

NC DEPARTMENT OF
HEALTH AND HUMAN SERVICES

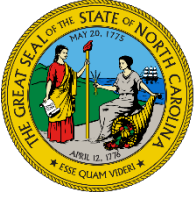
Office of the Internal Auditor

Follow-up Assessment of the Department's Response to the
Findings and Recommendations Identified in the State of North
Carolina Single Audit Report for the Fiscal Year Ended June 30, 2018

Issued by the Office of the State Auditor
April 1, 2019

September 30, 2019

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NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Office of the Internal Auditor

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

DAVID A. KING • Director, Office of the Internal Auditor

September 30, 2019

Secretary Mandy Cohen, MD, MPH
N.C. Department of Health and Human Services
Adams Building, 101 Blair Drive
Raleigh, NC 27603

The Office of the Internal Auditor (OIA) has conducted a follow-up assessment of the Department of Health and Human Services' (Department) response to the findings and recommendations identified in the State of North Carolina Single Audit Report, FSA-2018-8730, and the Department of Health and Human Services Statewide Federal Compliance Audit Procedures, FSA-2018-4410, for the fiscal year ended June 30, 2018. Both reports were issued by the Office of the State Auditor (OSA) on April 1, 2019.

Results

Three of the six findings are considered resolved. The Department took appropriate corrective action to reduce identified risks. The corrective action taken for those three findings was sufficient to reduce risk to an acceptable level. An additional three findings are considered partially resolved. The Department took some action to reduce identified risks. However, the corrective action taken is not sufficient to reduce risk to an acceptable level, and the Department continues to work to address the findings.

OIA will follow up with the Department to ensure its work activities reduce risk to an acceptable level. A summary of OSA's findings and recommendations and OIA's follow-up results are included in the Appendix. Due to its sensitive nature and pursuant to G.S. 132-6.1(c), a separate letter will be issued to Secretary Cohen that includes detailed follow-up results from the one security-related finding noted in OSA's audit reports.

Objective

The objective of our follow-up assessment was to evaluate whether the Department took appropriate corrective action in response to OSA's findings and recommendations. Our follow-up assessment was conducted pursuant to G.S. 143B-216.51(g). The General Statute requires OIA to issue a report to the Secretary on the status of corrective action taken by the Department no later than six months after the State Auditor publishes any audit report pursuant to law. A copy of this report will be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute.

Scope

The scope of our follow-up assessment included a review of activities directed toward the resolution of OSA's findings and recommendations as well as the corrective action taken by the Department.

Methodology

We conducted this engagement in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors. In order to form an opinion on the current status of the six findings, we performed the following procedures:

- We reviewed OSA's audit report to gain a better understanding of the findings.

- We discussed the basis for the findings and the associated corrective action with Department management.
- We conducted tests to evaluate whether corrective action taken by the Department reduced risk to an acceptable level.

Status Definitions

The status of each finding is categorized as follows:

- Resolved: We evaluated evidence that actionable items were completed and implemented to reduce risk to an acceptable level.
- Partially Resolved: We evaluated evidence that progress has been made toward the implementation of the actionable items in the Department's response and is ongoing to reduce risk to an acceptable level.
- Unresolved: Evidence was not provided to show progress has been made toward the implementation of the actionable items in the Department's response, to reduce risk to an acceptable level.

We express our appreciation to Department management and staff and the Office of the State Auditor for their cooperation and assistance during this follow-up assessment.

David A. King
Director, Office of the Internal Auditor

CC: Matt Gross, Assistant Secretary for Governmental Affairs, DHHS

APPENDIX

SUMMARY OF FINDINGS AND RECOMMENDATIONS FROM OSA REPORT (ITALICIZED) AND OIA'S FOLLOW-UP RESULTS (BOLDED)

1) OSA FINDING AND RECOMMENDATION – 2018-023: *INACCURATE HOUSEHOLD INFORMATION REPORTED TO FEDERAL GOVERNMENT*

**93.568 LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM
DIVISION OF SOCIAL SERVICES**

***Finding 2018-023:** The Department submitted an inaccurate special report for the Low-Income Home Energy Assistance Program (LIHEAP) to the U.S. Department of Health and Human Services, Administration for Children and Families (ACF). During the audit period, the Department provided \$79.8 million in LIHEAP Assistance to eligible households.*

Auditors obtained the supporting data and recalculated the amounts included in the Annual Report on Households Assisted by the Low-Income Home Energy Assistance Program submitted in December 2017 for the period of October 1, 2016 – September 30, 2017. The report contains information such as the number and income levels of households that applied for and were assisted by LIHEAP funding. Variances were identified between the submitted report and the auditor recalculated amounts.

