



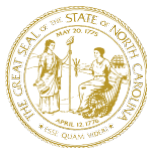
Office of the Internal Auditor
HEALTH AND HUMAN SERVICES

Follow-up Assessment of the ISA-2016-4400
North Carolina Families Accessing Services
Through Technology (NC FAST)
Information Systems Audit

Issued by the Office of the State Auditor
June 19, 2017

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DEPARTMENT OF HEALTH AND HUMAN SERVICES OFFICE OF THE INTERNAL AUDITOR

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December 19, 2017

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The Office of the Internal Auditor (OIA) has conducted a follow-up assessment of the findings and recommendations identified in the information systems audit of the North Carolina Families Accessing Services Through Technology (NC FAST), ISA-2016-4400. The report was issued by the Office of the State Auditor (OSA) on June 19, 2017.

Conclusion

All three findings are considered partially resolved: OIA observed sufficient evidence to conclude that the Department of Health and Human Services (Department) took some action to reduce the risks identified. However, the corrective action taken is not sufficient to reduce the risk that the findings would continue to exist in subsequent periods, and the Department continues to work to address the findings. The Department has adjusted their completion dates for the full implementation of the corrective action plans and recommendations. OIA will follow up with the Department to ensure their work activities reduce the risk that the findings would continue to exist in subsequent periods. A summary of each of OSA's findings and recommendations and OIA's observed results are included in Appendix A.

Objective

The objective of our follow-up assessment was to evaluate whether the Department has taken 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 actions 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 shall also be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute.

Scope

The scope of our follow-up assessment encompasses the review of all activities directed toward the resolution of the risks associated with the findings and recommendations as provided by OSA, as well as the corrective actions taken by the Department.

Methodology

In order to form an opinion on the current status of each of the three findings identified, we performed the following functions:

- We reviewed OSA's audit report in order to gain a better understanding of the findings.
- We discussed with Department management the basis for any findings and the corrective actions which were to be implemented.
- We conducted subsequent tests to evaluate whether corrective actions taken by the Department were implemented and reduce the risk that the finding would continue to exist in subsequent periods.

Status Definitions

The status of each finding is categorized as follows:

- Resolved: We evaluated evidence that actionable items were completed and implemented to reduce the risk that the finding would continue to exist in subsequent periods.
- Partially Resolved: We evaluated evidence that progress has been made toward the implementation of the actionable items in the Agency's response, and is ongoing, to reduce the risk that the finding would continue to exist in subsequent periods.
- Unresolved: Evidence was not provided to show progress has been made toward the implementation of the actionable items in the Agency's response, to reduce the risk that the finding would continue to exist in subsequent periods.

We express our appreciation to the management and staff of the Department of Health and Human Services, NC FAST, and the Office of the State Auditor for their cooperation and assistance provided during this follow-up assessment.

David A. King
Director, Office of the Internal Auditor

APPENDIX A

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

I. OSA FINDING AND RECOMMENDATION – *COMPREHENSIVE TRAINING PROGRAM NOT DEVELOPED, INCREASING THE RISK THAT MEDICAID ELIGIBILITY WAS INACCURATELY AND/OR UNTIMELY DETERMINED THROUGHOUT THE STATE*

The North Carolina Department of Health and Human Services (DHHS) did not develop a comprehensive training program for Medicaid eligibility determination. Without a comprehensive training program, DHHS cannot ensure that counties accurately and timely determined Medicaid eligibility.

Training Program Lacked Depth

DHHS developed a four-part webinar training program for county-level staff determining Medicaid eligibility. However, the training program was not comprehensive and did not ensure training was delivered successfully. For example:

- *Training content only focused on how to navigate the NC FAST system and screens and did not cover scenarios that county staff encounter on a routine basis*
- *Training content did not contain Medicaid eligibility policy*
- *County staff were not consistently tested to determine if the training was successful*
- *Training was optional - not required*
- *DHHS did not know if county staff received its navigation training or any relevant training*
- *DHHS did not develop ongoing caseworker training programs that focus on new Medicaid policies or known eligibility determination issues*

Inconsistent Medicaid Eligibility Determinations

Because DHHS did not develop and monitor a centralized and comprehensive training program for county staff, the proficiency of staff and accuracy of Medicaid eligibility determinations could vary.

