

State of Washington - Office of Financial Management**Status of Audit Resolution****December 2021****State Health Care Authority****Agency 107**

Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	034	<p>Finding:</p> <p>The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response program, the Block Grants for Prevention and Treatment of Substance Abuse program, and the Substance Abuse and Mental Health Services Projects of Regional and National Significance program received required audits.</p> <p>Corrective Action:</p> <p>Since the Authority assumed responsibilities over these grant programs in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>The Authority has implemented processes and procedures to verify that subrecipients obtain federally required single audits when federal expenditures during the fiscal year are expected to meet or exceed the threshold set forth in federal rules.</p> <p>The conditions noted in this finding were previously reported in findings 2019-028 and 2019-065. These conditions were also previously under Department of Social and Health Services findings 2018-025, 2017-016, 2016-014, 2015-016 and 2014-019.</p> <p>Completion Date:</p> <p>November 2021, subject to audit follow-up</p> <p>Agency Contact:</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	046	<p>Finding:</p> <p>The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure providers of the Medicaid and Children's Health Insurance Programs were properly screened, licensed, and enrolled.</p> <p>Corrective Action:</p> <p>In response to prior years' audit findings, the Authority has made progress toward revalidation compliance.</p> <p>Due to the COVID-19 pandemic, the Centers for Medicare and Medicaid Services issued emergency declaration blanket waivers in March 2020 through the end of the emergency declaration. These waivers provided the Authority some flexibilities including fingerprint-based criminal background checks and site visits. It also allowed for the expedited processing of any pending and new provider applications, and the postponement of all revalidation actions.</p> <p>As noted in the audit, the Authority had complied with most of the provider revalidation requirements for the majority of the audit period. The Authority will continue to work on:</p> <ul style="list-style-type: none">• Establishing adequate internal controls to ensure required database checks with the Excluded Parties List System are completed at least monthly.• Ensuring each provider's screening risk level is properly adjusted.• Implementing a process to conduct fingerprint-based criminal background checks for high risk providers. <p>The conditions noted in this finding were previously reported in findings 2019-048, 2018-042, 2017-033, and 2016-035. The auditors considered 2016-035 to be resolved.</p> <p>Completion Date:</p> <p>Corrective action is expected to be complete by December 2022</p> <p>Agency Contact:</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	047	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims or that reports of potential fraud obtained through the Medicaid service verification process were investigated.</p> <p>Corrective Action: In March 2021, the Authority implemented the required system enhancement to include nursing home claims in the service verification process. Systems staff subsequently verified that the claim sample selection for April 2021 did include nursing home claims.</p> <p>In addition, the Authority has developed and implemented policies and procedures for conducting preliminary investigations when allegations of Medicaid fraud or abuse are received.</p> <p>The conditions noted in this finding were previously reported in finding 2019-052. These conditions were also reported in fiscal years 2018 and 2017, which the auditors considered resolved during the 2019 audit.</p> <p>Completion Date: April 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	048	<p>Finding:</p> <p>The Health Care Authority, Division of Program Integrity, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.</p> <p>Corrective Action:</p> <p>The Authority developed and implemented the policies and procedures for the Audit and Investigations Unit.</p> <p>In addition, the Authority improved internal controls over identifying and referring suspected fraud cases for investigation, which include:</p> <ul style="list-style-type: none">• Performing and documenting audits in accordance with division policies and procedures.• Ensuring secondary reviews are conducted for audits to ensure accuracy and completeness.• Ensuring staff conducting fraud reviews have required qualifications. <p>The conditions noted in this finding were previously reported in findings 2019-053 and 2018-047.</p> <p>Completion Date:</p> <p>April 2021, subject to audit follow-up</p> <p>Agency Contact:</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	049	<p>Finding:</p> <p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it performed periodic audits of cost report data for rate setting, hospital billings and other financial and statistical records for inpatient hospital services.</p> <p>Corrective Action:</p> <p>The Authority took the following actions to ensure compliance with federal requirements around periodic audits of financial and statistical records used in the rate-setting process for inpatient hospitals:</p> <ul style="list-style-type: none">• Established and defined the audit activities that will be performed by the Authority.• Determined that changes to the Medicaid State Plan were needed to better reflect the required audit activities.• Submitted an update to the Medicaid State Plan which is currently under the 90-day review period <p>The Authority performs annual cost settlements using hospital cost reports which are subject to desk reviews and audits by the Center for Medicare and Medicaid Services and its Medicare administrative contractors. The Authority will consult with the grantor about audit expectations to prevent duplicate audit activities and inefficient use of resources.