



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN
DIRECTOR

January 30, 2013

Mr. Doug Ringler
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Financial Audit Including the Provisions of the Single Audit Act of the Department of Community Health.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, James K. Haveman
DCH, Timothy Becker
DCH, Karla Garcia

House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Nick Lyon

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE

DEPARTMENT OF COMMUNITY HEALTH

October 1, 2009 through September 30, 2011

AUDIT RESPONSE

Approved: Timothy J. Becker
Timothy Becker, Senior Deputy Director
Department of Community Health, Operations Administration

Date: 10/31/2012



AUDIT REPORT SUMMARY

DEPARTMENT: Community Health

AUDIT PERIOD: October 1, 2009 through September 30, 2011

REPORT DATED: June 26, 2012

DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS DCH DID NOT AGREE WITH</u>
Finding 1		
Finding 2 (a - b)		
Finding 3 (a - b)		
Finding 4 (a - e)		
	Finding 5 (a - b) - September 2013	
Finding 6 (a)		
	Finding 6 (b) January 2013	
Finding 6 (c)		
		Finding 7 (a)
Finding 7 (b)		
		Finding 7 (c) (1)
Finding 7 (c) (2)		
Finding 7 (c) (3)		
Finding 7 (d)		
Finding 7 (e)		
Finding 7 (f)		
Finding 8 (a - b)		
		Finding 9 (a)
Finding 9 (b)		
	Finding 9 (c) (1) - June 2013	
Finding 9 (c) (2)		
Finding 9 (c) (3)		
Finding 9 (d)		
Finding 9 (e)		
Finding 10		
	Finding 11 (a) - April 2013	
	Finding 11 (b) - April 2013	
Finding 11 (c)		
Finding 12 (a)		
	Finding 12 (b) April 2013	

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Recommendation 1: Special Supplemental Nutrition Program for Woman, Infant, and Children

OAG recommended that DCH improve its internal control over the WIC Program to ensure compliance with federal laws and regulations regarding reporting.

Response:

DCH completed all of the fiscal year 2010-11 FFATA reporting by February 29, 2012. Future FFATA reporting is expected to be completed on a timely basis as long as the federal grant award information is accessible to DCH on the federal website.

Recommendation 2: Aging Cluster

OAG recommended that DCH improve its internal control over the Aging Cluster to ensure compliance with federal laws and regulations regarding procurement and suspension and debarment and reporting.

Response:

part a: DCH now requires that a suspension and debarment certification form be submitted annually by AAAs as part of the State's requirements for annual implementation plans (AIPs). The addition of suspension and debarment certification language was added to the AIP requirements and documentation requirements for the fiscal year 2012-13 AIPs.

part b: DCH completed all of the fiscal year 2010-11 FFATA reporting by February 29, 2012. Future FFATA reporting is expected to be completed on a timely basis as long as the federal grant award information is accessible to DCH on the federal website.

Recommendation 3: Children's Health Insurance Program

OAG recommended that DCH comply with federal laws and regulations regarding eligibility for CHIP.

Response:

part a: DCH has moved to electronic storage of applications. Currently, all case file information is available electronically, thereby eliminating the possibility of hard copies being misfiled and subsequently unavailable.

part b: The funding source for the AMP/ABW Program has been changed to Title XIX (Medicaid). AMP/ABW is no longer a Children's Health Insurance Program (CHIP) program, and expenditures for this program are now properly covered with Medicaid Funds.

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Recommendation 4: Medicaid Cluster, Allowable Costs/Cost Principles

OAG recommended that DCH improve its internal controls over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding allowable costs/cost principles.

Response:

part a: DCH has implemented an expedited approval process that ensures payments will be processed within the 15-day payment window to receive the 1% discount on all future payments to this vendor.

part b: DCH's adjustment analysis was submitted to management for determination of further action. Final determination of the outcome was fully documented. In addition, DCH has drafted a decision making process going forward that documents any affected claims, dollar impact, materiality, etc.

part c: A Corrective Action Plan (CAP) with the PBM was developed to identify affected claims. The CAP required the PBM to mail a pharmacy provider notice for pharmacies with claims identified and offer the pharmacy the opportunity to reverse and rebill the affected claims so their processing system would be in sync with the Department's POS processing system. Failure of the pharmacy provider to reverse and rebill the identified claims within the 30-day window resulted in the claims being reversed and reprocessed on their behalf by the Department's PBM. Reversing and rebilling the identified claims ensures the affected claims were reprocessed properly in accordance with Department policy. The reversals and rebilled claims are captured on the Remittance Advice back to the pharmacy and are reflected in the PBM POS system and the Department's data warehouse of FFS paid pharmacy claims. The CAP related reprocessing is in its final stages and pending final review/approval by Department Pharmacy Management Division staff to determine if any additional work is warranted or if the CAP has been fully resolved.

