

# GEORGIA DEPARTMENT OF COMMUNITY HEALTH

Overview of Fiscal Year 2021

Audit Results

September 8, 2022

9:00am – 10:00am



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# AGENDA

Engagement Team

Communications

Summary of Audit Results (FY2021)

Prior Year Audit Findings

Looking Ahead

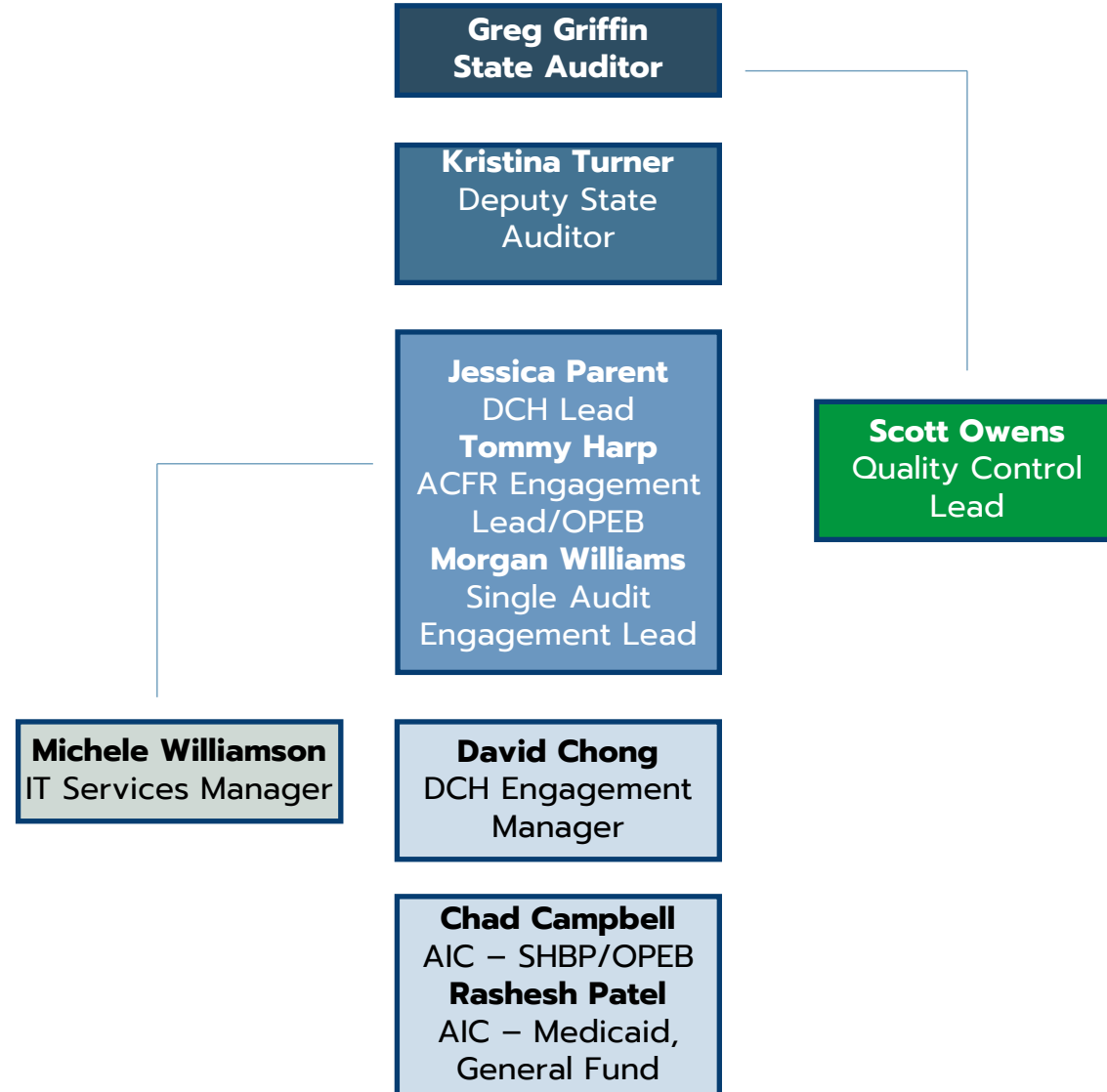
Conclusion



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# 2021 ENGAGEMENT TEAM



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# COMMUNICATIONS

## DCH Management Responsibilities

### **GASB 75 State and School OPEB Plan Schedules of Employer Allocations and OEPB Amounts by Employer:**

- Schedule of Employer Allocations
- Schedule of OPEB Amounts by Employer
- Notes to the Schedules
- Written assertions regarding management responsibilities
- Internal controls over financial reporting

### **State and School OPEB Plan Schedule of Employer Contributions Subsequent to the Measurement Date:**

- Schedule of Employer Contributions Subsequent to the Measurement Date
- Written Assertions regarding management responsibilities
- Internal controls over financial reporting



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# COMMUNICATIONS

## DCH Management Responsibilities

### **Accuracy of Financial data for inclusion in the State of Georgia Annual Comprehensive Financial Report (ACFR) or State of Georgia Single Audit Report –Part 1:**

- Basic financial statements
- Notes to financial statements
- Required and other supplementary information
- Written assertions regarding management responsibilities
- Internal controls over financial reporting
- Schedule of Expenditures of Federal Awards (SEFA)

### **Major program compliance (State of Georgia Single Audit Report - Part 2)**

- Ensure adherence to federal compliance requirements
- Maintain internal controls over major federal programs



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# COMMUNICATIONS

## DCH Management Responsibilities

- Make correcting entries for material adjustments and misstatements identified.
- Respond to entity findings with corrective action plans and management's views.
- Track status of and implement corrective action plans in response to findings.
- Ensure all financial records, budgetary records and information is available to the Department of Audits and Accounts.
- Audit Contact ensures communication of status updates to appropriate personnel.



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# COMMUNICATIONS