The following variances were identified:

Category	December 2017 Submission	Auditor Results	Variance
<i>Households receiving crisis assistance</i>	104,853	107,073	(2.12%)
<i>Households receiving emergency repair or replacement assistance</i>	1,004	801	20.22%
<i>Households receiving weatherization assistance</i>	1,142	1,079	5.52%
<i>Households applying for heating assistance</i>	135,658	135,553	0.08%
<i>Households applying for crisis assistance</i>	112,795	115,331	(2.25%)
<i>Households applying for emergency repair or replacement assistance</i>	1,170	1,070	8.55%
<i>Households applying for weatherization assistance</i>	1,328	1,227	7.61%

As a result, there were additional errors in the reported number of assisted and applicant households by poverty level and the number of assisted households by vulnerable population.

Reporting errors could lead to reduced funding because the report provides information to ACF about the need for LIHEAP funding. Reporting errors could also lead to inaccurate state performance measures in the ACF's annual report to Congress.

According to the Department, the errors in the report occurred because there were no written procedures on how to accumulate and reconcile the data and prepare the report. Further, the review

and approval of the completed report were not detailed enough to ensure the report was prepared accurately.

Federal regulations require that each state receiving funds shall submit to the U.S. Department of Health and Human Services a report of “the number and income level of the households which apply and the number which are assisted with LIHEAP funds; and the number of households so assisted with one or more members who attained 60 years of age; one or more members who were disabled; and one or more young children.”

Additionally, the Governmental Accountability Office (GAO) states that government managers have a fundamental responsibility for “ensuring that management and financial information is reliable and properly reported.”

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services. CFDA (title): 93.568 (Low-Income Home Energy Assistance Program); Federal Award Number (award period): G-15B1NCLIEA (October 1, 2015 – September 30, 2017).

OSA Recommendations: Department management should develop written procedures on how the household data should be accumulated and reconciled for completeness and accuracy as well as establish a detailed supervisory review and approval process of the report and the underlying data before it is submitted.

Agency Response: The Department agrees with the finding and is currently in the process of developing detailed procedures to address the issues going forward.

Corrective Action Plan: The Division is creating a comprehensive requirements document that details the procedures used to complete the Low Income Home Energy Assistance Program (LIHEAP) Federal Report. This document will include the federal requirements for each data element and will detail the procedures used by the Performance Management staff to obtain the correct data.

The Division is also developing written procedures for validating, submitting and certifying the report. The process will include the following:

- The Performance Management Business Analyst will pull data from NC FAST and obtain data from the Department of Environmental Quality (DEQ) to complete the report.
- The Performance Management Team Manager will validate the report to ensure procedures included in the requirements document were followed and that the data is accurate.
- Both parties will sign the report and send to the Economic and Family Services Deputy Director for approval.
- The Energy Policy Consultant will enter the approved data in the federal Administration for Children and Families (ACF) Online Data Collection (OLDC) web portal.
- The Energy Program Manager will review the accuracy of the data in OLDC and certify the report, which is the official electronic submission to ACF.

Anticipated Completion Date: January 30, 2019

OIA Follow-up Results

The Department has fully implemented procedures to address the OSA finding. The Department has created and implemented a comprehensive instructional document detailing procedures for preparing, validating, submitting and certifying the LIHEAP Federal Report. This process includes data extraction, validation, and approval from Department management prior to report submission.

In addition to the instructional procedures, the Department developed a requirements report for additional guidance on federal and state regulations and report coding.

The Department has fully implemented the corrective action plan and mitigated the risk associated with OSA finding 2018-023 to an acceptable level to prevent the finding from recurring.

