

North Carolina Department of Health and Human Services



Department of Health and Human Services

Follow-up Assessment of the Department's
Response to the Findings Identified in the
State of North Carolina Single Audit Report
For The Fiscal Year Ended June 30, 2013
Issued by the Office of the State Auditor

Office of the Internal Auditor

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North Carolina Department of Health and Human Services Office of the Internal Auditor

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September 26, 2014

Secretary Aldona Vos, M.D.
N.C. Department of Health and Human Services
Adams Building, 101 Blair Drive, Raleigh, NC 27603

We have conducted a follow-up assessment of the Department's response to the findings identified in the State of North Carolina Single Audit Report for the fiscal year ended June 30, 2013 issued by the Office of the State Auditor.

The objective of our follow-up was to monitor the implementation of the Department's response to the State of North Carolina Single Audit Report for the year ended June 30, 2013, which was released by the State Auditor on March 26, 2014. Our follow-up was conducted pursuant to GS 143B-216.51(g). The General Statute requires the Office of the Internal Auditor to issue a report to the Secretary on the status of corrective actions taken by the Department no later than six months after the State Auditor publishes any audit report pursuant to law. A copy of this report shall also be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute.

The purpose of our follow-up was to determine the current status of corrective actions taken by the Department in response to the findings identified by the State Auditor. In order to form an opinion on the current status of each of the findings identified, we performed one or more of the following functions:

- We made inquiries of the State Auditor regarding the finding in order to gain a better understanding of the finding;
- We discussed with both the State Auditors and Department management the basis for the finding and the corrective action which was to be implemented;

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- We conducted subsequent tests to observe and/or validate that corrective actions were taken by the Department to reduce the risk that the finding would not continue to exist in subsequent periods.

Our follow-up report provides the following information for each finding:

- Description of the finding as written by the State Auditor;
- The State Auditor's recommendation;
- Any questioned costs identified by the State Auditor;
- The Department's response, as noted in the State Auditor's report;
- Supplemental State Auditor's comments, if applicable; and,
- Our follow-up assessment on the status of the corrective action taken by the Department.

We express our appreciation to the management and staff of the Department of Health and Human Services and the Office of the State Auditor for the cooperation and assistance provided during this follow-up assessment.

Respectfully submitted,

Chet Spruill

Director, Office of the Internal Auditor

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**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

10.551 SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Agriculture

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/
Questioned
Cost

Finding and Recommendations

State Auditor's Findings and Recommendations:

2013-001	<u>Special Tests and Provisions:</u> Significant Deficiency	<u>Noncompliance with SNAP Requirements</u> Deficiencies in the Department's procedures related to participants' certification periods in the North Carolina Families Accessing Services through Technology (NCFAS) system resulted in noncompliance with Supplemental Nutritional Assistance Program (SNAP) regulations. NCFAS is the new system that is used to determine eligibility and authorize benefits for SNAP. Deficiencies identified included: • The system was not set up to prevent county case workers from establishing certification periods for longer than the participant was entitled. County case workers were given the ability to modify the certification period because of a defect in the system. After auditor inquiry, the Department provided a report of 1,683 cases that contained errors in the certification periods. The certification period for these cases ranged from 12 - 36 months while the normal certification period is 6 months. • The system allowed county case workers to reopen cases closed by the system due to failure of the participant to recertify; however, there was no review of system overrides for appropriateness. We identified five instances in a sample of 40 where the case worker reactivated the case even though the participant did not submit the required recertification paperwork timely. By overriding the closed case, the participant received benefits for ineligible periods for total known questioned costs of \$2,694 and likely questioned costs greater than \$10,000 in the population. Federal regulation 7 CFR section 273.10(a)(2) states that if a participant submits an application after the certification period has expired, that application shall be considered an initial application and benefits for that month shall be prorated. • In addition, sufficient documentation was not present to support testing of system changes in accordance with Department standard procedures. These standard procedures require a minimum of performance testing, functional testing, and user acceptance testing for major and minor releases. While evidence was present that some testing was performed on fixes to system defects, there was no evidence that user acceptance testing was performed. Changes that are not thoroughly tested can potentially result in improper system functionality, which could cause noncompliance with federal regulations.
Questioned Cost Finding \$2,694		

Federal Award Information: This finding affects the Supplemental Nutritional Assistance Program for the federal fiscal year ended September 30, 2013.

Recommendation: The Department should (1) follow up on the known cases with incorrect certification periods and take appropriate action; (2) establish internal controls to identify system overrides and determine the effect on case eligibility; and (3) ensure that user acceptance testing is performed and specifically documented before system changes are put into production.

DHHS Response: The Department has initiated the following actions:

1. The majority of the cases identified with incorrect certification periods were converted from the legacy Food Stamp Information System. As of December 6, 2013, the cases identified with incorrect certification periods were corrected and clients were mailed recertification forms. In

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10.551 SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

III. Federal Award Findings and Questioned Costs

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For Fiscal Year Ended June 30, 2013

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Questioned
Cost

Finding and Recommendations

addition, a hard stop validation edit was added to the system to prevent workers from extending the certification period beyond 12 months for regular Food Nutrition Service.

2. Based on the results of the evaluation, the appropriate change requirements will be submitted to North Carolina Families Accessing Services through Technology (NC FAST) to ensure system controls are in place to identify system overrides and the effect on case eligibility. The ability to reopen a case was designed in the system based on the business requirement to provide a method to reopen a closed case unit. The Department will evaluate the reopen process.
3. NC FAST program has defined User Acceptance Procedures (UAT) in place that included business stakeholder acceptance before any system change can be released into production. NC FAST has implemented additional steps based on these findings to clearly provide documented business stakeholder approval.

Follow up:

NCFASST has corrected the cases with the incorrect certification periods and mailed recertification forms to clients. In addition a hard stop validation edit has been added to the system to prevent workers from extending the certification period beyond 12 months for regular Food Nutrition Service.

Based upon follow-up testing, the system controls appear to be operating effectively. The Department is in the process of developing a validation edit to address issues within the reopening process with an expected implementation date of November 15, 2014.

DHHS was unable to provide evidence of business stakeholder approval for four of the thirteen releases tested. However, DHHS has implemented a process whereby the business stakeholder's approval will be obtained as it relates to user testing of system controls and test activity.

