/or compliance issues
- Known Questioned Costs
 - Medicaid -
 - \$34,000
 - CHIP \$11,500
- Likely Questioned
 Costs to exceed
 \$25,000 threshold
 for both programs

Additional Recommendations

CHIP individuals who have aged-out

- Two individuals who aged out in 2017
- They were not removed from the program
- Additional individuals who aged out during the public health emergency
- These cases will have to be evaluated when the public health emergency ends.

Renewal Process

- After enrollment, individuals have 12 months continuous eligibility
- After 12 months, a renewal process redetermines eligibility
- Renewals were suspended under the public health emergency
- We identified overall system issues with the renewal process

Subrecipient Monitoring





Subrecipient Monitoring

- Six programs had subaward activities
- The department is required to identify the award, communicate applicable requirements, evaluate subrecipient's risk of noncompliance, and monitor activities.
- Multiple contract disclosure requirements.
- Overall, complete and accurate contract disclosures were a widespread issue for the department.
- Identified issues in Foster Care, TANF, ELC, and CRF

Allowable Costs





Allowable Costs

- Individual awards include specific purposes and specific uses.
- Federal regulations require costs to be adequately documented to be allowable.
- We considered costs adequately documented when:
 - Costs were supported with evidence the goods or services were received
 - We were able to verify the amount of reimbursement was appropriate
- Costs associated with the CRF were allowable if necessary due to COVID-19

Findings & Recommendations

Foster Care

- Department continued to make payments without obtaining and reviewing detailed supporting documentation.
- 9 of 14 sampled invoices where support either did not exist or was not detailed enough
- Approximately \$2 million in questioned costs identified and likely questioned costs estimated at \$5.1 million

ELC

- Support was limited; payments were made at an established set rate, not at actual costs or payments were made with no supporting documentation.
- Approximately \$2.1 in questioned costs

CRF

• Two duplicate payments totaling \$35,820

Internal Controls





Internal Controls

- Federal regulations require recipients of federal assistance establish and maintain effective internal controls.
- We are required to determine if controls are properly designed and operating effectively.
- We identified multiple instances where internal control documentation was not adequate
- It is important for internal controls to be in place and <u>documented.</u>

Findings & Recommendations

LIHEAP

- Two reports are generated using extracts from a case management system.
- Department communicated they had internal controls in place, but the process was not documented.

TANF

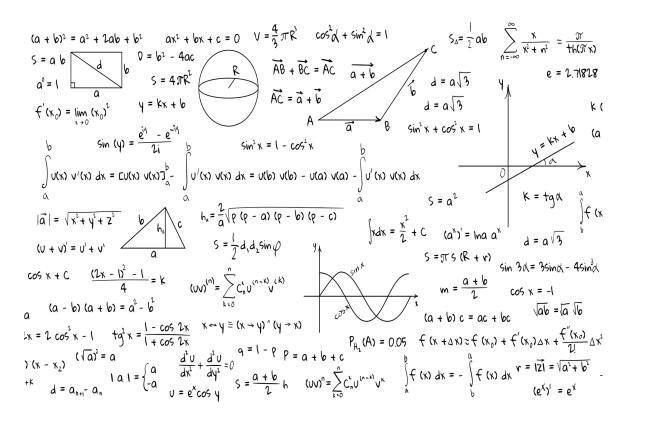
- Report generated from CHIMES system.
- No assurance over the data extracted from the system.

CCDF

- Multiple federal requirements for management of grants: match of federal funds, maintaining state spending levels, earmarking funds, and period of performance.
- The department lacked controls to track matching and used a tool from the federal government for earmarking.

Cost Allocation





Cost Allocation

- Department is required to develop and implement a cost allocation plan to allocate consistently costs that benefit more than one program.
- Allocate approximately \$170 million per year
- Allocates to approximately 130 cost pools
- We identified errors in allocations to multiple pools and project that questioned costs accumulate to more than \$25,000 for each CHIP, Foster Care, Medicaid, and TANF.

Reporting



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- Special Report required to provide the federal government with information on subawards
- Each subaward action that equals or exceeds \$30,000.
- Department uses contract agreement information in AWACS.
- We identified control deficiencies or noncompliance in four programs.
- For three programs Foster Care, TANF, and ELC, the issues were related to problems with the contracts and how they are traced within AWACS.

Foster Care

- We identified errors and control deficiencies related to a required report for the Foster Care program.
- As part of the report, the department must estimate expenditures for the next quarter.
- The department under-estimated is costs, and as a result, exhausted its federal grant allocation early in each quarter.
- The fund carried a negative cash balance for a large portion of the audit period.
- Noncompliance with state law as the General Fund is subsidizing the federal program expenditures.

Questions?

