

Reports of Independent Certified Public Accountants in
Accordance with *Government Auditing Standards* and
OMB Circular A-133



**GEORGIA DEPARTMENT OF
COMMUNITY HEALTH**

June 30, 2011



Certified Public Accountants

A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS



**REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
OMB CIRCULAR A-133**

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

June 30, 2011

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

The Honorable David A. Cook, Commissioner
State of Georgia's Department of Community Health

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **State of Georgia's Department of Community Health** (hereinafter referred to as the "Department of Community Health") as of and for the year ended June 30, 2011, which collectively comprise the Department of Community Health's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department of Community Health's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Community Health's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we considered to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, numbers FS 11-01, FS 11-02, FS 11-03 and FS 11-04, to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, number FS 11-05, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Community Health's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Department of Community Health in a separate letter dated November 21, 2011.

The Department of Community Health's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department of Community Health's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and Audit Committee of the Department of Community Health, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Metcalf Davis Maudsloni & Testerman

Atlanta, Georgia
November 21, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**



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Report on Compliance with Requirements that Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

The Honorable David A. Cook, Commissioner
State of Georgia's Department of Community Health

Compliance

We have audited the **State of Georgia's Department of Community Health** (hereinafter referred to as the "Department of Community Health") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department of Community Health's major federal programs for the year ended June 30, 2011. The Department of Community Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department of Community Health's management. Our responsibility is to express an opinion on the Department of Community Health's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Department of Community Health's compliance with those requirements and performing such other procedures that we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department of Community Health's compliance with those requirements.

In our opinion, the Department of Community Health complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA 11-01, SA 11-02, SA 11-03, SA 11-04, SA 11-05, SA 11-06, SA 11-07, SA 11-08, SA 11-09, SA 11-10, SA 11-11 and SA 11-12.

Internal Control over Compliance

Management of the Department of Community Health is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department of Community Health's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA 11-01, SA 11-02, SA 11-03, SA 11-04, SA 11-05, SA 11-06, SA 11-07, SA 11-08, SA 11-09, SA 11-10, SA 11-11 and SA 11-12. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Department of Community Health, as of and for the year ended June 30, 2011, which collectively comprise the Department of Community Health's basic financial statements, and have issued our report thereon dated November 21, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Department of Community Health's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Department of Community Health's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department of Community Health's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and Audit Committee of the Department of Community Health, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Metcalf Davis *Muddin E. J. J. J.*

Atlanta, Georgia
November 21, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Section I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes X no

Significant deficiencies identified not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? X yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.767	Children's Healthcare Insurance Program (CHIP)
93.777 and 93.778	Medicaid Cluster
93.268 and 93.712	Immunization Cluster
93.917	Human Immunodeficiency Virus (HIV) Care Formula Grants
93.069	Public Health Emergency Preparedness Early Intervention Services (IDEA) Cluster
84.181 and 84.393 10.557	Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between Type A and Type B programs: \$ 20,250,242

Auditee qualified as low-risk auditee? yes X no

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

Section II Financial Statement Findings and Responses

FS 11-01 Controls Over Upper Payment Limit Calculation **(Substantial Repeat of Prior Year Findings FS 10-01 and SA 10-01)**

Criteria: Title 42 of the Code of Federal Regulations, sections 447.272 for hospital inpatient services and 447.321 for hospital outpatient services, nursing homes, physician groups and intermediate care facilities for mental retardation (ICF-MR), states that the Department of Community Health is eligible to calculate Upper Payment Limit (UPL) for providers that are state government, non-state government and privately owned and operated facilities. UPL refers to a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles.

The Department of Community Health's management is responsible for implementing and maintaining adequate controls to ensure a reasonable estimate of the amount is accurately computed. A detail review of the calculation by someone independent of the calculation process is a necessary part of ensuring the reasonableness of the estimated UPL amount.

Condition: This is a modification and substantial repeat of finding FS 10-01 (and SA 10-01) from the year ended June 30, 2010.

At June 30, 2010, the Department of Community Health recorded a preliminary estimate for inpatient and outpatient UPL as the final estimated calculation and payment had not been completed for the 2010 fiscal year. The actual calculation for the 2010 fiscal year was completed and paid during fiscal year 2011; however, the actual payments were approximately \$15 million less than the June 30, 2010 accrual. The difference in the estimate and actual payment related to State of Georgia (State) plan amendment changes as well as revisions to certain ratios. The State plan amendment changes and information used to calculate the ratios was however available to the Department of Community Health at the time the estimate was calculated.

Management concurred with the prior year finding and indicated they would contract with the Department of Audits and Accounts (DOAA) to provide support and data validation for all hospital, nursing home and physician UPL payments. Further, management indicated that the DOAA review would precede the submission of sample calculations to Centers for Medicare & Medicaid Services (CMS) and would include verification of source data used in the various UPL calculations.

During fiscal year 2011, the Department of Community Health made UPL payments for hospital inpatient and outpatient services, nursing homes, physician groups and ICF-MR prior to having the calculations reviewed by the DOAA. Additionally, there was no indication of a detailed review performed by Department of Community Health management.

During the annual audit of the Department of Community Health, officials maintained that the DOAA had performed such detail reviews on current fiscal year 2011 calculations and payments, but after extensive inquiries and observations, it was determined that those reviews were made on prior year estimates and not for current year calculations and total payments. Consequently, UPL payments were transacted without an independent review by appropriate parties prior to release of payments.

Context: Material adjustments to the UPL amounts have occurred in previous years as a result of our audit work. For the past several years, total UPL calculated amounts have averaged approximately \$200 million per year.

Effect: The accrual of inpatient and outpatient UPL at June 30, 2010 was overstated by approximately \$15 million. Total UPL payments for accrued amounts as of June 30, 2010 as well as amounts expensed relative to the year ended June 30, 2011 of approximately \$285 million were disbursed during the fiscal year ended June 30, 2011 prior to undergoing a detailed review by the DOAA or Department of Community Health management.

Cause: The Department of Community Health did not have adequate review procedures in place during fiscal year ending June 30, 2010 to ensure a reasonable estimate of UPL was computed. Additionally, the Department of Community Health's management did not implement adequate review procedures relating to UPL calculations during the year ended June 30, 2011.

Recommendation: It is imperative that management develop adequate procedures to review its UPL calculations in detail in order to ensure the amounts paid as well as the amounts recorded in the Department of Community Health's financial statements are properly supported, reviewed and represent management's best estimate. This process should include a detailed review of supporting documentation to ensure the data used in calculating UPL is accurate and in accordance with the applicable UPL State plan.

Management may decide to ask a third party to review and validate data for all UPL calculations. However, the responsibility for the accuracy of the estimate still rests with management. Therefore, it is necessary that management and the third party have a thorough understanding of the procedures to be performed by the third party. These procedures should be formally documented and management should review the output to ensure they are in agreement.

Auditee's Response: The Department of Community Health concurs with this finding. The UPL Team (the "Team") will be identified by the Chief Financial Officer (CFO) at the appropriate time. The Team will be responsible for reviewing the source data of the UPL calculations. The Team will review the UPL calculation spreadsheet before submission to CMS. Upon CMS approval, the Reimbursement Section and the CFO designee will calculate the UPL in parallel. After both parties have completed the UPL calculations, the Team will review the calculations of both parties for accuracy. The CFO designee will be responsible for the reconciliation process of the UPL calculations and payments.

FS 11-02 Hospice and Nursing Home Patient Liability

Criteria: The Department of Community Health is responsible for developing, maintaining, and following internal controls over disbursements to hospice providers and to ensure such disbursements are properly supported and appropriate for the respective services rendered in accordance with all federal reimbursable guidelines.