OIA considers finding 2018-023 resolved as of August 15, 2019.

2) OSA FINDING AND RECOMMENDATION – 2018-024: FEDERAL AWARD INFORMATION WAS NOT INCLUDED IN SUBAWARD

*93.575 CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT
DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION*

Finding 2018-024: The Department did not communicate all the required federal award information when awarding funds to subrecipients of the Child Care Development Fund Cluster (CCDF). During the audit period, the Department provided \$2.6 million in CCDF funding to North Carolina Public Schools and Partnerships for Children to provide high-quality pre-kindergarten services.

The Department awarded funds to 79 pre-kindergarten subrecipients during the audit period, using contracts to communicate the federal award information. Out of a sample of 16 contracts, eight (50%) did not include the following federal award information:

- Subrecipients unique entity identifier*
- Federal Award Identification Number (FAIN)*
- Federal award date*
- Federal awarding agency*
- CFDA name and number*
- Identification of whether the award is research and development*
- Indirect cost rate for the federal award*

Not communicating all the required federal award information increases the risk that CCDF funds would not be used in accordance with the federal requirements.

According to the Department, the information was not included in the pre-kindergarten contracts because it was not aware of the requirement. The Department only included the federal award information in the contract if the amount of federal funding equaled or exceeded \$25,000. The subrecipients were awarded less than \$25,000 in all the errors identified.

There were an additional 29 pre-kindergarten contracts where the amount of the federal funding was less than \$25,000 and part of the federal award information was omitted.

Federal regulations require the Department to identify the award as a subaward and include specific federal award information at the time of the subaward.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; CFDA Number (title): 93.575 (Child Care and Development Fund Block Grant); Federal Award Number (award period): G1701NCCCDF (October 1, 2016 – September 30, 2019).

OSA Recommendations: Department management should ensure that staff responsible for managing the grant have a clear understanding of the federal regulations, and should include all of the required federal award information in all contracts with their subrecipients.

Agency Response: The Department agrees with the finding. The Department revised its current practice and is now notifying all subrecipients of all required federal award information

Corrective Action Plan: On November 15, 2018, all contracts with subrecipients receiving federal funds included all the required federal award information as identified in 2 CFR 200.331.

On December 5, 2018, the Division's Contract staff began providing Grants Administration Training on the requirements listed in 2 CFR 200.331. Staff responsible for managing the grant will receive on-going training to ensure that all the required federal award information is included in all contracts with their subrecipients.

Effective January 1, 2019, subrecipients of federal funds will receive a "Notice of Grant Award" through electronic mail detailing the required Federal Award Information.

Anticipated Completion Date: January 1, 2019.

OIA Follow-up Results

The Department has fully implemented procedures to address the OSA finding. In June 2019, the Department mailed the Notice of Grant Award letter to the NC Pre-K vendors. Department contracts with subrecipients receiving federal funds included all the required federal award information as identified in 2 CFR 200.331.

The Department provides on-going training to staff responsible for grant administration to ensure required federal award information is included in subrecipient contracts.

The Department has fully implemented the corrective action plan and mitigated the risk associated with OSA finding 2018-024 to an acceptable level to prevent the finding from recurring.

OIA considers finding 2018-024 resolved as of August 15, 2019.

3) OSA FINDING AND RECOMMENDATION – 2018-025 ERRORS IN MEDICAID PROVIDER BILLING AND PAYMENT PROCESS

93.778 MEDICAL ASSISTANCE PROGRAM
DIVISION OF HEALTH BENEFITS

Finding 2018-025: The Department made an estimated \$71.7 million net overpayment to Medicaid providers during state fiscal year 2018. During that period, the Department processed more than 84 million payments for fee-for-service claims totaling \$7.93 billion.

Auditors reviewed 726 fee-for-service payments totaling approximately \$45.9 million and identified 14 (1.9%) payments that contained errors. Specifically:

- Ten (1.4%) claims lacked documentation to support the services rendered by the provider. The result was a net overpayment of \$6,112 (federal share \$4,131).
- Four (.5%) claims contained medical coding errors which impacted payment calculation. The result was a net underpayment of \$7,882 (federal share \$5,272).