We consider this finding to be partially resolved with an anticipated completion date of June 30, 2015.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

10.557 SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN

III. Federal Award Findings and Questioned Costs

U.S. Department of Agriculture

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
2013-005 Eligibility Questioned Cost Finding	<u>State Auditor's Findings and Recommendations:</u>
	<u>Deficiencies in County Eligibility Determination Processes</u>
	County departments of social services offices process applications related to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Certified Public Accountants performing the county audits tested 1,366 case files and found eligibility documentation deficiencies in 13 cases. These files were missing items such as verification of identity, verification of residency, appropriate signatures, and identification of nutritional risk. There were no questioned costs identified by the county auditors; however, it is likely questioned costs exceed \$10,000 in the population.
	<i>Federal Award Information:</i> This finding affects Special Supplemental Nutrition Program for Women, Infants, and Children federal grant award 5NC700705 for the federal fiscal years ended September 30, 2012 and 2013.
	<i>Recommendation:</i> The county auditors recommended that policies and procedures be put in place or reinforced at the counties to ensure that all documentation is obtained and maintained in the case file.
	<i>DHHS Response:</i> In March, 2014, the Department immediately researched each of the cases identified as deficient and verified that eligibility documentation was included in the WIC Automated Data Processing System for twelve (12) of the thirteen (13) cases cited although the client case files did not contain all the required supporting paper documentation; and, the clients were in fact eligible on the service dates assessed by the county auditors. In addition, the Department verified that corrective action for the one deficient case was implemented and fully resolved. The Department will continue to work with county health department staff to ensure that existing policies and procedures are reinforced and documentation is maintained to support case files.
	Follow up: The Department is addressing the issues identified by this finding through the following process; • DHHS is implementing a new computer based system (Crossroads) for client documentation of eligibility determination and related services. The implementation of the Crossroads computer system will eliminate the need for the County to maintain paper documentation. • DHHS will update the State Compliance Supplement in November 2014. This update will be revised to clarify that proof of eligibility must only be documented in the computer system and not in paper files.
	We consider this finding partially resolved with an anticipated completion date of June 30, 2015.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

10.561 STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Agriculture

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
2013-006	<u>Reporting</u> Material Weakness Material Noncompliance <u>State Auditor's Findings and Recommendations:</u> <u>Federal Funding Accountability Transparency Act Reporting Not Completed Timely</u> The Department did not report on state administration subaward obligations within the required time frame, and therefore, did not comply with the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. These obligations totaled approximately \$74 million. Federal regulations require states to report subaward actions obligating \$25,000 or more in federal funds, excluding American Recovery and Reinvestment Act funds, no later than the end of the month following the month in which the obligation was made. The Department did not submit the subaward obligations for federal fiscal year 2013 until one year after the due date. There were some functionality problems with the federal reporting system, but the Department would have been able to upload the majority of the required data. <i>Federal Award Information:</i> This finding affects State Administrative Matching Grants for the Supplemental Nutrition Assistance Program for the federal fiscal year ended September 30, 2013. <i>Recommendation:</i> The Department should ensure FFATA reports are submitted timely in accordance with federal requirements. <i>DHHS Response:</i> In June 2012, the Department reported to the federal service desk the functionality problems with the federal reporting system and did not report subaward information until the issues were resolved in December 2013. All required subaward information was reported in the FFATA Subaward Reporting System (FSRS) on January 10, 2014. To ensure that FFATA reports are submitted timely, the Department will enter required data into FSRS as the system allows and will maintain periodic contact with federal partners to resolve any system issues. Follow up: The Department of Social Services (DSS) resolved its zip code issue in the federal system for reporting of the sub-award (FFRS) obligation of the Federal Funding Accountability and Transparency Act (FFATA) in December 2013. The submission of the backlog of sub-award reports was initiated by DSS on January 10, 2014 and the backlog was fully submitted by February 27, 2014. We consider this finding resolved.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

10.561 STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Agriculture

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/
Questioned
Cost

Finding and Recommendations

State Auditor's Findings and Recommendations:

2013-052 Allowable
Costs/Costs
Principles

Significant
Deficiency

Questioned
Cost Finding

\$2,064

Errors in Claims Payment Process

The Department made payments on behalf of Rehabilitation Services – Vocational Rehabilitation Grants to States (VR) program participants that did not comply with activities allowed and allowable costs requirements for the program. The Department erroneously made net overpayments totaling \$2,623, resulting in questioned costs of \$2,064, which represents the federal share of the overpayments. We believe that it is likely that questioned costs exceed \$10,000 in the population.

The Department administers the VR program through two different divisions – the Division of Vocational Rehabilitation Services and the Division of Services for the Blind. We examined a sample of 100 participant claims across both divisions and identified 28 claims that were paid in error or were not sufficiently documented. Examples of the deficiencies noted include:

- Comparable benefits were not appropriately verified and/or applied.
- Payments were made using incorrect methodology for payment or pricing.
- Insufficient documentation was maintained in support of the services rendered.
- Federal regulation requires allowable costs to be adequately documented and program costs to be necessary and reasonable for proper and efficient administration of the grant program.

Similar aspects of this finding were reported in previous years.

Federal Award Information: This finding affects the Rehabilitation Services - Vocational Rehabilitation Grants to States federal grant awards H126A110049, H126A120049, H126A130049, H126A111050, H126A120050, and H126A130050 for the federal fiscal years ended September 30, 2011 to 2013.

Recommendation: The Department should continue to enhance its control procedures to improve the accuracy of the claims payment process:

- Services should be properly documented and authorized in the participant's vocational rehabilitation plan prior to issuing payment.
- Payment methodologies should be updated to be consistent with Medicaid or other departmental pricing policies.
- Further, identified over or underpaid claims should be followed up for timely and appropriate collection or payment.

DHHS Response: The Department will continue to enhance its control procedures to ensure that all claims are documented, processed, and paid properly. Additional efforts are being made within the Department to ensure the payment tables reflect updated medical rates in the legacy claims processing system.

The Department will continue efforts to implement a replacement claims processing system, BEAM,

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

84.126 REHABILITATION SERVICES – VOCATIONAL REHABILITATION GRANTS TO STATES

III. Federal Award Findings and Questioned Costs

U.S. Department of Education

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/
Questioned
Cost

Finding and Recommendations

that will improve accuracy and eliminate errors that are attributed to an inconsistent payment methodology applied to Medicaid and/or other departmental pricing policies. The replacement claims processing system will also have the functionality to ensure that services are properly documented and authorized in the participants' plan before payments are issued.

In addition, collections and/or payments of the identified over and underpaid claims will be made timely and appropriately if substantiated.

Follow up:

DHHS has initiated several activities in response to the audit finding. However, the final resolution has not yet been implemented.

