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

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

June 30, 2014

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, 2014

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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, Esq, 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, 2014, 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, 2014.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described as items FS 2014-001 and FS 2014-002 in the accompanying schedule of findings and questioned costs that we consider 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 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*.

Department of Community Health's Responses to the Findings

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. The Department of Community Health's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Mauldin & Jenkins

Atlanta, Georgia
November 18, 2014

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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, Esq, 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, 2014. 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, 2014.

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 2014-001, SA 2014-002, SA 2014-003, SA 2014-004 and SA 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

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

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item SA 2014-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings

and questioned costs as items SA 2014-001, SA 2014-002, SA 2014-004 and SA 2014-005, to be significant deficiencies.

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

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, 2014, 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, 2014, 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   Mauldin & Jenkins

Atlanta, Georgia
November 18, 2014

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?	__X__ Yes _____ None reported
Noncompliance material to financial statements noted?	_____ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	__X__ Yes _____ 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:

CFDA Numbers	Name of Federal Program or Cluster
93.767	Children's Healthcare Insurance Program (CHIP)
93.777 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:	$ 20,259,427
Auditee qualified as low-risk auditee?	_____ Yes __X__ No

SECTION II
Financial Statement Findings and Responses

<u>FS 2014-001 Accounts Payable and Other Accruals</u>

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

Condition: Management of the Department of Community Health provided us with a detail listing of liabilities supporting the accounts payable and other accruals reported by the Department of Community Health at June 30, 2014. As a result of our audit procedures, we identified certain obligations which were not included within the detail and therefore excluded from the reported balances of the Department of Community Health at year end.

Context: See effect as noted below.

Effect: An adjustment of approximately $23.7 million was required to properly state accounts payable and other accruals as well as the related expense.

Cause: The Department of Community Health did not adequately evaluate amounts paid in the months of September through October of 2014 to determine if they properly recorded a liability for the delivery of goods or services during fiscal year 2014. This appears to have occurred primarily due to miscommunication as to the scope of the requested detail.

Recommendation: In an effort to ensure the Department of Community Health's reported obligations are always accurately stated, we recommend management implement a process which includes a system of controls intended to capture relevant information as to when an obligation has been incurred and when such an obligation has been satisfied via payment. The intended purpose of such controls is to identify liabilities which should be reflected in the Department of Community Health's accounts payable and other accruals. Additionally, we recommend the Department of Community Health establish written closing processes and provide training to employees that reinforces its accrual policies in order to ensure that liabilities are properly identified and recorded at the point of incurring the obligation.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health acknowledges the deficiencies identified in promptly recording payments and accurately reporting obligations in the financial statements. The Department of Community Health will focus on the following areas to ensure this from reoccurring:

- Review all invoices when received for the date services or goods were rendered.
- Develop and implement procedures for supplying accrual information to the Federal Reporting Staff (FRS), to include notifying FRS when invoice is initially received.
- Develop and implement procedures for year- end close to identify and properly record all relevant payment obligations, subsequent payments and all liabilities that should be included in accruals.
- Provide training Contracts and Accounts Payable staff involved in the year-end close/accrual period on the financial statement preparation process as it relates to their respective area.
- Review open encumbrances and communicate with the program areas to ensure the accurate and timely recording of obligations.
- Place updated procedures in a centrally and easily accessible location for everyone's use.

FS 2014-002 Federal Receivables and Cash Management

Criteria: The Department of Community Health's management is responsible for ensuring that receivables from the federal government and unearned federal award amounts are reported accurately in the financial statements and properly reconciled to supporting documentation.

Condition: Management of the Department of Community Health provided us with a reconciliation of federal receivables as initially reported in the June 30, 2014 financial statements. As a result of our audit procedures, we identified adjustments which needed to be made to the reconciliation, as well as adjustments necessary to properly state the June 30, 2014 reported balances.

Context: See effect as noted below.

Effect: An adjustment of approximately $23 million was required to properly increase receivables and increase the Department of Community Health's federal unearned revenue. Additionally as a result of our procedures, an error in the financial statement journal entries was identified and management was required to reverse the entry in order to accurately state the Department of Community Health's federal receivable.