Condition: During the prior year's audit (fiscal year 2010) of the Department of Community Health, we made recommendations to management related to payments made to providers for hospice services which included the patient cost sharing amounts. This issue was identified by the Department of Community Health approximately four years ago.

During fiscal year 2011, the Department of Community Health's management made significant efforts to resolve the claim processing and financial reporting aspects of the matter. During fiscal year 2011, the Department of Community Health used its "Change Control Board" and "Customer Service Request" process to communicate to its claim processing vendor the need for correction. However, as of the date of this report the providers have not been billed for the overpayments since the exact amounts are not known.

During the current fiscal year audit, we noted the Department of Community Health had not quantified the amount of overpayments made to hospice and nursing home providers from fiscal years 2003 through 2011. As of June 30, 2011, the exact amount of the over payments to be recovered and due to the Department of Community Health were still unknown.

Context: Based on the result of a complex calculation, the total prior years' overpayments receivable from hospice providers is expected to amount to approximately \$57 million, of which approximately \$39 million has been reserved as potentially uncollectible. Approximately 65 percent of amounts collected will be owed to the federal government. This will result in a net decrease in benefit expense of approximately \$18 million. This audit adjustment was made by the Department of Community Health.

Effect: See the Context above.

Cause: The Department of Community Health did not have appropriate and adequate safeguards in place to prevent the disbursement of overpayments to hospice and nursing home providers. This occurred because of a failure of the Division of Family and Children's Services' (DFCS) SUCCESS system to properly interface with the Medicaid Management Information System (MMIS) at the Department of Community Health.

Recommendation: We recommend management take steps to immediately address issues that surface with systems that interface with the MMIS. Although these system issues appear to now be corrected, other such issues could arise and need prompt attention. Further, when overpayments and errors are identified, management should continue to take the time to calculate an estimate of the effect on the financial statements in the manner of the estimations performed for fiscal year 2011. Failure to estimate these amounts could cause management to be unaware of amounts owed to others or amounts owed to it that could be material. Finally, management should take steps to quantify and then seek to recover amounts owed to it by the hospice providers as soon as possible.

Auditee's Response: The Department of Community Health concurs with this finding. During fiscal year 2011, the claim processing vendor revised its estimates of the number of hours needed to implement solutions. When management realized that the implementation of solutions through the Medicaid Management Information System would not be complete in time for annual financial reporting, the Department of Community Health hired a third party consultant to provide them with an estimate of these amounts. The Department of Community Health identified the fact that the patient liability issue impacted providers other than hospice providers. The Department of Community Health shared that fact with auditors and captured the larger issue in its estimate.

The Department of Community Health's fiscal agent will provide the claim history file for the period April 1, 2003 - June 30, 2006 to the third party consultant in December 2011. This will allow the Department of Community Health to quantify the amount of overpayments made to hospice and nursing home providers for fiscal years 2003 through 2011. It is the intent of the Department of Community Health to initiate the collection process under the direction of the Department of Community Health's Inspector General.

FS 11-03 Accounts Payable and Other Accruals

Criteria: The Department of Community Health's management is responsible for ensuring costs associated with payment obligations are recorded promptly when incurred, and reported accurately in the financial statements as well as the schedule of expenditures of federal awards. An account payable exists when the Department of Community Health has benefited from the delivery of goods or services and the related obligation remains unsatisfied.

Condition: Management of the Department of Community Health provided us with a detail listing of liabilities supporting the accounts payable and other accruals reported by the Department of Community Health at June 30, 2011. As a result of our audit procedures, we identified several significant obligations which were not included within the detail and thus excluded from the reported balances of the Department of Community Health at year end.

Context: See Effect as noted below.

Effect: An adjustment of approximately \$23 million was required to properly state accounts payable and other accruals as well as the related expense.

Cause: Management within the various divisions of the Department of Community Health did not provide to the Financial Services Division accurate and timely information related to accounts payable and other accruals. Additionally, appropriate understanding at the clerical level regarding the recording of accounts payable in accordance with generally accepted accounting principles (GAAP) was lacking as compared to the budget basis otherwise adopted by the Department of Community Health.

Recommendation: In an effort to ensure the Department of Community Health's reported obligations and related receivables are accurately stated, we recommend management implement a process which includes a careful review of material disbursements subsequent to year end with the intended purpose of identifying liabilities which should be reflected in the Department of Community Health's accounts payable and other accruals at fiscal year end.

Additionally, we recommend the Department of Community Health establish goals and provide training to employees that reinforces its accrual policies in order to ensure that liabilities are identified and recorded at the point of obligation. We recommend divisions and offices throughout the Department of Community Health be charged with identifying obligations at year end, including any related liabilities, assessing those liabilities and ensuring the timely recording of those liabilities.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health acknowledges the deficiencies identified in the year end process and will focus on the following agenda items in an effort to alleviate this from recurring:

- 1) Review and update the current accounts payable (AP) and contracts payable (CP) procedures.
- 2) Develop and implement a procedure for year end close to identify and properly record all relevant payment obligations, subsequent payments and all liabilities that need to be included in accounts payable and other accruals.
- 3) Provide training to all levels of AP and CP personnel involved in the year end close/accrual period to ensure all staff has an understanding of the financial statement preparation process as it relates to their respective areas, as well as, the financial impact of recording all transactions in accordance with generally accepted accounting principles (GAAP).
- 4) Review monthly all open encumbrances and communicate with the related program areas to ensure accurate and timely recording of obligations.
- 5) Notify program areas of the importance of their role in ensuring that all obligations are accurately recorded and encumbered. Also emphasize the importance of timely and accurate reporting of related liabilities.
- 6) Provide updated procedures in a centrally and easily accessible location for everyone to access for reference and instruction.

FS 11-04 Benefits Payable at State Health Benefit Plan (SHBP) and Fiduciary Funds of the Department of Community Health

Criteria: The Department of Community Health's management is responsible for ensuring proper administration of healthcare claims recorded in three (3) funds managed by the Department of Community Health. These three (3) funds include the SHBP Fund and two (2) fiduciary funds (known as the State Employees Postemployment Health Benefit Fund (State OPEB Fund) and the School Personnel Postemployment Health Benefit Fund (School OPEB Fund)). The adoption of the accrual basis of accounting under generally accepted accounting principles is required for each of these funds.

Condition: All three (3) funds noted above include healthcare costs administered by various third party service providers. During the audit of the fiscal year June 30, 2011 and upon receipt of Department of Community Health prepared financial statements, we noted a debit balance in benefits payable at the School OPEB Fund. Upon inquiry as to the nature of such a balance, it was determined that the debit balance was due to an error on the part of a third party service provider, United Healthcare (UHC), in their processing of

claims paid across funds. Additionally, our inquiries resulted in noting that adjustments would be required which would affect all three (3) respective funds.

Context: See Effect as noted below.

Effect: Adjustments affecting benefits payable and related accounts were required across the three (3) funds as follows: a) the SHBP Fund recognized approximately \$9,929,000 to reduce benefits payable; b) the State OPEB Plan recognized approximately \$4,000 to increase benefits payable; and, c) the School OPEB Fund recognized approximately \$9,925,000 to increase benefits payable.

Cause: Lack of management oversight and investigations into discrepancies noted within the respective general ledgers of the three (3) respective funds.

