



Georgia Department of Community Health

Overview of Fiscal Year 2020
Audit Results

September 9, 2021
9:00am-10:00am

Georgia State Capitol

Agenda



Engagement Team

Communications

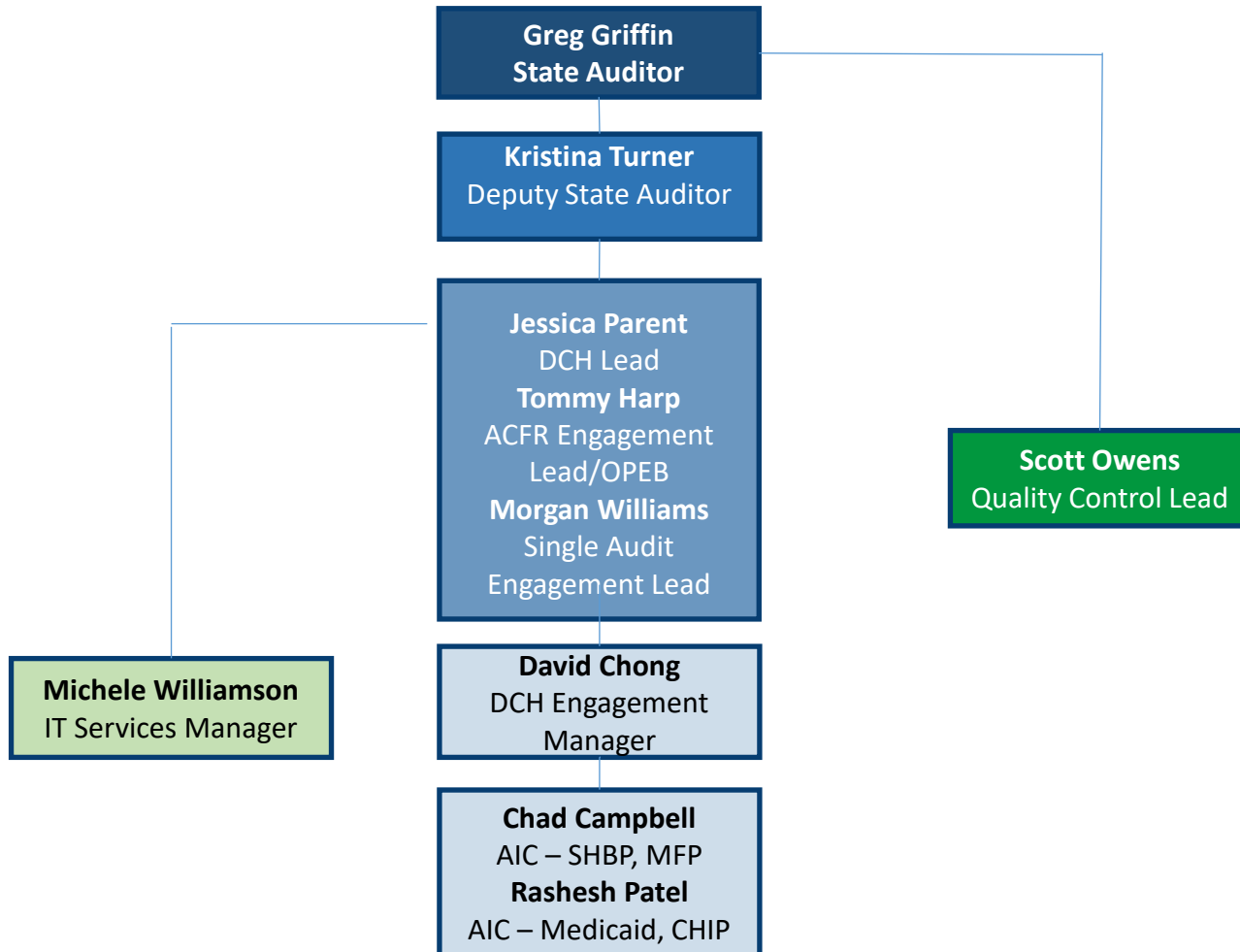
Summary of Audit Results (FY2020)

Prior Year Audit Findings

Looking Ahead

Conclusion

2020 Engagement Team



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



DCH Management Responsibilities

Accuracy of Financial data for inclusion in the State of Georgia Comprehensive Annual 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

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.