part d: DCH now ensures that the timing of future GME and DSH payments are made in accordance with the Medicaid State Plan timeliness requirements.

part e: DCH determined that including these additional expenditures into the costs charged to parents of Medicaid beneficiaries would not be cost detrimental to the overall Medicaid program. Therefore, all future birth expense reports will include the former maternal and infant support service expenses, now known as Maternal Infant Health Program (MIHP) expenses.

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Recommendation 5: Medicaid Cluster, Eligibility

OAG recommended that DCH improve its internal control over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding eligibility.

Response:

- part a: The Department of Human Services' (DHS's) Office of Training and Staff Development is developing Web-based training modules to train specialists to more accurately enter data into the Bridges Integrated Automated Eligibility Determination System (Bridges). The modules will primarily affect income budgeted and include emphasis and instruction on the use of SOLQ and consolidated inquiry. DCH is working with DHS to review and approve these modules as they are developed. DCH and DHS have established a work group to discuss eligibility issues noted in the finding. The first meeting of the workgroup was held in September 2012.
- part b: DHS has implemented the pilot stage of an electronic data management system. The documentation management system will improve the ease of locating case files and management of the large volume of paper documents. Mecosta County is currently operating as the pilot county for this system and early reports are very encouraging. The intent is to ultimately eliminate paper files and store files and accompanying documentation and verification electronically that can be retrieved locally from central office. This system is expected to be implemented Statewide by September 2013.

Recommendation 6: Medicaid Cluster, Reporting

OAG recommended that DCH improve its internal controls over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding reporting.

Response:

- part a: The Grants Section manager now reviews and approves all IJVs.
- part b: DCH is working with its federal partners to determine the appropriate reporting of claim adjustments/voids on the CMS-64 report. In addition, DCH will be revising their current internal third party recovery report to show only third party collections.
- part c: DCH completed all of the fiscal year 2010-11 FFATA reporting by February 29, 2012. Future FFATA reporting is expected to be completed on a timely basis as long as the federal grant award information is accessible to DCH on the federal Web site.

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Recommendation 7: Medicaid Cluster, Special Tests and Provisions – Utilization Control and Program Integrity

OAG recommended that DCH improve its internal controls over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding special tests and provisions pertaining to utilization control and program integrity.

Response:

part a: DCH continues to disagree that it did not evaluate Medicaid pharmacy claims on a sample basis, of the need for and the quality and timeliness of services.

part b.(1): Retroactive EOBs will be requested and coordinated with the Department of Technology, Management, and Budget (DTMB) for any future issues. An automated acknowledgement e-mail was set up to inform the DCH business owners when the EOB process runs and to allow for follow-up with DTMB when issues occur.

part b.(2): DCH is forwarding EOB letters returned as undeliverable if the address on CHAMPS has been updated. Any returned letters without an updated address are sent to DHS Field Operations in a monthly report to notify the local DHS offices to review and follow up with the beneficiary to obtain the correct address.

part b.(3): Corrective actions were completed in summer 2011 and included in contracts distributed and signed with an effective date of October 1, 2011.

part c.(1): DCH continues to disagree that it did not have a review process in place to ensure compliance with Title 42 part 456, section 23 of the *Code of Federal Regulations (CFR)*.

part c.(2): The DCH Office of Inspector General have begun performing data mining activities on Home Help data. Currently they are in the process of evaluating these results and determining the next course of action.

part c.(3): The DCH Office of Inspector General has revised its internal procedures and will continue to do so as necessary.

part d: The LTC Policy Section has trained another staff person to review and process the corrective action plans so that continued coverage of this function can be ensured.

part e: As of October 2010, the 'Notice of Intent to Recover' adverse action language was established to meet the Michigan Administrative Hearing System rules/Michigan Compiled Laws, and the recoupment process and coding was established within CHAMPS. DCH has taken appropriate recovery action since the implementation of these two critical areas of the recovery process.

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Part f: The complaint process was changed in December 2011. At that time a step was included to have management close all cases in the CRM.