The following activities are ongoing as a part of the resolution process:

- DHHS is evaluating the process for NCTracks to provide the newly implemented BEAM system with updated rate information.
- DHHS has secured the services of a consultant to address the high volume Medicaid rates transfer from NCTracks to the BEAM system for Vocational Rehabilitation's claims payment process.
- DHHS has implemented a manual process to verify claims payments.
- DHHS will address the issue of the over/under payments when the interim pricing solution is in place.

We consider this finding partially resolved with anticipated completion date of December 31, 2014.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

84.126 REHABILITATION SERVICES – VOCATIONAL REHABILITATION GRANTS TO STATES

III. Federal Award Findings and Questioned Costs

U.S. Department of Education

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
	<u>State Auditor's Findings and Recommendations:</u>
2013-053 <u>Eligibility:</u> Significant Deficiency	<u>Deficiencies in Participant Eligibility Determinations</u> The Department did not always adequately document participant eligibility determinations for the Rehabilitation Services – Vocational Rehabilitation Grant to States (VR) program, nor did it always determine eligibility timely. As a result, there was an increased risk of noncompliance related to participant eligibility. The Department administers the VR program through two different divisions – the Division of Vocational Rehabilitation Services and the Division of Services for the Blind. We examined a sample of 100 participant files across both divisions and identified deficiencies for 39 participant files. Examples of the deficiencies noted included: • Untimely eligibility determinations and/or the agreed upon extension of time for making those determinations. • Lack of required signatures on the participant's application. • Insufficient or improper eligibility documentation. • Information used to determine financial need was not always verified. In addition, the Department did not consistently demonstrate that it verified the participant's identity and ability to legally work. This lack of sufficient control procedures could result in ineligible participants receiving benefits. Federal regulations and division policies require that documentation be maintained to support a participant's eligibility determination and that the process be completed within established timeframes. Similar aspects of this finding were reported in previous years. <i>Federal Award Information:</i> This finding affects the Rehabilitation Services - Vocational Rehabilitation Grants to States federal grant awards H126A110049, H126A120049, H126A130049, H126A111050, H126A120050, and H126A130050 for the federal fiscal years ended September 30, 2011 to 2013. <i>Recommendation:</i> The Department should continue to enhance procedures to ensure that the eligibility determination process occurs within required timeframes, all eligibility forms are completed with the proper signatures as required by policy, the financial needs forms are completed and verified before cost services are provided, and all applicable eligibility information is maintained to adequately support eligibility determinations made. <i>DHHS Response:</i> The Department will investigate the case files identified as deficient and appropriately resolve them if substantiated.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

84.126 REHABILITATION SERVICES – VOCATIONAL REHABILITATION GRANTS TO STATES

III. Federal Award Findings and Questioned Costs

U.S. Department of Education

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/
Questioned
Cost

Finding and Recommendations

The Department will continue efforts to strengthen internal controls to ensure that eligibility determination is made within required timeframes and all applicable eligibility information is maintained in files including evidence of required signatures. In addition, Division management will have greater accountability in monitoring the timeliness of eligibility requirements through system generated reports. During random site visits, Quality Assurance staff will conduct internal reviews focusing on the timeliness of eligibility decisions, review for applicable parent consent signatures and required eligibility documentation maintained in the case files.

The Department will implement a replacement case management system with built-in controls that will ensure eligibility forms are completed in accordance with policy and within the required timeframes.

Follow up:

DHHS updated and communicated to staff the documentation policy which included steps to obtain appropriate signatures and maintain proper documentation in determining client eligibility.

DHHS implemented computer system edits designed within the BEAM system that will provide visual alerts to counselors and field management assisting them in their efforts to monitor eligibility timelines. We reviewed testing documentation evidencing the successful implementation of the visual alerts.

The self-directed training modules within the BEAM computer system project were implemented by DHHS. However, the modules do not address the financial needs assessment process. DHHS is relying on the BEAM system edits to verify the accuracy of the collected financial data used to determine eligibility.

DHHS has not completely implemented internal controls to improve compliance with the 60 day eligibility determination requirements. Clear and documented monitoring procedures need to be established and implemented to facilitate the consistency of the eligibility monitoring process.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

93.558 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – STATE PROGRAMS

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
2013-071	<u>State Auditor's Findings and Recommendations:</u> <u>Eligibility:</u> <u>Deficiencies in County Eligibility Determination Processes</u> Questioned Cost Finding \$1,063 County departments of social services offices process applications related to the Temporary Assistance for Needy Families program. Certified Public Accountants performing the county audits tested 980 case files and found eligibility documentation deficiencies in three cases. There were two client files missing and one file lacking evidence of the online verification system search. The county auditors identified questioned costs of \$1,063; however, it is likely questioned costs exceed \$10,000 in the population. Similar aspects of this finding were reported in previous years. <i>Federal Award Information:</i> This finding affects Temporary Assistance for Needy Families federal grant awards 1202NCTANF and 1302NCTANF, for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The county auditors recommended policies be put in place or reinforced at the counties to ensure case files are maintained appropriately and all necessary documentation is included. <i>DHHS Response:</i> The Department has required county departments of social services to develop Corrective Action Plans (CAPs) to address all reported issues to ensure compliance with program policy. In addition, the assigned Work First Program Consultant (WFPC) will conduct onsite case file reviews at each county identified with findings to ensure that the CAPs are implemented, errors are corrected as necessary, and any overpayments are recouped. During onsite visits, the WFPC will perform a random testing of case files to ensure files are appropriately maintained with all required documentation by the county department of social services offices. Follow up: DHHS Work First Program has required each county to develop an individual (Correction Action Plan) CAP for their finding. The CAPs for the identified counties were completed by 6/10/2014. DHHS staff conduct regularly scheduled onsite monitoring visits to ensure the Counties CAPs have been implemented. We consider this finding unresolved.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