In fact, the Office of the State Auditor's recent Medicaid Eligibility audit found eligibility determination errors did vary and could be particularly attributed to a lack of training.

The new application accuracy error rates ranged from 1.2% (Wilkes County) to 18.8% (Guilford County) and re-certification accuracy error rates ranged from 1.2% (Wilkes County) to 23.2% (Mecklenburg County).

Training Responsibilities Delegated to Counties

DHHS did not take responsibility for providing Medicaid eligibility training to county staff. According to the DHHS's NC FAST Implementation Team Lead, each of the 100 counties was individually responsible for developing and providing the necessary onboarding and ongoing training for their eligibility determination staff. The counties were also responsible for monitoring whether their employees successfully completed the training needed to perform Medicaid eligibility determinations.

However, federal regulations keep responsibility for Medicaid at the state level. The Code of Federal

Regulations states that the “State agency is responsible for determining eligibility for all individuals applying for or receiving benefits” even if the approved state plan delegates “authority to determine eligibility for all or a defined subset of individuals.”

Additionally, the Compliance Supplement to Office of Management and Budget Circular A-133 indicates that “the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State.”

Finally, the North Carolina General Statutes direct the Department to “adopt rules” that provide guidance to county Departments of Social Services for administering the Medicaid program.

Training Best Practices

DHHS delegated Medicaid eligibility determination to the counties even though it is still ultimately responsible for Medicaid eligibility determination. Therefore, it was in DHHS’s interest to provide a comprehensive training program.

In fact, best practices recommend that management ensure training is effective and continually monitored. Specifically, the ISACA COBIT 5 Framework states:

“Define and manage the skills and competencies required of personnel. Provide employees with ongoing learning and opportunities to maintain their knowledge, skills and competencies at a level required to achieve enterprise goals. Sustain changes through effective training of new staff, ongoing communication campaigns, continued top management commitment, adoption monitoring and sharing of lessons learned across the enterprise.”

OSA recommended:

- a. DHHS should accept responsibility for the training of Medicaid eligibility determination staff.*
- b. DHHS should develop a centralized training program.*
- c. DHHS should ensure that its training program includes:*
 - A comprehensive new caseworker training program*
 - A comprehensive ongoing caseworker training program*
 - A monitoring function to assess the successful completion of required courses*
- d. DHHS and county personnel should work together to continually assess whether the training provided to the county level personnel is appropriate.*

Agency Response

The Department agrees with this finding. The Department has already begun work with NC FAST, the Division of Social Services (DSS), the Division of Medical Assistance (DMA), the Operational Support Team (OST) and the NC Association of County Departments of Social Services (NCACDSS) to ensure that county workers receive the comprehensive training required to successfully implement the Medicaid program. This work is being completed as a result of the Medicaid Performance Audit dated January 2017.

The Department will require all new and existing county DSS staff to use the available standardized (state approved) Medicaid/NCHC policy training on the NC FAST Learning Gateway. The Learning Gateway syllabus identifies each policy area for standard formalized training for new and existing caseworkers. Each policy area provides a question and answer section, which will measure the workers ability to implement Medicaid policy accurately, completely and timely.

The Learning Gateway Medicaid/NCHC system training material updates are currently in progress. The original four-part webinar training was replaced by an updated Medicaid eligibility course. In addition to that update, three additional training courses were developed to discuss Long Term Care, Special Assistance and Basic Navigation. Training updates will be provided to ensure that training materials are current at all times. The county staff will be advised on all revisions when Medicaid/NCHC policy is updated by federal/state changes. Completion of the updated system training courses is scheduled for release in July 2017. This update will also include an option for virtual training in order to speed up progress in getting system training updates to the counties.

