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

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

June 30, 2012

Metcalf Davis

Certified Public Accountants

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

GEORGIA DEPARTMENT OF COMMUNITY HEALTH

JUNE 30, 2012

C O N T E N T 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*

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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 David A. Cook, Commissioner
State of Georgia's Department of Community Health

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **State of Georgia's Department of Community Health** (hereinafter referred to as the "Department of Community Health") as of and for the year ended June 30, 2012, which collectively comprise the Department of Community Health's basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Department of Community Health is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department of Community Health's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Community Health's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, number FS 12-01, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Community Health's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item FS 12-01.

We noted certain matters that we reported to management of the Department of Community Health in a separate letter dated November 28, 2012.

The Department of Community Health's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Department of Community Health's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and Audit Committee of the Department of Community Health, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Metcalf Davis Mauldin & Jenkins

Atlanta, Georgia
November 28, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable David A. Cook, Commissioner
State of Georgia's Department of Community Health

Compliance

We have audited the **State of Georgia's Department of Community Health** (hereinafter referred to as the "Department of Community Health") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department of Community Health's major federal programs for the year ended June 30, 2012. The Department of Community Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department of Community Health's management. Our responsibility is to express an opinion on the Department of Community Health's compliance based on our audit.

The Department of Community Health administered only a portion of the U.S. Department of Agriculture, CFDA No. 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for the fiscal year ended June 30, 2012 after a change in grantee agency that was effective July 1, 2011. The vast majority of the WIC program was administered by the new grantee, the Georgia Department of Public Health, and the amounts expended by that agency are reported in

that agency's schedule of expenditures of federal awards for the fiscal year ended June 30, 2012. As such, the program in its totality, including those portions expended by the Department of Community Health, will be audited and opined upon by the Georgia Department of Public Health's auditor, the Georgia Department of Audits and Accounts, as a part of the Georgia Department of Public Health's Single Audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination of the Department of Community Health's compliance with those requirements.

In our opinion, the Department of Community Health complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items SA 12-01, SA 12-02, SA 12-03, SA 12-04, SA 12-05, and SA 12-06.

Internal Control over Compliance

Management of the Department of Community Health is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department of Community Health's internal control over compliance with

requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items SA 12-01, SA 12-02, SA 12-03, SA 12-04, SA 12-05, and SA 12-06. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Department of Community Health, as of and for the year ended June 30, 2012, which collectively comprise the Department of Community Health's basic financial statements, and have issued our report thereon dated

November 28, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Department of Community Health's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Department of Community Health's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department of Community Health's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and Audit Committee of the Department of Community Health, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Metcalf Davis Mauldin & Jenkins

Atlanta, Georgia
November 28, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I
SUMMARY OF AUDITOR'S RESULTS

SECTION I
Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	X yes	____ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	X yes	____ no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	____ yes	X no
Significant deficiencies identified not considered to be material weaknesses?	X yes	____ none reported
Type of auditor's report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	X yes	____ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.767	Children's Healthcare Insurance Program (CHIP)
93.720, 93.777 and 93.778	Medicaid Cluster
93.791	Money Follows the Person (MFP) Rebalancing Demonstration

Dollar threshold used to distinguish between Type A and Type B programs: $ 19,158,386

Auditee qualified as low-risk auditee? ____ yes X no

SECTION II
FINANCIAL STATEMENT FINDING AND RESPONSE

SECTION II
Financial Statement Finding and Response

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. The following table summarizes the condition:

Program / Attached Agency and Fund Source	Exceeded Authorized Budget	Exceeded Funds Available	Deficit Ending Fund Balance
1) Aged, Blind and Disabled Medicaid (ABD)			
State Appropriations/State General Funds	$ 72,763,135	$ 72,763,135	$ 72,422,321
2) Low-Income Medicaid (LIM)			
State Funds - Prior Year Carry-Over/State General Funds Prior Year	-	-	4,558,412
Federal Funds - Federal Funds Not Specifically Identified	2,650,014	-	-
3) PeachCare			
State Appropriations/State General Funds	5,220,041	5,220,041	5,213,869
Federal Funds - State Childrens' Insurance Program	16,637,455	-	-
4) State Health Benefit Plan (SHBP)			
Other Funds	11,497,062	18,425,645	18,425,645
5) Adult Essential Health Treatment Services			
State Appropriations/State General Funds	-	-	49,637
6) Epidemiology			
State Appropriations/State General Funds	-	-	55,373
7) Public Health Formula Grants to Counties			
State Appropriations/State General Funds	-	-	122,945
8) Georgia Composite Medical Board			
Other Funds	-	113,097	3,076

Context: See the above condition.