93.659 ADOPTION ASSISTANCE – TITLE IV-E

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
2013-072	<u>Eligibility</u> Questioned Cost Finding \$90,273 <u>State Auditor's Findings and Recommendations:</u> <u>Deficiencies in County Eligibility Determination Processes</u> County departments of social services offices process applications related to the Adoption Assistance Title IV-E program. Certified Public Accountants performing the county audits tested 470 case files and found eligibility documentation deficiencies in nine cases. These files were missing items such as an eligibility checklist, a signed and dated eligibility checklist and/or adoption agreement, and evidence of a six-month review being performed. The county auditors identified questioned costs of \$90,273 for two cases. Similar aspects of this finding were reported in the prior year. <i>Federal Award Information:</i> This finding affects Adoption Assistance Title IV-E federal grant awards 1201NC1407 and 1301NC1407 for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The county auditors recommended that policies and procedures be put in place or reinforced at the counties to ensure that all documentation is obtained and maintained in the case file. <i>DHHS Response:</i> The Department will continue to provide Title IV-E training to the county departments of social services (DSS). Training will include monthly technical assistance webinars with DSS staff to ensure that policies and procedures are put in place or reinforced to ensure required documentations is obtained and maintained in the case file. In addition, Department programmatic and budget staff will collaborate to follow-up on DSS corrective action plans and fiscal adjustments to recoup questioned cost as appropriate. Follow up: The Department recouped \$89,443 of the original \$90,273 of Title IV-E funds found to be paid in error and reclassified the remainder to another account; the remainder was deemed to be a proper payment. The Department is working to ensure that county offices complete all forms necessary for eligibility determination. DHHS staff is providing web based training, onsite training, and working through the monitoring tools to ensure case workers are aware of policy expectations. We consider this finding to be resolved.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

93.767 CHILDREN'S HEALTH INSURANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
2013-073 Significant Deficiency	<u>Sub-recipient Monitoring:</u> <u>State Auditor's Findings and Recommendations:</u> <u>Deficiency in Sub- recipient Monitoring</u> The Department did not consistently complete monitoring checklists designed to verify that accurate eligibility determinations for the Adoption Assistance Title IV-E program were made at the county level. Inadequate monitoring of eligibility could result in Adoption Assistance funds being used for children that do not meet program requirements. We reviewed documentation of monitoring visits performed at seven counties and found that key questions related to eligibility were not answered for three of the 35 children tested. However, the monitor concluded that these children were eligible for the Adoption Assistance Title IV-E program. OMB Circular A-133 requires pass-through entities to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements. The State authorizes the counties to determine eligibility of the Adoption Assistance Title IV-E program. This monitoring should include ensuring that eligibility determinations made by the counties are adequate and made within the requirements imposed by the federal regulations for the program. <i>Federal Award Information:</i> This finding affects Adoption Assistance – Title IV-E federal grant award 1301NC1407 for the federal fiscal year ended September 30, 2013. <i>Recommendation:</i> The Department should ensure that the Adoption Assistance monitoring tools be completed for each child to document federal eligibility requirements. The monitoring tools should be reviewed prior to sending the results to the county to ensure the documentation matches the conclusion. <i>DHHS Response:</i> The Department will identify an independent existing position to assume the responsibility of providing quality assurance for the eligibility monitoring process. All monitoring tools will be reviewed to ensure they are complete and adequately documented to support the federal eligibility requirements prior to sending results to the county departments of social services. Follow up: DHHS has corrected the three monitoring cases which were identified as errors. DHHS has implemented a quality assurance review on all monitoring tools completed prior to submitting the final results to the counties. The implementation date is scheduled to begin October 15, 2014 and include all counties monitored during State Fiscal Year 2014-15. We consider this finding partially resolved with an anticipated completion date of October 15, 2014.

**North Carolina Department of Health and Human Services
Status of 2013 Single Audit Findings**

93.767 CHILDREN'S HEALTH INSURANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

N.C. Department of Health and Human Services

For Fiscal Year Ended June 30, 2013

Type of Finding/ Questioned Cost	Finding and Recommendations
<u>State Auditor's Findings and Recommendations:</u> 2013-074 <u>Allowable</u> <u>Costs/Costs</u> <u>Principles</u> Material Weakness Material Noncompliance Questioned Cost Finding \$1,030	
	<u>Errors in Provider Billing and Payment Process</u> The Department made payments on behalf of Children's Health Insurance Program participants that did not comply with activities allowed or allowable cost requirements for the program. The Department erroneously made net overpayments of \$1,358 to medical providers, resulting in questioned costs of \$1,030, which represents the federal share of the overpayments. We believe that it is likely that questioned costs exceed \$10,000 in the population. We examined a sample of 125 medical claims and identified 28 claims that were paid in error or were not sufficiently documented. Examples of the deficiencies noted include lack of sufficient documentation to support billed services, payment for ineligible participants due to misclassification within the eligibility category, payment methodology was inconsistent with the effective state plan or policies, payment based on the incorrect rate for the claim date of service, provider not providing documentation to support services rendered, and insufficient signatures on medical documentation. The majority of the errors were related to the payment of claims based on incorrect rates and payment methodologies, which is the responsibility of the Department to ensure an accurate claims payment process. Federal regulation requires allowable costs to be adequately documented and program costs to be necessary and reasonable for proper and efficient administration of the grant program. Similar aspects of this finding were reported in previous years. <i>Federal Award Information:</i> This finding affects Children's Health Insurance Program federal grant awards 05-1205NC5021 and 05-1305NC5021 for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should continue to enhance its control procedures to improve the accuracy of the claims payment process: • Management should ensure the proper implementation of system changes, including effective payment edits and/or audits. • Emphasis should be placed on educating providers as to proper coding and documentation standards necessary to support the medical services being provided. Further, identified overpaid claims should be followed up for timely and appropriate collection or payment. <i>DHHS Response:</i> The Department understands that the sample of claims reviewed was processed by the legacy MMIS system that was replaced effective July 1, 2013. The Department's Division of Medical Assistance (DMA) will investigate the twenty-eight (28)

**North Carolina Department of Health and Human Services
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93.767 CHILDREN'S HEALTH INSURANCE PROGRAM

III. Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services

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Questioned
Cost

Finding and Recommendations

claims cited to determine which claims were paid in error and which claims can be resolved by obtaining additional documentation from providers. DMA will also follow-up on any over and underpaid claims to ensure appropriate collection or payment is made.

The Division of Medical Assistance (DMA) will enhance its efforts to educate providers about proper documentation to support the medical necessity and coding of services billed to Children's Health Insurance Program. DMA will implement a training module for providers to ensure proper coding and required documentation. DMA will provide ongoing communication via Medicaid Bulletins and other communication venues to enhance the education and training.

DMA will evaluate proposed amendments to G.S. 108C to strengthen requirements for providers to submit documentation to support medical necessity and coding of services billed to Children's Health Insurance Program.

Follow up:

DHHS continues to enhance its procedures to improve the accuracy of the claims payment process. Eighteen of the twenty eight claims cited have been resolved, four of the twenty eight have been partially resolved and six of the twenty eight are unresolved. Additional follow up is required in order to assure that the outstanding Account Receivables are collected and the federal share returned.

