

Office of the Secretary of State

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Audits Division

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March 29, 2021

Patrick Allen
Oregon Health Authority
500 Summer Street NE, E-20
Salem, OR 97301

Dear Mr. Allen:

We have completed audit work of a selected federal program at the Oregon Health Authority (authority) for the year ended June 30, 2020.

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Audit Amount</u>
93.767	Children's Health Insurance Program	\$ 289,364,244

This audit work was not a comprehensive audit of your federal program. We performed this federal compliance audit as part of our annual Statewide Single Audit. The Single Audit is a very specific and discrete set of tests to determine compliance with federal funding requirements, and does not conclude on general efficiency, effectiveness, or state-specific compliance issues. The Office of Management and Budget (OMB) Compliance Supplement identifies internal control and compliance requirements for federal programs. Auditors review and test internal controls over compliance for all federal programs selected for audit and perform specific audit procedures only for those compliance requirements that are direct and material to the federal program under audit. For the year ended June 30, 2020, we determined whether the department substantially complied with the following compliance requirements relevant to the federal program under audit.

Compliance Requirement	General Summary of Audit Procedures Performed
Activities Allowed or Unallowed	Determined whether federal monies were expended only for allowable activities.
Allowable Costs/Cost Principles	Determined whether charges to federal awards were for allowable costs and that indirect costs were appropriately allocated.
Eligibility	Determined whether only eligible individuals and organizations received assistance under federal programs, and amounts provided were calculated in accordance with program requirements.
Matching, Level of Effort, Earmarking	Determined whether the minimum amount or percentage of contributions or matching funds was provided, the specified service or

	expenditure levels were maintained, and the minimum or maximum limits for specified purposes or types of participants were met.
Period of Performance	Determined whether federal funds were used only during the authorized performance period.
Reporting	Verified the department submitted financial and performance reports to the federal government in accordance with the grant agreement and that those financial reports were supported by the accounting records.
Special Tests and Provisions	Determined whether the department complied with the additional federal requirements identified in the OMB Compliance Supplement.

Noncompliance

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and are described below. Our opinion on the federal program is not modified with respect to these matters.

Internal Control over Compliance

Department management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major program and to test and report on internal control over compliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. As discussed below, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We

did identify certain deficiencies in internal control over compliance, as described below, that we consider to be significant deficiencies.

Audit Findings and Recommendations

Improve documentation and controls over client eligibility

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Children's Health Insurance Program (CHIP) (93.767)
Federal Award Numbers and Year:	1905ORCECF; 2019, 2005OR5021; 2020
Compliance Requirement:	Activities Allowed or Unallowed, Eligibility
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	None
Questioned Costs:	\$25,429 (known)

Criteria: 42 CFR 435.914(a); 42 CFR 433.32; 42 CFR 435.952(b)

Federal regulations require certain conditions be met for the Oregon Health Authority (authority) to receive Children's Health Insurance Program (CHIP) funding for medical claims. The requirements include maintaining sufficient documentation supporting the client's eligibility and individual claims, and seeking additional information if information provided for an individual is not reasonably compatible with information obtained through an electronic data match.

We randomly selected a statistically valid sample of 60 clients for eligibility testing and one CHIP service payment associated with each client. We reviewed authority documentation and for four clients we found the issues described below.

- Two clients provided income information after a referral for information was requested by the system during an electronic data match. The authority did not appropriately document that the requested information was reasonably compatible with other available information. However, we determined these clients to be eligible for services, resulting in no questioned costs.
- One client provided income information after a referral for information was requested by the system during an electronic data match. The authority did not appropriately document that the requested information was reasonably compatible with other available information. Our testing determined this client was over the income thresholds and ineligible for CHIP, resulting in questioned costs of \$2,292 for the fiscal year ending June 30, 2020.
- One client attested to being pregnant and was appropriately placed in the CHIP program. However, this client later called reporting they had never been pregnant; at which time the authority should have adjusted the client's benefits and reimbursed the CHIP program expenditures. The authority failed to adjust this client's claims and benefit program resulting in questioned costs of \$23,137 and \$9,014 for fiscal years ending June 30, 2020 and 2021, respectively. Additionally, we recognize this client may also have received improper Medicaid benefits over the course of their enrollment. However, at the time of our audit, we were unable to determine improper claims associated with Medicaid.