Effect: The over-expenditure of State appropriated funds is a violation of the Appropriations Act, as amended, (Final Budget). Consequently, the Department of Community Health did not fully comply with the Appropriations Act, as amended, (Final Budget) and the Constitution of the State of Georgia.

Cause: The Department of Community Health failed to act in a timely manner to take all appropriate corrective actions to prevent the resulting instances of non-compliance.

Recommendation: The Department of Community Health should implement policies and procedures to address any future budget reductions and closely monitor their expenditures within all fund sources to ensure that funds are available for these expenditures. If the situation arises where the Department of Community Health realizes they may be in budgetary non-compliance, all avenues of resolution such as seeking amended appropriations, fiscal affairs,

etc., should be explored as solutions, and such efforts should be performed in a timely manner.

Further, the Department of Community Health should manage its budgetary activity at the legal level of control, which is fund source within a program. The Department of Community Health should perform the following procedures in a timely manner:

1) Review its internal control procedures over budget operations;
2) Design procedures that would prohibit the expenditure of funds in excess of budget approval;
3) Implement those procedures to strengthen the internal controls over the budget function;
4) Monitor PeopleSoft budgetary reports throughout the fiscal year to ensure that required adjusting journal entries are made before the year-end closing; and,
5) Review to ensure appropriate accounting and reporting of encumbrances has been achieved.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health understands that it did not take all appropriate corrective actions to prevent the over expenditure of state appropriated funds. The Department of Community Health agrees with and will implement the auditor's recommendations. If at any time the Department of Community Health projects the funds appropriated will be insufficient to cover the projected amount of program expenditures, the Department of Community Health will formally notify the Office of the Governor and the Office of Planning and Budget. This notification will include:

1) The amount of the projected shortfall by program area; and,
2) A plan of action to prevent the accrual of expenditures.

In addition, the Department of Community Health has recommended that the following structural changes to the budget will enhance the Department of Community Health's ability to achieve budgetary compliance.

1) Create a Claims Reserve Program in Medicaid and SHBP: Funds appropriated to the Medicaid and SHBP Reserves Fund programs can be used to cover unexpected fluctuations in expenditures in current fiscal year and be carried over (as we are able) to build reserves for future years.

2) Combine the ABD and LIM Programs in the Appropriations Act: Combining these two (2) programs into a single program, in the Appropriations Act will give the Department of Community Health flexibility to cover shortfalls in one Medicaid program with additional funds in the other program. The Department of Community Health proposed to keep ABD and LIM as sub-programs to continue budgetary tracking and projections.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

SECTION III
Federal Awards Findings and Questioned Costs

SA 12-01 Controls Over and Compliance With Procurement

Federal Program Information:

CFDA Nos. 93.720, 93.777, 93.778
Medicaid Cluster (ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection Prevention Initiative, State Medicaid Fraud Control Units, State Survey and Certification of Healthcare Providers and Suppliers Medicare and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5MAP, 05-1105GA5ADM, 05-1105GAARRA, 05-1105GAEXTN, 05-1205GA5MAP, 05-1205GA5ADM, 05-1205GAINCT, 05-1205GAIMPL
Fiscal Year 2012

CFDA No. 93.767
Children's Health Insurance Program (CHIP)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5021, 05-1205GA5021 and 05-1105GACPBP
Fiscal Year 2012

CFDA No. 93.791
Money Follows the Person (MFP) Rebalancing Demonstration
U.S. Department of Health and Human Services
Grant Award No. 1LICMS030163-01-06
Fiscal Year 2012

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.

Questioned Cost: None

Context: The Department did not obtain appropriate documentation from two contractors in accordance with the departmental policies and procedures in place to ensure compliance with federal guidelines and the Georgia Procurement Manual.

Effect: Federal funds may be used to fund contracts with entities that are not in compliance with federal provisions and the Georgia Procurement Manual.

Cause: The Department of Community Health has policies and procedures in place to ensure that goods and services are procured and contracts are enacted in compliance with applicable federal and state regulations. The Department did not appropriately obtain required certifications for two contracts and the policies and procedures in place did not prevent or detect this oversight in a timely manner.

