

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



**GEORGIA DEPARTMENT OF
COMMUNITY HEALTH**

June 30, 2010



Certified Public Accountants

A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS

**MAULDIN
& JENKINS**

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

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

June 30, 2010

CONTENTS

	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
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.....	4
Schedule of Findings and Questioned Costs	
Section I - Summary of Auditor's Results.....	8
Section II - Financial Statement Findings and Responses.....	9
Section III - Federal Awards Findings and Questioned Costs.....	13
Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards.....	22
Notes to Schedule of Expenditures of Federal Awards	25
Summary Schedule of Prior Year Findings and Questioned Costs	26

**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***



Certified Public Accountants

Tower Place, Suite 2600
3340 Peachtree Road, NE
Atlanta, Georgia 30326

404.264.1700 (T)
404.264.9968 (F)
WWW.METCALF-DAVIS.COM

A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS
AND MEMBERS OF THE
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



Gateway Plaza, Suite 300
300 Mulberry Street
Macon, Georgia 31201

478.464.8000 (T)
478.464.8051 (F)
WWW.MJCPA.COM

**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 Clyde L. Reese, III, Esquire, 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, 2010, which collectively comprise the Department of Community Health's basic financial statements and have issued our report thereon dated December 6, 2010. 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs, number FS 10-01, to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs, numbers FS 10-02 and FS 10-03, to be significant deficiencies.

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 December 6, 2010.

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 *Maudlin & Tatham*

Atlanta, Georgia
December 6, 2010

**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**



Certified Public Accountants

Tower Place, Suite 2600
3340 Peachtree Road, NE
Atlanta, Georgia 30326

404.264.1700 (T)
404.264.9968 (F)
WWW.METCALF-DAVIS.COM

A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS
AND MEMBERS OF THE
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



Gateway Plaza, Suite 300
300 Mulberry Street
Macon, Georgia 31201

478.464.8000 (T)
478.464.8051 (F)
WWW.MJCPA.COM

**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 Clyde L. Reese, III, Esquire, 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, 2010. 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, 2010. 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 10-01, SA 10-02, SA 10-03, SA 10-04, SA 10-05, and SA 10-06.

Internal Control over Compliance

The 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 that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA 10-01, SA 10-02, SA 10-03, SA 10-04, SA 10-05, and SA 10-06. 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, 2010, and have issued our report thereon dated December 6, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. 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 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 Maudlin & Testani

Atlanta, Georgia
December 6, 2010

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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
84.181 and 84.393	Early Intervention Services Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

Dollar threshold used to distinguish between Type A and Type B programs: \$ 20,575,108

Auditee qualified as low-risk auditee? yes X No



SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

Section II
Financial Statement Findings and Responses

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.

Context: The initial UPL estimate for inpatient and outpatient services was overstated as a result of using the incorrect UPL state plan provisions in the calculation. The Department of Community Health subsequently determined the amount of the overstatement and made adjustments to the June 30, 2010 financial statements to reflect this correction.

Effect: The total dollar value of the initial UPL estimate for payments was overstated by approximately \$79 million, and the intergovernmental revenues from the federal government were overstated by approximately \$59 million, prior to making the adjustments to reflect the correction.

Cause: The failure to use the correct information in the calculation was due to erroneous information provided from one division within the Department of Community Health to the division responsible for preparing the financial statements. This was not identified when the financial statements were being prepared due to the lack of an adequate detailed review and approval process.

Recommendation: Management should develop procedures to review its UPL estimates and calculations to ensure the amounts recorded in the Department of Community Health's financial statements are properly supported, reviewed and represent management's best estimates. This process should include a detailed review of supporting documentation to ensure the data used in calculating the estimate is reasonable, accurate and in accordance with the applicable UPL state plan.

Auditee's Response: We concur. On November 19, 2010, Reimbursement Services initiated discussions with the Department of Audits and Accounts (DOAA) to provide support and data validation for all hospital, nursing home and physician UPL payments. The DOAA review will precede submission of sample calculations to Centers for Medicare & Medicaid Services (CMS). The DOAA review will include verification of source data used in the various UPL calculations.