The Department will reemploy the testing function used to determine a caseworker's ability to navigate through the system. Test results will be provided to the Department quarterly for new staff. County staff will be required to pass the NC FAST system training tests with a score of 70 or better.

OIA Follow-up Results

The Department has developed standardized Medicaid/NCHC policy training consisting of 29 core Medicaid courses that will be required for new and existing caseworkers. OIA accessed 18 of the 29 courses through the NC FAST training module, Learning Gateway. The DSS Operational Support Team (OST) is finalizing the remaining courses and indicated that these courses would be added to the Learning Gateway by December 20, 2017. Each course requires a minimum score of 70% to pass, and staff must continue to retake the test until they obtain a passing score.

NC FAST updated its training courses to include two Core Functions Courses, which are designed to test caseworker knowledge of how to navigate within NC FAST. NC FAST sent an email to each county on November 7, 2017 notifying them that the functionality courses required a minimum score of 70% to pass. OIA accessed the courses through the Learning Gateway, verified the existence of the test component, and verified that the course content is relevant to the identified concerns.

The Department intends to send a letter to each county by December 31, 2017 explaining the requirements for Medicaid policy and NC FAST system training. The letter will instruct the counties to implement the requirements in January 2018. DMA will begin quarterly monitoring of county compliance in April 2018, after the completion of the first three months of 2018. DHHS and county personnel maintain regular correspondence to continually assess the training provided to county level staff through the second party review process.

When the planned actions are fully implemented, the actions should be sufficient to significantly reduce the risks associated with OSA's findings and recommendations. OIA considers this finding partially resolved. The expected completion date is April 30, 2018.

2. OSA FINDING AND RECOMMENDATION – OPTIMAL MEDICAID ELIGIBILITY DETERMINATION STAFFING LEVELS WERE NOT ESTABLISHED

The North Carolina Department of Health and Human Services (DHHS) did not develop guidance to help counties determine optimal staffing levels for their Medicaid eligibility determination personnel. Inadequate staffing levels could delay Medicaid eligibility determination or lead to errors. Best practices recommend organizations regularly evaluate whether staffing levels are sufficient to support organizational goals and objectives.

No Guidance on or Awareness of Staffing Levels

DHHS did not help counties determine the staffing levels needed to make timely Medicaid eligibility determinations using the NC FAST system. Specifically:

- DHHS did not develop targets or ranges for the number of applications each county employee should process
- DHHS did not monitor Medicaid eligibility applications-to-staff ratios at the counties

Staffing Levels Vary by County

Because DHHS did not provide counties with a target or range of acceptable application-to-staff ratios, the ratio varies widely across the state. Application-to-staff ratios ranged from 309:1 in Jones County to 979:1 in Vance County.

Stated another way, a person in Vance County was asked to process three times the number of applications that a person in Jones County was asked to process.

With such a wide range, there are likely inefficiencies and strains in the Medicaid eligibility determination process.

Staffing Responsibilities Delegated to the Counties

DHHS did not take responsibility for determining appropriate Medicaid eligibility determination staffing levels at the counties. According to DHHS Medicaid personnel, each county was individually responsible for determining and monitoring its Medicaid eligibility determination staffing levels.

County Departments of Social Services stated that staffing levels were determined based on the volume of Medicaid application and recertification workloads.

However, the Code of Federal Regulations states that the “State agency is responsible for determining eligibility for all individuals applying for or receiving benefits” even if the approved state plan delegates “authority to determine eligibility for all or a defined subset of individuals.”

Additionally, the Compliance Supplement to Office of Management and Budget Circular A-133 indicates that “the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State.”

Finally, the North Carolina General Statutes direct the Department to adopt rules that provide guidance to county Departments of Social Services for administering the Medicaid program.

Staffing Best Practices

DHHS let counties decide how to staff Medicaid eligibility determination even though it was ultimately responsible for Medicaid eligibility determination.