Recommendation: The Department of Community Health should improve internal controls as they relate to the procurement and contracting processes to ensure that all required documents are obtained and the Department complies with all applicable federal and state regulations.

Auditee's Response: The Department of Community Health concurs with this finding. The two contracts identified by the auditors as non-compliant are Contract #2012043 (Georgia Tech Research Corp.) and Contract #2012053 (Law Offices of Rich Wyde):

<u>Contract #2012043 (Georgia Tech Research Corp.)</u>

The drug-free workplace certification was included as an attachment in the contract sent to the contractor; however, the contractor overlooked the attachment and neglected to sign it. Contracts Administration policy requires that all contracts and amendments that are returned signed by the contractors are thoroughly reviewed by the assigned contract specialist to ensure the signature page and all applicable exhibits and attachments have been completed and signed before the contract is routed to the Department of Community Health signatories. In this instance, the contract specialist did not catch the omitted signature on the drug-free workplace certification in her review. Once the oversight was brought to her attention, she contacted the contractor to obtain the required signature on this document so that the file would be complete.

To assist in preventing recurrences of this nature in the future, the manager of Contracts Administration will create a checklist to be used by each specialist to aid in his or her review. The contract specialist will be required to sign the

checklist affirming that he or she has confirmed that each document required to be completed and signed by the contractor has been completed and signed. Before the administrative assistant scans the executed contract into Laser Fiche and closes out the file, he or she will complete a second review and sign the checklist. This multi-layered review should drastically minimize the chances that unsigned attachments to a contract will go undetected.

Contract #2012053 (Rich Wyde)

For this contract, the drug-free workplace certificate was not included in the contract that was drafted and ultimately executed. Contracts Administration's internal controls are effective in preventing oversights of this nature. There are typically three separate, thorough reviews performed on contracts to minimize the likelihood that a contract is executed which does not fully comply with all applicable policies. We see no need to change this process.

It should be noted that the drug-free workplace certification is not required for this contract because the contractor does not meet the definition of a "contractor" as set forth in O.C.G.A. § 50-24-2(1)(B). A drug-free workplace certification is required for contractors who supply goods, materials, services, or supplies pursuant to a contract or lease on behalf of a state agency *as described in O.C.G.A. § 50-5-64* when the contract involves an expenditure by the state agency of at least $25,000.00. [See O.C.G.A. § 50-24-2(1)(B), emphasis added]. Although this professional services contract is for an amount exceeding this threshold, it is not a contract as described in O.C.G.A. § 50-5-64 because it does not fall under the authority of the State Purchasing Act.

Nonetheless, Contracts Administration recognizes that the Department of Community Health's internal policy requires a drug-free workplace certification for all contracts above $25,000.00. In this instance, due to the urgency in getting the contract executed, the number of reviews was decreased during a time of reduced staff. The Director of Contracts Administration has sent a written reminder to all contracts staff to confirm that applicable documentation is attached to all contracts that are drafted.

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

Federal Program Information:

CFDA Nos. 93.720, 93.777, 93.778
Medicaid Cluster (ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection Prevention Initiative, State Medicaid Fraud Control Units, State Survey and Certification of Healthcare Providers and Suppliers Medicare and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5MAP, 05-1105GA5ADM,

05-1105GAARRA, 05-1105GAEXTN, 05-1205GA5MAP,
05-1205GA5ADM, 05-1205GAINCT, 05-1205GAIMPL
Fiscal Year 2012

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 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:

1) Two (2) case files did not contain a signed application;
2) Two (2) case files did not contain acceptable documentation verifying income; and
3) One (1) 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 this finding 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. Department of Community Health and DFCS management staff meet quarterly to discuss and review progress towards improving the deficiencies.

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

Annually, Department of Community Health and Department of Human Services recalibrate the PIP based on current State of Georgia and federal audit findings.

To assist in the monitoring of the PIP, DFCS hired a Medicaid specialist effective September 1, 2012 to assist with the monitoring of the PIP.

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

Federal Program Information:
CFDA Nos. 93.720, 93.777, 93.778
Medicaid Cluster (ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection Prevention Initiative, State Medicaid Fraud Control Units, State Survey and Certification of Healthcare Providers and Suppliers Medicare and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5MAP, 05-1105GA5ADM, 05-1105GAARRA, 05-1105GAEXTN, 05-1205GA5MAP, 05-1205GA5ADM, 05-1205GAINCT, 05-1205GAIMPL
Fiscal Year 2012

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.