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.

Context: Upper level management did not have the opportunity to review the renegotiated terms.

Effect: Internal controls in place over provider receivable repayment terms were overridden and not filtered through the proper channels of internal control established by the Department of Community Health.

Cause: Due to a lack of cash flow at the provider, repayment terms were renegotiated informally as a means to quickly provide relief to the provider.

Recommendation: We understand cash flow situations for certain providers may often necessitate management to move quickly to modify repayment terms. However, management should not override the system of controls which govern requests for extended payment without an appropriate review and approval process. In the event that terms of an existing agreement must be modified, we recommend management follow the established policies and procedures for formally documenting and approving a request for extended

repayment or develop an emergency review and approval process for unusual transactions.

Auditee's Response: We concur with this finding and agree that a formally documented procedure using the Extended Repayment Plan (ERP) forms and processes should be implemented for all changes in the recoupment process resulting from negotiations between Department of Community Health staff and the affected providers. This is currently being done and we believe Miller County Hospital is the one (1) exception due to the date of the original transaction and the complexity of the recoupment process in this case.

In March 2008, the Chief Financial Officer granted a reduced level of recoupment to Miller County Hospital and communicated the instructions to the Benefit Recovery Unit via email. The Miller County Hospital recoupment is further complicated by credits made to their recoupment in the form of substantial amounts owed to Miller County Hospital resulting from previous Rural Health Clinic underpayments. We also agree that decisions regarding credits to accounts receivable from repayments to providers should be documented through the ERP process.

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.

Context: In two (2) out of twenty (20) instances, management was unable to provide us with a service auditor report for its key business processes. In addition, several of the business owners did not provide us with 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.

Effect: If the Department of Community Health does not obtain service auditor reports on its key processes it may be unaware of changes in the controls at the service organization that could cause transactions to be processed incorrectly. This could affect the amounts and disclosures in the financial statements.

Cause: After repeated attempts, the Department of Community Health was not able to obtain the respective service auditor reports in an effort to monitor the outsourced parties' key internal control systems.

Recommendation: The Department of Community Health should ensure that the business owners for the key outsourced processes obtain service auditor reports on a yearly basis. Management should review the opinion of the service auditor and review the contents of the report for any deviations noted by the service auditor in testing. Further, the business owner should ensure that appropriate user controls are in place to detect and correct any errors that might occur at the service organization.

Auditee's Response: The Department of Community Health acknowledges the importance of obtaining timely service auditor reports and understands the need for the joint venture auditors to raise their concerns in this area.

Service auditor reports fully covering the audit period were not available for two (2) organizations, i.e., Bank of America and Wachovia. The Department of Community Health shares SAS 70 reports with the auditors as soon as the Department of Community Health is physically able to share the reports, and we expect to receive a Type 2 SAS 70 report from Bank of America by 'mid-December' per bank representatives. Because the target audit report delivery date precedes mid-December, the Department of Community Health requested Bank of America to ask its SAS 70 auditor to discuss the process with the joint venture team. As of this date (November 30), we are still awaiting follow-up communication from Bank of America. Despite the Department of Community Health's desire to obtain these reports, it should be noted that the Department of Community Health has no control over the banks' SAS 70 reporting, does not select its own banking service providers and does not set or negotiate the State of Georgia's terms of agreement.

The Department of Community Health requires SAS 70 Type 2 reporting from a large number of vendors who contract directly with the Department of Community Health, monitors their content of those reports, and requires corrective action when needed. Examples include ACS (Medicaid Management Information System), WellCare (Care Management Organization), PSI (State Children's Health Improvement Program), and Goold (drug rebates). The Department of Community Health also insisted that the last ACS SAS 70 cover the period through October 31, 2010 with Hewlett Packard's first SAS 70 covering the period beginning November 1, 2010 to ensure complete coverage by organizations responsible for operating the department's Medicaid Management Information System (MMIS).