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



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

Communications



Material Written Communication between management and DOAA

Material written communication between management and DOAA include:

- Engagement Letter
- Management Representation Letter

Communication



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

Summary of Audit Results



Audit Opinions	2020
DCH General Fund	Included in ACFR opinion on general fund
State Health Benefit Plan – Enterprise Fund	Separate opinion included in ACFR
OPEB Trusts	Included as part of ACFR opinion on remaining funds
Medicaid Program	Included as part of State of GA Single Audit Report –Part 2

Summary of Audit Results



Audit Opinions	2020
Type of Opinion	All ACFR/Schedule opinions were unmodified (aka “clean”) except for Unemployment Insurance (UI) and Business Type Activities (BTA) opinions
<p><i>Note: During the 2020 audit, nothing came to our attention that would have prevented DCH from receiving unmodified opinions on entity-prepared financial statements/schedules.</i></p> <p><i>The eligibility section of the Medicaid program is considered as qualified due to the material weakness finding/deficiency noted during the audit.</i></p>	

Summary of Audit Results – Fiscal Year 2020



Findings

- 2 Financial Statement Findings
- 9 Federal Award Findings

2020 State of GA ACFR

Finding FS-419-20-01



Continue to Strengthen Financial Reporting Controls

Condition:

Our review of the financial information prepared by DCH revealed several errors. Some of the more significant items found were as follows:

- A proposed audit adjustment was made to correct a misclassification in the amount of \$119,635,081 between Assigned Fund Balance and Unassigned Fund Balance on the General Fund balance sheet.
- A proposed audit adjustment was made to correct a misclassification in the amount of \$898,564,305 between Cash and Cash Equivalents and Pooled Investments with the State Treasury as reported on the Statement of Net Position for the State Health Benefit Fund.
- Conflicting information was provided to support the cash held with fiscal agent balance associated with the State Health Benefit Plan; therefore, a judgmental uncorrected misstatement was noted for an understatement of cash and unearned revenue in the amount of \$8,124,820 for the State Health Benefit Fund as reported on the Statement of Net Position.

2020 State of GA ACFR

Finding FS-419-20-01



Continue to Strengthen Financial Reporting Controls (...continued)

- DCH personnel could not provide adequate supporting documentation for various receivables associated with the State Health Benefit Plan; therefore, a judgmental uncorrected misstatement was noted for an overstatement of Accounts Receivable in the amount of \$2,273,442 for the State Health Benefit Fund as reported on the Statement of Net Position.
- A proposed audit adjustment in the amount of \$508,277 was made to correct an overstatement of Other Receivables for the State Employees Other Post-Employment Benefits (OPEB) fund and an understatement for the School Personnel OPEB fund.
- DCH personnel could not provide adequate supporting documentation for various receivables associated with OPEB; therefore, a judgmental uncorrected misstatement was also noted for an overstatement of Other Receivables in the amount of \$3,494,719 for the State Employees OPEB fund and \$12,289,588 for the School Personnel OPEB fund as reported on the Combining Statement of Fiduciary Net Position.

In addition, we requested documentation to support each of DCH's allowance for doubtful accounts calculations for the State Health Benefit Fund, State Employees OPEB Fund, and School Personnel OPEB Fund. The DCH was unable to provide us with all of the documentation for its calculations; however, through other tests, we were able to substantiate the allowance for doubtful accounts calculations.

2020 State of GA ACFR

Finding FS-419-20-01



Continue to Strengthen Financial Reporting Controls (...continued)

Recommendation:

The DCH should strengthen controls over its financial closing and reporting processes by incorporating additional analyses and thorough reviews of information. Further, the DCH should continue to provide training to its staff that will aid in the prevention or timely detection and correction of errors in its accounting records. Additionally, DCH should take steps to ensure that all supporting documentation is maintained for its allowance for doubtful accounts calculations and any additional significant account balances.

2020 State of GA ACFR Finding FS-419-20-02 and FA-419-20-01



Continue to Strengthen Application Risk Management Program

Condition:

Our review of 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, since the prior fiscal year, 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:

On an annual basis, DCH obtains System and Organizational Controls Type II reports to review the operating effectiveness of the controls in place at various service organizations supporting the Medicaid program. Based on work performed, we noted DCH began an assessment of controls in place at the service organizations and the complimentary user entity controls expected to be established at DCH. This assessment is designed to determine whether controls are in place, operating effectively, and successfully mitigating DCH's risks.

2020 State of GA ACFR Finding FS-419-20-02 and FA-419-20-01



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

During the prior fiscal year, DCH completed an annual independent security controls assessment of the MMIS and also performed direct audits of its vendors and business associates to ensure their compliance with contractual obligations. However, these initiatives are centered only on MMIS and have not yet been expanded to include all relevant data processing applications for the Medicaid program.

Systems Security Plans:

During the current fiscal year, DCH drafted a system security plan for the automated data processing systems used to process claims and payments of Medicaid benefits; however, the plan has not been approved and formalized.

Policies and Procedures:

In response to our recommendation in the prior fiscal year, DCH began updating and developing information security policies and standard operating procedures to protect the entity's information assets and computing infrastructure; however, most of the policies and procedures have not been formalized.