Questioned Cost: Unknown

Context: The Department of Community Health was unable to locate the voucher documentation for a Medicaid administrative expenditure.

Effect: A Medicaid administrative expenditure was inadequately documented as to appropriate departmental review and approval of Medicaid expenditures and allowability for payment using federal Medicaid funds. The monetary effect is that federal funds used to fund the Medicaid program may be used for unallowable activities or costs.

Cause: The Department of Community Health did not appropriately file and retain supporting documentation for a Medicaid administrative expenditure.

Recommendation: The Department of Community Health needs to appropriately maintain supporting documentation for all Medicaid program expenditures.

Auditee's Response: The Department of Community Health concurs with this finding. The Department of Community Health acknowledges this deficiency and has implemented the following process to alleviate this from recurring:

Upon completion of an invoice payment, all invoices will be input into a central location within Laser Fiche.

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

Federal Program Information: CFDA No. 93.767
Children's Health Insurance Program (CHIP)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5021, 05-1205GA5021 and 05-1105GACPBP
Fiscal Year 2012

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:

1) An expenditure was incorrectly matched at the FFY 2010 Enhanced FMAP (75.57 percent) based on the date of the expenditure.
2) An 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 the 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.

In instance (1) the purchase order used to make the payment was encumbered in a prior year. Prior year purchase orders cannot be changed to include new CHIP rates. The PeopleSoft system cannot accept changes to prior year purchase orders without changing the year of the funds.

In instance (2) the coding of the invoice was incorrectly entered into PeopleSoft. The Department of Community Health will implement a procedure regarding manual codes being entered in PeopleSoft which resulted in the incorrect project being used. A monthly query will be run and reviewed by the accounts payable manager at which time any errors will be researched and corrected.

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

Federal Program Information:
CFDA No. 93.791
Money Follows the Person
U.S. Department of Health and Human Services
Grant Award No 1LICMS030163-01-06
Fiscal Year 2012

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:

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

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 program 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 Money Follows the Person 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 does not have an adequate monitoring process in place to review eligibility determinations made by the DAS and the DBHDD. In addition, the Department of Community Health did not obtain from DAS and DBHDD all of the appropriate eligibility documentation for MFP participants in accordance with departmental policy and procedures.

Recommendation: The Department of Community Health should implement an 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 this finding. With regard to the deficiencies in complete documentation, please see the following specific notes:

Nine (9) files included the following documentation deficiencies:

1) One (1) participant file did not contain MFP Transition screening form.

   The Department of Community Health acknowledges that the MFP Transition Screening Form is an integral part of the MFP record and documents not only participant preferences determined during the first interview but most important, documents the applicant's consent to be served through the MFP Program. *See corrective action plan below.*

2) Four (4) participant files did not contain form DMA 6/*Level of Care Forms.*

   The Department of Community Health will amend its MFP Policy and Procedure manual to remove the "current" requirement of a DMA-6 document for the following reason:

   - The DMA-6 document, though it confirms level of care determination, is not used for all long term support programs, thus will not be completed (therefore not in the participant file) with any MFP participant entering the Elderly & Disabled Waiver Program. Level of Care determination occurs at screening and is synonymous with long term nursing home placement. The residency in a nursing facility for greater than 90 days corroborates the level of care requirement.

3) Four (4) participant files did not contain form DMA 59/*Authorization for Nursing Facility Reimbursement*.

The Department of Community Health acknowledges the absence of the four DMA 59 documents, which confirm an MFP participant's discharge from the nursing home. Despite the absence of the document, there is an alternate means of confirming nursing home discharge through use of the MMIS system which assigns and ultimately removes eligibility spans for Medicaid members. Thus, nursing home discharge may also be confirmed through the review of eligibility spans using the MMIS system. Despite this, Department of Community Health has developed the following corrective action plan:

Corrective Action Plan

On a quarterly basis, MFP staff, to include the Project Director, Clinical Specialist and Data Reporting Manager, will perform a random sample audit of 20 percent of the participant charts for all newly admitted MFP participants during that quarter. Any deficiencies or charts found to have missing documents will be remediated immediately through contact with the transition coordination agency, either the DAS or the DBHDD. Trends related to missing documentation will be tracked and analyzed with the potential for impact on the contractor's performance/Report Card.

