

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



**GEORGIA DEPARTMENT OF
COMMUNITY HEALTH**

June 30, 2013



A JOINT VENTURE OF
CERTIFIED PUBLIC ACCOUNTING FIRMS



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

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

June 30, 2013

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**Independent Auditor's 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, Commissioner
State of Georgia's Department of Community Health

We have audited, in accordance with the 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, 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 (Department of Community Health), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department of Community Health's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Community Health's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Community Health's financial statements are free from 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*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Metcalf Davis

Maudlin E. Jesperson

Atlanta, Georgia
November 18, 2013



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**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133**

The Honorable Clyde L. Reese III, Commissioner
State of Georgia's Department of Community Health

Report on Compliance for Each Major Federal Program

We have audited State of Georgia's Department of Community Health's (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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department of Community Health's major federal programs based on our audit of the types of compliance requirements referred to above. 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 federal 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 as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department of Community Health's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department of Community Health complied, in all material respects, with the types of compliance 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 13-01, SA 13-02, SA 13-03 and SA 13-04. Our opinion on each major federal program is not modified with respect to these matters.

The Department of Community Health's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department of Community Health's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Department of Community Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department of Community Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items SA 13-01, SA 13-02, SA 13-03 and SA 13-04, that we consider to be significant deficiencies.

The Department of Community Health's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department of Community Health's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the Department of Community Health's basic financial statements. We issued our report thereon dated November 18, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Metcalf Davis

Maudlin & Tealman

Atlanta, Georgia
November 18, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X 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 Unmodified

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, 93.720 and 93.778	Medicaid Cluster
93.791	Money Follows the Person Rebalancing Demonstration

Dollar threshold used to distinguish between Type A and Type B programs: \$19,261,852

Auditee qualified as low-risk auditee? Yes X No

SECTION II
Financial Statement Findings and Responses

There are no financial statement findings for the year ended June 30, 2013.

SECTION III
Federal Awards Findings and Questioned Costs

SA 13-01 Verification and Documentation of Medicaid Eligibility
(Substantial Repeat of Prior Year Finding SA 12-02)

Federal Program
Information:

CFDA Nos. 93.777, 93.720 and 93.778

Medicaid Cluster:

State Survey and Certification of Healthcare Providers and Suppliers
(Title XVIII) Medicare; and,

ARRA – State Survey and Certification Ambulatory Surgical Center
Healthcare Associated Infection (ASC-HAI) Prevention Initiative; and
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services

Grant Award Nos. 05-1205GA5MAP, 05-1205GA5ADM,
05-1305GA5MAP, 05-1305GA5ADM

Fiscal Year 2013

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 (CMS). The Department of Community Health is responsible for determining that all recipients meet prescribed eligibility requirements and ensuring those requirements are appropriately documented.

Condition:

This is a modification and a substantial repeat of finding SA 12-02 from the year ended June 30, 2012.

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 six recipients’ files in a sample of 60 Medicaid recipients whose eligibility was not properly

documented. Those six files included the following documentation deficiencies:

- a) Three case files contained limited information or could not be located;
- b) Two case files did not contain a signed application; and
- c) One case file did not contain evidence that eligibility was recertified in a timely manner.

Questioned Cost: None

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

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

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

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

Auditee's Response: The Department of Community Health concurs with these findings and acknowledges the importance of ensuring all State and Federal requirements for member eligibility documentation are followed properly.

The Department of Community Health implemented a Program Improvement Plan (PIP) on March 12, 2010. The PIP requires DFCS to remedy areas of deficiencies such as proof of recertification of eligibility, missing applications and documentation. The Department of Community Health and DFCS management staff meets quarterly to discuss and review progress towards improving the deficiencies.

The Department of Community Health Medicaid Eligibility Quality Control (MEQC) staff read random selected cases at a volume of 400 per month. In addition, the MEQC staff review 100 closed cases and 150 newborn cases each review month. The findings from these reviews are shared with DFCS for inclusion in their PIP planning and field trainings.

The Department of Community Health MEQC staff identified missing information such as: case records; applications; recertification; and, verification continue to be an issue with DFCS as part of their MEQC pilot. DFCS implemented a Document Imaging system in January 2013 to maintain records electronically with full implementation scheduled for December 2013. In addition to this electronic enhancement the Department of Community Health will require DFCS to create a corrective action plan for the counties that have been determined by State Audit and MEQC reviews to have missing records or information. The progress will be monitored by DFCS state office and reported on at the quarterly PIP meeting.