Management was able to reconcile, within an immaterial difference, the federal receivable balance reported in the Department of Community Health's financial statements; however, the Medicaid Program Services (Benefits) and Medicaid Administration funding sources within the reconciliation had variances of approximately ($13 million) and $17 million, respectively.

Cause: Historically, management has not always drawn funds from federal grant awards based directly upon expenditures incurred. Over the course of several years, management of the Department of Community Health overdrew funds available from the Medicaid Administration portion of federal grant awards. While the Department of Community Health had adequate expenditures under the Medicaid Program Services (Benefits) portion of the federal award, the Centers for Medicaid and Medicare Services (CMS) does not allow funds drawn from the Medicaid Administration portion of the Department of Community Health's federal grant awards to be used to satisfy expenditures related to the Medicaid Program Services (Benefits) portion of its federal grant awards. The amount of overdrawn federal funds approximated $23 million and was not reflected in the Department of Community Health's federal unearned revenue.

Recommendation: We understand management has now implemented procedures which base the drawdown request on federal funds directly to expenditures incurred. We further understand management has engaged an outside party to assist with the investigation and reconciliation of certain amounts historically drawn down from and applicable to federal awards. In addition to these measures, we recommend management:

- Regularly reconcile federal draws and the related general ledger balances throughout the year and timely investigate and resolve any variances between funding source draws and the supporting expenditures (Medicaid Program Services and Medicaid Administration) identified during these reconciliations;

- Closely monitor federal draws during the year for potential overdrawn funds in certain categories of expenditures. If any such variances are identified, management should consider whether any adjustments are needed to properly state the general ledger balances;

- Implement a process which includes a careful review by an individual outside of the reconciliation process. The reviewer should carefully consider each component of the reconciliation to determine its reasonableness; and,

- Establish written procedures documenting the reconciliation process and provide training to new employees performing this reconciliation. Such training should include an explanation of not only the procedures to be performed in the reconciliation, but the rationale for the inclusion or exclusion of certain items in the reconciliation.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health acknowledges that there have been deficiencies in the process of reconciling the receivables from the federal government and the following actions will be taken to improve the reconciliation process for the federal receivable account:

- The Federal draws are currently reconciled on a weekly, monthly, and quarterly basis for the general ledger cash accounts and expense accounts. Any discrepancies between the expenditures from the general ledger and the amounts drawn by funding sources are addressed with the reconciliations. Beginning with FY2015, the receivables from the federal government will be reconciled and monitored on a monthly basis.

- Reconciliations will be completed on a quarterly basis to identify any overdrawn or underdrawn expenditures. Reconciliations will occur to analyze the expenditures reported on the CMS 64 report to the actual expenditures drawn.

- Management will review the federal receivable reconciliations on a monthly basis and will meet to discuss the reconciling items. Management will determine if any adjustments are needed to accurately state the general ledger balances.

- The Department of Community Health will implement the policies and procedures for the federal reconciliations by December 31, 2014. The policies and procedures will be communicated to all financial services staff, and training will be provided to ensure that all staff understands the transaction flow for the federal receivable general ledger accounts.

SECTION III
Federal Awards Findings and Questioned Costs

SA 2014-001 Accounts Payable and Other Accruals

Federal Program Information: CFDA Nos. 93.777 and 93.778
Medicaid Cluster:
State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare; and,
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5MAP, 05-1305GA5ADM, 05-1405GA5MAP, 05-1405GA5ADM, 05-1305GABIPP, 05-1405GABIPP, 05-1305GAINCT, 05-1405GAINCT, 05-1305GAIMPL, 05-1405GAIMPL and 05-1305-GA-5002

CFDA No. 93.767
Children's Health Insurance Program (CHIP)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5021 and 05-1405GA5021

Fiscal Year 2014

Criteria: See Financial Audit Finding FS 2014-001.

Condition: See Financial Audit Finding FS 2014-001.

Questioned Cost: None

Context: See Financial Audit Finding FS 2014-001.

Effect: See Financial Audit Finding FS 2014-001.

Cause: See Financial Audit Finding FS 2014-001.

Recommendation: See Financial Audit Finding FS 2014-001.

Auditee's Response: See Financial Audit Finding FS 2014-001.