2020 State of GA ACFR Finding FS-419-20-02 and FA-419-20-01



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 DCH will achieve its objectives in complying with operational, financial reporting, and compliance requirements. An effective risk management program should, at a minimum, address Risk Analysis, System Security Reviews, System Security Plans, and Information Security Policies and Procedures.

2020 State of GA Single Audit

Finding FA-419-20-02



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 completion of desk reviews and field audits for inpatient Medicaid providers, 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:

The DCH management should dedicate the necessary resources and execute their plan to revise the State Plan and contract with its third-party vendor and to ensure the required desk reviews, focus reviews, or field audits are performed in accordance with the current and/or revised State Plan.

2020 State of GA Single Audit

Finding FA-419-20-03



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 2020, DCH paid Medicaid benefits totaling \$69,553,146 for 663,566 claim 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 47 out of 60 SSI Ex Parte payments tested, we found that DFCS did not perform the required eligibility determinations prior to payments being made.

Recommendation:

The DCH/DHS management should dedicate the necessary resources and execute their plan to ensure that modifications are implemented appropriately within Georgia Gateway and GAMMIS to ensure that eligibility determinations for SSI Ex Parte members are performed in a timely manner. Specifically, management should continue to provide training to new hires as planned and strengthen oversight of the DFCS eligibility determinations for SSI Ex Parte members to make certain they are being performed as required. We also recommend management consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

2020 State of GA Single Audit

Finding FA-474-20-04



Improve Controls over Medicaid Eligibility Redeterminations

Condition:

Our audit of the Medicaid program revealed deficiencies in the performance of eligibility redeterminations for Non-Supplemental Security Income (SSI) Medicaid members. During the months of July 2019 through March 2020, DCH paid Medicaid benefits for Non-SSI members totaling \$4.9 billion for 28,217,072 claim transactions. We used a statistical sampling method to select a random sample of 67 Non-SSI Medicaid benefit payments from this population and tested the sample to determine if eligibility redeterminations were performed appropriately. We found that in one instance DFCS did not perform the required eligibility redetermination within the previous 12 months of the service period tested. While the eligibility redetermination was processed by DFCS in September 2020 after the error was discovered by auditors and the member remained eligible for future payments, the member was not eligible during the period under review and all payments made during this time were not allowable.

Recommendation:

The DCH/DHS management should ensure that annual redeterminations are performed in a timely manner and that each factor of the eligibility decision is adequately supported and verified according to federal requirements. The DCH/DHS management should make modifications to Gateway, if needed, to ensure the overdue renewal tasks functionality is working as intended. We also recommend that management consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

2020 State of GA Single Audit

Finding FA-419-20-05



Improve Controls over Medicaid Capitation Payments for Managed Care

Recipients

Condition:

Our audit of the Medicaid program revealed deficiencies in the capitation payments paid to CMOs for Managed Care members. Using data analytics, we found 41 million capitation payments paid to CMOs for Managed Care members totaling \$4 billion, and identified all claims with the same name and date of birth. Based upon this review, we isolated a population of 43 potential Medicaid ID numbers for Managed Care members that appear to have more than one Medicaid ID number or improper duplicate payments. Upon review of payments made to all 43 Managed Care members included in the population of potential duplicate payments, we found that DCH made duplicate payments to CMOs for 21 of the members reviewed.

2020 State of GA Single Audit

Finding FA-419-20-05



Improve Controls over Medicaid Capitation Payments for Managed Care Recipients (...continued)

Recommendation:

The DCH management should dedicate the necessary resources and execute their plan to ensure that modifications are implemented appropriately within GAMMIS to ensure duplicate capitation payments are not made to CMOs for Managed Care members. For periods prior to the implementation of policy and process changes, DCH should perform analytical procedures to identify potential duplicate payments made to CMOs. Additionally, DCH should investigate and recover funds for all overpayments.

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

2020 State of GA Single Audit

Finding FA-419-20-06



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 4,689 claims that were paid to providers for 1,825 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 five individually significant items to determine if the claims were for services provided before the date of death. We found that DCH made payments to providers for 27 Medicaid claims with service dates after the date of death resulting in overpayments in which the funds were not recouped.

2020 State of GA Single Audit

Finding FA-419-20-06



Improve Controls over Medicaid Payments after Date of Death (...continued)

Recommendation:

The DCH management should 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, 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, 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.

2020 State of GA Single Audit

Finding FA-419-20-07



Improve Controls over Medicaid Capitation Payments for Medicare Members

Condition:

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

Using data analytics, we identified a total of 3,087 potential capitation premium payments made on behalf of 764 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 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 DCH made improper payments to CMOs for all 60 Managed Care members tested and these funds were not recouped. Additionally, we noted for 48 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 CMOs. The DCH did discontinue paying the CMO after it received notification from Medicare of the member's eligibility; however, they did not recoup the payments made to the CMOs for the retroactive period of Medicare coverage. Furthermore, we noted that for 12 out of 60 members tested, improper payments continued to be made after Medicare notified DCH of the member's Medicare eligibility.