**SA 13-02 Controls Over Money Follows the Person Eligibility Determination
(Substantial Repeat of Prior Year Finding SA 12-05)**

*Federal Program
Information:*

CFDA No. 93.791

Money Follows the Person Rebalancing Demonstration

U.S. Department of Health and Human Services

Grant Award No. 1LICMS030163-01-06, 1LICMS030163-01-07 and
1LICMS030163-01-08

Fiscal Year 2013

Criteria:

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

Condition:

The Department of Community Health has contracted with the Georgia Department of Human Services' Division of Aging Services (DAS) and the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD) to provide enrollment and monitoring services for MFP participants. During fieldwork we noted 28 participant files in a sample of 60 MFP participants whose eligibility was not properly documented in accordance with departmental procedures. Those 28 files included the following documentation deficiencies:

- a) Of the files tested 16 participants did not contain a MFP Transition Screening Form;
- b) Of the files tested 18 participants did not contain form Division of Medical Assistance (DMA) 6/Level of Care;
- c) Three participant files did not contain a Discharge Day Checklist;

- d) Seven participant files did not contain form DMA 59/*Authorization for Nursing Facility Reimbursement*; and
- e) Nine participant files did not contain a Medical Assistance Only (MAO)/Communicator.

Questioned Cost: None

Context: Without adherence to the Department of Community Health's policies and procedures in place to determine and document MFP eligibility, participants in the MFP may not be eligible to receive benefits.

Effect: An indeterminate number of participants are inadequately documented in accordance with departmental policy and procedures to demonstrate eligibility for the MFP program. The monetary effect is that federal funds used to fund the MFP program may be used to provide benefits for participants who are not eligible for the program.

Cause: The Department of Community Health initiated a monitoring process to review eligibility determinations made by DAS and DBHDD in April 2013, but the Department did not have an adequate monitoring process in place for the entire fiscal year. In addition, the Department of Community Health did not obtain from DAS and DBHDD all of the appropriate eligibility and enrollment documentation for MFP participants in accordance with departmental policy and procedures.

Recommendation: The Department of Community Health should continue the implemented eligibility determination review process to ensure that DAS and DBHDD are appropriately determining participant MFP eligibility in accordance with federal and departmental guidelines. In addition, the Department should improve the procedures for monitoring the participant file documentation received from DAS and DBHDD to ensure that all appropriate documents are received.

Auditee's Response: The Department of Community Health concurs with these findings. The Department further acknowledges the responsibility of ensuring federal funds made available through the MFP program are used to reimburse services provided only to eligible recipients where such eligibility can be verified through required documentation in the participant's record.

DCH implemented a Program Improvement Plan in April 2013. The PIP requires MFP staff to conduct periodic Transition Coordination record reviews around the state. The results of the findings are made available to all Transition Coordination offices to educate about and reinforce the importance of required document retention.

In response to this recurring finding, MFP program staff will immediately institute an expanded Eligibility Verification Process to support the expectation that all MFP eligible participants have the appropriate documents in their files as outlined by CMS and described in the State of Georgia MFP Policies and Procedures Manual. This process requires a documentation verification protocol be employed each month as part of the invoice approval process. No invoice will be paid until all required documents are verified as received and complete. Additionally as part of this process, because there are differences in the list of required documents associated with each target population and/or specific waiver enrollment, MFP program staff will update the State of Georgia MFP Policies and Procedures Manual accordingly.

**SA 13-03 Matching of Allowable Expenditures for the
State Children's Health Insurance Program
(Substantial Repeat of Prior Year Finding SA 12-04)**

*Federal Program
Information:*

CFDA No. 93.767

State Children's Health Insurance Program

U.S. Department of Health and Human Services

Grant Award Nos. 05-1205GA5021 and 05-1305GA5021

Fiscal Year 2013

Criteria:

The Department of Community Health is responsible for administering the State Children's Health Insurance Program (CHIP). CHIP is overseen by the U.S. Department of Health and Human Services through the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is responsible for matching federal program expenditures at the federally determined rate.

Condition:

This is a modification and substantial repeat of finding SA 12-04 from the year ended June 30, 2012.