As a result, the Department overpaid an estimated \$71.7 million that could have been used to provide additional services to other eligible beneficiaries or reduce overall program costs. Additionally, the overpayments of \$6,248 (federal share \$4,222) found in the sample are being questioned.

According to the Department, the documentation and coding errors were due to clerical errors and inadequate documentation being kept by the health care providers.

Federal regulations require costs to be adequately documented; authorized; necessary and reasonable; and be consistent with program regulations that apply to the federal award. Additionally, providers sign an agreement that requires them to maintain records disclosing the extent of services furnished to recipients and, on request, furnish the records to the Department.

This finding was previously reported in the 2017 Statewide Single Audit as finding number 2017-024.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; CFDA Number (title): 93.778 (Medical Assistance Program (Medicaid; Title XIX)); Federal Award Number (award period): 05-1705NC5MAP (October 1, 2016 to September 30, 2017) and 05-1805NC5MAP (October 1, 2017 to September 30, 2018).

OSA Recommendations: *Department management should analyze each error and take immediate and appropriate corrective action including, but not limited to, education of providers and on-site or focused reviews.*

Identified over and underpaid claims should be followed-up for timely and appropriate collection or payment.

Agency Response: *The Department agrees with the finding. The Department routinely provides education to providers which details compliance requirements for federal, state and local regulatory rules and/or laws.*

The Department will reiterate to providers the requirement to maintain proper documentation to support the medical necessity and coding of services billed to the Medicaid Program. The Department delivers ongoing education via the monthly Medicaid Bulletin, NC Tracks Provider Portal and other communication venues. The Department will review the claim errors cited in the report to determine which errors may be resolved by requiring additional documentation from the providers. Appropriate recoupment efforts will be made as necessary.

Corrective Action Plan: *The Office of Compliance and Program Integrity (OCPI) will continue to:*

- Educate the provider community by publishing articles on correct billing practices and coding, at least bi-annually, in the monthly Medicaid Bulletin.*
- Encourage providers through written communications to perform self-audits, identifying over/under payments, billing issues and coding errors.*
- Monitor provider behavior and compliance through post-payment reviews and self-audits.*

In addition, OCPI will:

- Review the cited claim errors to determine which errors may be resolved by obtaining additional documentation from the providers.*
- Recoup identified overpayments from providers as appropriate and necessary.*
- Issue education letters to the providers identified in the errors noted emphasizing the need to ensure their compliance and billing efforts align with regulatory requirements, clinical policy and contractual agreements.*

Anticipated Completion Date: June 30, 2019

OIA Follow-up Results

The Department has fully implemented procedures to address the OSA finding. An article on Medicaid claims was published in the August 2019 Medicaid Bulletin encouraging providers to perform self-audits to identify over/under payments, billing issues, and coding errors. The Department conducts ongoing monitoring of provider behavior and compliance through post-payment reviews and self-audits.

The Department issued Tentative Notice of Overpayment letters to providers, identified by OSA, for recoupment of overpayments as well as emphasizing the importance of compliance with regulatory requirements. An accounts receivable was established by the Office of the Controller to ensure the federal share is paid back. The Department continues to provide routine education to providers detailing compliance requirements for federal, state, and local regulatory rules and laws.

The Department has fully implemented the corrective action plan and mitigated the risk associated with OSA finding 2018-025 to an acceptable level to prevent the finding from recurring.

OIA considers finding 2018-025 resolved as of August 26, 2019.

4) OSA FINDING AND RECOMMENDATION – 2018-026 LACK OF QUALITY ASSURANCE REVIEWS INCREASED RISK OF UNDETECTED PAYMENT ERRORS 93.778 MEDICAL ASSISTANCE PROGRAM DIVISION OF HEALTH BENEFITS

Finding 2018-026: The NC Department of Health and Human Services (Department) did not adequately monitor the work of some of its contractors that help ensure Medicaid services are medically necessary and payments are not fraudulent. The Department paid approximately \$11.4 billion to 19,247 providers during the fiscal year ended June 30, 2018.

First, the Department did not perform quality assurance reviews of the work that General Dynamics Information Technology (GDIT, formerly CSRA) performed.