Since DHHS is ultimately responsible for the Medicaid program, DHHS should provide guidance on optimal staffing levels.

Industry best practices recommend that management regularly evaluate staffing requirements. Specifically, the ISACA COBIT 5 Framework states:

“Organizations should evaluate staffing requirements on a regular basis or upon major changes to the enterprise or operational or IT environments to ensure that the enterprise has sufficient

human resources to support enterprise goals and objectives, including time expectations.”

OSA recommended DHHS should:

- a. Perform a benchmarking analysis to assist the counties with determining the optimal Medicaid eligibility determination staffing levels for each county based on workload volume.*
- b. Establish acceptable staffing ranges based on workload volume, continually monitor these levels, and work with the counties to develop solutions when staffing levels fall outside their optimal ranges.*

Agency Response

The Department agrees with the finding. The Division of Social Services (DSS), the Division of Medical Assistance (DMA) and the Operational Support Team (OST), in collaboration with the NC Association of County Departments of Social Services (NCACDSS), are working to ensure that adequate staffing levels are established. This work is being completed as a result of the Medicaid Performance Audit dated January 2017.

The Department made the opportunity available to county Departments of Social Services for 75% Federal Financial Participation (FFP) for eligibility activities for all Medicaid programs that are performed in NC FAST. This opportunity provided significant funding for county Departments of Social Services to better serve our public assistance recipients in North Carolina. Counties have been strongly encouraged to reinvest county savings that will accrue from the retroactive and ongoing 75% Medicaid administrative reimbursement to achieve needed staffing.

The Department requested that County Directors of Social Services work with their governing boards and county leadership to ensure that funding resources to achieve all public assistance program processing requirements are included in the County Budget for SFY 2015-16, and each year going forward. The Department provided instructions to County Directors, County Managers and governing bodies regarding all factors to consider in planning and budgeting for needed staff and other resources.

DMA, DSS, and NCACDSS are working to establish recommended staffing for counties based on workload and the number of staff. This effort is in place and work began in March 2017.

OIA Follow-up Results

During 2014, the Department sent letters to the counties explaining that states could claim 75% FFP for ongoing operational costs of eligibility systems such as NC FAST. The Department also sent a letter in May 2014 encouraging counties to reinvest savings from the 75% FFY to achieve staffing levels needed to complete Medicaid applications and re-certifications. In addition, the Department sent a letter to the counties in May 2015 requesting the appropriation of funds in their county budgets for SFY16 and in subsequent years to secure sufficient resources to meet program standards.

The Department formed a work group to benchmark the application and recertification process. Processing times for these processes were collected for 11 counties. The work group compiled data for three types of programs and determined the minutes per case, hours per 1,000 cases, and full-time employees per 1,000 cases for each program. The work group also determined the median amount of time spent processing common changes for each of the three programs.

The work group is developing a tool or set of guidelines, based on the collected data, which contains recommended staffing levels from the established caseload parameters. The tool will be used by the counties to monitor staffing levels. The tool will be used by the Department if routine performance monitoring results indicate a further examination of staffing levels may be necessary. The Department estimates the tool will be available for use by December 31, 2017.

When the planned actions are fully implemented, the actions should be sufficient to significantly reduce the risks associated with OSA's findings and recommendations. OIA considers this finding partially resolved. The expected completion date is March 31, 2018.

3. OSA FINDING AND RECOMMENDATION – CRITICAL HELP DESK TICKETS NOT RESOLVED IN A TIMELY MANNER

North Carolina's Department of Health and Human Services (DHHS) did not resolve NC FAST Tier 3 help desk tickets in a timely manner. The delay in resolving Tier 3 tickets could have harmed the counties' ability to make timely and accurate Medicaid eligibility determinations. DHHS policy states that 90% of all Tier 3 help desk tickets should be resolved within 10 days.