Recommendation 8: Medicaid Cluster, Special Tests and Provisions – Inpatient Hospital and Long-Term Care Audits

OAG recommended that DCH improve its internal controls over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding special tests and provisions pertaining to inpatient hospital and long-term care audits.

Response:

part a: DCH reiterated to staff the importance of documenting any changes to audit procedures.

part b: DCH implemented a step in the audit process to document that all areas noted in the audit scope have been considered during the audit.

Recommendation 9: Medicaid Cluster, Special Tests and Provisions – Provider Eligibility and Provider Health and Safety Standards

OAG recommended that DCH improve its internal controls over the Medicaid Cluster to ensure compliance with federal laws and regulations regarding special tests and provisions pertaining to Provider Eligibility and Provider Health and Safety Standards.

Response:

part a: DCH continues to disagree with this finding as the CMS-approved Medicaid State Plan requires controls for ensuring that Medicaid providers are licensed in accordance with federal, State, and local laws and regulations.

part b: In January 2011, LARA instituted an on-line renewal process for all licensees. All potential renewal applicants must respond to a series of questions pertaining to convictions and continuing education. If the answer to the conviction question is "yes," a notice is placed on the renewal and staff print reports of all of the "yes" responses so they can obtain additional documentation regarding the situation to pursue possible disciplinary action, if warranted. The same notice is posted on the record if continuing education is marked as "not completed." Letters are sent to the licensees requesting explanations of the responses and submission of documentation of the responses.

part c.(1): DCH is continuing to work with the system developers to update CHAMPS to collect the additional disclosures. Anticipated completion date is June 2013.

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- part c.(2): DCH changed the contract language for managed care organizations to include the necessary disclosures starting October 1, 2011.
- part c.(3): DCH executed a contract change notice in which it required that the PBM contractor shall provide disclosures as required in federal regulation 42 *CFR* 455, Subpart B.
- part d: LARA is continuing to work with the Legislature to resolve the audit issue since 2011 and has included boilerplate language to address the funding issues.
- part e: DCH has modified its enrollment processes for borderland nursing facilities to ensure appropriate certification documentation is maintained.

Recommendation 10: Block Grants for Prevention and Treatment of Substance Abuse

OAG recommended that DCH improve its internal controls over SAPT to ensure compliance with federal laws and regulations regarding reporting.

Response:

DCH completed all of the fiscal year 2010-11 FFATA reporting by February 29, 2012. Future FFATA reporting is expected to be completed on a timely basis as long as the federal grant award information is accessible to DCH on the federal Web site.

Recommendation 11: Maternal and Child Health Services Block Grant to the States

OAG recommended that DCH improve its internal controls over MCH Block Grant Program to ensure compliance with federal laws and regulations regarding eligibility and reporting.

OAG recommended that DCH comply with federal laws and regulations regarding program income.

Response:

- part a: DCH has reviewed current eligibility procedures to identify opportunities to strengthen internal controls. However, eligibility procedures are currently being modified as a result of a significant program change for the CSHCS/Medicaid dual eligible enrollees. Hence, internal controls and system enhancements will again need to be re-evaluated in April 2013, after the program changes take full effect. Continuing education has been conducted with staff to ensure that they understand citizenship requirements for the program. For the beneficiary that was determined eligible without the check-off form, coverage has been terminated because appropriate documentation was not provided.

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- part b: DCH is reviewing federal laws and regulations, the grant application, and current DCH policy for program fees. If it is determined that DCH is not in compliance with federal laws and the grant application, appropriate changes will be made to DCH policy and procedures.
- part c: DCH completed all of the fiscal year 2010-11 FFATA reporting by February 29, 2012. Future FFATA reporting is expected to be completed on a timely basis as long as the federal grant award information is accessible to DCH on the federal Web site.

Recommendation 12: Automated Data Processing (ADP) Security Program

OAG recommended that DCH establish a comprehensive ADP security program over its information systems.

Response:

- part a: The application cited for not having an information system security plan has been rewritten. A new information system security plan was prepared and implemented with the completion of the DTMB-170 during the development of the application.

The nine applications cited for not fully implementing an information system security plan have also all received DTMB-170 reviews. Five of the nine DTMB-170 reviews are complete and have received final approval. The remaining four DTMB-170s have been conducted and are awaiting approval for completion.

- part b: DTMB is currently developing plans to address the DR Plans for DCH applications with an anticipated completion date of April 2013.