## Auditor Responsibilities and Required Communications

- Ensure assigned auditor independence from DCH
- Report on the Financial Statements
- 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
- Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance



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# COMMUNICATIONS

## Auditor Responsibilities and Required Communications

- Inform appropriate level of management and those charged with governance (board) of items that come to our attention related to:
  - Material errors
  - Fraudulent financial reporting
  - Misappropriation of assets
  - Violations of laws or governmental regulations
- Distribute a Closure Letter to audit contact, commissioner and board.
- Final information distributed with the Closure Letter:
  - Any internal control or non-compliance findings
  - Audit adjustments
  - Uncorrected misstatements



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# COMMUNICATIONS

## Material Written Communication between management and DOAA

Material written communication between management and DOAA include:

- Engagement Letter
- Management Representation Letter



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# COMMUNICATIONS

We received full cooperation and assistance from DCH management and staff during our audit.



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# SUMMARY OF AUDIT RESULTS

Audit Opinions	2021
DCH General Fund	<b>Included in ACFR opinion on general fund</b>
State Health Benefit Plan – Enterprise Fund	<b>Separate opinion included in ACFR</b>
OPEB Trusts	<b>Included as part of ACFR opinion on remaining funds</b>
Medicaid Program	<b>Included as part of State of GA Single Audit Report –Part 2</b>



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# SUMMARY OF AUDIT RESULTS

Audit Opinions	2021
Type of Opinion	<b>All ACFR/Schedule opinions were unmodified (aka “clean”) except for Unemployment Insurance (UI)</b>
<p><i>Note: During the 2021 audit, nothing came to our attention that would have prevented DCH from receiving unmodified opinions on entity-prepared financial statements/schedules.</i></p>	



# SUMMARY OF AUDIT RESULTS – FISCAL YEAR 2021

## Findings

- 1 Financial Statement Finding
- 6 Federal Award Findings



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# 2021 STATE OF GA ACFR

## FINDING FS-419-21-01 AND FA-419-21-01

### **Continue to Strengthen Application Risk Management Program**

**Condition:**

Our review of the DCH's risk management program related to automated data processing systems revealed the deficiencies described below.