DHHS has not implemented the training module for providers which were to ensure proper coding and required documentation nor the proposed amendments to NCGS108-C.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

State Auditor's Findings and Recommendations:

2013-075

Eligibility:

Deficiencies in County Eligibility Determination Processes

Questioned
Cost Finding

\$50

County departments of social services offices process applications related to the Children's Health Insurance Program. Certified Public Accountants performing the county audits tested 429 case files and found deficiencies in five cases. The county auditors identified questioned costs of \$50; however, it is likely questioned costs exceed \$10,000 in the population. The deficiencies found are described below:

- Three client files contained inaccurate budget calculations. County auditors questioned costs of \$50 for one client.
- Two client files did not contain all the required eligibility documentation. These files were missing items such as sufficient support for the budget, budget verification forms,

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and eligibility determination forms.

Similar aspects of this finding were reported in previous years.

Federal Award Information: This finding affects Children's Health Insurance Program federal grant awards 05-1205NC5021 and 05-1305NC5021 for the federal fiscal years ended September 30, 2012 and 2013, respectively.

Recommendation: The county auditors recommended that policies be put in place or reinforced at the counties to ensure that participant eligibility and documentation is maintained appropriately.

DHHS Response: The Department will obtain and review case specific information relating to each finding from the county audits. Upon review of the documentation, the Department will require the relevant county departments of social services to formulate specific corrective action plans to adequately address all areas of deficiencies and take steps to verify its implementation by the county departments of social services.

Follow up:

DHHS obtained and reviewed case specific information relating to each finding from the county audits. DHHS required the relevant county departments of social services to formulate specific corrective action plans to adequately address all deficiencies. In addition, DHHS is requiring the counties to verify the implementation of the corrective action plans.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

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2013-076	<u>State Auditor's Findings and Recommendations:</u> <u>Errors in Provider Billing and Payment Process</u> The Department made payments on behalf of program participants that did not comply with federal activities allowed or allowable cost requirements for the Medicaid Program. The Department erroneously made net overpayments of \$439,851 to Medicaid providers, resulting in questioned costs of \$287,925, which represents the federal share of the overpayments. We examined a sample of 280 Medicaid claims and identified 65 claims that were paid in error or not sufficiently documented. Examples of the deficiencies noted included insufficient or missing documentation in support of the services rendered, documentation that failed to meet the requirements established by policy, improper billing of services by providers, payment methodologies or rates that were inconsistent with the effective state plan or policies, failure to timely recoup charges subject to retroactive rate adjustments, and no consideration of the participants' private insurance prior to payment. The majority of the errors were related to medical record documentation to support services provided and charges incurred, which is the providers' responsibility to maintain. Federal regulation requires allowable costs to be adequately documented and program costs to be necessary and reasonable for proper and efficient administration of the program. Federal regulations also require that medical records disclose the extent of services provided to Medicaid participants. Similar aspects of this finding were reported in previous years. <i>Federal Award Information:</i> This finding affects Medical Assistance Program federal grant awards 05-1205NC5MAP and 05-1305NC5MAP for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should continue to enhance its control procedures to improve the accuracy of the claims payment process: • Management should ensure the proper implementation of system changes, including effective payment edits and/or audits. • Emphasis should be placed on educating providers as to proper coding and documentation standards necessary to support the medical services being provided. Further, identified over and underpaid claims should be followed up for timely and appropriate collection or payment. <i>DHHS Response:</i> The Department understands that the sample of claims reviewed were processed by the legacy MMIS system that was replaced effective July 1, 2013.
<u>Allowable Costs/Costs Principles</u>	
Material Weakness	
Material Noncompliance	
Questioned Cost Finding	
\$287,925	

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The Department's Division of Medical Assistance (DMA) will investigate the sixty-five (65) claims cited to determine which claims were paid in error and which claims can be resolved by obtaining additional documentation from providers. DMA will also follow-up on any over and underpaid claims to ensure appropriate collection or payment is made.

DMA will enhance its efforts to educate providers about proper documentation to support the medical necessity and coding of services billed to Medicaid. DMA will implement a training module for providers to ensure proper coding and required documentation. DMA will provide ongoing communication via Medicaid Bulletins and other communication venues to enhance education and training.

DMA will evaluate proposed amendments to G.S. 108C to strengthen requirements for providers to submit documentation to support medical necessity and coding of services billed to Medicaid.

Follow up:
DHHS continues to enhance its procedures to improve the accuracy of the claims payment process. Thirty five of the sixty five claims cited have been resolved, eighteen of the sixty five have been partially resolved and twelve of the sixty five remain unresolved. Additional follow up is required in order to assure that the outstanding account receivables are collected and the federal share returned.

DHHS continues to use the third party vendor's case tracking database. Enhancements are being made to the vendor's database in phases, in an effort to meet the needs of the department until a more specialized solution is developed.

DHHS has not implemented the training module for providers which were to ensure proper coding and required documentation nor the proposed amendments to NCGS108-C.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

State Auditor's Findings and Recommendations:

2013-077 Allowable
Costs/Cost
Principles:

Significant
Deficiency

Questioned

Medicaid Disproportionate Share Hospital Payments Made Incorrectly

The Department made disproportionate share hospital (DSH) payments that were not in accordance with approved methodologies and calculations. This resulted in payment errors to individual hospitals.

Medicaid disproportionate share hospital payments provide financial assistance to hospitals that serve a large number of low-income patients, such as people with Medicaid and the uninsured.

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Cost Finding \$2,243	We noted deficiencies in the overall DSH calculations and individual hospital payment amounts. The deficiencies found included: • An incorrect payment was made for uncompensated care DSH expenditures caused by an update in information that was not properly included in the calculation of payments. This resulted in an overpayment of \$3,768, with resulting questioned costs of \$2,243, which represents the federal share of the overpayment. • Incorrect payments of various types of DSH expenditures were noted for 15 hospitals. The payment errors were caused by an incorrect calculation in the distribution of funds, the exclusion of one hospital that became eligible, and not updating a change in status for another hospital. These errors resulted in hospitals receiving under and overpayments of funds. The net impact is an underpayment of \$89,515. OMB Circular A-87 requires that to be allowable under a grant program, costs must be adequately documented and consistent with policies, regulations, and the state plan. <i>Federal Award Information:</i> This finding affects Medical Assistance Program federal grant awards 05-1205NC5MAP and 05-1305NC5MAP for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should enhance procedures to identify incorrect payments and review hospital documentation in a timely manner and correct the payment calculations accordingly. Identified over and underpaid amounts should be followed up for timely and appropriate collection or payment. <i>DHHS Response:</i> The Department's Division of Medical Assistance (DMA) reviewed issues identified during the audit for the State Fiscal Year (SFY) 2013 DSH model and made the appropriate corrections during the first quarter of SFY 2014. DMA will enhance the current procedures as necessary to ensure that hospital documentation is reviewed timely and ensure accurate DSH calculations and payments. The DSH model will be reviewed periodically and adjusted as necessary. Follow up: DHHS has enhanced the current procedures to ensure the hospital documentation is reviewed timely and ensure accurate DSH calculations and payments. The DSH model will be reviewed periodically and adjusted as necessary. DHHS revised the DSH calculations and payment process. However, additional enhancements of the procedures to identify incorrect payments and review of hospital documentation to ensure that underpayments or overpayments will be detected in a timely manner or that corrections in the calculations will be detected before payments are made has not been fully implemented. We consider this finding unresolved.