Recommendation: The Department of Community Health should enhance communications with its third party service providers relative to all respective accounting and reporting of claims paid and expensed. Further, if discrepancies are noted by either party, then proper investigative actions should be initiated and resolved in a more timely fashion by the management of the Department of Community Health.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health has implemented a UHC paid claims action plan which includes the following:

I. Purpose

The purpose is to provide guidance on how claims are paid, how claims are recorded, and how the claims payable account is reconciled.

II. Procedures

- A. United Healthcare (UHC) submits an electronic (email) daily request for claims that are paid to members and providers of the State Health Benefit Plan (SHBP).
- B. SHBP processes a daily wire, via online banking, to fully fund the claims requested amount.
- C. The daily request from UHC contains a claim breakdown by their customer plan code, these plan codes correspond to SHBP fund source codes.
- D. The SHBP accountant enters the daily amounts of each UHC plan code into a spreadsheet. This spreadsheet contains the corresponding SHBP fund source codes.

- E. The SHBP accountant does a monthly reconciliation against the monthly UHC claims paid report and verifies against the monthly SHBP cashbook total.
- F. Any discrepancies are reported to UHC for resolution. Any reconciling items are noted on the UHC claims paid spreadsheet.
- G. Once the SHBP cashbook and the UHC spreadsheet are reconciled, a monthly journal voucher is prepared to debit accounts payable and credit the cash account per fund sources.
- H. When claims are issued, a separate journal voucher is prepared to debit expense and credit accounts payable.

III. Scope of Issue

- A. A few of the fund sources for the UHC payable account have a debit balance.
- B. In fiscal year 2008, a fiduciary fund was created for other post-employment benefits (OPEB). This was the primary reason for the debit UHC payable account balance (reference: IV A below).
- C. Also in 2008, there was a reporting issue from the United Healthcare (UHC) Health Reimbursement Account (HRA) claims system that did not match every customer plan code to a specific SHBP fund source code (reference: IV B and C below).

IV. Corrective Action

- A. An adjustment was done to credit the payable account in the fiduciary fund for claims that were issued in the enterprise fund. An allocation of claims issued in fiscal year 2008 was used to determine the adjustment amounts.
- B. HRA claims that are paid are now allocated to a fund source using the amounts of the HRA claims that are issued for each month.
- C. SHBP and UHC are currently working on a process to match HRA claims that are paid to the HRA claims that issued on a one to one basis.

FS 11-05 Controls Over Processes Performed at Service Organizations (Partial Repeat of Prior Year Finding FS 10-03)

Criteria:

Management is responsible for implementing and maintaining effective internal controls over financial reporting whether the processing is performed at the Department of Community Health or whether it is outsourced to an outside service organization. This responsibility includes an understanding of user controls to ensure they are implemented and maintained within the Department of Community Health's internal control system.

Condition: This is a modification and partial repeat of finding FS 10-03 from the year ended June 30, 2010.

The responsibility for user controls is not consistently communicated at the management or staff level throughout the Department of Community Health. Further, designated user controls are not undergoing a thorough review process on a periodic basis to ensure they are being implemented and are effective.

Context: In reviewing the Department of Community Health's service auditor reports, management could not readily provide us information relative to the user controls that the Department of Community Health has in place to detect and correct any errors that might result from improper processing. Additionally, there were issues with management's understanding of the function and purpose of user controls.

Effect: If the Department of Community Health does not review and implement user controls relative to its key outsourced processes, it may be unaware of changes in the service organization's control structure that could cause transactions to be processed incorrectly. This could affect the amounts and disclosures in the financial statements.

Cause: While management has taken steps to obtain a greater understanding of their service auditor reports, they still did not fully understand the purpose and importance of user controls.

Recommendation: The Department of Community Health has made a conscious effort to obtain a greater understanding of the importance of reviewing the service auditor reports for significant processes and maintaining effective user controls. The Department of Community Health should review the user control section in the service auditor reports on a periodic basis to ensure that they have implemented the key user controls recommended by the service organizations and that those controls are operating effectively. Additionally, the Department of Community Health should communicate the importance of these controls to all appropriate levels of management and staff.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health's senior management is evaluating possible options for corrective actions. During fiscal year 2012, the Department of Community Health is considering assigning the following responsibility to the "business owner" of each contract for which an Statement on Standards for Attestation Engagements (SSAE) 16 is applicable to document the Department of Community Health control activity relevant to each "user control" subject listed in the SSAE 16 report.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SECTION III
Federal Awards Findings and Questioned Costs

SA 11-01 Controls Over Upper Payment Limit Calculation
(Substantial Repeat of Prior Year Findings FS 10-01 and SA 10-01)

Federal Program
Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster (State Survey and Certification of Healthcare Providers and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1005GA5MAP, 05-1005GA5ADM,
05-1005GARRA, 05-1005GAMDSH, 05-1105GA5MAP,
05-1105GA5ADM, 05-1105GARRA, 05-1105GAEXTN, and
05-1105GAQUAL
Fiscal Year 2011

Criteria: See Financial Audit Finding FS 11-01.

Condition: See Financial Audit Finding FS 11-01.

Questioned Cost: None.

Context: See Financial Audit Finding FS 11-01.

Effect: See Financial Audit Finding FS 11-01.

Cause: See Financial Audit Finding FS 11-01.

Recommendation: See Financial Audit Finding FS 11-01.

Auditee's Response: See Financial Audit Finding FS 11-01.

SA 11-02 Hospice and Nursing Home Patient Liability

Federal Program
Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster (State Survey and Certification of Healthcare Providers and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1005GA5MAP, 05-1005GA5ADM,
05-1005GARRA, 05-1005GAMDSH, 05-1105GA5MAP,
05-1105GA5ADM, 05-1105GARRA, 05-1105GAEXTN, and
05-1105GAQUAL
Fiscal Year 2011

Criteria: See Financial Audit Finding FS 11-02.

Condition: See Financial Audit Finding FS 11-02.

Questioned Cost: None.

Context: See Financial Audit Finding FS 11-02.

Effect: See Financial Audit Finding FS 11-02.

Cause: See Financial Audit Finding FS 11-02.

Recommendation: See Financial Audit Finding FS 11-02.

Auditee's Response: See Financial Audit Finding FS 11-02.

SA 11-03 Accounts Payable and Other Accruals

*Federal Program
Information:*

CFDA Nos. 93.777 and 93.778
Medicaid Cluster (State Survey and Certification of Healthcare Providers and
Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1005GA5MAP, 05-1005GA5ADM,
05-1005GARRA, 05-1005GAMDSH, 05-1105GA5MAP,
05-1105GA5ADM, 05-1105GARRA, 05-1105GAEXTN, and
05-1105GAQUAL
Fiscal Year 2011

Criteria: See Financial Audit Finding FS 11-03.

Condition: See Financial Audit Finding FS 11-03.

Questioned Cost: None.

Context: See Financial Audit Finding FS 11-03.

Effect: See Financial Audit Finding FS 11-03.

Cause: See Financial Audit Finding FS 11-03.

Recommendation: See Financial Audit Finding FS 11-03.

Auditee's Response: See Financial Audit Finding FS 11-03.

SA 11-04 Verification and Documentation of Eligibility
(Substantial Repeat of Prior Year Finding SA 10-02)

Federal Program
Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster (State Survey and Certification of Healthcare Providers and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1005GA5MAP, 05-1005GA5ADM,
05-1005GARRA, 05-1005GAMDSH, 05-1105GA5MAP,
05-1105GA5ADM, 05-1105GARRA, 05-1105GAEXTN, and
05-1105GAQUAL
Fiscal Year 2011

Criteria:

The Department of Community Health is responsible for administering the State of Georgia's Medicaid program. The Medicaid program is overseen by the U.S. Department of Health and Human Services through the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is responsible for determining that all recipients meet prescribed eligibility requirements and those requirements are appropriately documented.