</p> <p>Completion Date:</p> <p>October 2021, subject to audit follow-up</p> <p>Agency Contact:</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	050	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with requirements to report Medicaid Fraud Control Division overpayment recoveries on the CMS-64 report.</p> <p>Corrective Action: The Authority concurs with the finding. During the period when staff were transitioning to new positions and receiving training on their new responsibilities, the process of reporting the Medicaid Fraud Control Division (MFCD) overpayment recoveries on the CMS-64 report was inadvertently missed. Prior to the conclusion of the audit, the Authority processed a journal voucher to report the missed overpayment recoveries. The amount was included on the federal report in the quarter ending March 2021, so the questioned costs reported in the finding have been resolved. To improve internal controls over this process, the Authority has developed a staff checklist that includes the MFCD recovery reporting process. This checklist is completed by staff prior to certification of the claim to ensure all components of the claim have been considered and completed as appropriate.</p> <p>Completion Date: May 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	056	<p>Finding: The Health Care Authority improperly charged \$20,000 for payments made to providers under the Opioid State Targeted Response program.</p> <p>Corrective Action: The Authority has procedures in place to ensure provider payments are proper.</p> <p>The audit found a provider payment was made that exceeded the amount allowed under contract terms. Fiscal staff had originally identified the over-billing and requested a corrected invoice, but inadvertently processed the payment against the original invoice resulting in an overpayment.</p> <p>The Authority worked with the provider on the overpayment and repaid the grantor through the normal draw process to resolve the questioned costs.</p> <p>Completion Date: June 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-5986 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	057	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Opioid State Targeted Response program received required risk assessments.</p> <p>Corrective Action: Since the Authority assumed responsibilities over the grant program in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>Prior to conclusion of the audit, the workgroup had developed and approved an effective subrecipient risk assessment process. The Authority is currently conducting staff training to ensure a consistent process is followed across the agency.</p> <p>The conditions noted in this finding were previously reported in finding 2019-066.</p> <p>Completion Date: November 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	059	<p>Finding: The Health Care Authority did not have adequate internal controls to ensure payments made under the Block Grants for Prevention and Treatment of Substance Abuse program were allowable and met period-of-performance requirements.</p> <p>Corrective Action: The Authority transferred expenditures charged to the grant prior to the period of performance back to general state funds. Expenditures that were charged after the period of performance were moved to the appropriate grant period.</p> <p>The Authority also improved internal controls for payments made under the Block Grant programs to ensure:</p> <ul style="list-style-type: none">• Account coding is correctly applied to payments for the correct grant period.• Payments are made only for allowable activities and within the appropriate period of performance.• Accounting adjustments are reviewed and approved, assuring program and period of performance requirements are met. <p>The Authority will work with the grantor on resolution of the questioned costs.</p> <p>Completion Date: Corrective action is expected to be complete by March 2022</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	060	<p>Finding:</p> <p>The Health Care Authority did not have adequate internal controls over and did not comply with cash management requirements for the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>Corrective Action:</p> <p>The Authority has established controls in place over cash management requirements. The auditors identified that some drawdowns not occurring as required were due to a vacant staff position and the priority to complete accounting adjustments for the grant.</p> <p>It should also be noted that in most cases, the decision not to do drawdowns was a result of monitoring the award and identifying pending adjustments that could have led to negative expenditures.</p> <p>To address the finding the Authority :</p> <ul style="list-style-type: none">• Improved documentation around drawdown decisions to ensure compliance with federal requirements including the Cash Management Improvement Act.• Contacted the Office of Financial Management regarding the possibility of revising pertinent section on the 2022 State Treasury Agreement that would allow the Authority to address the unique situations when drawdowns are not necessary. <p>Completion Date:</p> <p>October 2021, subject to finding follow-up</p> <p>Agency Contact:</p> <p>Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2020 F	061	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal level-of-effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.</p> <p>Corrective Action: To help states manage the financial impact of the Coronavirus pandemic, the federal government enhanced the federal participation rates for some programs, including the block grant program. This resulted in reduced state matching requirements.</p> <p>The Authority is requesting a COVID waiver from the Substance Abuse and Mental Health Services Administration to reduce the level-of-effort requirements.</p> <p>In addition, the Authority will improve internal controls over the monitoring of level-of-effort requirements to include:</p> <ul style="list-style-type: none">• Ensuring accurate report criteria are used to monitor spending levels.