SA 12-06 Matching of Allowable Medicaid Benefit Expenditures

Federal Program Information:

CFDA Nos. 93.720, 93.772, 93.778
Medicaid Cluster (ARRA – State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection Prevention Initiative, State Medicaid Fraud Control Units, State Survey and Certification of Healthcare Providers and Suppliers Medicare and Medical Assistance Program)
U.S. Department of Health and Human Services
Grant Award Nos. 05-1105GA5MAP, 05-1105GA5ADM, 05-1105GAARRA, 05-1105GAEXTN, 05-1205GA5MAP, 05-1205GA5ADM, 05-1205GAINCT, 05-1205GAIMPL
Fiscal Year 2012

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.

Questioned Cost: The Department of Community Health over paid 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 Medicaid Benefit expenditures at the correct federally determined rate.

Cause: The Department of Community Health did not adequately monitor the matching rate applied to Medicaid Benefit expenditures.

Recommendation: The Department of Community Health should improve the monitoring policy for the payment of Medicaid Benefit expenditures to ensure expenditures are matched at the proper rate.

Auditee's Response: The Department of Community Health concurs with the finding. The three (3) expenditures noted in the audit sample were not processed in accordance with policy and procedures due to misinterpretation of the policy and a delay in receiving the invoices for processing. CMS requires that the match for payments for this program be based on date of payment to ensure that it receives the correct federal match. The Department of Community Health will improve its communication with Georgia Board of Physician Workforces to ensure that future payments are paid on time and based on the date of payment to ensure that the correct federal match is used.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Department of Community Health

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Health and Human Services, U. S. Department of		
Direct		
Medicaid Cluster:		
State Survey and Certification of Health Care Providers	93.777	$ 5,317,869
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	93.720	1,834
Medical Assistance Program	93.778	5,968,028,978
American Recovery and Reinvestment Act (ARRA) - Medical Assistance Program	93.778	68,597,889
		$ 6,041,946,570
Immunization Cluster:		
Immunization	93.268	$ 319,187
ARRA - Immunization	93.712	332,971
		$ 652,158
HLTH CTR/Migrant Health	93.224	$ 2,701,890
State and Territorial and Technical Assistance Capacity	93.006	$ 48,430
Primary Care Services - Resource Coordination and Development	93.130	$ 156,072
State Rural Hospital Flexibility Program	93.241	$ 469,529
Children's Healthcare Insurance Program (CHIP)	93.767	$ 272,016,308
Grants to States for Operation of Offices of Rural Health	93.913	$ 137,993
Laboratory Leadership, Workforce Training and Management	93.065	$ 9,486
Occupational Safety and Health	93.262	$ 5,400
Strengthening Public Health Infrastructure for Improved Health	93.507	$ 2,110
ACA - Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity	93.521	$ 1,998
ACA - Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	$ 199,388
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome	93.943	$ 538,482
Small Rural Hospital Improvements	93.301	$ 432,012
Money Follows the Person (MFP) Rebalancing Demonstration	93.791	$ 20,249,419
ARRA - Service Health Center	93.703	$ 10,374
Research on Healthcare Costs, Quality and Outcomes	93.226	$ 9
Alzheimer's Disease Demonstration Grants to States	93.051	$ 12,000
Public Health Emergency Preparedness	93.069	$ 80,874
Environmental Public Health and Emergency Response	93.070	$ 14,850
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	$ 97,767

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, 2012**

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Injury Prevention and Control Research and State and Community Based Programs	93.136	$ 305,137
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	$ (484)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.251	$ 35,950
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	$ 587,713
ARRA - Preventing Healthcare - Associated Infections	93.717	$ 188,138
HIV Prevention Activities - Health Department Based	93.940	$ 970,863
HIV Demonstration, Research, Public and Professional Education Projects	93.941	$ (7,493)
HIV/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	$ 8,515
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	$ (44,053)
Preventive Health and Health Services Block Grant	93.991	$ (59,115)
Medicare - Hospital Insurance	93.773	$ 4,857,993
Emergency Medical Services for Children	93.127	$ (72,345)
HIV Care Formula Grants	93.917	$ 896,919
Maternal and Child Health Services Block Grants to the States	93.994	$ 3,638,910
Maternal and Child Health Federal Consolidated Programs	93.110	$ 500
Family Planning - Services	93.217	$ 400,104
Coordinated Chronic Disease prevention and Health Promotion Program	93.544	$ 130,970
ARRA - State Grants to Promote Health Information Technology	93.719	$ 1,412,695
National Bioterrorism Hospital Preparedness Program	93.889	$ 1,641,760
ARRA - Prevention and Wellness-State, Territories and Pacific Islands	93.723	$ 379,734
Prevention and Wellness - ARRA - Communities Putting Prevention to Work Funding Opportunities Announcement	93.724	$ 35,129
Total U.S. Department of Health and Human Services		$ 6,355,090,659