SA 2014-002 Federal Receivables and Cash Management

Federal Program Information: CFDA Nos. 93.777 and 93.778
Medicaid Cluster:
State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare; and,
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5MAP, 05-1305GA5ADM, 05-1405GA5MAP, 05-1405GA5ADM, 05-1305GABIPP, 05-1405GABIPP, 05-1305GAINCT, 05-1405GAINCT, 05-1305GAIMPL, 05-1405GAIMPL and 05-1305-GA-5002

Fiscal Year 2014

Criteria: See Financial Audit Finding FS 2014-002.

Condition: See Financial Audit Finding FS 2014-002.

Questioned Cost: None

Context: See Financial Audit Finding FS 2014-002.

Effect: See Financial Audit Finding FS 2014-002.

Cause: See Financial Audit Finding FS 2014-002.

Recommendation: See Financial Audit Finding FS 2014-002.

Auditee's Response: See Financial Audit Finding FS 2014-002.

SA 2014-003 Surveys to Monitor Facility Compliance with Provider Health and Safety Standards (Substantial Repeat of Prior Year Finding SA 13-04)

Federal Program Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster:
State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare; and,
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5MAP, 05-1305GA5ADM, 05-1405GA5MAP, 05-1405GA5ADM, 05-1305GABIPP, 05-1405GABIPP, 05-1305GAINCT, 05-1405GAINCT, 05-1305GAIMPL, 05-1405GAIMPL and 05-1305-GA-5002

Fiscal Year 2014

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's Healthcare Facility Regulation Division (HFRD) 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 (ICFMR). 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:

This is a modification and substantial repeat of finding SA 13-04 from the year ended June 30, 2013.

During our review, we noted 28 nursing facilities out of a sample of 40 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. The Department

performs this responsibility in part through conducting surveys in accordance with CMS guidelines.

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

Cause: Due to staff turnover and training issues, the Department of Community Health's HFRD 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. To accomplish this objective, it may be necessary for the Department to increase the number of trained and experienced staff.

Auditee's Response: The Department of Community Health concurs with this finding.

HFRD has reviewed its historic performance and identified multiple challenges contributing to the decline in the survey interval, including the transition from its previous survey process to the Quality Indicator Survey (QIS), significant staff turnover, and a continued increase in immediate jeopardy (2-day priority) complaints.

The Department of Community Health has made a strong commitment to achieve compliance with CMS's requirements governing the survey interval and has initiated several actions to improve performance during state fiscal year 2015:

- HFRD initiated a comprehensive performance improvement plan, which was most recently updated August 29, 2014, establishing a monthly monitoring tool that sets goals and verifies the actual number of trained surveyors, completed surveys and monthly averages between surveys. For a 13 month period, September 2014 – September 2015, HFRD's monthly goals included (1) increasing the number of active QIS surveyors dedicated to performing standard surveys from 22 to 37 and (2) to complete 417 standard surveys. HFRD will work closely with CMS to monitor our improvement.

- To achieve the goals noted above, HFRD will continue with the streamlined and continuous recruitment process to fill all remaining surveyor vacancies and fill new vacancies as quickly as possible. HFRD will also continue to ensure the training needs of the new surveyors are met by scheduling QIS classes.

- Additionally, HFRD has submitted an amended budget request to the Office of Planning Budget to request funding for eight additional surveyor positions.

- HFRD will actively monitor and track its progress through system tools. As the survey staff increases, the survey assignments will be adjusted to provide for timely deployment of survey teams. HFRD will utilize surveyors in the most optimal manner, including combining complaint investigations and standard surveys where possible.

The combination of efforts outlined above is forecasted to put HFRD in position to steadily improve the nursing home survey interval and achieve a 15.9 month survey interval by September 30, 2015. To ensure that our goals are achieved, close monitoring of our progress is necessary. Goals and achievements will be reviewed weekly by the Nursing Home Program Director who will report monthly to HFRD Executive Leadership. This close monitoring of our progress will allow us to identify potential issues and intervene quickly to ensure success.

SA 2014-004 Verification and Documentation of Medicaid Eligibility
(Substantial Repeat of Prior Year Finding SA 13-01)

Federal Program Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster:
State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare; and,
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5MAP, 05-1305GA5ADM, 05-1405GA5MAP, 05-1405GA5ADM, 05-1305GABIPP, 05-1405GABIPP, 05-1305GAINCT, 05-1405GAINCT, 05-1305GAIMPL, 05-1405GAIMPL and 05-1305-GA-5002

Fiscal Year 2014

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 ensuring those requirements are appropriately documented.