The state matching rate for its CHIP expenditures is determined in accordance with the federal matching rate for such expenditures, referred to as enhanced Federal Medical Assistance Percentage (Enhanced FMAP). The Enhanced FMAP for federal fiscal year (FFY) 2013 is 75.89 percent and the Enhanced FMAP for FFY 2012 is 76.31 percent. During fieldwork, we noted two instances in a sample of 51 CHIP administrative expenditures in which incorrect federal matching rates were used. Those two instances were as follows:

- a) One expenditure was incorrectly matched at the FFY 2012 Enhanced FMAP (76.31 percent) based on the date of the expenditure; and
- b) One expenditure was 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. A process and procedure to monitor the Enhanced FMAP rate used for CHIP expenses has been implemented that requires accounting and budget staff to validate the coding of the payments. Also, if an error is discovered when the monthly reports are run to validate the accuracy of coding of the CHIP expenses processed, immediate action will be taken to correct those errors in PeopleSoft prior to the close of the next month.

SA 13-04 Surveys to Monitor Facility Compliance with Provider Health and Safety Standards

Federal Program Information:

CFDA Nos. 93.777, 93.720 and 93.778

Medicaid Cluster:

State Survey and Certification of Healthcare Providers and Suppliers
(Title XVIII) Medicare; and,

ARRA – State Survey and Certification Ambulatory Surgical Center
Healthcare Associated Infection (ASC-HAI) Prevention Initiative; and

Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services

Grant Award Nos. 05-1205GA5MAP, 05-1205GA5ADM,
05-1305GA5MAP, 05-1305GA5ADM

Fiscal Year 2013

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 (CMS). The Department of Community Health's Healthcare Facility Regulation Division functions as the State Survey Agency (SSA) for the State of Georgia to perform surveys (i.e. inspections) on behalf of CMS to determine whether providers meet the conditions of participation. The Social Security Act mandates the establishment of minimum health and safety standards that must be met by providers and suppliers participating in the Medicare and Medicaid programs.

The Department of Community Health is responsible for ensuring that providers meet prescribed health and safety standards for hospital, nursing facilities and Intermediate Care Facilities for individuals with Mental Retardation (ICF/MR). In accordance with 42 CFR 488.308, the survey agency must conduct a standard survey of each skilled nursing facility and nursing facility, not later than 15 months after the last day of the previous standard survey and the statewide average interval between standard surveys must be 12 months or less.

Condition: During our review, we noted four nursing facilities out of a sample of 25 facilities for which more than 15 months had elapsed since the last standard inspection.

Questioned Cost: None

Context: The Department of Community Health has an obligation to ensure that providers meet prescribed health and safety standards and performs this responsibility in part through conducting surveys in accordance with CMS guidelines.

Effect: The Department of Community Health's Healthcare Facility Regulation Division did not perform the surveys within the required timeframe.

Cause: Due to staff turnover and training issues, the Department of Community Health's Healthcare Facility Regulation Division did not complete surveys in accordance with CMS guidelines.

Recommendation: The Department of Community Health should improve their process for performing and completing surveys to ensure that surveys are completed in accordance with CMS guidelines in a timely manner, including increasing staff size and providing adequate training.

Auditee's Response: The Department of Community Health acknowledges that, due in part to the retirement of several experienced surveyors, it has not satisfied nursing home survey frequency intervals. The Department of Community Health is committed to decreasing the intervals between surveys and has submitted a Corrective Action Plan to the U.S. Department of Health and Human Services to address this matter moving forward.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY <u>PROGRAM NAME</u>	<u>CFDA NO.</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services		
Medicaid Cluster:		
State Survey and Certification of Health Care Providers	93.777	\$ 11,165,000
ARRA - Survey and Certification Ambulatory Surgical Center		
Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	11,700
Medical Assistance Program	93.778	5,989,145,169
ARRA - Medical Assistance Program	93.778	<u>82,122,380</u>
		6,082,444,249
Immunization	93.268	(240)
ARRA - Immunization	93.712	(17,760)
HLTH CTR/Migrant Health	93.224	3,365,766
National and State Background Checks for Direct Patient Access	93.506	125,928
Primary Care Services - Resource Coordination and Development	93.130	141,158
State Rural Hospital Flexibility Program	93.241	365,716
State Children's Healthcare Insurance Program	93.767	306,085,977
Grants to States for Operation of Offices of Rural Health	93.913	207,255
Small Rural Hospital Improvements	93.301	425,735
Money Follows the Person Rebalancing Demonstration	93.791	19,960,238
Public Health Emergency Preparedness	93.069	(8,395)
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	(6)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	(250,460)
HIV Prevention Activities - Health Department Based	93.940	101