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SECTION III
Federal Awards Findings and Questioned Costs

SA 10-01 Upper Payment Limit Calculation

*Federal Program
Information:*

CFDA Nos. 93.775, 93.776, 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. 05-0905GA5028, 05-0805GA5028, 05-0905GA5048,
05-0805GA5048, 05-0905GAARRA, 05-0905NCMDSH, 05-1005GAHITA,
05-1005GAARRA, 05-1005GA5MAP and 05-1005GA5ADM
Fiscal Year 2010

Criteria: See Financial Audit Finding FS 10-01.

Condition: See Financial Audit Finding FS 10-01.

Questioned Cost: None.

Context: See Financial Audit Finding FS 10-01.

Effect: See Financial Audit Finding FS 10-01.

Cause: See Financial Audit Finding FS 10-01.

Recommendation: See Financial Audit Finding FS 10-01.

Auditee's Response: See Financial Audit Finding FS 10-01.

SA 10-02 Verification and Documentation of Eligibility

Federal Program Information:

CFDA Nos. 93.775, 93.776, 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. 05-0905GA5028, 05-0805GA5028, 05-0905GA5048, 05-0805GA5048, 05-0905GAARRA, 05-0905NCMDSH, 05-1005GAHITA, 05-1005GAARRA, 05-1005GA5MAP and 05-1005GA5ADM
Fiscal Year 2010

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.

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

payments if documentation of their eligibility status is incomplete or inadequate.

Effect: An indeterminate number of participants maybe 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 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: We concur with this finding and acknowledge 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 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 reports 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. 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 10-03 Matching of Allowable Expenditures

*Federal Program
Information:*

CFDA No. 93.767
Children's Health Insurance Program (CHIP)
U.S. Department of Health and Human Services
Grant Award Nos. 05-0905GA5021 and 05-1005GA5021
Fiscal Year 2010

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.

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. We recognize and acknowledge the need to enhance the review of payments to ensure the correct FMAP rate is used in calculating the federal and state portion of CHIP administrative expenses.

A procedure will be implemented to have the Accounts Payable Manager review and reconcile the CHIP accounts on a quarterly basis to ensure that the correct FMAP rate and any applicable enhanced rates are in compliance with CMS.

SA 10-04 Subrecipient Monitoring

Federal Program Information:

CFDA No. 93.069
Public Health Emergency Preparedness
U.S. Department of Health and Human Services
Grant Award Nos. 1H75TP000384-01, 3H75TP000384-01W1,
5U90TP417013-09, 5U90TP417013-10, 1U90TP000155-01 and
6U90TP000155-02
Fiscal Year 2010

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.

Questioned Cost: None

Context: The lack of oversight of the emergency preparedness activities was caused in part by the reporting requirements associated with the H1N1 program. Department of Community Health personnel did not perform any site visits or internal audits to monitor subrecipient compliance with the master agreements, grant in aid annexes or other program requirements. The subrecipients were also not monitored via quarterly reporting during fiscal year 2010. Additionally, we noted the Department of Community Health considered the requirement of the subrecipients to be independently audited under OMB Circular A-133 as an effective control.

Effect: An indeterminate number of subrecipients are not being monitored to ensure federal funds are being spent in accordance with the terms of the grants.

Cause: The Department of Community Health does not have an adequate monitoring process in place over their subrecipients.

Recommendation: The Department of Community Health should improve the subrecipient monitoring process in place over the PHEP program.

Auditee's Response: We concur with this finding and agree that quarterly reporting was not prepared as required by the original Grant-in-Aid Annex (GIA) for the fiscal year 2010 PHEP grant. Both the Director of the Office of Emergency Preparedness and the Public Health Grants Manager resigned from their positions in February 2009 with minimal notice. The Acting Director of the Office of Emergency Preparedness worked diligently to assume full management of PHEP grant activities, but the transition was challenging and the requirement for quarterly reports as a component of subrecipient monitoring was overlooked.