Condition:

This is a modification and a substantial repeat of finding SA 13-01 from the year ended June 30, 2013.

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 recipient files in a sample of 60 Medicaid recipients whose eligibility was not properly documented. Those six files included the following documentation deficiencies:

a) One case file did not contain an expected form.

b) Two case files did not contain acceptable documentation verifying income.

c) Two case files did not contain acceptable documentation of verification of citizenship and/or proof of identity.

d) One case file did not contain acceptable documentation of social security number validation.

Questioned Cost: None

Context: Without adherence to the Department of Community Health's policies and procedures to determine and document Medicaid eligibility, members in the Medicaid program may not 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 Medicaid funds may be used to provide benefits for members who are not eligible for the program.

Cause: The Department of Community Health does not have adequate controls in place to enforce findings in State Audit Reviews and Medicaid Quality Control (MEQC) reviews 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 enforcement policy for Medicaid members and create more stringent controls over the eligibility process.

Auditee's Response: The Department of Community Health concurs with this finding.

The Department of Community Health 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 and 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 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. MEQC staff read 200 cases as part of CMS MEQC/Payment Error Rate Measurement (PERM) Pilot. The findings from these reviews are shared with DFCS for inclusion in their PIP planning, Corrective Action Plans (CAP) and field trainings.

With the Traditional MEQC Pilot and CMS MEQC/PERM Pilot, trends have been identified which include missing applications, recertification and verification. DFCS fully implemented a Document Imaging System (DIS) to maintain records electronically in December 2013. This has had a major impact on the amount of cases turned in for review. Even though cases are easier to locate electronically, MEQC found cases continue to be cited for errors or deficiencies for missing information in the system. With all six of the cases cited, the root cause of the error was missing information.

The Department of Community Health will require DFCS to create a corrective action plan for the items identified in the State Audit to include the following; Refresher Training for loading information in the DIS to ensure all eligibility documents are in the system before eligibility can be determined and a report run on all active Medicaid members over the age of one with no social security number, to ensure all members meet the enumeration requirement. The progress will be monitored by the DFCS state office and reported on at the quarterly PIP meeting.

SA 2014-005 Documentation of Medicaid Provider Eligibility

Federal Program Information:

CFDA Nos. 93.777 and 93.778
Medicaid Cluster:
State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare; and,
Medical Assistance Program (Medicaid; Title XIX)

U.S. Department of Health and Human Services
Grant Award Nos. 05-1305GA5MAP, 05-1305GA5ADM, 05-1405GA5MAP, 05-1405GA5ADM, 05-1305GABIPP, 05-1405GABIPP, 05-1305GAINCT, 05-1405GAINCT, 05-1305GAIMPL, 05-1405GAIMPL and 05-1305-GA-5002

Fiscal Year 2014

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 CMS. The Department of Community Health is responsible for determining that all providers meet prescribed eligibility requirements for participation in the Medicaid program including required provider disclosures and appropriate licensure. The Department of Community Health is also responsible for ensuring those requirements are appropriately documented.

Condition:

During fieldwork we noted four provider files in a sample of 60 Medicaid providers whose eligibility was not properly documented as they did not contain a statement of participation.

Questioned Cost: None

Context: Without adherence to the Department of Community Health's policies and procedures to determine and document provider eligibility for participation in the Medicaid program, providers participating in the Medicaid program may not be eligible to provide services.

Effect: An indeterminate number of providers are inadequately documented as to eligibility for participation in the Medicaid program. The monetary effect is that federal Medicaid funds may be used to compensate service providers who are not eligible for participation in the Medicaid program.

Cause: When the Department of Community Health changed the electronic storage system for provider enrollment documents, the documents were moved into the new system in an unindexed format. The unindexed format made it difficult to locate the documents supporting the eligibility for a specific provider as the information was no longer available in an easily searchable format.

Recommendation: The Department of Community Health should address the electronic document indexing issues and/or obtain updated appropriately indexed documentation to support the eligibility of all providers participating in the Medicaid program.