Tier 3 Help Desk Tickets Not Resolved in a Timely Manner

Between July 1, 2015 and June 30, 2016, DHHS resolved 1,278 NC FAST Tier 3 help desk tickets specific to Medicaid eligibility. However, 1,017 (80%) of those NC FAST Tier 3 help desk tickets were not resolved within the 10-day target and the status of those NC FAST Tier 3 help desk tickets was not appropriately communicated to the counties.

Of the 1,017 tickets not resolved with the 10-day target, 314 (31%) took greater than 90 days to resolve and 56 were unresolved for more than 180 days.

Untimely Resolution of Help Desk Tickets Impacted Eligibility Determination

For many of the outstanding tickets, counties were unable to process applicants and/or renew benefits until the tickets were appropriately resolved.

Of the 1,017 tickets resolved between July 1, 2015, and June 30, 2016, DHHS help desk staff rated 542 tickets (42%) with an impact of "Extensive" or "Significant." An impact rating of "Extensive" means that no benefits were available to the Medicaid applicant until the ticket was resolved. An impact rating of "Significant" indicates that some, but not all, benefits were available until the ticket was resolved.

As of December 31, 2016, there were 34 outstanding tickets with an impact rating of "Extensive" or "Significant" for the 10 counties within the scope of our audit.

In some cases, counties used the forced eligibility process to provide timely Medicaid eligibility determinations. Due to this work around, there is a risk that some people received benefits when they were not eligible. Additionally, the risk exists that a qualified applicant did not receive timely Medicaid benefits, if at all.

Service Level Agreements Not in Place and Status of Open Tickets Not Monitored

There were two primary reasons DHHS did not resolve Tier 3 tickets timely. First, DHHS did not

enter into formal Service Level Agreements (SLAs) with the counties and their use of NC FAST.

SLAs formally communicate the agreed upon services to be provided so that users (i.e., county staff) and service providers (i.e., NC FAST help desk staff) understand the level of service expected.

SLAs typically include service level prioritization by:

- *Service request process*
- *Expected response levels with corresponding escalation procedures (i.e., Tier 1, 2, and 3)*
- *Service targets (i.e., how long it should take to respond and resolve the issue)*
- *Communication protocols*

Without SLAs, the level of effort for completion of tickets and timing are unknown and can impact customers with respect to:

- *The status of open help desk tickets*
- *NC FAST system availability statistics*
- *Planned NC FAST system downtime and upgrades*

Second, DHHS did not monitor the status of open Tier 3 help desk tickets or appropriately communicate the status of the open tickets to the individual counties. The main causes for the lack of monitoring included:

A backlog of Help Desk tickets due to constant updates in the Medicaid program

- *NC FAST continually works requests received from CMS to update the Medicaid product functionality. Some of these updates occur on a monthly basis and include the 8110 form, rules updates for tax filings, Traumatic Brain Injury and Quality Monitoring. Due to the continuous updates and the tightly integrated code, there were times when these updates impacted existing Medicaid functionality. This impact caused additional tickets to be logged at the Help Desk which further impacted the backlog of Help Desk tickets.*

A spike in Medicaid tickets due to defects and simultaneous Curam upgrades

- *In February 2016, NC FAST identified a sharp increase in tickets being logged at the Help Desk due to issues in the Medicaid product. The changes to the system from a Curam upgrade release occurred at the same time as significant updates in the Medicaid product. The vast majority of the Help Desk tickets were linked to similar defects during this time. Once those defects were resolved, the increased ticket volume stopped but the backlog remained.*

Ticket flow at Tier 2 caused tickets to back up and not get to Tier 3 in a timely manner

- *During implementation of process improvements of Help Desk processes, inefficiency was discovered that determined the process of moving tickets from Tier 2 resources to Tier 3 resources was not as efficient as it could have been. At the time, all tickets that needed to be moved to the Tier 3 team had to go through a final check at Tier 2. There were only two Tier 2 resources to review the tickets before moving on to Tier 3. This caused an additional backlog of tickets and allowed additional ticket aging before moving to a Tier 3 resource. The process issue was identified and corrected.*

Policy and Best Practice Require Governance Oversight

Industry best practices recommend that management enter into SLAs with the customers it supports.

