

Health Care Authority

Agency 107

Audit Report	Finding Number	Finding and Corrective Action Status	
1030978	2021-046	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls to ensure clients were eligible for the Children's Health Insurance Program.</p> <p>The Authority partially concurs with the finding.</p> <p>For the one instance where a client did not have a valid Social Security Number (SSN), the Authority consulted with the Department of Social and Health Services (DSHS) to understand the system issue that caused the absence of an alert on the case when the SSN verification needed follow-up. In October 2022, DSHS completed a system update to ensure SSN ticklers will not auto complete if the client is not verified. The system issue has been resolved and the Authority will reimburse the questioned costs to the federal grantor.</p> <p>The Authority concurs there were expenditures for two clients that needed to be moved from federal to state funding when Children’s Health Insurance Program coverage had ended during their postpartum period. However, due to staff turnover on the finance team, the journal vouchers were not processed timely. The Authority followed up and confirmed the journal vouchers were complete, and also developed written procedures that outline staff roles for the post-partum JV process. The questioned costs have been repaid and this issue is resolved.</p> <p>The Authority does not concur that one client who aged out of the program should be removed from services. Over the course of the public health emergency, the policy guidance changed several times. The Authority has engaged with the Centers for Medicare &amp; Medicaid Services and will work on obtaining a 1115 waiver to ensure clients who age out of the program are not removed from services.</p> <p>The waiver will be retroactive and when approved and implemented, will eliminate the questioned costs identified by the auditor.</p> <p>Corrective action is expected to be complete by September 2023</p> <p>Kari Summerour, CPA          External Audit Liaison          PO Box 45502          Olympia, WA 98504-5502          (360) 725-9586  <a href="mailto:Kari.Summerour@hca.wa.gov">Kari.Summerour@hca.wa.gov</a></p>

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1030978	2021-047	<p>Finding: The Health Care Authority did not have adequate internal controls over and did not comply with federal provider eligibility requirements for the Medicaid and Children's Health Insurance programs.</p> <p>Corrective Action: The Authority concurs with the finding.</p> <p>The Authority will:</p> <ul style="list-style-type: none"> <li>• Strengthen internal controls to ensure providers are adequately screened, licensed, enrolled, and eligible to provide and bill for services.</li> <li>• Update the automated notification system to ensure notifications are sent timely to allow the revalidations to be completed within the five-year deadline.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2020-046, 2019-048, 2018-042, 2017-033 and 2016-035.</p> <p>Completion Date: Corrective action is expected to be complete by June 2023</p> <p>Agency Contact: Kari Summerour, CPA            External Audit Liaison            PO Box 45502            Olympia, WA 98504-5502            (360) 725-9586  <a href="mailto:kari.summerour@hca.wa.gov">kari.summerour@hca.wa.gov</a></p>

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1030978	2021-048	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with managed care financial audit requirements.</p> <p>The Authority implemented policies and procedures and established a process to:</p> <ul style="list-style-type: none"> <li>• Collect audited financial reports annually from managed care organizations.</li> <li>• Conduct audits of encounter and financial data no less than once every three years.</li> </ul> <p>Additionally, the Authority amended managed care contract language to include the following:</p> <ul style="list-style-type: none"> <li>• Required managed care organizations to submit audited financial reports annually, beginning in fiscal year 2023.</li> <li>• Directed managed care organizations to follow the required timing and procedures for submitting audited financial reports.</li> <li>• Failure to submit reports is sanctionable.</li> </ul> <p>The Authority also conducted an encounter validation audit and has begun a financial report validation audit.</p> <p>May 2022, subject to audit follow-up</p> <p>Kari Summerour                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-9586  <a href="mailto:kari.summerour@hca.wa.gov">kari.summerour@hca.wa.gov</a></p>

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1030978	2021-050	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it performed procedures to safeguard against unnecessary utilization of care and services for the Medicaid program.</p> <p>The Health Care Authority partially concurs with the finding.</p> <p>The Authority agrees that adequate internal controls are necessary to ensure compliance with utilization control and program integrity requirements. The Authority will evaluate its current processes and procedures related to utilization control requirements and update as needed to ensure effective monitoring of the Department’s statewide surveillance and utilization control program.</p> <p>The Authority is implementing the Surveillance and Utilization Review System, a new fraud and abuse detection system which will include the capability to generate automated alerts.</p> <p>The Authority disagrees that the Medicaid state plan needs to be updated. The current plan includes methods and procedures that are sufficient to safeguard against unnecessary utilization of care and services.</p> <p>Similar conditions noted in this finding were previously reported in findings 2020-047, 2020-048, 2019-052, 2019-053 and 2018-047.</p> <p>Corrective action is expected to be complete by May 2023</p> <p>Kari Summerour, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-9586  <a href="mailto:kari.summerour@hca.wa.gov">kari.summerour@hca.wa.gov</a></p>