A new GIA was developed for the new grant cycle (still in fiscal year 2010), which included quarterly reports. Shortly after the GIA was published, the Centers for Disease Control and Prevention's (CDC) H1N1 funding was released, which required intensive monthly reports. We used the experiences of the H1N1 monthly reports to provide the basis for a more instructive and prescriptive GIA for fiscal year 2011.

In addition to the re-implementation of quarterly reports, the Department of Community Health plans to do site visits beginning in January 2011 as an additional component of subrecipient monitoring. This will allow the districts the opportunity to complete newly formatted work plans and quarterly reports, which will be reviewed during the site visits.

SA 10-05 Controls Over Emergency Preparedness Administrative Expenses

Federal Program Information:

CFDA No. 93.069
Public Health Emergency Preparedness
U.S. Department of Health and Human Services
Grant Award Nos. 1H75TP000384-01, 3H75TP000384-01W1,
5U90TP417013-09, 5U90TP417013-10, 1U90TP000155-01 and
6U90TP000155-02
Fiscal Year 2010

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.

Questioned Cost: None

Context: There was no evidence one (1) expenditure in a sample of sixty (60) was appropriately reviewed and approved by program staff 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 of PHEP administrative expenses.

Auditee's Response: We concur with this finding. The audit found that one (1) out of sixty (60) expenditures was not approved by the Division of Emergency Preparedness and Response (DEPR). This occurred because the Public Health Lab personnel were not initially made aware, following the transition of the Division of Public Health from the Department of Human Resources (DHR)

to the Department of Community Health, that expenses had to go through the funding programs for review and approval.

Shortly after transition from DHR to the Department of Community Health, leadership in the DEPR recognized that expenditure forms from the Public Health Lab were not being sent to DEPR for review and approval prior to being sent to Financial Management for payment. The Division of Public Health now sends all expenditure requests paid by the PHEP grant through DEPR to ensure program funds are documented and used appropriately.

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

Federal Program Information:

CFDA No. 93.069
Public Health Emergency Preparedness
U.S. Department of Health and Human Services
Grant Award Nos. 1H75TP000384-01, 3H75TP000384-01W1,
5U90TP417013-09, 5U90TP417013-10, 1U90TP000155-01 and
6U90TP000155-02
Fiscal Year 2010

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.

Questioned Cost:

None.

Context:

There was inadequate documentation for the amounts reported as Maintenance of Funding in PERFORMS and the PHEP program had inadequate procedures in place to consistently distinguish between and separately account for amounts used to meet MOF requirements for the PHEP program.

Effect: The Department of Community Health may not be meeting its MOF requirements for the PHEP program because it is not appropriately distinguishing between, separately accounting for, and adequately documenting the amounts used to meet these requirements.

Cause: The Department of Community Health has inadequate policies and procedures in place to consistently distinguish between, separately account for and adequately document the non-federal amounts used to meet MOF requirements for the PHEP program.

Recommendation: The Department of Community Health should improve policies and procedures in place to consistently distinguish between, separately account for and adequately document the non-federal amounts used to meet MOF requirements.

Auditee's Response: We concur with this finding and agree there was confusion on the part of staff regarding the different requirements for MOF. The support documentation for MOF is not in PERFORMS, the CDC's on-line grant management software. It is not required by CDC to attach any documents related to MOF into the PERFORMS grant submission section. However, the MOF is being achieved through both district in-kind services and state legislatively appropriated funds and is documented by organization code/number in PeopleSoft. Therefore, upon request by CDC, the organizational code/number can be queried and the funds identified, including district in-kind services.