• Ensuring staff follow the policies and procedures for state-funded transfers to ensure state spending thresholds are met. <p>The conditions noted in this finding were previously reported in finding 2019-069.</p> <p>Completion Date: Corrective action is expected to be complete by January 2022</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	062	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with the reporting requirements for the Substance Abuse Prevention and Treatment Block Grant.</p> <p>Corrective Action: The Authority does not concur with the finding. The expenditure amounts reported on the SF-425 federal financial reports for the Substance Abuse Prevention and Treatment Block Grant are allowable and supported by accounting records. The large and complex nature of block grants require diligent management to ensure accurate and appropriate spending and reporting. The period of performance often overlaps for consecutive grant years, and the two-year window for payments under the grant further complicates the grant closeout process. It is not unusual to take months to balance and reconcile expenditures at closeout. The Authority is aware of the need to comply with cost allowability and period of performance. It is for this reason that staff spend considerable time on review, research, and adjustments to ensure that expenditures are charged to the appropriate award based on month of service, and that reporting is accurate. Adjustments of expenditures after the report date and above the grant award amount were normal adjustments resulting from the review and research, and were not claimed for federal reimbursement under the grant. The December 2019 SF-425 report reflected the full 2018 grant expenditures that were allowable and within the grant performance period; therefore, no corrective action is needed. The Authority will consult with the grantor on the process for making adjustments after a grant award is closed when those adjustments do not affect the federal amount claimed.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Kari Summerour External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.summerour@hca.wa.gov</p>

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2020 F	063	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.</p> <p>Corrective Action: The Authority concurs with the finding. The Authority's contracts department completed amendments to include all required subaward information on current contracts. The Authority continues to work on improving internal controls and establishing policies and procedures to ensure:</p> <ul style="list-style-type: none">• Subrecipients are accurately classified during the contract review and approval process.• All required information is included when subawards are issued and communicated to the subrecipient. <p>The conditions noted in this finding were previously reported in finding 2019-070.</p> <p>Completion Date: November 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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2020 F	064	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Block Grants for Prevention and Treatment of Substance Abuse program received required risk assessments.</p> <p>Corrective Action: Since the Authority assumed responsibilities over the grant program in fiscal year 2019, a multi-divisional subrecipient monitoring workgroup was established to develop internal controls and monitoring procedures for subrecipients.</p> <p>Prior to conclusion of the audit, the workgroup had developed and approved an effective subrecipient risk assessment process. The Authority is currently conducting staff training to ensure a consistent process is followed across the agency.</p> <p>Completion Date: November 2021, subject to audit follow up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 Kari.summerour@hca.wa.gov</p>

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2020 F	065	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal subrecipient monitoring requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.</p> <p>Corrective Action: The Authority has already taken the following steps to address the audit recommendations:</p> <ul style="list-style-type: none">• Established a multi-divisional subrecipient monitoring workgroup to develop internal controls and monitoring procedures for subrecipients.• Developed and is finalizing a consistent and uniform process across all units to track and monitor desk and site visits for subrecipients. <p>In addition, the Authority's Office of Tribal Affairs undertook a formal consultation process with the Indian Nation representatives with the following results:</p> <ul style="list-style-type: none">• Established protocols to complete monitoring activities with each Indian Nation on a biennial basis.• Obtained consent from each Indian Nation in March 2021 for the monitoring tools developed.• Sent formal monitoring requests to each Indian Nation in April 2021.• Began desk monitoring visits in May 2021. <p>Completion Date: November 2021, subject to audit follow-up</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Plan
1027363	2019-001	<p>Finding: The Health Care Authority did not comply with state rules to ensure Medicaid funds were spent properly for periodic oral evaluations.</p> <p>Corrective Action: The Authority identified two system errors that had caused the improper payments:</p> <ul style="list-style-type: none">• Existing provider was erroneously assigned a new identifying number, which by-passed system payment edits.• A system edit was missing for certain claim types. <p>The two systems errors were corrected in October 2019 and August 2020 respectively. The Authority will initiate return of the federal share of improper payments identified in the audit.</p> <p>Completion Date: Corrective action is expected to be complete by December 2022</p> <p>Agency Contact: Kari Summerour, CPA External Audit Liaison PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 kari.summerour@hca.wa.gov</p>