**Risk Analysis:**

We noted risk is assessed for the Medicaid Management Information System (MMIS); however, a formal risk analysis process has not yet been established and does not include all data processing systems for the Medicaid program.

**System Security Reviews (SSRs):**

While the DCH stated that System and Organizational Controls (SOC) Type II reports and the related complementary user entity controls (CUECs) are obtained and reviewed on an annual basis, there was no documented evidence that these reviews were taking place. In addition, we noted that assessments to determine whether controls are in place, operating effectively, and successfully mitigating the DCH's risks were not being performed.



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# 2021 STATE OF GA ACFR

## FINDING FS-419-21-01 AND FA-419-21-01

### **Continue to Strengthen Application Risk Management Program (...continued)**

#### Systems Security Plans (SSPs):

The DCH has formally documented a SSP for one of its automated data processing systems. Additionally, the DCH has drafted a SSP for the system used to process claims and payments of Medicaid benefits; however, the draft plan has not been approved or implemented

#### Policies and Procedures:

We noted that 16 out of 18 security and privacy policies and procedures requested for review had not been formally developed. Furthermore, the annual review process associated with the two security and privacy policies that were formalized was not performed within the defined frequency.



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# 2021 STATE OF GA ACFR

## FINDING FS-419-21-01 AND FA-419-21-01

### **Continue to Strengthen Application Risk Management Program (...continued)**

**Recommendation:**

**The DCH should continue to allocate necessary resources to implement a formal risk management program to allow management to gain reasonable assurance the DCH will achieve its agency and program objectives and comply with operational, financial reporting, and compliance requirements. An effective risk management program should, at a minimum, address Risk Analysis, SSRs, SSPs, and Security and Privacy Policies and Procedures.**

**The DCH should also review and assess SOC reports and the CUECs expected to be in place at the DCH and develop a process for tracking the results of these reviews.**



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-02

### Improve Controls over Inpatient Medicaid Payments

**Condition:**

The DCH contracts with a third-party vendor to perform desk reviews on the inpatient hospital providers' cost reports submitted. In response to our recommendations regarding the establishment of procedures associated with the completion of desk reviews and field audits for inpatient Medicaid providers, the DCH ensured that all required desk reviews were completed appropriately and within the necessary timeframe during the fiscal year under review. However, field audits of participating inpatient hospital providers were not performed as required by the current State Plan.

**Recommendation:**

**Because the DCH management executed their plan to revise the State Plan and contract with its third-party vendor after year-end, the DCH should ensure that the required desk or focus reviews are performed in accordance with the revised State Plan going forward.**



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-03

### Improve Controls over Medicaid Eligibility Determinations for Ex Parte Members

#### **Condition:**

Our audit of the Medicaid program revealed deficiencies in the performance of eligibility determinations for SSI Ex Parte members. During fiscal year 2021, the DCH paid Medicaid benefits totaling \$10,083,737 for 46,174 claims transactions. We used a nonstatistical sampling method to select a random sample of 60 Ex Parte benefit payments from this population and tested the sample to determine if eligibility determinations were performed appropriately. For 11 out of 60 SSI Ex Parte payments tested, we found that the DFCS did not perform the required eligibility determinations prior to payments being made. However, as a result of the continued consequences of the COVID-19 pandemic, a public health state of emergency was in place during the fiscal year and did not allow Medical Assistance cases to be terminated. Therefore, no questioned costs were identified for benefit payments made to the 11 SSI Ex Parte members whose eligibility was not appropriately redetermined.