Staff have a clearer understanding of the requirements for documentation and tracking, and have taken steps to put into place procedures to consistently distinguish between, separately account for and adequately document the non-federal amounts used to meet MOF requirements.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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	\$ 2,204,565
Medical Assistance Program	93.778	5,352,016,632
ARRA - Medical Assistance Program	93.778	<u>727,038,669</u>
		<u>\$ 6,081,259,866</u>
Immunization Cluster:		
Immunization	93.268	\$ 112,830,404
ARRA - Immunization	93.712	<u>2,931,765</u>
		<u>\$ 115,762,169</u>
HLTH CTR/Migrant Health	93.224	<u>\$ 2,163,044</u>
State and Territorial and Technical Assistance Capacity	93.006	<u>\$ 196,021</u>
Primary Care Services - Resource Coordination and Development	93.130	<u>\$ 220,072</u>
Medicaid Transformation Grants	93.793	<u>\$ 122,571</u>
State Rural Hospital Flexibility Program	93.241	<u>\$ 511,050</u>
State Children's Healthcare Insurance Program	93.767	<u>\$ 228,395,941</u>
Grants to States for Operation of Offices of Rural Health	93.913	<u>\$ 197,090</u>
CMS Research Demonstrations and Evaluations	93.779	<u>\$ 6,968,232</u>
Small Rural Hospital Improvements	93.301	<u>\$ 689,181</u>
Alternate NonEmergency Services Provider	93.790	<u>\$ 1,716,713</u>
ARRA -Service Health Center	93.703	<u>\$ 378,750</u>
Research on Healthcare Costs, Quality and Outcomes	93.226	<u>\$ 538,422</u>
Health Program for Toxic Substances and Disease Registry	93.161	<u>\$ 46,553</u>
State Capacity Building	93.240	<u>\$ 142,582</u>
Public Health Emergency Preparedness	93.069	<u>\$ 28,571,194</u>
Environmental Public Health and Emergency Response	93.070	<u>\$ 239,964</u>
Project Grants and Cooperative Agreements for Tuberculosis		
Control Programs	93.116	<u>\$ 2,939,271</u>
Injury Prevention and Control Research and State and Community		
Based Programs	93.136	<u>\$ 1,126,419</u>
Childhood Lead Poisoning Prevention Projects - State and Local		
Childhood Lead Poisoning Prevention and Surveillance of Blood		
Lead Levels in Children	93.197	<u>\$ 350,935</u>
Centers for Disease Control and Prevention - Investigations and		
Technical Assistance	93.251	<u>\$ 94,963</u>

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, 2010

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Preventing Healthcare - Associated Infections	93.717	\$ 51,756
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	\$ 14,049
HIV Prevention Activities - Health Department Based	93.940	\$ 8,160,981
HIV Demonstration, Research, Public and Professional Education Projects	93.941	\$ 73,413
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	\$ 983,683
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	\$ 134,073
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	\$ 4,269,205
Preventive Health and Health Services Block Grant	93.991	\$ 3,269,814
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	\$ 357,356
Medicare - Hospital Insurance	93.773	\$ 4,191,628
Emergency Medical Services for Children	93.127	\$ 72,653
ARRA - State Loan Repayment Program	93.402	\$ 75,000
HIV Care Formula Grants	93.917	\$ 36,097,217
Maternal and Child Health Services Block Grants to the States	93.994	\$ 14,210,496
Maternal and Child Health Federal Consolidated Programs	93.110	\$ 139,704
Cancer Treatment Research	93.395	\$ 61,227
Family Planning - Services	93.217	\$ 8,394,373
Emergency System for Advance Registration of Volunteer Health Professionals	93.089	\$ 6,916
ARRA - State Grants to Promote Health Information Technology	93.719	\$ 86,091
National Bioterrorism Hospital Preparedness Program	93.889	\$ 11,901,602
Prevention and Wellness-State, Territories and Pacific Islands ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	\$ 475
Total U.S. Department of Health and Human Services		\$ 6,577,281,310

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, 2010

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Human Services, Department of		
Refugee and Entrant Assistance - State Administered Programs	93.566	\$ 5,468,099
Refugee and Entrant Assistance - Discretionary Grants	93.576	139,670
Temporary Assistance for Needy Families	93.558	<u>13,998,941</u>
Total Department of Human Services		\$ <u>19,606,710</u>
Agriculture, U. S. Department of		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 244,730,382</u>
Education, U. S. Department of		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants for Infants and Families	84.181	\$ 15,155,325
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	<u>759,265</u>
		<u>\$ 15,914,590</u>
Transportation, U. S. Department of		
Georgia Highway Safety, Office of		
State and Community Highway Safety	20.600	<u>\$ 836,310</u>
Total Expenditures of Federal Awards		\$ <u>6,858,369,302</u>

The accompanying notes are an integral part of this schedule.

