What we will cover

- 2019 DCF Submissions
- Peer Review and QCR Findings
- 2019 Compliance Supplement
- Uniform Guidance Reform
- State and Federal Government Partnership Opportunity
2019 DCF Submissions

2019 FORM LAUNCHED WEEK OF JUNE 1, 2019

2019 DCF Submissions

- New to the Form
  - Auditor EIN numbers
  - Fiscal Period Start Dates
  - Cluster Drop-down with other Cluster selection
  - Non-US Auditor identification
  - Text of the Audit Findings
  - Text for notes to the SEFA
  - Text of the Corrective Action Plan
  - More prepopulated fields
  - Incorporated pilot project SEFA and notes generation and export capabilities
Peer Review and QCR Findings

HHS/OIG, National External Audit Review (NEAR) is responsible for ensuring the quality of Single Audits performed on HHS Grantees.

- NSAA Peer Reviews
- Quality Control Reviews (QCRs)
- Desk reviews for Quality
- Technical Assistance
- Training and Outreach
Common Deficiencies

- Requirements not Direct/Material - Basis
- Internal Controls vs. Processes
- Sampling
  - Documentation
  - Design - Universal Samples
- Achieved - Not Applicable
- Disposition of Exceptions

Example 1 - Not Direct and Material

<table>
<thead>
<tr>
<th>Major Program</th>
<th>Compliance Requirement Type Not Applicable to this Major Program</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHEP</td>
<td>Davis-Bacon Act: Real Property Acquisition and Relocation Assistance</td>
<td>No longer part of compliance areas to test under 2015 COM SUP.</td>
</tr>
<tr>
<td>PHEP</td>
<td>Eligibility: Program Income</td>
<td>No eligibility determination for grant or program income.</td>
</tr>
</tbody>
</table>
Example 2 – Not Direct and Material

<table>
<thead>
<tr>
<th>Major Program</th>
<th>CFDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>A HEALTH CENTER PROGRAM</td>
<td>83.224</td>
</tr>
</tbody>
</table>

Audit notes: / consideration for determination of requirements that have direct and material effect on CFDA #83.224

1. We did not consider cash management to have a direct and material effect on the program because the Organization does not request advance funding.

2. We did not consider Equipment and real property to have direct and material effect on the

Example 3 – Sampling Documentation

GSA-CX-8.2: Tests of Compliance—Sampling Planning and Evaluation Form for Federal Award Programs

Entity: [Redacted]
Completed by: [Redacted]
Financial Statement Date: [Redacted]
Date: [Redacted]
Major Program(s): [Redacted]

Instructions: This form is appropriate when sampling is used in a substantive procedure to test compliance in a single audit. When testing internal controls over compliance, use GSA-CX-9.1. You need to be familiar with the concepts in Chapter 5 of this Guide, particularly section 504, before using this form.

According to the GAS/Audit Guide, each type of compliance requirement to be tested should be evaluated separately for purposes of determining sample size. The suggested minimum sample sizes in this practice aid may be used for each direct and material compliance requirement for each major program. Many audits of compliance will include a spectrum of sample sizes because some types of compliance requirements might
Example 3 – Sampling Documentation

Part 1—Planning

1. **Audit Objective(s).** Describe the audit objective(s) of the tests of compliance.
   
   To determine if the County has effective internal controls that are properly designed and implemented. Also to determine that they are in compliance with applicable compliance requirements.

2. **Compliance Requirement to Be Tested.** Describe the compliance requirement(s) to be tested (assign sequential letters to the requirements):

<table>
<thead>
<tr>
<th>Compliance Requirement Reference</th>
<th>Compliance Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Activities Allowed or Unallowed</td>
</tr>
<tr>
<td>b</td>
<td>Allowable Costs/Cost Principles</td>
</tr>
<tr>
<td>e</td>
<td>Eligibility</td>
</tr>
<tr>
<td>h</td>
<td>Period of Performance</td>
</tr>
<tr>
<td>l</td>
<td>Reporting</td>
</tr>
</tbody>
</table>
Example 3 – Sampling Documentation

4. Describe the population being tested (if there are individually important items, consider first completing GSA-CX-8.1): Population tested are the case files related to recipients of some form of Assistance. County had 4,205 active case files in 2016.

<table>
<thead>
<tr>
<th>Units</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>$4,556.01</td>
</tr>
<tr>
<td>4205</td>
<td>$766,085</td>
</tr>
</tbody>
</table>

5. Describe the sampling unit and how completeness of the population was considered:

We judgmentally haphazardly chose 40 case files attempting to select at least one from every facet of the medical assistance program and intentionally excluding the miniscule dollar amounts.