Condition:

This is a modification and substantial repeat of finding SA 10-02 from the year ended June 30, 2010.

The Department of Community Health has contracted with the Department of Family and Children Services (DFCS) to provide enrollment and monitoring services for Medicaid members. During fieldwork we noted four (4) recipients' files in a sample of sixty (60) of Medicaid recipients whose eligibility was not properly documented. Those four (4) files included the following documentation deficiencies:

- 1) Two (2) case files did not contain evidence that eligibility was recertified in a timely manner in accordance with the policies and procedures in place.
- 2) A case file did not contain acceptable documentation of citizenship.
- 3) A case file was missing the application and other required documentation.

Questioned Cost:

None.

Context:

Without adherence to the Department of Community Health's policies and procedures in place to determine and document Medicaid eligibility, members in the Medicaid program may no longer be eligible to receive benefits if documentation of their eligibility status is incomplete or inadequate.

Effect: An indeterminate number of participants are inadequately documented as to eligibility for Medicaid. The monetary effect is that federal funds used to fund the Medicaid program may be used to provide benefits for members who are not eligible for the program.

Cause: The Department of Community Health does not have an adequate monitoring process in place over DFCS to ensure that all CMS guidelines in regards to the documentation of a member's eligibility are properly followed.

Recommendation: The Department of Community Health should improve their verification and documentation monitoring policy for Medicaid members and create more stringent controls over the eligibility process.

Auditee's Response: The Department of Community Health concurs with this finding and acknowledges the importance of ensuring all CMS guidelines for documenting member eligibility are followed properly. We have taken the following steps to improve our monitoring of the eligibility process: Department of Community Health placed the DFCS in the Department of Human Services (DHS) under a Program Improvement Plan (PIP) effective March 12, 2010. The PIP requires DFCS to remedy areas of deficiencies such as proof of recertification of eligibility, missing records and documentation. DFCS has responded to the PIP and outlined how they will implement and monitor improvements to correct the deficiencies. Department of Community Health and DFCS management staff meet quarterly to discuss and review progress towards improving the deficiencies. In addition, Department of Community Health implemented an external quality assurance project in 2006 through an Administrative Services Organization (ASO). The ASO project completes desk reviews of requested case records, and report findings to Department of Community Health on a monthly basis, with a quarterly detailed summary. The ASO finished their work in June 2010. The Department of Community Health Medicaid Eligibility Quality Control (MEQC) team took over the ASO functions effective July 2010, reading randomly selected cases at a volume of 400 per month. In addition, the MEQC staff review 150 low income Medicaid (LIM) cases that are closed each review month. The findings from these reviews are shared with DFCS for inclusion in their PIP planning and field trainings. DHS/DFCS routinely covers error findings with their regional management staff who, in turn, discuss with county staff. Department of Community Health feels that there is positive progress in reducing the incidents of these findings.

SA 11-05 Matching of Allowable Expenditures
(Substantial Repeat of Prior Year Finding SA 10-03)

Federal Program Information:

CFDA No. 93.767
Children's Health Insurance Program (CHIP)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1005GA5021 and 05-1105GA5021
Fiscal Year 2011

Criteria:

The Department of Community Health is responsible for administering CHIP. CHIP is overseen by the U.S. Department of Health and Human Services through CMS. The Department of Community Health is responsible for matching federal program expenditures at the federally determined rate.

Condition:

This is a modification and substantial repeat of finding SA 10-03 from the year ended June 30, 2010.

The state matching rate for its CHIP expenditures is determined in accordance with the federal matching rate for such expenditures, referred to as enhanced Federal Medical Assistance Percentage (Enhanced FMAP). The Enhanced FMAP for federal fiscal year (FFY) 2011 is 75.73 percent and the Enhanced FMAP for FFY 2010 is 75.57 percent. During fieldwork, we noted twenty-five (25) instances in a sample of fifty-one (51) CHIP administrative expenditures in which incorrect federal matching rates were used. Those twenty-five instances were as follows:

- a. Seven (7) expenditures were incorrectly matched at the FFY 2010 Enhanced FMAP based on the date of the expenditure.
- b. Eighteen (18) expenditures were incorrectly matched at a rate other than the Enhanced FMAP for CHIP expenditures.

Questioned Cost:

The Department of Community Health overpaid the state portion. The dollar variance of the overpayments is immaterial.

Context:

The Department of Community Health has an extensive chart of accounts to separately denote expenditure funding sources and other details. If the funding and other account information is documented incorrectly and is not corrected during the review and approval process, the expenditure could be recorded incorrectly.

Effect:

The Department of Community Health did not match CHIP expenditures at the correct federally determined rate.

Cause:

The Department of Community Health did not adequately monitor the matching rate applied to CHIP administrative expenditures.

Recommendation: The Department of Community Health should improve their monitoring policy for the payment of CHIP administrative expenditures to ensure expenditures are coded appropriately and matched at the proper rate.

Auditee's Response: The Department of Community Health concurs with this finding and will implement the following procedures to address the matching rate of CHIP expenditures.

1. At the end of September, the Federal Reporting unit will run a Cognos query which is created using the CHIP fund source and/or project code identifying all applicable purchase orders.
2. The report will be submitted to AP and CP for review.
3. Identified purchase orders will be submitted to Budget for project code changes and then sent to Purchasing for updating which will provide current matching rates when paid.
4. Purchasing will send a copy of the updated purchase order requisition document to Budget, AP and CP.

SA 11-06 Subrecipient Monitoring For Public Health Programs
(Substantial Repeat of Prior Year Finding SA 10-04)

Federal Program
Information:

CFDA No. 93.069
Public Health Emergency Preparedness
Grant Award Nos. 1H75TP000384-01, 3H75TP000384-01W1,
5U90TP417013-09, 7U90TP417013-11, 6U90TP000155-02, and
6U90TP000155-02
Fiscal Year 2011

CFDA No. 93.917
Human Immunodeficiency Virus (HIV) Care Formula Grants
U.S. Department of Health and Human Services
Grant Award Nos. X07HA15591, 5H23IP422521-10, X09HA20240,
X08HA16846, and G24HA16871
Fiscal Year 2011

CFDA No. 10.557
Special Supplemental Nutrition Program for Women, Infants, and Children
U.S. Department of Agriculture
Grant Award Nos. 5GA700701 and 5GA700703
Fiscal Year 2011

CFDA No. 84.181 and 84.393
Special Education - Grants for Infants and Families with Disabilities (IDEA,
Part C)
U.S. Department of Education
Grant Award Nos. H393A090023A, H181A090004, H181A100004,
H393A090023A
Fiscal Year 2011

Criteria: The Department of Community Health is responsible for administering various public health grants including the Public Health Emergency Preparedness (PHEP) program, the Ryan White Part B program, the Special Supplemental Nutrition program for Women, Infants, and Children (WIC) and the Babies Can't Wait program. These programs are overseen by various federal agencies including the U.S. Department of Health and Human Services, the U.S. Department of Agriculture, and the U.S. Department of Education. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the subrecipient monitoring requirements applicable to these programs.

Condition: This is a modification and substantial repeat of finding SA 10-04 from the year ended June 30, 2010.

During fieldwork, we noted two (2) instances in which the Department of Community Health did not adequately establish and maintain effective internal controls over compliance with subrecipient monitoring requirements.