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, 2013

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	<u>CFDA NO.</u>	<u>FEDERAL EXPENDITURES</u>
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	\$ 327
HIV Care Formula Grants	93.917	(6,574)
Maternal and Child Health Services Block Grants to the States	93.994	(419)
ARRA - State Grants to Promote Health Information Technology	93.719	5,514,415
National Bioterrorism Hospital Preparedness Program	93.889	(64)
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	<u>103,724</u>
Total Direct U.S. Department of Health and Human Services		<u>6,418,456,671</u>
Passed-through Georgia Department of Human Services		
Refugee and Entrant Assistance - State Administered Programs	93.566	<u>3,472,842</u>
Total U.S. Department of Health and Human Services		<u>6,421,929,513</u>
Agriculture, U. S. Department of		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	(15,553)
Education, U. S. Department of		
Special Education - Grants for Infants and Families	84.181	<u>(1,296,535)</u>
Total Expenditures of Federal Awards		<u>\$ 6,420,617,425</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, 2013

NOTE 1. 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).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

A. 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, 2013.

B. Basis of Presentation

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

C. 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.

D. 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.

E. 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 subrecipient's accounts. This method of reporting expenses is utilized in the accompanying schedule of expenditures of federal awards.

F. Negative Amounts

The Schedule of Expenditures of Federal Awards includes certain immaterial negative amounts which have been included for informational purposes only to the Georgia State Accounting Office (SAO) and the Georgia Department of Audits and Accounts (DOAA) in an effort to assist them with reconciliation and consolidation of all federal award activities.

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

Summary Schedule of Prior Year Findings and Questioned Costs

FS 12-01 Budgetary Control

Criteria: As communicated in Note 1 of the Department of Community Health’s financial statements, the Department of Community Health does not have the authority to determine the amount of funding it will receive from the State of Georgia (the “State”) for any given fiscal year. Such authority is vested with the General Assembly of Georgia. The Department of Community Health also does not have the authority to retain unexpended State appropriations (surplus) for any given fiscal year.

The Department of Community Health is responsible for adhering to the Appropriations Acts, as amended, (Final Budget) which prohibits an agency from overspending their authorized budgeted amounts at the legal level of budgetary control (funding source within a program). As applied at the Department of Community Health, this means that expenditures at the legal level of control are not allowed to result in specific programs reporting expenditures exceeding funds available.

Further, the Department of Community Health is responsible for adhering to Article VII, Section IV Paragraph VIII of the Constitution of the State of Georgia which provides, in part, “... the credit of the State shall not be pledged or loaned to any individual, company, corporation or association.” As applied at the Department of Community Health, this means that expenditures are not allowed to result in reporting expenditures exceeding funds available.

Finally, each budget unit subject or subjecting to the allotment process is required to limit the total of its expenditures and contractual obligations of State general funds to the reduced amount in appropriations it then withdraws by warrant pursuant to the reduced allotment. In the obligation and

expenditure of federal funds, a budget unit may not expend or obligate more in federal funds than it has available for obligation by the appropriation and grant of relevant federal funds (with the addition of excess, changed or unanticipated federal funds also available to it). In the obligation and expenditure of other funds, a budget unit may not expend or obligate more than it has on hand for the purpose of the expenditure or encumbrance.

The accounting records for each appropriated budget unit of the State (as well as the Department of Community Health) should be maintained in such a manner to allow for budgetary reporting to be accurately prepared and supported.

Condition: During our audit, we noted the Department of Community Health reported expenditures which exceeded authorized budgeted amounts and, or funds available which oftentimes resulted in reporting deficit fund balances in several categories of program services as well as the operations of an attached organization.

Auditee Response/

Status: Resolved

SA 12-01 Controls Over and Compliance With Procurement

Criteria: The Department of Community Health is responsible for administering the following programs: the Medicaid program, the Children's Health Insurance Program and the Money Follows the Person Rebalancing Demonstration. These programs are overseen by the U.S. Department of Health and Human Services through the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is responsible for complying with the Procurement, Suspension, and Debarment requirements applicable to these federally subsidized programs and is also responsible for establishing and

maintaining effective internal controls over compliance with the aforementioned requirements.

Condition: When procuring goods and services that are federally funded, the Department of Community Health is required to use the same State policies and procedures used for procurements from non-federal funds. In addition, the Department must also ensure that federally funded contracts include any clauses required by federal statutes or regulations. We noted two (2) contract files in a sample of eleven (11) did not contain required certifications for covered contracts. Those two (2) contract files did not include a signed Drug Free Workplace certification which is required documentation.

Auditee Response/

Status: Resolved

SA 12-02 Verification and Documentation of Eligibility
(Substantial Repeat of Prior Year Finding SA 11-04)

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 (CMS). The Department of Community Health is responsible for determining that all recipients meet prescribed eligibility requirements and ensuring those requirements are appropriately documented.