Example 3 – Sampling Documentation

Sample Size Calculation

6. Assess the degree of assurance needed from this test.

- [ ] High
- [x] Moderate
- [ ] Low

7. Use the tables that follow to select the sample size for each compliance requirement to be tested and document the sample size below. Table 1 is used for populations of at least 250 items. Table 2 is used for populations of less than 250. Table 3 is used for very small populations.

<table>
<thead>
<tr>
<th>Compliance Requirement</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference</td>
<td></td>
</tr>
<tr>
<td>All compliance areas</td>
<td>40</td>
</tr>
</tbody>
</table>
Example 4 – Universal Testwork

Example 4 – Universal Testwork

Compliance Tests

A. Activity Allowed - does expenditure met the allowable cost per compliance supplement?
B. Allowable Cost/principles - does expenditure meet the allowable cost per compliance supplement?
C. Cash Management - Testing for federal cash management requirements is not required at the local level
E. Eligibility (see tests)
F. Equipment/real property - does not apply
H. Matching, Level or Effort - this compliance does not apply on County level, marked as N/A.
I. Period of Availability - Where funds paid within the period appropriated? (Obtained from Medicaid Management Information System Remittance Detail)
J. Program Income - does not apply on a County level.
L. Reporting - Were the financial & special reports submitted in a timely & correct manner?
M. Sub recipient Monitoring - Does not apply
N. Special Tests & Provisions - does not apply

Regulation - selected from remittance detail of reimbursements the County receives from the State each month.

Conclusion - Based on the review of the above tests, I conclude that the County is in compliance with the requirements for Medicaid Assistance payments & costs.
Example 4 – Exception Disposition

Eligibility Tests
1. Written application signed under penalty of perjury on file
2. Income within eligibility, and has been verified
3. SS number provided
4. US citizen or documented qualified alien
5. Evidence of yearly review for such items as income eligibility
6. Cost is correct, either supported by vendor invoice, or recalculation of units reviewed times MN DHS rates for case management

MAXIS Test
1. Does eligibility agree with intake documentation?
2. Is there evidence of review?
3. Does income agree with intake documentation?
4. Is US citizenship coding proper?
Example 4 – Sample Items N/A

How to Avoid These Deficiencies

- Auditor Judgement – Document the Basis
- Standard Forms – Follow Instructions and Fill Out Completely
- Dual Purpose Testing – Identify Internal Control and Compliance Attributes Separately
Exceeding Minimum Requirements

- Bridge - Internal Control Understanding, Relevant Controls, and Internal Control Testing
- Attribute Testing - Procedures Performed
- Documentation - Consistent Organization

2019 Compliance Supplement

EXPECTED TO BE ISSUED EARLY NEXT WEEK!!!!!!!!!!!
2019 Compliance Supplement

Changes to the Compliance Supplement coming 2019:

- Pick 6 - Compliance Requirements
- Part VI - Internal Controls
- Medicaid - Eligibility

Pick Six

- WHY
- IMPACT
Presidential Mandate M-18-24

Background

- The Digital Accountability and Transparency Act (DATA Act) of 2014 (Pub. L. No. 113-101) tasked OMB with administering a grants pilot to identify new common data standards, to build efficient reporting tools, and to provide new solutions that reduce administrative burden on awardees and the Government workforce.

- The DATA Act also required that OMB issue guidance to heads of Federal agencies on how data standards will be applied to

  1) reduce compliance burden

  2) simplify the reporting process

Background continued...

- On August 10, 2017, OMB issued the Data Act Pilot Program Report to Congress, which demonstrated that grant recipient burden can be alleviated by:

  1) defining and collecting required data elements in a central and open repository

  2) collecting data from grant recipients centrally

  3) re-using and auto populating Government systems using data collected centrally, and

  4) making resources available to explain the Federal requirements and business processes.

- Therefore, Presidential Mandate M-18-24 was issued on September 5, 2018

  Issued in response to the DATA Act requirement that OMB provide guidance to Federal agencies to implement lessons learned from the pilot.

  Applies to all CFO Act agencies that manage Federally funded assistance programs.
President’s Management Agenda

- Lays out a long-term vision for modernizing the Federal Government in key areas that will improve the ability of agencies to deliver mission outcomes, provide excellent service, and effectively steward taxpayer dollars on behalf of the American people.

- **Cross-Agency Priority (CAP) Goals** have been established to drive implementation of the President's Management Agenda (PMA).

Cross-Agency Priority (CAP) Goals

Presidential Mandate M-18-24

- Focuses on Cross-Agency Priority (CAP) Goal #8: Results-Oriented Accountability for Grants
  - Goal Statement: Maximize the value of grant funding by applying a risk-based, data driven framework that balances compliance requirements with demonstrating successful results for the American taxpayer.