In the first instance, the PHEP program had initiated an agreement with the Public Health Office of Audits to monitor subrecipient compliance with program requirements for the PHEP program in March 2011. The agreement specified that each subrecipient would be reviewed once every two years. During FY 2011 a subrecipient monitoring review was conducted on only one (1) of the eighteen (18) subrecipients.

The second instance is pervasive across all public health grant programs in which awards are disbursed to the subrecipients via the Uniform Accounting System (UAS). UAS is a system in which a subrecipient district enters program expenditures for reimbursement from the Department of Community Health. Each month UAS interfaces with the Department of Community Health's PeopleSoft accounting software and automatically issues the subrecipient a payment based on the expenditures entered into the system. Although the payments cannot exceed the established budget amount in the PeopleSoft software, there is no Department of Community Health level review of support for the expenditures for which the subrecipient is being reimbursed. As such, the UAS reimbursement process is not designed to prevent fraud or error.

The Department of Community Health requires subrecipients to maintain supporting documentation for any reimbursed expenditures and requires the

subrecipients to have independent audits. In addition, the Department of Community Health's internal audit staff performs agreed upon procedures to review prior year expenditures for a select number of programs. However, it is endemic to the UAS reimbursement process that any review by an independent auditor or by the Department of Community Health's internal audit staff occurs at a date significantly after the issuance of federal funds. As such, these reviews will not detect fraud or error in a timely manner.

Questioned Cost: None.

Context: An agreement to monitor the PHEP subrecipients was not in place for the majority of FY 2011 and an insufficient number of subrecipients were monitored once the agreement was instituted.

Additionally, the UAS reimbursement process and the subsequent reviews of the reimbursements disbursed via that process are not designed to prevent or detect error or fraud in a timely manner.

Effect: The subrecipients are not being sufficiently monitored in a timely manner to ensure federal funds are being spent in accordance with terms of the grants. Instances of material noncompliance may not be prevented or detected by the Department of Community Health in a timely manner.

Cause: The Department of Community Health did not institute an adequate PHEP subrecipient monitoring process in a timely manner. As such, the Department of Community Health did not have sufficient amount of time to adequately conduct the number of subrecipient monitoring reviews prescribed by the agreement in place.

In addition, the UAS reimbursement process does not prevent subrecipient noncompliance with federal program requirements and the agreed upon procedures review of prior year expenditures will not detect subrecipient noncompliance with federal program requirements in a timely manner.

Recommendation: The Department of Community Health should put procedures in place to ensure that subrecipient monitoring reviews are conducted in a timely manner for all subrecipients. In addition, the Department of Community Health should institute a process that will allow for the prevention and/or timely detection of fraud or errors related to subrecipient reimbursement via UAS.

Auditee's Response: The Department of Community Health concurs with this finding. The new Department of Public Health is presently establishing the financial infrastructure to assist the programs in their responsibility to monitor expenditures on a monthly basis. The more comprehensive combined reviews being conducted by the Office of Audits will also assist in this endeavor to catch error and fraud from contracted subrecipients. In addition, the source documents from one UAS Management Income and Expenditure Report (MIER) will be drawn each month from one of the eighteen districts to ensure

documentation supports expenditures. This will be included in the contract that Public Health has with each of the lead counties to ensure that they are following the federal Uniform Administrative Requirements for Grants and Cooperative Agreements to States and Local Governments.

The monitoring of the PHEP program was delayed because of the requirement to obtain approval from the Center of Disease Control (CDC) for the reimbursement of non-PHEP audit staff to assist our PHEP staff in monitoring our subrecipients. Once approved, schedules were established for the last of fiscal year 2011 and for fiscal year 2012.

**SA 11-07 Controls Over Emergency Preparedness Administrative Expenses
(Substantial Repeat of Prior Year Finding SA 10-05)**

*Federal Program
Information:*

CFDA No. 93.069
Public Health Emergency Preparedness
Grant Award Nos. 1H75TP000384-01, 3H75TP000384-01W1,
5U90TP417013-09, 7U90TP417013-11, 6U90TP000155-02, and
6U90TP000155-02
Fiscal Year 2011

Criteria:

The Department of Community Health is responsible for administering the State of Georgia's PHEP program. The PHEP program is overseen by the U.S. Department of Health and Human Services through the CDC. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the PHEP program.

Condition:

This is a modification and substantial repeat of finding SA 10-05 from the year ended June 30, 2010.

The Department of Community Health is required to have adequate controls to prevent and detect material errors. We noted two (2) expenditures in a sample of sixty (60) did not contain evidence of departmental approval in accordance with the procedures put in place by the Department of Community Health.

Questioned Cost:

None.

Context:

The Department of Community Health was unable to locate evidence to demonstrate that the expenditures were appropriately reviewed and approved as an allowable cost for the program in accordance with departmental policies and procedures.

Effect:

PHEP funds may be improperly used to fund unallowable costs and activities because the policies and procedures in place at the Department of

Community Health to prevent and/or detect the improper payment are not being appropriately followed and/or documented.

Cause: The policies and procedures the Department of Community Health has in place to prevent and detect improper usage of program funds are not functioning effectively.

Recommendation: The Department of Community Health should improve internal controls as they relate to the review and authorization for PHEP administrative expenses.

Auditee's Response: The Department of Community Health concurs with this finding. The two (2) expenditures noted in your sample of sixty (60) were used to provide "indirect funds" for administrative support. The Department of Community Health Cost Allocation Plan which was approved by the HHS and the grant allows a small percentage of funds from the program to be used for administrative support. Controls are being strengthened to ensure funds used for this purpose follow the established Team Georgia Market Place guidelines.

SA 11-08 Controls Over and Compliance With Control, Accountability, and Safeguarding of Vaccine

Federal Program

Information: CFDA No. 93.268 and 93.712A
Immunization Cluster
U.S. Department of Health and Human Services
Grant Award Nos. 3H23IP422521-07S1, 3H23IP422521-07S2,
3U01CI000312-06S2, and 5H23IP422521-09
Fiscal Year 2011

Criteria: The Department of Community Health is responsible for administering the State of Georgia's Immunization Grants Cluster program. The Immunization Grants Cluster program is overseen by the U.S. Department of Health and Human Services through the CDC. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the control, accountability and safeguarding of vaccine requirements applicable to the Vaccines for Children (VFC) program.

Condition: The Department of Community Health is required to have adequate controls to provide adequate oversight of providers that give vaccines under the VFC program to ensure that proper control and accountability is maintained for vaccine, vaccine is properly safeguarded, and VFC eligibility screening is conducted.

Questioned Cost: None.

Context: We noted six (6) provider oversight reviews in a sample of one hundred and twenty-eight (128) were not appropriately performed in accordance with the procedures put in place by the Department of Community Health. The lack of the review of providers in the prescribed timeframe is a significant deficiency and caused noncompliance for this compliance requirement.

Effect: Providers that give vaccines under the VFC program may not be maintaining proper control and accountability for vaccine, properly safeguarding vaccine, or conducting VFC eligibility screenings because the policies and procedures in place at the Department of Community Health to oversee these providers are not being appropriately followed and/or documented.

Cause: The policies and procedures the Department of Community Health has in place to oversee providers that give vaccines under the VFC program are not functioning effectively. Due to turnover, the Department of Community Health did not adequately monitor the staff performing the reviews to ensure that the provider oversight reviews were performed in a timely manner.

Recommendation: The Department of Community Health should improve internal controls as they relate to the oversight of providers that give vaccines under the VFC program. The Department of Community Health should strengthen the structure of the review process to ensure that there is an individual in place to routinely monitor and document the scheduling and timely completion of the provider oversight reviews by the assigned staff. The Department of Community Health should also have a written personnel succession plan in place to ensure that required functions continue to occur after personnel changes.