Department of Community Health

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2010

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, 2010.

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

Part 1: Summary Schedule of Prior Year Findings and Questioned Costs Reported for the Georgia Department of Community Health

FS 09-01 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: During the performance of our annual audit procedures, we obtained UPL calculations that were performed twice during fiscal year 2009, one for first and second quarter and the other for third and fourth quarter. Through examination of the UPL calculations we noted that all second, third and fourth quarter calculations for nursing homes had been performed incorrectly, which led to underpayments of UPL, and an understatement of the respective assets and liabilities associated with this calculation.

***Auditee Response/
Status:***

Unresolved: See current year finding FS 10-01 for status of the Upper Payment Limit Calculation.

FS 09-02 Reserve for Encumbrances, Accounts Payable and Other Accruals, and Federal Receivables

Criteria: The Department of Community Health's management is responsible for accurately reporting reservations of fund balance which would include a reserve for any encumbrances at year end. A reserve for encumbrance exists when a commitment resulting from a contract, purchase order, salary agreement, travel claim or other such commitment remains unsatisfied and the delivery of goods or services and the related expenditure will occur after year end. Encumbered funds may be released when no further transactions will be forthcoming or are pending related to an encumbrance.

Further, the Department of Community Health's management is responsible for ensuring costs associated with payment obligations are recorded promptly when incurred and measurable, and reported accurately in the schedule of expenditures of federal awards as well as the financial statements. 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. Additionally, management is responsible for consistently applying adequate review and approval controls over all disbursements made by the Department of Community Health as well as compliance with all terms of contractual agreements where the Department of Community Health is a party to the agreement.

Finally, an accounts receivable is typically calculated and recorded when the Department of Community Health determines benefits have been paid or are payable. The Department of Community Health's management is responsible for recognizing and recording revenues and accounts receivable associated with these benefits.

Condition:

This is a modification and partial repeat of finding FS 08-01 from the year ended June 30, 2008.

During our auditing procedures, we noted management originally encumbered a dollar amount related to a specific purchase order which resulted from a contractual agreement with another agency of the State of Georgia. As the Department of Community Health applied payments to this purchase order, it became apparent the encumbrance was insufficient to fully fund the related projects set forth in the contract. As a result, the Department of Community Health utilized an alternative control whereby a journal voucher was created for the estimated remaining liability related to the delivery of goods and services provided under the contract agreement. The Department of Community Health applied approximately \$16 million to the journal voucher and ultimately released approximately \$4 million of the remaining encumbered from the original purchase order. However, due to the nature of the agreement and the use of the journal voucher, management was unable to determine in a timely manner using adequate monitoring controls if the costs associated with the contract were in excess of the contract's 'not-to-exceed' amount.

Our procedures also noted two encumbered purchase orders within the reserve for encumbrances for which no further transactions would be forthcoming or pending at June 30, 2009. Management of the responsible division had not notified the Department of Community Health's Financial Services division that amounts should be released.

Management of the Department of Community Health provided a detail listing of liabilities supporting the accounts payable and other accruals reported by the Department of Community Health at June 30, 2009. 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. Additionally, we noted certain payments to hospital authorities which were supported by documents provided by another department of the State of Georgia which lacked evidence of adequate controls relating to the review and approval by employees of the Department of Community Health.

Management also provided a reconciliation of intergovernmental revenues and receivables from the federal government as of and for the year ended June 30, 2009. Due to the nature of the previously discussed adjustments to the detail listing of liabilities supporting the accounts payable and other accruals, significant adjustments were required to be recorded to properly recognize intergovernmental revenues and receivables from the federal government at year end.

*Auditee Response/
Status:* Resolved.

FS 09-03 Journal Entries

Criteria: The Department of Community Health is responsible for maintaining adequate and effective internal controls over the journal entry process to prevent or detect material misstatements and ensure accurate reporting of financial data.