Auditee's Response: The Department of Community Health concurs with this finding.

The Department of Community Health acknowledges the importance of ensuring all State and Federal requirements for provider eligibility documentation are followed properly.

In the transition from the previous fiscal agent to the current fiscal agent, a significant number of provider enrollment documents were not converted due to an indexing issue. The prior contractor contends that all the documents were converted; however, the Department of Community Health and the current fiscal agent believe the documents were not available because of an indexing issue. The Department of Community Health management looked into having the current fiscal agent attempt to retrieve the documents; however, the cost was prohibitive. These documents include enrollment applications, licenses, power of attorney for payees, and statements of participation. The Department of Community Health is confident that all Medicaid providers have met the requirements for Medicaid provider participation.

In April 2014, the Department of Community Health implemented Revalidation of Enrollment which is a requirement of the Affordable Care Act. Revalidation requires all providers to re-enroll every five years. As part of this process, the Department of Community Health requires all providers to submit an electronic enrollment application which incorporates a Statement of Participation as part of the application. Certain individual

practitioners and facilities are also required to submit updated licensure information. The revalidation process began in April 2014, with those providers who have been enrolled the longest in Georgia Medicaid and working forward. The Department of Community Health expects to revalidate all providers by the end of calendar year 2017. All enrollment documentation for providers who were enrolled after November 1, 2010, can be found in the current Medicaid Management Information System (MMIS).

Additionally, The Department of Community Health is taking a proactive approach in all future MMIS contracts to include language that requires that any and all documents that are in the current MMIS are converted into any new MMIS system. Any future contracts would include:

1) Add a requirement for user-friendly indexing of the documents;

2) Set a date before Go-Live for the documents to be available for the Department of Community Health Provide Enrollment to test the indexing; and,

3) Define consequences of exceptions to a successful turnover of Provider Enrollment documents.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
U.S. Department of Health and Human Services		
Medicaid Cluster:		
State Survey and Certification of Health Care Providers	93.777	$ 8,159,740
Medical Assistance Program	93.778	6,298,325,286
ARRA - Medical Assistance Program	93.778	75,576,258
		6,382,061,284
Adult Medicaid Quality Grant	93.609	579,486
HLTH CTR/Migrant Health	93.224	3,031,619
National and State Background Checks for Direct Patient Access	93.506	534,172
Primary Care Services - Resource Coordination and Development	93.130	212,018
State Rural Hospital Flexibility Program	93.241	750,456
State Children's Healthcare Insurance Program	93.767	339,466,762
Grants to States for Operation of Offices of Rural Health	93.913	157,780
Small Rural Hospital Improvements	93.301	691,156
Money Follows the Person Rebalancing Demonstration	93.791	15,763,966
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	(587)
HIV Care Formula Grants	93.917	(2,294)
Maternal and Child Health Services Block Grants to the States	93.994	(2,330)
ARRA - State Grants to Promote Health Information Technology	93.719	6,185,195
National Bioterrorism Hospital Preparedness Program	93.889	(45)
Total Direct U.S. Department of Health and Human Services		6,749,428,638

The accompanying notes are an integral part of this schedule.

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Passed-through Georgia Department of Human Services		
Refugee and Entrant Assistance - State Administered Programs	93.566	$ 3,586,604
Total U.S. Department of Health and Human Services		6,753,015,242
Agriculture, U. S. Department of		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	124
Justice, U. S. Department of		
Prescription Drug Monitoring	16.754	127,081
Total Expenditures of Federal Awards		$ 6,753,142,447

The accompanying notes are an integral part of this schedule.

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, 2014.

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

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

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 cases 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.

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Auditee Response/ Status: Unresolved: See current year finding SA 2014-004 for status of the verification and documentation of Medicaid eligibility.

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

Criteria: The Department of Community Health is responsible for administering the State of Georgia's Money Follows the Person (MFP) Rebalancing Demonstration program. The MFP 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 participant files did not contain a MFP Transition Screening Form;

b) Of the files tested 18 participant files 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.

Auditee Response/ Status: Resolved.

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

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%) 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.

Auditee Response/
Status: Resolved

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

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.

Auditee Response/
Status: Unresolved: See current year finding SA 2014-003 for status of the surveys to monitor facility compliance with provider health and safety standards.