Auditee's Response: The Department of Community Health concurs with this finding. The Centers for Disease Control and Prevention (CDC) requires that 50 percent of all VFC providers receive a VFC site visit on an annual basis. This means that all VFC providers should receive at least one site visit within a two year period. These site visits are used to ensure vaccinating providers are compliant with all of the above quality assurance measures. The Georgia Immunization Office requires that field staff visit 50 percent of all private provider offices and 100 percent of all public health clinics on an annual basis. Providers found to be non-compliant with any of the above measures receive educational or other corrective action development guidance according to the CDC Non-Compliance Algorithm. Providers whose non-compliance results in the loss of vaccine or other fraud and/or abuse activities are placed on temporary leave pending implementation of corrective action steps, completion of required educational sessions, and/or disposition of fraud and abuse investigation(s). Effective December 2010, field staff began reporting all non-compliant providers to the VFC Coordinator and Vaccine Manager to help ensure proper follow up actions are taken and documented for each case.

SA 11-09 Controls Over and Compliance with Record of Immunization

Federal Program

Information:

CFDA No. 93.268 and 93.712A
Immunization Cluster
U.S. Department of Health and Human Services
Grant Award Nos. 3H23IP422521-07S1, 3H23IP422521-07S2,
3U01CI000312-06S2, and 5H23IP422521-09
Fiscal Year 2011

Criteria:

The Department of Community Health is responsible for administering the State of Georgia's Immunization Grants Cluster program. The Immunization Grants Cluster program is overseen by the U.S. Department of Health and Human Services through the CDC. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the record of immunization requirements applicable to the VFC program.

Condition:

The Department of Community Health is required to have adequate controls to provide adequate oversight of providers that give vaccines under the VFC program to ensure that a proper record of immunization is maintained for administered vaccines.

Questioned Cost:

None.

Context:

We noted six (6) provider oversight reviews in a sample of one hundred and twenty-eight (128) were not appropriately performed in accordance with the procedures put in place by the Department of Community Health. The lack of the review of providers in the prescribed timeframe is a significant deficiency and caused noncompliance for this compliance requirement.

Effect:

Providers that give vaccines under the VFC program may not be maintaining proper records of immunization for administered vaccines because the policies and procedures in place at the Department of Community Health to oversee these providers are not being appropriately followed and/or documented.

Cause:

The policies and procedures the Department of Community Health has in place to oversee providers that give vaccines under the VFC program are not functioning effectively. Due to turnover, the Department of Community Health did not adequately monitor the staff performing the reviews to ensure that the provider oversight reviews were performed in a timely manner.

Recommendation:

The Department of Community Health should improve internal controls as they relate to the oversight of providers that give vaccines under the VFC program. The Department of Community Health should strengthen the structure of the review process to ensure that there is an individual in place to routinely monitor and document the scheduling and timely completion of the

provider oversight reviews by the assigned staff. The Department of Community Health should also have a written personnel succession plan in place to ensure that required functions continue to occur after personnel changes.

Auditee's Response: The Department of Community Health concurs with this finding. CDC requires that 50 percent of all VFC providers receive a VFC site visit on an annual basis. This means that all VFC providers should be seen a minimum of one time within a two year period. These site visits are used to ensure vaccinating providers are compliant with all of the above quality assurance measures. The Georgia Immunization Office requires that field staff visit 50 percent of all private provider offices and 100 percent of all public health clinics on an annual basis. Providers found to be non-compliant with any of the above measures receive educational or other corrective action development guidance according to the CDC Non-Compliance Algorithm. Providers whose non-compliance results in the loss of vaccine or other fraud and/or abuse activities are placed on temporary leave pending implementation of corrective action steps, completion of required educational sessions, and/or disposition of fraud and abuse investigation(s). Effective December 2010, field staff began reporting all non-compliant providers to the VFC Coordinator and Vaccine Manager to help ensure proper follow up actions are taken and documented for each case.

SA 11-10 Unallowable Charges to and Controls Over Ryan White Part B Expenses

*Federal Program
Information:*

CFDA No. 93.917
HIV Care Formula Grants
U.S. Department of Health and Human Services
Grant Award Nos. X07HA15591, 5H23IP422521-10, X09HA20240,
X08HA16846, and G24HA16871
Fiscal Year 2011

Criteria:

The Department of Community Health is responsible for administering the State of Georgia's Ryan White Part B program. The Ryan White Part B program is overseen by the U.S. Department of Health and Human Services through the HIV/AIDS Bureau of the Health Resources and Services Administration. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the Ryan White Part B program.

Condition:

The Department of Community Health is required to have adequate controls to prevent and detect material errors. We noted one (1) expenditure in a sample of sixty (60) was inappropriately paid using Ryan White Part B funds due to a coding error.

Questioned Cost:

To be determined.

Context: One (1) expenditure in a sample of sixty (60) was inappropriately paid using Ryan White Part B funds because there was a coding error that was not prevented or detected by the policies and procedures in place at the Department of Community Health.

Effect: Ryan White Part B funds were improperly used to fund unallowable costs and activities because the policies and procedures in place at the Department of Community Health to prevent and/or detect the improper payment are not functioning appropriately.

Cause: The policies and procedures the Department of Community Health has in place to prevent and detect improper usage of program funds are not functioning effectively.

Recommendation: The Department of Community Health should improve internal controls as they relate to the review and authorization of Ryan White Part B expenses.

Auditee's Response: The Department of Community Health concurs with this finding. Ryan White Part B funding has brought on an Operations Manager whose responsibilities will be to closely monitor all expenses against the Ryan White Part B funding and to stay current on all aspects of these funds.

SA 11-11 Unallowable Charges to and Controls Over Babies Can't Wait Expenses

Federal Program

Information: CFDA No. 84.181 and 84.393
Early Intervention Services (IDEA) Cluster
U.S. Department of Education
Grant Award Nos. H393A090023A, H181A090004, H181A100004, and
H393A090023A
Fiscal Year 2011

Criteria: The Department of Community Health is responsible for administering the State of Georgia's Babies Can't Wait program. The Babies Can't Wait program is overseen by the U.S. Department of Education. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the Babies Can't Wait program.

Condition: The Department of Community Health is required to have adequate controls to prevent and detect material errors. We noted one (1) expenditure in a sample of sixty (60) was inappropriately paid using Babies Can't Wait funds due to a coding error.

Questioned Cost: Undetermined.

Context: The expenditure was inappropriately paid using Babies Can't Wait funds because there was a coding error that was not prevented or detected by the policies and procedures in place at the Department of Community Health.

Effect: Babies Can't Wait funds were improperly used to fund unallowable costs and activities because the policies and procedures in place at the Department of Community Health to prevent and/or detect the improper payment are not functioning appropriately.

Cause: The policies and procedures the Department of Community Health has in place to prevent and detect improper usage of program funds are not functioning effectively.

Recommendation: The Department of Community Health should improve internal controls as they relate to the review and authorization of Babies Can't Wait expenses.

Auditee's Response: The Department of Community Health concurs with this finding. This was a travel reimbursement for \$22.00 for a Family Planning site visit. It was clearly marked as such, yet the coding used was for Babies Can't Wait. Budget staff failed to note the error and erroneously approved the coding. Additional training will be provided to staff in Budget regarding the importance of proper coding and how to perform an accurate review.