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State Auditor's Findings and Recommendations:

2013-078 Allowable
Costs/Cost
Principles:

Significant
Deficiency

Deficiencies in the Eligibility System Interface Process

The Department did not monitor the conversion of private insurance data in the Medicaid eligibility system to the Medicaid claims processing system. As a result, there was an increased risk that the Medicaid program paid claims for recipients that should have been covered by other insurance. However, only two of the 280 Medicaid claims we examined did not have updated private insurance coverage.

North Carolina's federally-approved Medicaid plan requires that the Medicaid program be the "payer of last resort" in all cases that involve insurance coverage. The Department maintains participant private insurance coverage data in the Medicaid eligibility system.

The eligibility system is interfaced with the Department's claims processing system daily. The Department maintains responsibility for monitoring and correcting errors in the interface; however, the interface procedures do not include a review of private insurance data. Errors could include failure to identify data that was previously interfaced from the eligibility system and subsequently deleted, which would prevent the policies from transferring during the interface. The interface procedures reviewed were for the two legacy systems that are scheduled to be replaced in the subsequent state fiscal year.

The claims processing system relies on the accuracy of private insurance data for the claims adjudication process. Without accurate data, participant claims could be paid by the system that should be denied by the system edits checking for other potential insurance coverage.

Similar aspects of this finding were reported in the prior year.

Federal Award Information: This finding affects Medical Assistance Program federal grant awards 05-1205NC5MAP and 05-1305NC5MAP for the federal fiscal years ended September 30, 2012 and 2013, respectively.

Recommendation: The Department should ensure that interface monitoring procedures are developed for the new eligibility system and claims processing system to ensure errors are identified and corrected in a timely manner.

DHHS Response: As noted above, the sample of claims reviewed were processed by the legacy MMIS system that was replaced effective July 1, 2013.

The Department will review the process by which private insurance data is transferred from the eligibility system to the claims processing system. The Department will document the measures taken to ensure that the data is reviewed on an on-going basis and that Medicaid is the payer of last resort.

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Follow up:

DHHS has reviewed operational procedures and has determined that there are no internal system interfaces from the eligibility system for private insurance carrier data to the NCTracks payment system. However, DHHS performs a monthly review of the eligibility data file with the third party vendor file and NCTracks to account for any discrepancies in claims processing.

The data is maintained by a third party vendor and is loaded into the NCTracks database.

We consider this finding resolved.

State Auditor's Findings and Recommendations:

2013-079 Eligibility:
Questioned Cost
Finding
\$6,126

Deficiencies in County Eligibility Determination Processes

County departments of social services offices process applications related to the Medicaid Program. Certified Public Accountants performing the county audits tested 4,730 case files and found deficiencies in 103 cases. The county auditors identified questioned costs of \$6,126; however, it is likely questioned costs exceed \$10,000 in the population. The deficiencies found are described below:

- a. For 36 client files, inaccurate budget calculations were noted. These inaccurate calculations included items such as the use of the incorrect income/wage amount, improper amount of child support income/payment amounts, and incorrect conversion factors. County auditors questioned costs of \$258 for one client.
- b. For 21 client files, missing eligibility and budget documentation was noted. These case files were missing items such as verification of wages, verification of liquid assets, and eligibility determination forms.
- c. For 18 client files, both inaccurate calculations related to the budget and missing eligibility and budget documentation were noted. These inaccurate calculations included improper calculations of reserve amounts, child support income/payments, and various contribution amounts provided from the client or confirmed from other sources.
- d. For 22 client files, missing eligibility documentation was noted. These case files were missing items such as citizenship documentation and online verification documentation. County auditors questioned costs of \$5,868 for two clients.
- e. For six client files, errors that resulted in the recipient being incorrectly determined to be eligible for the program were noted. The errors pertained to items such as inaccurate budget calculations, exceeding the reserve amount, exceeding the resource limit, an unreported change in the client's circumstances, and lack of verification of third-party insurance. County auditors were unable to quantify the amount of questioned costs.

Similar aspects of this finding were reported in previous years.

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Federal Award Information: This finding affects Medical Assistance Payments federal grant awards 05-1205NC5MAP and 05-1305NCMAP for the federal fiscal years ended September 30, 2012 and 2013, respectively.

Recommendation: The county auditors recommended that procedures be put in place at the counties to ensure that all required information is maintained, complete, and accurate.

DHHS Response: The Department will obtain and review case specific information relating to each finding from the county departments of social services' audits. Upon review of the documentation, the Department will require the relevant county departments of social services to formulate specific corrective action plans to adequately address all areas of deficiencies and take steps to verify its implementation by the county department of social services office.

The Department will evaluate the effectiveness of the policy training globally and evaluate focused training needed by specific county departments of social services based on the counties' case findings. The Department will request all county departments of social services to review their internal compliance review processes for case monitoring to identify errors and processes to prevent future errors at the county level.

Follow up:

DHHS identified the non-compliant case files in the audit report and worked with each county on the implementation of corrective actions for the errors and the development of their corrective action plans.