#### **Recommendation:**

**The DCH and DHS management should strengthen oversight of the eligibility determinations performed by the DFCS for SSI Ex Parte members to make certain they are being performed timely and as required. Specifically, management should oversee a reconciliation process between members with completed CMDs to members listed on the Ex Parte daily and monthly Determination Reports. In addition, the DHS management should continue to provide training associated with these compliance requirements to new hires.**



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-04

### Improve Controls over Managed Care Organization Financial Audits

#### **Condition:**

Our review of the MCO annual audited financial report submissions specific to Medicaid disclosed that two out of four audited financial reports were not obtained by the DCH until after the auditors had requested the reports for review. Furthermore, we noted the contracts between the DCH and the MCOs do not have a clause requiring the MCOs to submit their audited financial statements to the DCH.

In addition, although the periodic independent audits of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO were conducted, there was no evidence that the results of these four required periodic audits had been posted on the State's website as required by federal regulations.

#### **Recommendation:**

**The DCH should revise the current contracts with MCOs to include a clause requiring MCOs to submit on an annual basis, to the DCH, audited financial reports specific to the Medicaid contract. In addition, the DCH should implement policies and procedures to ensure the obtention of the required MCOs audited financial reports and that the results of the periodic audits are posted to the State's website.**



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-05

### Improve Controls over Medicaid Payments after Date of Death

#### **Condition:**

Our audit of the Medicaid program revealed that improper payments were made to Medicaid providers after beneficiaries' deaths. Using data analytics, we compared the DMF to claims made during the fiscal year to identify claims made after the date of death. We identified a total of 1,025 claims that were paid to providers for 243 unique members after the date of death. We used a nonstatistical sampling method to select a random sample of 60 claims from this population and tested the sample along with 12 individually significant items to determine if the claims were for services provided before the date of death. We found that the DCH made payments to providers for 72 Medicaid claims with service dates after the date of death resulting in overpayments in which the funds were not recouped.

#### **Recommendation:**

**The DCH management should continue to dedicate the necessary resources and execute their plan to ensure that modifications to the date of death processes within GAMMIS are implemented appropriately and that Medicaid benefit payments to providers are not made after beneficiaries' deaths. For periods prior to the implementation of the GAMMIS system modifications to address the defect identified, the DCH should perform procedures to compare the DMF to claims made after the date of death and analyze the results to identify improper payments. Additionally, the DCH should investigate and recover funds for all overpayments and if necessary, refer to the Georgia Medicaid Fraud Control Unit for further investigation into any potential provider fraud or abuse. The DCH should also consult with the grantor to discuss whether questioned costs identified in the audit should be repaid.**



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-06

### Improve Controls over Medicaid Capitation Payments for Medicare Members

#### **Condition:**

Our audit of the Medicaid program revealed deficiencies in the capitation payments paid to MCOs for Managed Care members with Medicare insurance coverage. We obtained Medicare coverage information from the DCH for all Medicaid-eligible members.

Using data analytics, we identified a total of 3,120 potential capitation premium payments made on behalf of members who had Medicare coverage during the same month as their monthly managed care capitation payment. From this population, we tested a random sample of 60 members to determine if the DCH made monthly managed care premium payments for the members during the same time period the member's Medicare coverage was effective.

We found that the DCH made improper payments to MCOs for all 60 Managed Care members tested and these funds were not recouped. Additionally, we noted for 52 out of 60 members tested, a retroactive Medicare effective date was issued, which was during the time period that managed care payments were made to MCOs. The DCH did discontinue paying the MCO after it received notification from Medicare of the member's eligibility; however, they did not recoup the payments made to the MCOs for the retroactive period of Medicare coverage. Furthermore, we noted that for eight out of 60 members tested, improper payments continued to be made after Medicare notified the DCH of the member's Medicare eligibility.