SA 11-12 Controls Over Women, Infants, and Children (WIC) Benefit Expenses

Federal Program Information:

CFDA No. 10.557
Special Supplemental Nutrition Program for Women, Infants, and Children
U.S. Department of Agriculture
Grant Award Nos. 5GA700701 and 5GA700703
Fiscal Year 2011

Criteria: The Department of Community Health is responsible for administering the State of Georgia's WIC program. The WIC program is overseen by the U.S. Department of Agriculture. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the WIC program.

Condition: The Department of Community Health is required to have adequate controls to prevent and detect material errors. We noted one (1) expenditure in a sample of sixty (60) did not contain evidence of departmental approval in accordance with the procedures put in place by the Department of Community Health.

Questioned Cost: None.

Context: There was no evidence one (1) expenditure in a sample of (60) was appropriately reviewed and approved by program staff as an allowable cost for the program in accordance with departmental policies and procedures.

Effect: WIC funds may be improperly used to fund unallowable costs and activities because the policies and procedures in place at the Department of Community Health to prevent and/or detect the improper payment are not being appropriately followed and/or documented.

Cause: The policies and procedures the Department of Community Health has in place to prevent and detect improper usage of program funds are not functioning effectively.

Recommendation: The Department of Community Health should improve internal controls as they relate to the review and authorization of WIC benefit expenses.

Auditee's Response: The Department of Community Health concurs with this finding that one (1) expenditure in a sample of sixty (60) did not contain evidence of departmental approval in accordance with the procedures put in place by the Department of Community Health.

Corrective action:

- 1) The Maternal and Child Health/Women, Infants and Children (Georgia WIC) program has developed and implemented a written invoice process controlling the approval of all basic expenditure requests. This process requires unit and/or office director approval and Maternal and Child Health Program Deputy Director approval. Maternal and Child Health will continue to require these signed approvals (completed).
- 2) Staff is required to adhere to this process. To improve adherence to this process, Georgia WIC will review this process with staff.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL AGENCY

DIRECT OR PASS-THROUGH ENTITY

PROGRAM NAME

CFDA NO.

FEDERAL
EXPENDITURES

Health and Human Services, U. S. Department of

Direct

Medicaid Cluster:

State Survey and Certification of Health Care Providers 93.777 \$ 4,543,107

Medical Assistance Program 93.778 5,288,034,220

American Recovery and Reinvestment Act (ARRA) - Medical Assistance Program 93.778 570,959,347

\$ 5,863,536,674

Immunization Cluster:

Immunization 93.268 \$ 152,553,041

ARRA - Immunization 93.712 5,073,736

\$ 157,626,777

HLTH CTR/Migrant Health

93.224 \$ 2,616,303

State and Territorial and Technical Assistance Capacity

93.006 \$ 300,243

Primary Care Services - Resource Coordination and Development

93.130 \$ 190,439

State Rural Hospital Flexibility Program

93.241 \$ 617,457

Children's Healthcare Insurance Program (CHIP)

93.767 \$ 229,249,091

Grants to States for Operation of Offices of Rural Health

93.913 \$ 174,525

Laboratory Leadership, Workforce Training and Management

93.065 \$ 55,335

Occupational Safety and Health

93.262 \$ 21,129

State Partnership Grant Program to Improve Minority Health

93.296 \$ 387,248

Strengthening Public Health Infrastructure for Improved Health

93.507 \$ 170,333

Affordable Care Act (ACA) - Communities Putting Prevention to Work

93.520 \$ 26,391

ACA - Building Epidemiology, Laboratory, and Health Information

Systems Capacity in the Epidemiology and Laboratory Capacity

93.521 \$ 77,700

ACA - Human Immunodeficiency Virus (HIV) Prevention and

Public Health Fund Activities

93.523 \$ 233,889

Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome

93.943 \$ 1,610,002

Block Grants for Prevention and Treatment of Substance Abuse

93.959 \$ 38,000

CMS Research Demonstrations and Evaluations

93.779 \$ 9,826,116

Small Rural Hospital Improvements

93.301 \$ 496,982

Alternate NonEmergency Services Provider

93.790 \$ 481,833

ARRA - Service Health Center

93.703 \$ 772,541

Research on Healthcare Costs, Quality and Outcomes

93.226 \$ 464,932

State Capacity Building

93.240 \$ 142,430

Public Health Emergency Preparedness

93.069 \$ 27,544,816

The accompanying notes are an integral part of this schedule.

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Environmental Public Health and Emergency Response	93.070	\$ 209,708
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	\$ 2,452,067
Injury Prevention and Control Research and State and Community Based Programs	93.136	\$ 1,530,840
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	\$ 333,983
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.251	\$ 454,711
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 13,577,822
ARRA - Preventing Healthcare - Associated Infections	93.717	\$ 370,551
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	\$ 46,720
HIV Prevention Activities - Health Department Based	93.940	\$ 7,379,792
HIV Demonstration, Research, Public and Professional Education Projects	93.941	\$ 95,706
HIV/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	\$ 1,007,892
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	\$ 165,933
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	\$ 3,181,644
Preventive Health and Health Services Block Grant	93.991	\$ 2,270,165
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	\$ 29,165
Medicare - Hospital Insurance	93.773	\$ 4,297,435
Emergency Medical Services for Children	93.127	\$ 134,760
ARRA - State Loan Repayment Program	93.402	\$ 72,580
HIV Care Formula Grants	93.917	\$ 43,437,961
Maternal and Child Health Services Block Grants to the States	93.994	\$ 13,954,646
Maternal and Child Health Federal Consolidated Programs	93.110	\$ 158,167
Cancer Treatment Research	93.395	\$ 31,611
Family Planning - Services	93.217	\$ 8,630,887

The accompanying notes are an integral part of this schedule.

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	\$ 12,402
ARRA - State Grants to Promote Health Information Technology	93.719	\$ 1,017,834
National Bioterrorism Hospital Preparedness Program	93.889	\$ 16,204,057
Prevention and Wellness - State, Territories and Pacific Islands ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	\$ 867,115
Prevention and Wellness - ARRA - Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	\$ 88,724
Total U.S. Department of Health and Human Services		\$ 6,418,676,064
Human Services, Department of		
Refugee and Entrant Assistance - State Administered Programs	93.566	\$ 4,835,167
Refugee and Entrant Assistance - Discretionary Grants	93.576	70,097
Temporary Assistance for Needy Families	93.558	13,457,463
Total Department of Human Services		\$ 18,362,727
Agriculture, U. S. Department of		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 291,354,092
Education, U. S. Department of		
Early Intervention Services (IDEA) Cluster: Special Education - Grants for Infants and Families	84.181	\$ 13,523,761
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	7,330,023
Total U.S. Department of Education		\$ 20,853,784
Transportation, U. S. Department of		
Georgia Highway Safety, Office of State and Community Highway Safety	20.600	\$ 803,984
Housing and Urban Development, U. S. Department of		
Lead Based Paint Hazard Control in Privately Owned Housing	14.900	\$ 29,904
Total Expenditures of Federal Awards		\$ 6,750,080,555

The accompanying notes are an integral part of this schedule.

Department of Community Health

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

Purpose of the Schedule

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a schedule of expenditures of federal awards reflecting total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

Significant Accounting Policies

Reporting Entity – The accompanying schedule of expenditures of federal awards includes all federal financial assistance programs administered by the Department of Community Health for the fiscal year ended June 30, 2011.

Basis of Presentation – The accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133.

Federal Financial Assistance – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursements for services rendered to individuals for Medicare and Medicaid.

Basis of Accounting – The schedule of expenditures of federal awards is prepared using the full accrual basis of accounting. Under this basis, expenses are recognized when incurred.