In part, GDIT was contracted to perform prior approvals of certain Medicaid services, products, and procedures to verify documentation of medical necessity.

Second, the Department did not consistently follow its plan for quality assurance reviews of the Local Management Entity-Managed Care Organizations (LME-MCOs). LME-MCOs are contractually required to have a program integrity function to look for fraud in their programs and report cases to the Department and law enforcement, as necessary. The Department's plan required it to review cases closed, but not referred to the Department, by the LME-MCO's program integrity function on a sample basis to ensure that the LME-MCO made the correct decision.

Each quarter, the Department was required to review 20% (or no less than 2) of the cases closed by each LME-MCO's program integrity function but not referred to the Department. However, the Department failed to review the required amount for the first 2 quarters of the audit period at some of the LME-MCOs. Out of 7 LME-MCOs reviewed each quarter, the Department's monitoring consisted of:

- Quarter 1 – reviewed less than 20% of cases at 4 LME-MCOs (from 11%-19%).*
- Quarter 2 – reviewed less than 20% of cases at 2 LME-MCOs (from 17%-19%).*

Because the Department did not perform adequate quality assurance reviews, there was an increased risk that errors (i.e. services rendered that would have been denied or payments made for fraudulent claims) occurred and remained undetected. Without adequate reviews, the Department did not have reasonable assurance that the contractors effectively reviewed claims and identified payment errors.

According to Department management, the lack of monitoring occurred for two reasons.

First, monitoring of GDIT did not occur because the Department did not have written procedures for quality assurance reviews of contractors who perform prior approvals.

Second, monitoring of LME-MCOs was inadequate because the Department lost its statistician. The statistician was responsible for selecting case files for quality assurance reviews. With the statistician gone, the Department did not have anyone who understood sampling methodology used to select case file for review. This also delayed the implementation of the monitoring plan until January 2018, retroactive to July 1, 2017.

In accordance with Session Law 2010-194, the NC Department of Administration has established rules and regulations which specify the manner in which State agencies shall monitor and enforce the terms of contracts. The State's Contract and Procurement Office's Contract Administration Guide (Guide) includes a Contract Monitoring Checklist which states that it is the responsibility of each agency to ensure all contractual obligations are met and that contract monitoring is documented.

Furthermore, federal regulations require the Department to "establish and maintain effective internal control over the federal award that provides reasonable assurance that the Department is managing the program in compliance with federal statutes, regulation, and the terms and conditions of the federal award." The ongoing quality assurance reviews would be an effective control over compliance.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; CFDA Number (title): 93.778 (Medical Assistance Program (Medicaid; Title XIX)); Federal Award Number (award period): 05-1705NC5MAP (October 1, 2016 to September 30, 2017) and 05-1805NC5MAP (October 1, 2017 to September 30, 2018).

OSA Recommendations: *Department management should develop and implement standardized contract monitoring policies and procedures to ensure that all prior approval contractors are monitored and are making decisions based on the need, reducing the risk of unnecessary Medicaid expenditures.*

In addition, Department management should document the sampling methodology so that it is available to other employees in the future. The Department should train other employees to perform the sampling plan or develop other contingency plans to ensure that ongoing quality assurance reviews can be performed.

Agency Response: *The Department agrees with this finding. The Department utilizes six vendors to perform prior approvals/assessments for the relevant services covered by North Carolina Medicaid. Monitoring procedures were not in place for one of the six vendors as noted by the State Auditor. NC Medicaid will implement a quarterly monitoring plan for GDIT utilizing a random sample of claims to be evaluated for proper prior approval treatment to ensure the vendor is following direct prior approval (PA) policy guidelines.*

While the transition of the statistician role delayed the completion of the quality assurance reviews of LME/MCOs closed cases for quarters' one and two of State Fiscal Year 2018, the inadequate sample sizes were due to staff failing to replace sample items when an item was deemed to not meet the criteria for testing. The Department enhanced the sampling methodology documentation and provided

training to appropriate staff on November 3, 2017 to ensure adequate coverage for sampling needs. Additionally, the Department will enhance the LME/MCO quality assurance review procedures to ensure executed sample sizes meet the 20% threshold as noted in the Department's quality assurance review guidelines. The enhanced procedures will include a control to ensure a sufficient number of cases are reviewed.