Condition: During our testing of the journal entry process, we noted two (2) instances, in a sample of twenty-two (22) financial statement preparation entries, which did not have documented approval or adequate supporting documentation. In addition, we noted the individual who assists in the preparation of the financial statements was able to create and post financial statement entries with no documented review or approval by another individual.

*Auditee Response/
Status:* Resolved.

SA 09-01 Upper Payment Limit Calculation

Criteria: See Financial Audit Finding FS 09-01.

Condition: See Financial Audit Finding FS 09-01.

*Auditee Response/
Status:* See Financial Audit Finding FS 09-01.

SA 09-02 Reserve for Encumbrances, Accounts Payable and Other Accruals

Criteria: See Financial Audit Finding FS 09-02.

Condition: See Financial Audit Finding FS 09-02.

*Auditee Response/
Status:* See Financial Audit Finding FS 09-02

SA 09-03 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 the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is also 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 08-01 from the year ended June 30, 2008. The Department of Community Health has contracted with the Department of Human Resources' Division of Family and Children Services (DFCS) to provide enrollment and monitoring services for Medicaid members. During fieldwork, we noted nine (9) instances in a sample of sixty (60) of Medicaid recipients whose eligibility was not properly documented. Those nine instances were as follows:

1. One (1) case file was not able to be located.
2. Additional volumes of two (2) case files were not able to be located.
3. Five (5) case files did not contain evidence that eligibility was recertified in accordance with the policies and procedures in place.
4. One (1) case file did not contain acceptable verification of income.

*Auditee Response/
Status:* Unresolved: See current year finding SA 10-02 for status of the verification and documentation of eligibility.

SA 09-04 Matching of Allowable Expenditures

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

Condition: 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 rate for federal fiscal year (FFY) 2009 is 75.14 percent and the Enhanced FMAP rate for FFY 2008 is 74.17 percent. During fieldwork, we noted five (5) instances in a sample of forty (40) CHIP administrative expenditures in which an incorrect federal matching rate was applied. Those five instances were as follows:

1. One (1) expenditure was incorrectly matched at the prior year enhanced FMAP rate based on the date of the expenditure.
2. 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 10-03 for status of the matching of allowable expenditures.

Part 2: Summary Schedule of Prior Year Findings and Questioned Costs Reported for the Georgia Department of Human Resources on Programs Transitioned to the Department of Community Health Effective July 1, 2009

FA-427-09-07 Period of Availability of Federal Funds

Criteria: The Georgia Department of Audits and Accounts examination included a review of expenditures charged to the Special Supplemental Program for Women, Infants, and Children (WIC). Initial testing of expenditures from periods 4 through 11 revealed a total of seven (7) transactions which were erroneously charged outside the period of availability. When these errors were presented to the Department of Human Resources (DHR), DHR stated that the expenditures actually belonged to fiscal year 2010, and they were re-rated into the correct fund source. During period 12 testing, another four (4) transactions were found to be outside the period of availability.

Condition: Per the Code of Federal Regulations: 'Liquidation of obligation. A grantee must liquidate all obligations incurred under the award not later than 90 days

after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee'.

Auditee Response/

Status: Resolved.

FA-427-09-12 Subrecipient Monitoring

Criteria:

As part of federal compliance audit work performed for WIC, the Georgia Department of Audits and Accounts obtained the required OMB Circular A-133 audit reports for the lead counties within the eighteen (18) public health districts designated as subrecipients of WIC federal dollars. Of the eighteen (18) lead counties, one (1), Fulton County, had not submitted the required audit report for the fiscal year ended June 30, 2008 as of July 2009. Further, Fulton County had just submitted the audit report for fiscal year ended June 30, 2007 in February 2009.

In addition, DHR failed to take appropriate action (using sanctions) toward Fulton County for its continued inability to have the required audits submitted within the allotted time period.

Condition:

Per the OMB Compliance Supplement:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate actions using sanctions.

Auditee Response/

Status: Resolved.