Condition: This is a modification and substantial repeat of finding SA 11-04 from the year ended June 30, 2011.

The Department of Community Health has contracted with the Division of Family and Children Services (DFCS) to provide enrollment and monitoring services for Medicaid members. During fieldwork we noted three (3) recipients' files in a sample of sixty (60) Medicaid recipients whose

eligibility was not properly documented. Those three (3) files included the following documentation deficiencies:

- a) Two (2) case files did not contain a signed application;
- b) Two (2) case files did not contain acceptable documentation verifying income; and
- c) One (1) case file did not contain evidence that eligibility was recertified in a timely manner.

Auditee Response/

Status: Unresolved: See current year finding SA 13-01 for status of the verification and documentation of Medicaid eligibility.

SA 12-03 Controls Over and Compliance With Medicaid Administrative Expenditures

Criteria: The Department of Community Health is responsible for the State of Georgia's Medicaid program. Management is responsible for establishing and maintaining effective internal controls over compliance with the allowable activities and cost principles applicable to the Medicaid program and for complying with those requirements.

Condition: The Department of Community Health was unable to provide appropriate documentation to adequately support that one (1) expenditure in a sample of sixty (60) was appropriately reviewed and approved in accordance with the procedures put in place by the Department of Community Health and to adequately support that the expenditure met the allowable activities and cost principles applicable to the Medicaid program.

Auditee Response/

Status: Resolved

**SA 12-04 Matching of Allowable Expenditures for Children's Health Insurance Program
(Substantial Repeat of Prior Year Finding SA 11-05)**

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 the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is responsible for matching federal program expenditures at the federally determined rate.

Condition: This is a modification and substantial repeat of finding SA 11-05 from the year ended June 30, 2011.

The state matching rate for the Department of Community Health's CHIP expenditures is determined in accordance with the federal matching rate for such expenditures, referred to as enhanced Federal Medical Assistance Percentage (Enhanced FMAP). The Enhanced FMAP for federal fiscal year (FFY) 2012 is 76.31 percent and the Enhanced FMAP for FFY 2011 is 75.73 percent. During fieldwork, we noted two (2) instances in a sample of fifty-one (51) CHIP administrative expenditures in which incorrect federal matching rates were used. Those two (2) instances were as follows:

- a) An expenditure was incorrectly matched at the FFY 2010 Enhanced FMAP (75.57 percent) based on the date of the expenditure.
- b) An expenditure was incorrectly matched at a rate other than the Enhanced FMAP for CHIP expenditures.

Auditee Response/

Status: Unresolved: See current year finding SA 13-03 for status of the matching of CHIP expenses.

SA 12-05 Controls over Money Follows the Person (MFP) Eligibility Determination

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

Condition: The Department of Community Health has contracted with the Georgia Department of Human Services' Division of Aging Services (DAS) and the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD) to provide enrollment and monitoring services for Money Follows the Person participants. During fieldwork we noted nine (9) participant files in a sample of sixty (60) Money Follows the Person (MFP) participants whose eligibility was not properly documented in accordance with departmental procedures. Those nine (9) files included the following documentation deficiencies:

- a) One (1) participant file did not contain MFP Transition screening form;
- b) Four (4) participant files did not contain form DMA 6/Level of Care; and
- c) Four (4) participant files did not contain form DMA 59/Authorization for Nursing Facility Reimbursement.

Auditee Response/

Status: Unresolved: See current year finding SA 13-02 for status of the controls over MFP eligibility determination.

SA 12-06 Matching of Allowable Medicaid Benefit Expenditures

Criteria: The Department of Community Health is responsible for the State of Georgia's Medicaid program. The Medicaid program is overseen by the U.S. Department of Health and Human Services through the Centers for Medicare and Medicaid Services (CMS). The Department of Community Health is responsible for matching federal program expenditures at the federally determined rate.

Condition: The state matching rate for the Department of Community Health's Medicaid Benefit expenditures is determined in accordance with the federal matching rate for such expenditures, referred to as the Federal Medical Assistance Percentage (FMAP). The FMAP for federal fiscal year (FFY) 2012 is 66.16 percent and the FMAP for FFY 2011 is 65.33 percent. During fieldwork, we noted three (3) instances in a sample of sixty (60) Medicaid administrative expenditures in which incorrect federal matching rates were used. Specifically, three (3) expenditures were using the FMAP rate for a prior year.

Auditee Response/

Status: Resolved