Corrective Action Plan: *The Department will select a random sample of claims from the Truven Data Warehouse to be evaluated for accuracy to ensure that the Vendor is following direct prior approval (PA) policy guidelines. General Dynamics Information Technology (GDIT) will continue to report the Joint Management Operations status report via the Truven tool to the State Contract Administrator quarterly.*

The Department will designate and make available a Clinical Policy Contract Administrator to monitor GDIT PA's performance measures. The State's Contract Administrator will be responsible for reviewing the vendor's Joint Management reports quarterly, monitor performance measures, and evaluate continuous improvement and cost saving ideas based on the PA quarterly sample review.

Anticipated Completion Date: July 1, 2019.

The Department enhanced the sampling methodology documentation and provided training to appropriate staff on November 3, 2017 to ensure adequate coverage for sampling needs.

The Department will enhance the Local Management Entity/Managed Care Organizations (LME/MCO) quality assurance review procedures to ensure executed sample sizes meet the 20% threshold as noted in the Department's quality assurance review guidelines. The Investigations Managers will collaborate with the Data Analytics Manager to ensure populations are properly identified and executed sample sizes meet guidelines.

The enhanced procedures for LME/MCO quality assurance reviews will be implemented on or before March 31, 2019.

Anticipated Completion Date: March 31, 2019.

OIA Follow-up Results

The Department has partially implemented the corrective action plan to address the OSA finding. The Department has developed a monitoring plan and monitoring tool, as well as conducted a pilot of the QA review process over GDIT's prior approvals. However, the Department has not fully implemented the monitoring plan or completed a quarterly review.

A Contract Administrator has not been designated for the review of Joint Management reports, monitoring of performance measures, and evaluation for continuous improvement and cost saving ideas based on the PA quarterly sample review.

The Department provided sampling methodology training to appropriate staff to ensure adequate coverage for sampling needs. The Department enhanced the LME/MCO quality assurance review procedures by adding controls over population identification and sample selection to ensure populations are properly identified and executed sample sizes meet guidelines. In addition, the Department increased the minimum sample size from 20% to 25%. For SFY19, the Department's fourth quarter LME/MCO QA monitoring was performed in accordance with the updated monitoring procedures.

The Department has partially implemented the corrective action plan and partially mitigated the risk associated with finding 2018-026.

OIA considers this finding partially resolved, with an anticipated completion date of October 31, 2019.

5) OSA FINDING AND RECOMMENDATION – 2018-027: INADEQUATE MONITORING OF THIRD-PARTY CONTRACTOR

93.778 MEDICAL ASSISTANCE PROGRAM
DIVISION OF HEALTH BENEFITS

Finding 2018-027: The results of our audit disclosed a security deficiency considered reportable under generally accepted Government Auditing Standards. These deficiencies are reported to the Department by separate letter in accordance with these standards. These items should be kept confidential as provided by North Carolina General Statute 132-6.1(c).

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; CFDA Number (title): 93.778 (Medical Assistance Program (Medicaid; Title XIX)); Federal Award Number (award period): 05-1705NC5MAP (October 1, 2016 to September 30, 2017) and 05-1805NC5MAP (October 1, 2017 to September 30, 2018).

Agency Response: The Department is committed to maintaining adequate information security and system access controls. The Department has designed and/or implemented corrective actions to address the risks identified in this audit. These corrective actions have been detailed in a response separately submitted to the State Auditor. Security risks are given the highest priority by the Department and corrective actions will be monitored.

Corrective Action Plan: The Department is committed to maintaining adequate information security and system access controls. The Department has designed and/or implemented corrective actions to address the risks identified in this audit. These corrective actions have been detailed in a response separately submitted to the State Auditor. Security risks are given the highest priority by the Department and corrective actions will be monitored.

Anticipated Completion Date: June 30, 2019.

OIA Follow-up Results

The Department has partially implemented the corrective action plan to address OSA finding 2018-027. Due to the sensitivity of the finding, details of OIA's follow-up activities are not included in this report. A separate letter will be issued to the Secretary detailing follow-up results.