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1030978	2021-051	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</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>The Authority has implemented internal controls to ensure compliance with federal requirements over inpatient hospital facility audits.</p> <ul style="list-style-type: none"> <li>• In May 2021, the Authority implemented a procedure to determine when audits of cost reports are deemed necessary.</li> <li>• Effective February 2022, the State Plan was amended to reflect that, while audits may be performed by the Authority as it deems necessary, there is not a requirement to do so.</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2020-049.</p> <p>February 2022, subject to audit follow-up</p> <p>Kari Summerour, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-9586  <a href="mailto:kari.summerour@hca.wa.gov">kari.summerour@hca.wa.gov</a></p>

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1030978	2021-052	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to report recoveries of fraudulent overpayments on the CMS-64 report.</p> <p>The Authority concurs with the finding.</p> <p>The Authority established a process to ensure information concerning the status of Medicaid Fraud Control Unit (MFCU) cases is communicated timely to the Authority from the Attorney General’s Office. This will help ensure recoveries of fraudulent overpayments are reported on the CMS-64 report appropriately and any federal share is returned timely to the Centers for Medicaid and Medicare Services.</p> <p>The Authority had returned the federal share of unrecovered settlement amounts and reported them accurately on the CMS-64.</p> <p>The conditions noted in this finding were previously reported in finding 2020-050.</p> <p>September 2022, subject to audit follow-up</p> <p>Kari Summerour, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-9586  <a href="mailto:Kari.Summerour@hca.wa.gov">Kari.Summerour@hca.wa.gov</a></p>

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1030978	2021-055	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority improperly charged \$100,000 to the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>In response to the audit finding, the Authority:</p> <ul style="list-style-type: none"> <li>• Improved processes and internal controls for provider and contract payment review to include verifying grant closure dates.</li> <li>• Revised procedures to identify available period of performance reference documents, so reviewers can ensure payments meet the period of allowability.</li> <li>• Communicated the new process to all management, contract managers, and contract specialists.</li> <li>• Updated all contract terms and conditions to include specific billing timeline language, in accordance with the new policies.</li> <li>• Processed an adjustment moving the expenditures to State funding to resolve the questioned costs.</li> </ul> <p>A notification has been provided to all contracted providers to inform them about the upcoming changes to program policies and contract terms.</p> <p>November 2022, subject to audit follow-up</p> <p>William Sogge, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>

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1030978	2021-056	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it met the earmarking requirement for the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>The Authority partially concurs with the finding.</p> <p>The Authority performs accounting adjustments as part of the grant reconciliation process. The exception identified in the finding was the result of adjustments not being performed timely due to staffing and workload issues, which the Authority hopes will be corrected with the current fully-staffed level. When the final SF-425 Federal Financial Report was submitted to the federal grantor, it properly reported the administrative expenditures.</p> <p>The Authority will re-evaluate the internal controls in place over the SF-425 reporting and earmarking requirement to address the timeliness issue. The Authority does not agree with or plan on repaying the questioned costs and will work with the federal grantor to determine resolution of this issue.</p> <p>Corrective action is expected to be complete by March 2023</p> <p>William Sogge, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>



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1030978	2021-057	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure payments made under the Block Grants for Prevention and Treatment of Substance Abuse program met the period of performance.</p> <p>The Authority revised internal controls and updated procedures for payments made under the Block Grant programs to ensure:</p> <ul style="list-style-type: none"> <li>• Account coding is correctly applied to payments for the correct grant period.</li> <li>• Payments are made only for allowable activities and within the appropriate period of performance.</li> <li>• Staff do not charge costs to a grant after it has closed.</li> </ul> <p>The Authority will also improve internal controls for payments made under the Block Grant programs to ensure accounting adjustments are reviewed and approved for compliance with program and period of performance requirements.</p> <p>The Authority processed an adjustment to move the unallowable expenditures to state funding to resolve the questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2020-059.</p> <p>Corrective action is expected to be complete by December 2022</p> <p>William Sogge, CPA            External Audit Liaison            PO Box 45502            Olympia, WA 98504-5502            (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>