We confirmed the procedures implemented by the counties did address the audit findings, however, subsequent testing of client files reflected the corrective action plans will require additional review and modification based on the follow up testing revealing the plans do not effectively mitigate the risks of deficiencies in the county eligibility determination processes.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

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2013-080	<u>State Auditor's Findings and Recommendations:</u> <u>Special Tests and Provisions:</u> <u>Deficiencies with Program Integrity Functions</u> Significant Deficiency The Department did not adequately track and review case investigations. These deficiencies could result in failures in completing case investigations, reaching accurate conclusions, identifying provider overpayments, and referring potentially fraudulent cases to the Attorney General's Medicaid Investigations Unit. The Department's Program Integrity Unit is charged with ensuring compliance, efficiency and accountability for the Medicaid program by detecting and preventing fraud, waste and abuse. It also works to prevent improper payments through tort recoveries, recoupments, and ongoing training of providers and recipients. The Department has partnered with various contractors to assist in examining Medicaid activities for fraud, waste and abuse. All cases identified as potentially fraudulent are referred to the Attorney General's Medicaid Investigations Unit for further investigation. The Program Integrity Unit uses a case tracking database to document case investigations. The database includes when a case is opened, referred, closed, and case results. Program Integrity staff does not consistently update the database for each individual case status, particularly for cases that were closed when an investigation was not initiated and for cases referred to the Attorney General's Medicaid Investigations Unit. We selected a sample of 60 case files identified as closed and noted six cases that did not have proper supervisory review as required by Departmental policy. These cases were completed by a contracted vendor and were related to investigations of claim payments for services provided after the death of a recipient. Similar aspects of this finding were reported in the prior year. <i>Federal Award Information:</i> This finding affects Medical Assistance Program federal grant awards 05-1205NC5MAP and 05-1305NC5MAP for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should review procedures and computer systems to enhance the tracking of case investigations. In addition, the Department should ensure that review procedures are consistently applied. <i>DHHS Response:</i> The Department's Division of Medical Assistance's Program Integrity Unit (PI) will review its case tracking database procedures with staff to ensure accurate tracking of case investigations. In addition, PI will continue to conduct monthly quality assurance reviews of case tracking. The existing case tracking system will be upgraded to allow for more comprehensive tracking of cases and reporting.

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Follow up:

DHHS has made several efforts to move to a new computer system for case tracking. However, the use of the access database tracking system is still required. DHHS will continue to develop an internal case tracking system along with the third party vendor for claims processing.

DHHS provided training and reference materials to ensure staff consistently track cases assigned but was unable to provide documentation to support that the quality assurance reviews were conducted consistently.

We consider this finding unresolved with an anticipated completion date of December 31, 2014.

State Auditor's Findings and Recommendations:

2013-081 Special Tests
and Provisions:

Significant
Deficiency

Deficiencies in Provider Enrollment and Termination Processes

The Department did not have sufficient policies and procedures in place to ensure the accuracy and completeness of the Medicaid provider enrollment and termination processes administered by a contracted service provider. These issues increase the risk that ineligible providers may be enrolled in the Medicaid program.

The Department contracts with a service provider to perform enrollment, credentialing, and verification activities for provider participation in the Medicaid program. The Department is responsible for monitoring the activities of the service provider to ensure established business rules and desk review procedures are followed during the provider eligibility determination process and that all provider sanctions are properly handled.

Our review of 60 group and individual provider files noted that the contract service provider did not consistently acquire and/or maintain all required information necessary to document the eligibility determination for provider-applicants of Medicaid services for five providers.

In addition, the contracted service provider is responsible for monitoring professional licensing board notifications of sanctioned and suspended providers and terminating such providers from the Medicaid program. During our testing of the licensing actions, we noted exceptions in which the provider was not properly terminated from the Medicaid program. There were four Medical Board licensees that had a temporary, indefinite, or voluntarily suspended license due to Medical Board disciplinary action who were not properly end-dated or terminated from the Medicaid program computer systems.

Similar aspects of this finding were reported in previous years.

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Federal Award Information: This finding affects Medical Assistance Program federal grant awards 05-1205NC5MAP and 05-1305NC5MAP for the federal fiscal years ended September 30, 2012 and 2013, respectively.

Recommendation: The Department should continue to improve and implement adequate monitoring controls over Medicaid provider enrollment and termination processes to ensure that only eligible, licensed medical providers are allowed participation in the Medicaid program and provider files are maintained.

DHHS Response: The Department will investigate the errors noted by the auditors to determine the potential root causes. The Department will continue to implement monitoring controls over Medicaid provider enrollment and termination processes utilized by the service provider to ensure that only eligible providers are allowed to participate in the Medicaid Program.

Follow up:

DHHS has implemented a monitoring plan to assist in the prevention of errors from reoccurring. In addition, service providers are required to acknowledge receipt of changes and updates in the Operating Policy and Procedures manual.

DHHS conducts bi-monthly training sessions with staff to gain knowledge of the application review and enrollment process.

DHHS did not provide documentation to address the maintenance of provider files nor were there specific policies and procedures setting forth standards for maintenance of provider files. In addition documentation was not provided to support the monitoring and termination process for the enrollment and termination of providers.

We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

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93.917 HIV CARE FORMULA GRANTS

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Type of Finding/ Questioned Cost	Finding and Recommendations
2013-082	<u>State Auditor's Findings and Recommendations:</u> <u>Cash Management</u> <u>Untimely Use of Rebates</u> Material Weakness The Department did not ensure that rebate funds for the HIV CARE Formula grant were used in accordance with federal requirements. Federal regulations require that grantees disburse rebates before requesting additional cash payments from the federal awarding agency. Material Noncompliance The Department did not consistently use the rebate funds prior to requesting additional federal funds from the federal awarding agency. The Department accumulated \$4.6 million in drug rebate funds from July 2012 to May 2013 before disbursing the funds in June 2013. <i>Federal Award Information:</i> This finding affects HIV CARE Formula federal grant awards 12X07HA00051-22-00 and 12X07HA00051-23-00 for fiscal years ended March 31, 2013 and 2014, respectively. <i>Recommendation:</i> The Department should ensure rebate funds are used in accordance with program regulations prior to requesting additional federal funds from the federal awarding agency. <i>DHHS Response:</i> Effective March 1, 2014, the Department implemented procedures to ensure appropriate disbursement of rebates. Upon receipt of drug invoices, budget staff determines the availability of rebates as reflected in the North Carolina Accounting System (NCAS). If available, rebates are used for disbursements prior to the use of federal funds. Follow up: DHHS has implemented the following procedures: - Monitoring rebate checks received and rebate funds applied against eligible invoices for payment. - Ongoing enhancement of the documentation processes to ensure review of the available rebates balance at the time of ADAP invoice coding is on file with the invoice and necessary approvals. We consider this finding partially resolved with an anticipated completion date of December 31, 2014.