The Department has partially implemented the corrective action plan and partially mitigated the risk associated with finding 2018-027.

OIA considers this finding partially resolved, with an anticipated completion date of October 15, 2019.

6) OSA FINDING AND RECOMMENDATION – 2018-028: DEFICIENCIES IN ELIGIBILITY DETERMINATION PROCESS
93.778 MEDICAL ASSISTANCE PROGRAM
DIVISION OF HEALTH BENEFITS

Finding 2018-028: *The Department made a projected \$29.1 million in Medical Assistance Program (Medicaid) payments for ineligible beneficiaries due to inaccurate and inadequately documented eligibility determinations. During the audit period, approximately 2 million beneficiaries received \$11.4 billion in Medicaid benefits.*

The task of determining Medicaid eligibility has been delegated to the county departments of social services (DSS). However, the Department was responsible for ensuring compliance with the eligibility requirements.

Auditors reviewed the client files for a statistical sample of 9,600 paid claims and found one or more errors in 532 (5.54%) paid claims. Specifically:

- 466 (4.85%) paid claims were associated with client files that were missing some of the required eligibility documentation. Examples of missing information included proof of residency, online verification documentation, and inaccurate income calculations. However, auditors obtained updated information and determined that the beneficiaries were eligible.*
- 66 (0.69%) paid claims were associated with client files that contained ineligible beneficiaries during the coverage period. In these client files, errors included incorrect certification periods, inaccurate eligibility determination calculations, inaccurate program certifications, and untimely termination. Payments totaling \$6,268 (federal share \$4,229) were made on behalf of these ineligible beneficiaries.*

As a result, the Department paid a projected \$29.1 million in error that could have been used to provide services for eligible beneficiaries.

The errors were made for two reasons. First, the Department did not perform monitoring activities between October 2017 and June 2018 of county DSS eligibility determinations. Second, the Department provided eligibility determination training to county DSS personnel that was neither mandatory nor sufficient to ensure consistent and accurate eligibility determinations.

These two procedural weaknesses existed despite the Department's awareness of deficiencies in the eligibility determination process. As auditors reported in January 2017, county DSS eligibility error rates ranged between 1.2% and 18.8% for new eligibility determinations and 1.2% and 23.2% for eligibility redeterminations.

Additionally, the procedural weaknesses existed despite the Department's awareness that the Legislature had addressed Medicaid eligibility errors. The North Carolina General Assembly enacted North Carolina Session Law 2017-57, which required the Department to establish accuracy standards, monitor quality, and audit the county eligibility determinations.

Federal regulations require that the Department, or its designee, determine client eligibility for all individuals applying for or receiving benefits in accordance with eligibility requirements defined in the approved State plan.

Further, federal regulations require that documentation be obtained as needed to determine if a beneficiary meets specific income standards and documentation must be maintained to support eligibility determinations.

This finding was previously reported in the 2017 Statewide Single Audit Report as finding number 2017-030.

Federal Award Information: Federal Awarding Agency: U.S. Department of Health and Human Services; CFDA Number (title): 93.778 (Medical Assistance Program (Medicaid; Title XIX)); Federal Award Number (award period): 05-1705NC5MAP (October 1, 2016 to September 30, 2017) and 05-1805NC5MAP (October 1, 2017 to September 30, 2018).

OSA Recommendations: *Department management should ensure eligibility determinations are performed accurately and are adequately documented. Specifically:*

- Department management should monitor county DSS eligibility determinations to ensure that eligibility determinations are accurate and supporting documentation is maintained in the client files.*
- Department management should develop and provide mandatory additional training on eligibility determinations and documentation to the county DSS.*

Agency Response: *The Department agrees with the identified errors and while the 2018 ineligible error rate of .69% decreased from the 2017 error rate of .92% (an approximate 20% improvement), the Department continues to work diligently to further reduce this rate, noting it is within the acceptable range established in G.S. 108A-70.47. Of the 100 counties reviewed, only thirty-seven (37) had an ineligible determination and only three (3) had an error rate which exceeded the established accuracy rate for ineligible determinations.*