Strategies of Goal #8

- 1) Standardize Business Processes and Data
- 2) Build Shared IT Infrastructure
- 3) **Manage Risk**
- 4) Achieve Goals and Objectives
Strategy 3: Manage Risk

- Leverage data, including data from annual audits, to assess & manage recipient risk.
- Key Milestones:
  - Draft Risk Management Framework
  - **Develop draft 2019 Single Audit Compliance Supplemental Framework**
  - Issue streamlined 2019 Single Audit Compliance Supplement

OMB’s Response to M-18-24

Reminder:
- The DATA Act **required** that OMB:
  - 1) reduce compliance burden
  - 2) simplify the reporting process

OMB’s Actions Taken:
- OMB updated the 2019 Compliance Supplement framework by reducing compliance requirements required to be audited from 12 to 6.
For each program included in the Compliance Supplement:

- A. Activities Allowed or Unallowed and B. Allowable Costs / Cost Principals are counted as one requirement.
- The program officials identified 5 other compliance requirements that they considered to be the most material to program compliance.
- R&D – Activities Allowed and Allowable Costs plus 6 other compliance requirements (Special Test and Provision required).

**Pick 6 – Compliance Requirement Matrix**

Historically

- Y = Yes – the type of compliance requirement may apply
  - Even though a “Y” indicates that the compliance requirement applies to the Federal program, it may not apply at a particular non-Federal entity, either because that entity does not have activity subject to that type of compliance requirement or the activity could not have a direct and material effect on a major program.
  - The auditor should exercise professional judgment when determining which compliance requirements marked “Y” need to be tested at a particular non-Federal entity.
Historically

N = No – the program *normally does not* have activity subject to this type of compliance requirement or the compliance requirement generally does not have a direct and material effect on the program

- Special Considerations: if specific information comes to the auditor's attention (e.g., during the normal review of the grant agreement or discussions with management) that provides evidence that a compliance requirement marked “N” could have a direct and material effect on a major program, the auditor *is expected* to test the requirement.

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2019 Compliance Supplement

Y = Yes – the type of compliance requirement *subject to audit.*

- Even though a “Y” indicates that the compliance requirement applies to the Federal program, it may not apply at a particular non-Federal entity, either because that entity does not have activity subject to that type of compliance requirement or the activity could not have a direct and material effect on a major program.

- The auditor should exercise professional judgment when determining which compliance requirements marked “Y” need to be tested at a particular non-Federal entity.
2019 Compliance Supplement

N = No - the type of compliance requirement is **not** subject to audit.

- When a type of compliance requirement is shown in the matrix as “N”, that type of compliance requirement is not subject to audit for the period covered by this supplement.

- However, the auditee is still responsible for follow-up and corrective action on all audit findings and is required to prepare a summary schedule of prior audit findings as required by 2 CFR 200.511 - Audit findings follow-up.

- Also, the auditor must follow-up on prior audit findings as required by §200.514(e) even when the type of compliance requirement shows an “N” for the period covered by this Supplement.

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Part VII - Used when the major program was not specifically identified in the Compliance Supplement.

In the 2019 Compliance Supplement - Auditors are to apply and document the historical method for determining which compliance requirements are applicable and direct and material to the major programs not included in the Compliance Supplement.
Benefits of Pick 6

- Reduction in Burden for audits because fewer Compliance Requirements tested and less reporting requirements
- Can focus on requirements that are most needed to be audited and more commonly found to have significant deficiencies, material weaknesses and instances of noncompliance
- Focus on auditing areas that are most vulnerable or historically identified as areas with potential for fraud, waste and/or abuse
- Audits could yield better results because they are focusing on important areas and the audit findings will be focused on historically risky areas
  - In general, most non-Federal entities comply and overall there are relatively few serious audit findings
  - Less burden on Federal agencies because most Federal agencies have limited resources to follow-up on audit findings
- Focus is on ensuring American tax dollars are being utilized as intended in audited programs

Concerns with Pick 6

- Material/Direct vs. Applicable
- Rotating Compliance Requirements - Head Start
- Follow-up on Prior Audit Findings
- Shift in monitoring burden and Subrecipient Responsibilities
- Effect of Putting the Requirements Back in Future Compliance Supplements
- Lack of consistency of data because of rotating compliance requirements identified as material and direct.
Impact on the Ability to Rely on Single Audits

Pass-Through Entities
Will pass-through entities need to increase other methods for subrecipient monitoring to gain an assurance that programs are in compliance with Federal requirements?