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, 2012**

FEDERAL AGENCY DIRECT OR PASS-THROUGH ENTITY PROGRAM NAME	CFDA NO.	FEDERAL EXPENDITURES
Human Services, Department of		
Refugee and Entrant Assistance - State Administered Programs	93.566	$ 2,650,014
Refugee and Entrant Assistance - Discretionary Grants	93.576	223
Temporary Assistance for Needy Families	93.558	(317)
Total Department of Human Services		$ 2,649,920
Agriculture, U. S. Department of		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 27,706,939
Education, U. S. Department of		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants for Infants and Families	84.181	$ 157,236
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	380,289
Total U.S. Department of Education		$ 537,525
Transportation, U. S. Department of		
Georgia Highway Safety, Office of		
State and Community Highway Safety	20.600	$ 143,574
Total Expenditures of Federal Awards		$ 6,386,128,617

The accompanying notes are an integral part of this schedule.

Purpose of the Schedule

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a schedule of expenditures of federal awards reflecting total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA).

Significant Accounting Policies

Reporting Entity – The accompanying schedule of expenditures of federal awards includes all federal financial assistance programs administered by the Department of Community Health for the fiscal year ended June 30, 2012.

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

Federal Financial Assistance – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursements for services rendered to individuals for Medicare and Medicaid.

Basis of Accounting – The schedule of expenditures of federal awards is prepared using the full accrual basis of accounting. Under this basis, expenses are recognized when incurred.

Expenses – When a State organization receives federal monies and redistributes such monies to another State organization, the federal assistance is reported in both the primary recipient's and the sub-recipient's accounts. This method of reporting expenses is utilized in the accompanying schedule of expenditures of federal awards.

Negative Amounts – The Schedule of Expenditures of Federal Awards includes certain immaterial negative amounts which have been included for information purposes only to the Georgia State Accounting Office and the Georgia Department of Audits and Accounts in an effort to assist them with reconciliation and consolidation of all federal award activities especially in light of the change in grantee agency discussed below.

Change in Grantee Agency – The Department of Community Health administered only a portion of the U.S. Department of Agriculture, CFDA No. 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC) for the fiscal year ended June 30, 2012 after a change in grantee agency that was effective July 1, 2011. The vast majority of the WIC program was administered by the new grantee, the Georgia Department of Public Health,

and the expenditures expended by that agency are reported in that agency's schedule of expenditures of federal awards for the fiscal year ended June 30, 2012. As such, the program in its totality, including those portions expended by the Department of Community Health, will be audited and opined upon by the Georgia Department of Public Health's auditor, the Georgia Department of Audits and Accounts, as a part of the Georgia Department of Public Health's Single Audit.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Summary Schedule of Prior Year Findings and Questioned Costs

As noted in the Notes to the Schedule of Expenditures of Federal Awards, on July 1, 2011 there was a change in the grantee agency associated with numerous health related grants awarded to the State of Georgia. The new grantee agency is the Georgia Department of Public Health. It is the understanding and agreement by officials of the State of Georgia that all prior year findings and questioned costs associated with grants administered and accounted by the Georgia Department of Public Health during the fiscal year ended June 30, 2012 will be addressed and communicated as part of the greater State of Georgia's statewide Single Audit report as issued by the State of Georgia's Department of Audits and Accounts. Consequently, certain prior year instances of noncompliance and significant deficiencies in internal control over compliance are not addressed in this report. The specific findings not addressed in this report include:

- SA 11-06 Subrecipient Monitoring for Public Health Programs
- SA 11-07 Controls Over Emergency Preparedness Administrative Expenses
- SA 11-08 Controls Over the Compliance with Control, Accountability, and Safeguarding of Vaccine
- SA 11-09 Controls Over and Compliance with Record of Immunization
- SA 11-10 Unallowable Charges to and Controls Over Ryan White Part B Expenses
- SA 11-11 Unallowable Charges to and Controls Over Babies Can't Wait Expenses
- SA 11-12 Controls Over Women, Infants, and Children (WIC) Benefit Expenses

FS 11-01 Controls Over Upper Payment Limit Calculation
(Substantial Repeat of Prior Year Findings FS 10-01 and SA 10-01)

Criteria: Title 42 of the Code of Federal Regulations, sections 447.272 for hospital inpatient services and 447.321 for hospital outpatient services, nursing homes, physician groups and intermediate care facilities for mental retardation (ICF-MR), states that the Department of Community Health is eligible to calculate Upper Payment Limit (UPL) for providers that are state government, non-state government and privately owned and operated facilities. UPL refers to a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles.

The Department of Community Health's management is responsible for implementing and maintaining adequate controls to ensure a reasonable estimate of the amount is accurately computed. A detail review of the calculation by someone independent of the calculation process is a necessary part of ensuring the reasonableness of the estimated UPL amount.

Condition: This is a modification and substantial repeat of finding FS 10-01 (and SA 10-01) from the year ended June 30, 2010.

At June 30, 2010, the Department of Community Health recorded a preliminary estimate for inpatient and outpatient UPL as the final estimated

calculation and payment had not been completed for the 2010 fiscal year. The actual calculation for the 2010 fiscal year was completed and paid during fiscal year 2011; however, the actual payments were approximately $15 million less than the June 30, 2010 accrual. The difference in the estimate and actual payment related to State of Georgia (State) plan amendment changes as well as revisions to certain ratios. The State plan amendment changes and information used to calculate the ratios was however available to the Department of Community Health at the time the estimate was calculated.

Management concurred with the prior year finding and indicated they would contract with the Department of Audits and Accounts (DOAA) to provide support and data validation for all hospital, nursing home and physician UPL payments. Further, management indicated that the DOAA review would precede the submission of sample calculations to Centers for Medicare & Medicaid Services (CMS) and would include verification of source data used in the various UPL calculations.

During fiscal year 2011, the Department of Community Health made UPL payments for hospital inpatient and outpatient services, nursing homes, physician groups and ICF-MR prior to having the calculations reviewed by the DOAA. Additionally, there was no indication of a detailed review performed by Department of Community Health management.

During the fiscal year 2011 audit of the Department of Community Health, officials maintained that the DOAA had performed such detail reviews on current fiscal year 2011 calculations and payments, but after extensive inquiries and observations, it was determined that those reviews were made on prior year estimates and not for current year calculations and total payments. Consequently, UPL payments were transacted without an independent review by appropriate parties prior to release of payments.

Auditee Response/ Status: Resolved

FS 11-02 Hospice and Nursing Home Patient Liability

Criteria: The Department of Community Health is responsible for developing, maintaining, and following internal controls over disbursements to hospice providers and to ensure such disbursements are properly supported and appropriate for the respective services rendered in accordance with all federal reimbursable guidelines.

Condition: During the fiscal year 2010 audit of the Department of Community Health, we made recommendations to management related to payments made to providers for hospice services which included the patient cost sharing amounts. This issue was identified by the Department of Community Health approximately four years ago.

During fiscal year 2011, the Department of Community Health's management made significant efforts to resolve the claim processing and financial reporting aspects of the matter. During fiscal year 2011, the Department of Community Health used its "Change Control Board" and "Customer Service Request" process to communicate to its claim processing vendor the need for correction. However, as of the date of this report the providers have not been billed for the overpayments since the exact amounts are not known.

During the fiscal year 2011 audit, we noted the Department of Community Health had not quantified the amount of overpayments made to hospice and nursing home providers from fiscal years 2003 through 2011. As of June 30, 2011, the exact amount of the over payments to be recovered and due to the Department of Community Health were still unknown.

Auditee Response/ Status: Resolved

FS 11-03 Accounts Payable and Other Accruals

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 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, 2011. As a result of our audit procedures, we identified several significant obligations which were not included within the detail and thus excluded from the reported balances of the Department of Community Health at year end.