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93.917 HIV CARE FORMULA GRANTS

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2013-083	<u>Eligibility</u> Material Weakness Material Noncompliance Questioned Cost Finding \$23,212 <u>State Auditor's Findings and Recommendations:</u> <u>Deficiencies in Eligibility Determinations</u> The Department did not adequately determine eligibility for participants that receive Human Immunodeficiency Virus (HIV) or Acquired Immunodeficiency Syndrome (AIDS) treatments, as funded by the HIV CARE Formula Grant. As a result, benefits were delivered to ineligible participants and \$23,212 of federal questioned costs was identified for the program. To be eligible to receive treatment assistance, a participant must meet financial and medical criteria, including a requirement that the participant not be enrolled in the Medicaid program. We identified seven participant cases in a sample of 60 where the participants were enrolled in Medicaid during the authorization period and should have been removed from the HIV CARE Formula program. The evaluation of Medicaid participation occurs during the intake process and no further verification is performed thereafter. Similar aspects of this finding were reported in the prior year. <i>Federal Award Information:</i> This finding affects HIV CARE Formula federal grant awards 12X07HA00051-22-00 and 12X07HA00051-23-00 for fiscal years ended March 31, 2013 and 2014, respectively. <i>Recommendation:</i> The Department should implement procedures to periodically verify Medicaid participation and enhance communication between divisions to ensure only eligible participants receive services. <i>DHHS Response:</i> The Department will continue to conduct a quarterly, random sampling of records to assure that all required information is maintained in client files until the Division of Public Health and the Division of Medical Assistance have implemented a process to ensure that participants eligible for Medicaid will not receive treatments funded by the HIV CARE Formula Grant. The amount of any questioned costs will be verified and repaid to the federal agency as appropriate. Follow up: DHHS has implemented a weekly automated process to identify ineligible participants. DHHS has identified and repaid the Federal questioned cost of \$23,212. We consider this finding resolved.

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93.959 BLOCK GRANT FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE

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2013-084	<u>State Auditor's Findings and Recommendations:</u> <u>Sub-recipient Monitoring:</u> Material Weakness Material Noncompliance <u>Noncompliance with DUNS Number Requirement</u> The Department did not obtain Dun and Bradstreet Data Universal Numbering System (DUNS) numbers from subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse program prior to the issuance of subawards, as required by federal regulations. After our inquiry, the Department requested subrecipients to provide DUNS numbers. Our test work verified that the DUNS numbers provided were valid. Federal regulations (Title 2 CFR section 25.200) require the awarding agency, for non-ARRA first tier subawards made on or after October 1, 2010, to have the subrecipient provide a valid DUNS number before issuing the subaward. Similar aspects of this finding were reported in the prior year. <i>Federal Award Information:</i> This finding affects Block Grants for Prevention and Treatment of Substance Abuse federal grant awards 2B08TI010032-12 and 2B08TI010032-13 for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should ensure a valid DUNS number is obtained from every subrecipient prior to issuing the subaward. <i>DHHS Response:</i> Effective June 1, 2013, the Department amended all LME/MCO contracts, with the exception of one, to include the requirement to obtain a valid DUNS number prior to the time of sub-award. The contract amendment between the one remaining contract and DMH/DD/SAS is currently in negotiation. The Department will continue to include the DUNS number requirement in all contracts entered into with the LME/MCOs in subsequent periods. Follow up: DHHS has ensured that DUNS numbers were obtained from the LME-MCOs and verified in June 2013 before the fiscal year ended. The LME-MCOs signed a contract amendment that they would comply with the DUNS and FFATA reporting requirements. The date that each LME-MCO first obtained a DUNS number was verified with Dun & Bradstreet. The DUNS number was obtained prior to the execution of the multi-year contract with the LME-MCOs. We consider this finding resolved.

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93.959 BLOCK GRANT FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE

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2013-085	<u>State Auditor's Findings and Recommendations:</u> <u>Monitoring Procedures Need Improvement</u> <u>Sub-recipient Monitoring:</u> Significant Deficiency We identified deficiencies in the monitoring procedures for the Block Grants for Prevention and Treatment of Substance Abuse program. As a result, there is an increased risk that noncompliance at the subrecipient level could occur and not be detected or corrected in a timely manner. The Department is responsible for monitoring the Local Management Entities (LMEs) providing program services. Our review of the monitoring efforts identified the following deficiencies: • The Department does not require a corrective action plan for all deficiencies it finds during the LME fiscal settlement reviews. All issues found are communicated to the LMEs but corrective action is not required unless the LME is required to repay funds. Other issues noted, including those that violate federal regulations such as the practice of advancing funds to providers, do not require a corrective action plan from the LME. • The Department is not properly completing monitoring tools during the LME annual systems reviews. We reviewed 134 monitoring tools and identified 11 that were incomplete or improperly completed. Questions related to eligibility criteria were not answered by the monitor. Federal and departmental guidelines require the monitoring of subrecipient activities to provide reasonable assurance that subrecipients are complying with applicable laws and regulations. Similar aspects of this finding were reported in previous years. <i>Federal Award Information:</i> This finding affects Block Grants for Prevention and Treatment of Substance Abuse federal grant awards 2B08TI010032-12 and 2B08TI010032-13 for the federal fiscal years ended September 30, 2012 and 2013, respectively. <i>Recommendation:</i> The Department should continue to enhance its monitoring process for the Block Grants for Prevention and Treatment of Substance Abuse program: • Comprehensive policies should address all aspects of the monitoring efforts, including obtaining corrective action plans for all deficiencies. • The Department should develop and implement procedures to review monitoring tools to ensure they are properly completed. <i>DHHS Response:</i> The Department revised its Local Management Entities (LMEs)/ Managed Care Organizations (MCOs) fiscal monitoring procedures and guidelines for conducting settlement reviews effective January 2014 to include the requirement for a corrective action plan for all deficiencies found during the LME/MCO fiscal settlement reviews. The process followed will be in accordance with the procedures and timelines in the Division of Mental Health,

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93.959 BLOCK GRANT FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE

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Cost

Finding and Recommendations

Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) Plan of Correction policy, <http://www.ncdhhs.gov/mhddsas/providers/POC/poc-policy.pdf>.

Staff has been informed to complete each item on all monitoring tools regardless of the eligibility criteria previously determined. In addition, the Department will implement an electronic audit tool to require monitoring worksheets to be completed before the related question on the tool will automatically rate criteria as Met or Not Met.

Follow up:

DHHS Plan of Correction Policy is currently in the review process. The Plan must be approved by both the Division's Director and the Attorney General's Office prior to implementation.

DHHS has developed and implemented a new review tool with multiple approval levels and continues to enhance it.

We consider this finding resolved as of September 24, 2014.