2020 State of GA Single Audit

Finding FA-419-20-07



Improve Controls over Medicaid Capitation Payments for Medicare Members (...continued)

Recommendation:

The DCH management should dedicate the necessary resources and execute their plan to ensure that modifications to retroactively recoup capitation payments from its CMOs 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, DCH should perform analytical procedures over Medicare effective dates for Managed Care members to determine whether capitation payments have been recouped. Additionally, 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.

2020 State of GA Single Audit

Finding FA-419-20-08



Improve Controls over Payments for Home and Community-Based Services

Condition:

Our audit of the Medicaid program revealed improper, simultaneous payments to Medicaid providers. Using computer-assisted auditing techniques, we identified a population of 49,100 claim payments disbursed to home and community-based service providers and institutional care providers for the same member with the same dates of service. We used a nonstatistical sampling method to select a random sample of 60 potential simultaneous payments from this population and tested the sample to determine if there were any improper payments. We found that DCH made six payments to providers for home and community-based services while members were either an inpatient in a hospital or in a long-term care facility, which resulted in overpayments totaling \$2,192.

Recommendation:

The DCH management should strengthen internal controls over home and community-based services payments to ensure improper payments are not made for Medicaid members. Specifically, the DCH should implement analytical procedures or system modifications to identify improper, simultaneous payments made for home and community-based services while members are in inpatient hospital or long-term care facilities. Additionally, we recommend the DCH consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

2020 State of GA Single Audit

Finding FA-419-20-09



Improve Controls over Medicaid Provider Eligibility

Condition:

Our audit of the Medicaid program revealed deficiencies in the operation of internal controls over the revalidation process for service providers and Care Management Organization (CMO) providers. We identified a total of 24,469 service providers and 2,576 CMO providers that received Medicaid payments during the fiscal year under review. From this population, a sample of 60 Medicaid service and CMO providers was selected for testing using a non-statistical sampling method. We found that the DCH did not perform the required revalidation process for one of the Medicaid service providers tested. DCH personnel determined that enrollment termination was not in the best interests of the Medicaid program, but no documented rationale for this decision was provided to the auditors.

In addition, during our audit, we became aware of approximately 10,700 providers who were not appropriately revalidated during the period of July 1, 2019 through February 29, 2020. Benefits payments totaling \$6,096,329 were made to 1,291 of these providers.

2020 State of GA Single Audit

Finding FA-419-20-09



Improve Controls over Medicaid Provider Eligibility (...continued)

Recommendation:

The DCH management should strengthen internal controls over eligibility determinations for Medicaid providers to ensure its policies and procedures are consistently enforced and operating effectively. Specifically, the management should incorporate additional oversight and perform thorough reviews of the eligibility revalidations for Medicaid providers to ensure eligibility revalidations are adequately documented and the required procedures are properly performed. Additionally, when termination of the providers is not in the best interests of the Medicaid program, such determination should include an appropriate rationale, be documented in writing, and be maintained on-file.

Status of Prior Year Financial Statement Findings



Finding	Status
FS-419-18-01 and FS-419-19-01 Improve Internal Controls over Claims Processing	This finding is related to controls over SHBP/OPEB benefit claims audits. This finding is considered resolved .
FS-419-18-02 and FS-419-19-02 Strengthen Financial Reporting Controls	This finding is related to controls over financial reporting. This finding is considered partially resolved (FS-419-20-01)

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

Status of Prior Year Federal Award Findings



Finding	Status
FA 419-19-02 Improve Controls over Inpatient Medicaid Payments	This finding is related to controls over inpatient hospital cost report audit requirements. This finding is considered partially resolved (FA-419-20-02)
FA-419-19-05 Improve Controls over Medicaid Capitation Payments	This finding is related to controls over capitation payments to CMOs for Mange-Care members. This finding is considered unresolved (FA-419-20-05)

Status of Prior Year Federal Award Findings



Finding	Status
FA 419-19-06 Improve Controls over Medicaid Payments	This finding is related to controls over improper payments to Medicaid providers after beneficiaries' deaths. This finding is considered partially resolved (FA-419-20-06)
FA-419-19-07 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 partially resolved (FA-419-20-07)

Looking Ahead



New/Upcoming GASB Pronouncements

GASB 95 – Postponement of the effective dates of the certain GASBs including listed below

GASB 87 – Leases (FY2022)

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period (FY2022)

GASB 92 - Omnibus 2020 (FY2022)

GASB 91 - Conduit Debt Obligations (FY2023)

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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