Expenses – When a State organization receives federal monies and redistributes such monies to another State organization, the federal assistance is reported in both the primary recipient's and the sub-recipient's accounts. This method of reporting expenses is utilized in the accompanying schedule of expenditures of federal awards.

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS**

Summary Schedule of Prior Year Findings and Questioned Costs

FS 10-01 Upper Payment Limit Calculation

Criteria: Title 42 of the Code of Federal Regulations, sections 447.272 for inpatient services and 447.321 for outpatient services and nursing homes, states that the Department of Community Health is eligible to calculate Upper Payment Limit (UPL) for providers that are state government, non-state government and privately owned and operated facilities. UPL refers to a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles.

Condition: This is a modification and partial repeat of finding FS 09-01 from the year ended June 30, 2009.

During fiscal year 2010, the Department of Community Health did not perform final UPL calculations for inpatient and outpatient services because updated cost reports were not yet available. However, since the asset and liability related to the UPL payments are significant, the Department of Community Health developed an estimate of its liability for those payments as well as for the associated receivable from the federal government. This estimate was recorded in the June 30, 2010 financial statements.

During our review of this estimate, we noted it had been computed based on a revised UPL state plan which did not take effect until fiscal year 2011. Upon being made aware of the error, the Department of Community Health recalculated the estimate in accordance with the applicable fiscal year 2010 UPL state plan and made the necessary adjustments to its assets, liabilities, revenues and expenses.

Auditee Response/

Status: Unresolved: See current year finding FS 11-01 for status of the Upper Payment Limit calculation.

FS 10-02 System Override of Internal Controls

Criteria: The Department of Community Health is responsible for developing, maintaining and following internal controls over provider receivables to prevent or detect potential misstatements, ensure accurate reporting of receivable balances and develop an expectation of cash inflows.

Condition: The Department of Community Health has policies and procedures in place formally documenting and approving a request for extended repayment of amounts receivable from providers. During our testing, we noted the terms of a request for extended payment were later renegotiated with the provider.

However, it was not subject to the same level of review and documentation as the initial agreement.

*Auditee Response/
Status:* Resolved.

FS 10-03 Controls Over Processes Performed at Service Organizations

Criteria: Management is responsible for implementing and maintaining effective internal controls over financial reporting whether the processing is performed at the Department of Community Health or whether it is outsourced to an outside service organization.

Condition: Service auditor reports (a/k/a SAS 70 reports) are not always obtained by the various business process owners where transaction processing is outsourced.

*Auditee Response/
Status:* Unresolved: See current year finding FS 11-05 for status of the controls over processes performed at service organizations.

SA 10-01 Upper Payment Limit Calculation

Criteria: See Financial Audit Finding FS 10-01.

Condition: See Financial Audit Finding FS 10-01.

*Auditee Response/
Status:* See Financial Audit Finding FS 10-01.

SA 10-02 Verification and Documentation of Eligibility

Criteria: The Department of Community Health is responsible for administering the State of Georgia's Medicaid program. The Medicaid program is overseen by the U.S. Department of Health and Human Services through CMS. The Department of Community Health is responsible for determining that all recipients meet prescribed eligibility requirements and those requirements are appropriately documented.

Condition: This is a modification and partial repeat of finding SA 09-03 from the year ended June 30, 2009.

The Department of Community Health has contracted with the Department of Family and Children Services (DFCS) to provide enrollment and monitoring services for Medicaid members. During fieldwork, we noted eight (8) instances in a sample of sixty (60) Medicaid recipients whose eligibility was not properly documented. Those eight instances were as follows:

- a) A case file did not contain acceptable proof of identification.

- b) A case file did not contain acceptable documentation of citizenship verification.
- c) A volume of a case file was not able to be located by the Department of Human Services (DHS)/DFCS (a contractor to Department of Community Health).
- d) A case file did not contain evidence that eligibility was recertified in accordance with the policies and procedures in place.
- e) A case file contained evidence that eligibility was improperly terminated.
- f) Three (3) case files did not contain acceptable documentation of income verification.

*Auditee Response/
Status:*

Unresolved: See current year finding SA 11-04 for status of the verification and the documentation of eligibility.

SA 10-03 Matching of Allowable Expenditures

Criteria:

The Department of Community Health is responsible for administering CHIP. CHIP is overseen by the U.S. Department of Health and Human Services through CMS. The Department of Community Health is responsible for matching federal program expenditures at the federally determined rate.

Condition:

This is a modification and partial repeat of finding SA 09-04 from the year ended June 30, 2009.

The state matching rate for its CHIP expenditures is determined in accordance with the federal matching rate for such expenditures, referred to as the enhanced Federal Medical Assistance Percentage (Enhanced FMAP). The Enhanced FMAP for federal fiscal year (FFY) 2010 is 75.57 percent and the Enhanced FMAP for FFY 2009 is 75.14 percent. During fieldwork, we noted five (5) instances in a sample of fifty-one (51) CHIP administrative expenditures in which incorrect federal matching rates were used. Those five instances were as follows:

- a) One (1) expenditure was incorrectly matched at the FFY 2009 Enhanced FMAP based on the date of the expenditure.
- b) Four (4) expenditures were incorrectly matched at a rate other than the Enhanced FMAP for CHIP expenditures.

*Auditee Response/
Status:*

Unresolved: See current year finding SA 11-05 for status of the matching of allowable expenditures.

SA 10-04 Subrecipient Monitoring

Criteria: The Department of Community Health is responsible for administering the State of Georgia's Public Health Emergency Preparedness (PHEP) program. The PHEP program is overseen by the U.S. Department of Health and Human Services. The Department of Community Health is also responsible for monitoring the subrecipients of the PHEP program.

Condition: During fieldwork, we noted there were very limited and inadequate processes in place during fiscal year 2010 to evaluate and monitor subrecipient compliance with program requirements for any PHEP program except the H1N1 program.

Auditee Response/

Status: Unresolved: See current year finding SA 11-06 for status of the subrecipient monitoring.

SA 10-05 Controls Over Emergency Preparedness Administrative Expenses

Criteria: The Department of Community Health is responsible for administering the State of Georgia's PHEP program. The PHEP program is overseen by the U.S. Department of Health and Human Services through the CDC. The Department of Community Health is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the PHEP program.

Condition: The Department of Community Health is required to have adequate controls to prevent and detect material errors. We noted one (1) expenditure in a sample of sixty (60) did not contain evidence of departmental approval in accordance with the procedures put in place by the Department of Community Health.

Auditee Response/

Status: Unresolved: See current year finding SA 11-07 for status of the controls over emergency preparedness administrative expenses.

SA 10-06 Documentation of Matching and Maintenance of Funding Compliance

Criteria: The Department of Community Health is responsible for administering the State of Georgia's PHEP program. The PHEP program is overseen by the U.S. Department of Health and Human Services through the CDC. The Department of Community Health is responsible for separately documenting compliance with the Matching and Maintenance of Funding (MOF) requirements applicable to the PHEP program.

Condition: The Department of Community Health is required to separately account for the non-federal funds used to meet MOF requirements. We noted that there was inadequate supporting documentation for the Maintenance of Funding

amounts reported to the grantor via the PERFORMS system and that the Emergency Preparedness staff was inconsistent in the separate designation of funds as matching funding or as MOF funding. Based on discussions with Emergency Preparedness staff and review of the PERFORMS system, amounts listed as Matching in PERFORMS were also identified as meeting the MOF requirement.

*Auditee Response/
Status:*

Resolved.