Auditee Response/ Status: Resolved

FS 11-04 Benefits Payable at State Health Benefit Plan (SHBP) and Fiduciary Funds of the Department of Community Health

Criteria: The Department of Community Health's management is responsible for ensuring proper administration of healthcare claims recorded in three (3) funds managed by the Department of Community Health. These three (3) funds include the SHBP Fund and two (2) fiduciary funds (known as the State Employees Postemployment Health Benefit Fund (State OPEB Fund) and the School Personnel Postemployment Health Benefit Fund (School

OPEB Fund)). The adoption of the accrual basis of accounting under generally accepted accounting principles is required for each of these funds.

Condition: All three (3) funds noted above include healthcare costs administered by various third party service providers. During the audit of the fiscal year June 30, 2011 and upon receipt of Department of Community Health prepared financial statements, we noted a debit balance in benefits payable at the School OPEB Fund. Upon inquiry as to the nature of such a balance, it was determined that the debit balance was due to an error on the part of a third party service provider, United Healthcare (UHC), in their processing of claims paid across funds. Additionally, our inquiries resulted in noting that adjustments would be required which would affect all three (3) respective funds.

Auditee Response/ Status: Resolved

FS 11-05 Controls Over Processes Performed at Service Organizations (Partial Repeat of Prior Year Finding FS 10-03)

Criteria: Management is responsible for implementing and maintaining effective internal controls over financial reporting whether the processing is performed at the Department of Community Health or whether it is outsourced to an outside service organization. This responsibility includes an understanding of user controls to ensure they are implemented and maintained within the Department of Community Health's internal control system.

Condition: This is a modification and partial repeat of finding FS 10-03 from the year ended June 30, 2010.

The responsibility for user controls is not consistently communicated at the management or staff level throughout the Department of Community Health. Further, designated user controls are not undergoing a thorough review process on a periodic basis to ensure they are being implemented and are effective.

Auditee Response/ Status: Resolved

SA 11-01 Controls Over Upper Payment Limit Calculation (Substantial Repeat of Prior Year Findings FS 10-01 and SA 10-01)

Criteria: See Financial Audit Finding FS 11-01.

Condition: See Financial Audit Finding FS 11-01.

Auditee Response/ Status: See Financial Audit Finding FS 11-01.

SA 11-02 Hospice and Nursing Home Patient Liability

Criteria: See Financial Audit Finding FS 11-02.

Condition: See Financial Audit Finding FS 11-02.

Auditee Response/ Status: See Financial Audit Finding FS 11-02.

SA 11-03 Accounts Payable and Other Accruals

Criteria: See Financial Audit Finding FS 11-03.

Condition: See Financial Audit Finding FS 11-03.

Auditee Response/ Status: See Financial Audit Finding FS 11-03.

SA 11-04 Verification and Documentation of Eligibility (Substantial Repeat of Prior Year Finding SA 10-02)

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

Condition: This is a modification and substantial repeat of finding SA 10-02 from the year ended June 30, 2010.

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 four (4) recipients' files in a sample of sixty (60) of Medicaid recipients whose eligibility was not properly documented. Those four (4) files included the following documentation deficiencies:

1) Two (2) case files did not contain evidence that eligibility was recertified in a timely manner in accordance with the policies and procedures in place.
2) A case file did not contain acceptable documentation of citizenship.
3) A case file was missing the application and other required documentation.

Auditee Response/ Status: Unresolved: See current year finding SA 12-02 for status of the verification and documentation of Medicaid eligibility.

SA 11-05 Matching of Allowable Expenditures
(Substantial Repeat of Prior Year Finding SA 10-03)

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

Condition: This is a modification and substantial repeat of finding SA 10-03 from the year ended June 30, 2010.

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) 2011 is 75.73 percent and the Enhanced FMAP for FFY 2010 is 75.57 percent. During fieldwork, we noted twenty-five (25) instances in a sample of fifty-one (51) CHIP administrative expenditures in which incorrect federal matching rates were used. Those twenty-five instances were as follows:

a. Seven (7) expenditures were incorrectly matched at the FFY 2010 Enhanced FMAP based on the date of the expenditure.

b. Eighteen (18) expenditures were incorrectly matched at a rate other than the Enhanced FMAP for CHIP expenditures.

Auditee Response/ Status: Unresolved: See current year finding SA 12-04 for status of the matching of CHIP expenses.