Federal Government
- Will audits satisfy the Single Audit Act Amendment of 1996?
  - Goal of Single Audit is already to reduce burden while maintaining assurance that Federal dollars were being properly used.
  - Will single audits be perceived as less valuable because of the limited scope which may reduce the potential identification of audit findings?
Part VI – Internal Control

2019 Compliance Supplement Part VI was updated to include:

- A summary of the requirements for internal control for both non-Federal entities receiving Federal awards (also referred to as auditee management) and auditors performing audits under 2 CFR section 200 (i.e., the Uniform Guidance);
- A background discussion on important internal control concepts; and
- Appendices that include illustrations of entity-wide internal controls over Federal awards (Appendix 1), as well as illustrations of internal controls specific to each type of compliance requirement (Appendix 2).

Part VI – Internal Control

Appendix 1 – Illustrative Entity-Wide Controls

- Entity-wide controls are considered governance controls that apply to most, if not all, types of compliance requirements for one or more Federal programs. Entity-wide controls are generally governance controls established at the entity-wide level versus at the Federal program or type of compliance requirement level.
- 4 of the 5 components of internal control: control environment, risk assessment, information and communication, and monitoring.
Appendix 2 – Illustrative Specific Controls for Control Activities

- Specific controls are considered operational-level controls that apply to individual types of compliance requirements for the major programs.
- The remaining component of internal control: control activities.
- When non-Federal entities implement internal controls in this manner, auditors should obtain the understanding of controls and test specific controls related to control activities, as well as prepare related documentation at that level.
GAO Letter

In response to State Auditors concerns expressed on the integrity of the Medicaid program and the outdated nature of the Compliance Supplement, the GAO drafted a letter to the administrator of CMS to recommend adjustments to the current Compliance Supplement to improve Medicaid oversight.

CMS Response to GAO Letter

- Expanded and provided examples for items 6 and 7 under the examples of complexities to consider when evaluating program Operations.
- Added an item 8 under examples of complexities:
  - State contracts with third parties, such as managed care organizations, to provide or arrange for services for all or part of beneficiary care. These organizations may subcontract with providers or other managed care organizations.
- Added additional rows for Managed Care Waivers and Home and Community Based Waiver Programs, to the table identifying the control systems required for different types of Medicaid payments.
- Added medical loss ratio (MLR) requirements to allowable cost/cost principles section.
- Added information on CMS approval and validation of the encounter data submitted to the allowable cost/cost principles section.
CMS Response to GAO Letter (continued)

- Added information for states with risk-based managed care systems
- Added suggested audit procedures for Provider Eligibility
  - Determine whether provider data are linked to encounters including national provider identifiers, taxonomy, location, and active enrollment period.
  - Verify whether the state maintains a complete, single provider registry with providers credentialed by the state Medicaid agency.
  - Select a sample of providers, including those in managed care, receiving payments and ascertain if:
    - 1) the provider is screened, licensed, and enrolled in accordance with the State Plan and the requirements of 42 CFR 455 subpart E.

Medicaid - Background

The Affordable Care Act in 2010:
- The Patient Protection and Affordable Care Act (ACA, P.L. 111-148, as amended)
  - Made a number of changes to Medicaid
  - Most significant is the expansion of eligibility to adults (age 19 to 64) with incomes up to 138 percent of the federal poverty level (FPL).
    - 2019 - About $17,260 for a single adult or $29,435 for a family of three per year
    - As of 2019, 36 states and D.C. have adopted the Medicaid expansion and 13 states have not
Medicaid - Types of Eligibility

- **Modified Adjusted Gross Income (MAGI)**
  - MAGI-based budgeting is used to calculate a person's household size and income, using federal income tax rules and a tax filer’s family size to determine eligibility for Medicaid

- **Non-modified Adjusted Gross Income (Non-MAGI)**
  - Do not use MAGI-based budgeting to qualify as eligible. Instead, you fall into some of the following categories:
    - You are 65 or older
    - You are Certified Disabled
    - You are Blind
    - If you receive SSI.
    - If you have Disabled adult children.

Medicaid - MAGI

The MAGI Medicaid program started January 1, 2014, as part of the Affordable Care Act (ACA)

- Medicaid Cluster “Eligibility requirement” in the Compliance Supplements issued in 2014 through 2018:
  - The auditor **should not** test eligibility for determinations based on Modified Adjusted Gross Income (MAGI-based determination) made after September 30, 2013.
  - Detailed testing is performed under the Medicaid and CHIP Eligibility Review Pilots, which serve as CMS’ oversight of Medicaid and CHIP eligibility determinations during the initial years of Affordable Care Act implementation.