Following the issuance of the Auditor's January 2017 report on county DSS eligibility error rates, the Department took several steps to enhance training and monitoring of county eligibility determinations including strengthening the county second party review process and implementing NC FAST certifications. The Department continues to provide Medicaid eligibility training to county DSS staff through the Medicaid Eligibility Support Team cluster meetings and the NC FAST Learning Gateway. The Department will implement mandatory Medicaid policy training and certification through the NC FAST system for all county caseworkers that input Medicaid data or make Medicaid eligibility determinations. The Department will continue to ensure collaboration between the state Division of Social Services, Division of Health Benefits, and NC FAST to provide and enhance program support, policy guidance, training, onsite consultations and technical assistance regarding Medicaid eligibility determinations to county DSS staff. Additionally, the Department has fully implemented the requirements of North Carolina Session Law 2017-57 regarding the monitoring of Medicaid eligibility determinations.

The Department acknowledges that some county eligibility monitoring activities were temporarily delayed due to system issues. The Medicaid Quality Control Sample Portal tool, designed through the NC FAST eligibility system to generate random Medicaid eligibility samples utilized for monitoring and audit efforts, encountered defects which took some time to resolve. In June 2018, the system defects were corrected, and the Department resumed the monitoring activities retroactively to October 2017.

Corrective Action Plan: *The Office of Compliance and Program Integrity (OCPI) performed the following monitoring efforts to ensure eligibility determinations are accurate and adequate documentation is maintained:*

- Beginning June 2018, resumed quarterly Medicaid Eligibility Quality Assurance (MEQA) reviews of county DSS eligibility determination cases retroactive to October 2017.*
- Performed quarterly MEQA reviews of county DSS eligibility determination cases for the first two quarters of State Fiscal Year (SFY) 2019.*
- Began monthly audits of county eligibility determinations effective January 2019.*

The Department will continue to provide on-going Medicaid eligibility training to county DSS staff through the Medicaid Eligibility Support Team cluster meetings and the NC FAST Learning Gateway. The Department will implement a mandatory training and certification program through the NC FAST system for all county Medicaid caseworkers that input data or make eligibility determinations.

The following training requirements for the Medicaid DSS caseworkers will be monitored:

- *New staff will be trained within 90 days of hire.*
- *Existing Medicaid staff will have up to 18 months to complete training.*
- *All Medicaid staff are required to be tested after training and receive a passing score of 70% or higher.*
- *If staff do not pass the test, access to the NC FAST system will be terminated.*
- *Recertifications will be obtained at least every 3 years.*

Anticipated Completion Date: September 30, 2019.

OIA Follow-up Results

The Department has partially implemented the corrective action plan to address the OSA finding. The Department resumed quarterly MEQA reviews retroactive to October 2017 and for the first two quarters of SFY19. In January 2019, the Department notified counties of the Medicaid eligibility determination audit plan. The plan outlines 30 to 35 counties audited per year, with all 100 counties audited over a three-year period. For each county under audit, the Department reviews 10 active and 10 negative cases per month, over the course of ten months, totaling 200 cases reviewed per county, per year. The monthly audits of county eligibility determinations began in February 2019.

The Department continues to provide on-going Medicaid eligibility training to county DSS staff through the Medicaid Eligibility Support Team cluster meetings and the NC FAST Learning Gateway. A Steering Committee was created for the development of policy for a mandatory training and certification program through NC FAST for all county Medicaid caseworkers that input data or make eligibility determinations. The NC FAST Learning Gateway was upgraded to account for implementation of the training and certification program, including progress monitoring dashboards.

A draft roll-out plan was developed for staggered implementation of the training and certification program in order to maximize resources and avoid a massive undertaking by counties. Beginning November 2019, six counties will implement a pilot of the program. The Department expects that all new county employees, subject to the requirement, will begin using the certification program by August 2020 with full implementation by January 2021. The Department has not fully implemented the training and certification program across all counties.

The Department reviewed each error identified by OSA to determine concurrence or rejection of the error and identified all overpayments for each ineligible recipient. The Department sent Notice of Overpayments and associated invoices to the applicable counties for recoupment.

The Department has partially implemented the corrective action plan and partially mitigated the risk associated with finding 2018-028.

OIA considers this finding partially resolved, with an anticipated completion date of January 31, 2021.