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1030978	2021-058	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it filed reports required by the Federal Funding Accountability and Transparency Act.</p> <p>The Authority is working on finalizing formal policies and procedures across divisions to ensure there are established internal controls over the Federal Funding Accountability and Transparency Act (FFATA) reporting.</p> <p>A workgroup was established and has begun meeting to finalize the criteria for when FFATA reports are required. The policies, procedures, and requirements will be disseminated to applicable staff when complete. The Authority plans to initiate this process for all contracts beginning after July 1, 2022.</p> <p>The Authority will implement the following procedures to ensure compliance with the reporting requirements:</p> <ul style="list-style-type: none"> <li>• Contract Management will include a FFATA form as the last attachment in all contracts and will ensure it is complete prior to forwarding it to Grants Accounting.</li> <li>• Grants Accounting will enter agency information into the FFATA Subaward Reporting System (FSRS).</li> <li>• Management will run a report twice per month to reconcile the contracts entered into FSRS against all newly executed contracts to ensure FFATA reports are complete.</li> <li>• All staff involved in this process will receive training on the new policies and procedures</li> </ul> <p>Corrective action is expected to be complete by May 2023</p> <p>William Sogge, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>

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1030978	2021-059	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Health Care Authority did not have adequate internal controls over and did not comply with the reporting requirements for the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>The Authority partially concurs with the finding.</p> <p>The Authority agrees that the exceptions identified by the auditors were caused by account coding being erroneously opened and charges were processed. The authority disagrees that it resulted in inaccurate reporting and will work with staff to update processes to ensure the incorrect account coding will not be used for future reporting.</p> <p>In response to the finding, the Authority’s program staff and cost allocation specialist implemented procedures to ensure account coding is closed after an award has ended. Additionally, a quarterly process was initiated to review unallowable costs and perform adjustments as needed, and promptly close out account coding in the accounting system.</p> <p>The Authority maintains that the expenditure amounts reported on the SF-425 federal financial reports for the Substance Abuse Prevention and Treatment Block Grant are accurate, 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.</p> <p>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.</p> <p>The conditions noted in this finding were previously reported in finding 2020-062.</p> <p>September 2022, subject to audit follow-up</p> <p>William Sogge, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>

State of Washington - Office of Financial Management  
 Status of Audit Resolution  
 December 2022

Health Care Authority

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1030978	2021-060	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</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 Block Grants for Prevention and Treatment of Substance Abuse program received required risk assessments.</p> <p>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 conducted training to applicable staff in the fall of 2021 and is continuing to identify additional staff for the training.</p> <p>The conditions noted in this finding were previously reported in finding 2020-064.</p> <p>December 2021, subject to audit follow-up</p> <p>William Sogge, CPA            External Audit Liaison            PO Box 45502            Olympia, WA 98504-5502            (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>

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1030978	2021-061	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>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>The Authority has already taken the following steps to address audit recommendations from prior year’s audit:</p> <ul style="list-style-type: none"> <li>• Established a multi-divisional subrecipient monitoring workgroup to develop internal controls and monitoring procedures for subrecipients.</li> <li>• Developed and is finalizing a consistent and uniform process across all units to track and monitor desk and site visits for subrecipients.</li> </ul> <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"> <li>• Established protocols to complete monitoring activities with each Indian Nation on a biennial basis.</li> <li>• Obtained consent from each Indian Nation in March 2021 for the monitoring tools developed.</li> <li>• Sent formal monitoring requests to each Indian Nation in April 2021.</li> <li>• Scheduled desk monitoring beginning in June 2021, which occurred within the fiscal year 2021 audit period.</li> </ul> <p>The Authority conducted monitoring on a majority of the subrecipients with the issues identified in the audit. Unfortunately, the monitoring work was not considered by the State Auditor’s Office (SAO) due to review of this compliance area being performed late into the audit. Also, the staff who maintained the documentation was out due to illness at the time SAO requested the documentation; it was later provided but after the date. Going forward, the Authority’s Internal Audit staff will include multiple staff members in the audit requests to ensure documentation is provided timely.</p> <p>The conditions noted in this finding were previously reported in finding 2020-065.</p> <p>Corrective action is expected to be complete by January 2023</p> <p>William Sogge, CPA                      External Audit Liaison                      PO Box 45502                      Olympia, WA 98504-5502                      (360) 725-5110  <a href="mailto:william.sogge@hca.wa.gov">william.sogge@hca.wa.gov</a></p>