- Since the Medicaid and CHIP Eligibility Review Pilots do not review non-MAGI-based cases (i.e. Aged, Blind, and Disabled), the auditor should test non-MAGI determinations
Medicaid - MAGI

- Medicaid and CHIP Eligibility Review Pilots are done.
- The 2019 Compliance Supplement is updated to no longer exclude testing of MAGI determinations.

Eligibility for Individuals

- Eligibility for Medicaid can be broadly grouped into determinations based on MAGI-based determinations and non-MAGI determinations. Auditors should test eligibility determinations made for fee-for-service and managed care beneficiaries, as described below. The Auditor should re-determine eligibility to ensure beneficiaries qualify for the Medicaid program and are in the appropriate enrollment category.

Magi Eligibility Documentation Expectations

- Federal Medicaid regulations at 42 CFR 435.1200 require coordination between SMAs and other insurance affordability programs, including the federal and state exchanges. For Medicaid/Chip eligibility determinations or assessments being sent from an exchange to a state, states will receive the individual’s electronic account from the exchange. The account transferred from the exchange will contain all relevant information used to determine or assess eligibility. We note that in some states the state based exchange and Medicaid agency use an integrated eligibility system and so all information would already be contained in the system and no actual transfer of an account is required. Medicaid record keeping regulations at 42 CFR 435.914 and 431.17 also require states to include the basis of eligibility and facts to support the agency’s decision on an application in each applicant’s case record or electronic account, as well as require the maintenance of records that include facts essential to the determination of initial and continuing eligibility.
- The SMA or its designee is required to determine applicant and beneficiary eligibility in accordance with eligibility requirements defined in the approved State Plan (42 CFR 425.10).
Medicaid MAGI - Concerns

- No Access to Income Tax data (IRS Statute Title 26 section 6103 (b))
- Access to the Exchange information
- Beneficiaries self-reporting
  - Federal regulations in 42 CFR 435.945(a) require that except where the law requires other verification procedures (such as for citizenship and immigration status), Medicaid agencies may verify factors needed to determine Medicaid eligibility through an applicant’s self-attestation without requiring further information from the individual, unless the agency has information to suggest potential ineligibility
- Disclaiming an Opinion on Compliance?

Single Audit Act & Uniform Guidance Reform
Single Audit Act & Uniform Guidance Reform

- **Background**
  - Implemented in December 2014, the Uniform Guidance provides a government-wide framework for Federal grants management and is a step towards reducing administrative burden on award recipients.

- **Update**
  - OMB plans to pursue proposed rulemaking to make revisions to the Uniform Guidance this fall. The intent of the proposed revisions:
    - address burden reduction for recipients,
    - fix inconsistent terminology,
    - resolve conflicts within 2 CFR, and
    - address statutes enacted since the final guidance was issued.

Single Audit Act & Uniform Guidance Reform

- Increasing thresholds again?
- Pension/OPEB Cost Allowability
- New Approaches: Redesigning vs. Pick 6
- Sampling Project?
Alternative Approaches to Pick Six

- Keep pick six as initially designed and implemented
- Redesign pick six to focus on how the entity administers the program; pass through, payroll, indirect cost, direct cost, direct benefit payments.
- Big audit vs small audit approach
HHS-OIG Partnership Plan

Prior Initiative
- 1995 through 2005
- Engaged 26 States
- Issued 47 Reports
- Realized over $263 billion in recoveries and savings

Current Initiative
- Enhance program integrity and oversight;
- Identify and recommend recovery of improper payments and reduce the improper payment rate;
- Make recommendations resulting in program improvements and reduce the cost of providing needed services to Medicaid beneficiaries; and
- Protect the well-being of the 75 million beneficiaries covered by Medicaid.
HHS-OIG Partnership Plan

- Current Initiative (continued)
  - Highlight a plan for joint Federal/State audits that can positively influence the control of Medicaid expenditures and improper payments,
  - Present successful HHS-OIG Medicare and Medicaid audits and data analytics that will serve as a starting point for the partnership, and
  - Solicit ideas that will contribute to the success of the partnership.

HHS-OIG Partnership Plan

- Partnerships between HHS-OIG and States provide broader audit coverage and lead to more effective, efficient, and economical use of audit resources.
- Partnerships focus on:
  - Issues that will result in program improvements.
  - Reducing the cost of providing needed services to Medicaid clients.
  - Partnerships involve the sharing of audit methods, technical support, data analytics, staff, and results between HHS-OIG and State audit organizations.
  - Partnerships could lead to the identification of legislative changes that could assist in billing efficiencies into the Medicaid service delivery system.