Specifically, the ISACA COBIT 5 Framework states:

“Discuss and agree on potential services and service levels with the business to meet current and future enterprise need.”

DHHS’ help desk policy documentation indicates that 90% or more of NC FAST Tier 3 Help Desk tickets should be resolved with 10 business days.

OSA recommended:

- a. DHHS should develop SLAs that clearly communicate the services it provides, the agreed upon service level prioritization, its service request process, its anticipated response levels with corresponding escalation procedures, its service targets, and its communication protocols.*
- b. The use of the SLAs should also assist DHHS with validating their staffing needs and for assessing staff performance based on the required service levels.*
- c. DHHS should update their help desk training program to specifically address the timeliness component of ticket resolutions.*
- d. DHHS should develop a monitoring activity to continually assess compliance with the timeliness aspect of, the more critical, Tier 3 help desk ticket resolutions. As part of this monitoring component, DHHS should also develop a way to communicate the status of open help desk tickets with the counties and/or ticket creator.*

Agency Response

The Department agrees with this finding and believes that providing excellent service to the counties and beneficiaries is a top priority. In order to achieve excellent service, the Department created a new role to improve customer relations. The NC FAST Client Services and Support Supervisor is responsible for management of the Testing Lead, Help Desk Lead and Curam Configuration Analyst Lead. This position was filled in January 2017. In addition to customer services, this position will assist with tracking the coordination of development defects within the help desk issues submitted by the counties; thus tying the two activities together for improved tracking of Tier 3 tickets. The Help Desk Lead position was vacant for three months and was filled in April 2017. This position is directly responsible for the management of Tier 1 and Tier 2 and reports directly to the Client Services and Support Supervisor. This relationship will ensure the proper visibility and insight for Department management.

The Department plans to create and implement a new Help Desk Management Plan as well as make significant updates to the SLA Program Plan. These plans will define the policies and procedures based on current experience and interaction with the counties and will ensure attainability of the defined time bound goals. The planned procedures will address issues identified in this audit as well as issues related to the differentiation between response time and resolution time, age tracking of tickets between help desk tiers, identification of the full impact to the beneficiary, communication of status back to the county through Remedy OnDemand and training for all tiers of help desk staff. The targeted completion date for these plans is January 2018.

The Department notes that the requirement to have SLAs with each of the 100 individual counties does not exist and is not required. However, the Department believes that the new Help Desk Program Management Plan and identification of Key Performance Indicators (KPIs) within the Service Level Agreement Program Plan will significantly reduce any impact to the county and more importantly, the beneficiary. The Service Level Agreement Program Plan will be shared with all 100 counties and the DHHS divisions that NC FAST supports. NC FAST will continue to provide the ongoing weekly Executive

level reporting that provides to county directors and DHHS Executive Management the NC FAST system availability, defect management, and ticket status.

OIA Follow-up Results

The Department is developing a Help Desk Management Plan (Plan) to further define policies and procedures for the NC FAST Help Desk process. The Plan draft includes the help desk process flow, explanation of the tiers of support, instructions for completing and updating help desk tickets, and an updated SLA Program Plan (SLA Plan). The Plan also explains the process for escalating help desk tickets through the various tiers and indicates that communication should continue until the ticket is resolved. The management of Tier 3 tickets are specifically presented, including requirements, timeframes, monitoring, and escalation process.

The SLA Plan provides information regarding incident response time goals and expected incident resolution timeframes. The Department indicated the SLA Plan would be shared with the counties by February 28, 2018.

The Help Desk Management Plan will also address the usage of Remedy OnDemand to help improve the communication of ticket statuses with the counties. In addition, the Department provides a weekly status report to county directors and Department executive management. The status report is distributed via email and contains relevant help desk data.

When the planned actions are fully implemented, the actions should be sufficient to significantly reduce the risks associated with OSA's findings and recommendations. OIA considers this finding partially resolved. The expected completion date is February 28, 2018.