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# 2021 STATE OF GA SINGLE AUDIT

## FINDING FA-419-21-06

### **Improve Controls over Medicaid Capitation Payments for Medicare Members**

#### **(...continued)**

#### **Recommendation:**

The DCH management should continue to dedicate the necessary resources and execute their plan to ensure that modifications to retroactively recoup capitation payments from its MCOs upon receipt of notice that a member is eligible for Medicare are implemented appropriately within GAMMIS. For periods prior to the implementation of the GAMMIS system modifications, the DCH should perform analytical procedures over Medicare effective dates for Managed Care members to determine whether capitation payments have been recouped. Additionally, the DCH should investigate and recover funds for all improper payments.

The DCH consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.



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# STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding	Status
FS-419-18-02, FS-419-19-02 and FS-419-20-01 Strengthen Financial Reporting Controls	This finding is related to controls over financial reporting. This finding is considered <b>resolved</b>



# STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

Finding	Status
FA 419-16-01, FA 419-17-01, FS-419-18-03 and FA-419-18-01, FS-419-19-03, FA-419-19-01, FS-419-20-02 and FA-419-20-01  Continue to Strengthen Application Risk Management Program	This finding is related to controls over its application risk management program. This finding is considered <b>partially resolved (FS-419-21-01 and FA-419-21-01)</b>
FA-419-18-02, FA-419-19-03 and FA-419-20-03  Improve Controls over Medicaid Eligibility Determinations	This finding is related to controls over Medicaid eligibility of SSI Ex Parte Members. This finding is considered <b>partially resolved (FA-419-21-03)</b>



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# STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

Finding	Status
FA 419-19-02 and FA-419-20-02 Improve Controls over Inpatient Medicaid Payments	This finding is related to controls over inpatient hospital cost report audit requirements. This finding is considered <b>partially resolved (FA-419-21-02)</b>
FA-427-20-04 Improve Controls over Medicaid Eligibility Redeterminations	This finding is related to controls over Medicaid eligibility redetermination. This finding is considered <b>partially resolved (not repeated in FY21)</b>



# STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

Finding	Status
FA-419-19-05 and FA-419-20-05 Improve Controls over Medicaid Capitation Payments	This finding is related to controls over capitation payments to CMOs for Manage-Care members. This finding is considered <b>resolved</b>
FA 419-19-06 and FA-419-20-06 Improve Controls over Medicaid Payments	This finding is related to controls over improper payments to Medicaid providers after beneficiaries' deaths. This finding is considered <b>partially resolved (FA-419-21-05)</b>



# STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

Finding	Status
FA-419-19-07 and FA-419-20-07 Improve Controls over Medicaid Capitation Payments	This finding is related to controls over improper capitation payments for Medicaid Managed Care members with Medicare Insurance coverage. This finding is considered <b>partially resolved (FA-419-21-06)</b>
FA 419-20-08 Improve Controls over Payments for Home and Community-Based Services	This finding is related to controls over improper payments to Medicaid providers for Home and Community-Based Services payments. This finding is considered <b>partially resolved (not repeated in FY21)</b>



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# STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

Finding	Status
FA-419-20-09 Improve Controls over Medicaid Provider Eligibility	This finding is related to controls over the revalidation process for service providers and CMO providers. This finding is considered <b>partially resolved (not repeated in FY21)</b>



# LOOKING AHEAD

## New/Upcoming GASB Pronouncements

### **FY2022**

GASB Statement No. 87 “Leases”

GASB Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period”

GASB Statement No. 92 “Omnibus 2020”

GASB Statement No. 93 “Replacement of Interbank Offered Rates”

GASB Statement No. 97 “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32”



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# LOOKING AHEAD

## New/Upcoming GASB Pronouncements

### FY2023

GASB Statement No. 91 “Conduit Debt Obligation”

GASB Statement No. 94 “Public-Private Partnerships and Availability Payment Arrangements”

GASB Statement No. 96 “Subscription-Based Information Technology Arrangements” (SBITA)



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# CONCLUSION

Georgia Department of Audits and Accounts has provided this document and its intent is solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

In conclusion, we wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Department of Community Health during the course of our audit.

Should you have any questions or would like copies of this presentation, or any written communications please contact:

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