The above issues occurred due to administrative errors by various authority staff. Failure to ensure financial and program eligibility increases the risk of improper payments.

We recommend authority management strengthen controls by providing periodic training to eligibility staff to reduce the risk of administrative errors. This training should ensure eligibility staff know how to verify and document income support. In addition, management should review benefits and program eligibility related to cases identified with questioned costs to ensure proper funding within CHIP and other applicable federal programs and should reimburse the federal agency for unallowable costs.

Improve documentation for provider eligibility determinations and revalidations

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Children’s Health Insurance Program (CHIP) (93.767)
Federal Award Numbers and Year:	1905ORCECF; 2019, 2005OR5021; 2020
Compliance Requirement:	Special Tests and Provisions
Type of Finding:	Significant Deficiency
Prior Year Finding:	None
Questioned Costs:	N/A

Criteria: 42 CFR 431.107; 42 CFR 455.436; 42 CFR 455.102 to 455.106; 42 CFR 455.414

Provider eligibility requirements for the Children’s Health Insurance Program (CHIP) differ depending upon the type of services provided. In addition, all CHIP providers are subject to specified database checks and are required to sign an adherence to federal regulations agreement (agreement). The agreement must include disclosure information and terminology required by federal regulations for which the provider must agree to provide at the agreement date and/or upon request. Additionally, federal regulations require that the Oregon Health Authority (authority) determine eligibility for CHIP providers and revalidate providers at least every five years by performing various database checks to ensure providers are still eligible to participate in the CHIP program.

We conducted testing of Oregon’s Coordinated Care Organizations (CCOs) during our audit of the Medicaid program. CCOs are dual-enrolled as both CHIP and Medicaid providers. Medicaid testing identified two exceptions as noted in the Medicaid finding titled “Improve Documentation for Provider Eligibility Determinations and Revalidations.” We judgmentally selected an additional 18 providers for testing, all of which were hospitals or Federally Qualified Health Centers, and identified 12 control deviations as described below:

- For one provider the death master check was not completed for the managing employee during revalidation. As of February 2021, the authority obtained an updated disclosure statement and verified the death master file for the managing employee.
- For two providers the disclosure statements did not include the required managing employee information. As of March 1, 2021, the authority had obtained a completed disclosure statement with the required managing employee details from only one of these providers.
- For two providers the authority could not provide signed provider enrollment agreements or disclosure statements. As of March 1, 2021, the authority obtained a signed provider enrollment agreement and completed disclosure statement from one of these providers.
- For one provider the authority could not provide a disclosure statement from the most recent revalidation period. As of March 1, 2021, the authority had obtained a completed disclosure statement for this provider.

- For six providers the authority could not provide provider enrollment agreements or disclosure statements that met the minimum federal requirements. As of March 1, 2021, the authority obtained signed provider enrollment agreements and completed disclosure statements from five of the six providers.

Issues identified above occurred due to incomplete record maintenance. The authority began sending new agreements and disclosure statement requests in spring of 2020 and were in the process of reviewing the providers in this revalidation batch during the course of this audit. Failure to retain provider enrollment agreement and updated disclosure statements increases the risk of payments to ineligible vendors.

We recommend authority management strengthen controls over provider eligibility determinations and revalidations to ensure maintenance of updated agreements and disclosure statements in accordance with federal regulations and ensure all databases are checked timely.

Strengthen review over costs charged to the program

Federal Awarding Agency:	U.S. Department of Health and Human Services
Program Title and CFDA Number:	Children’s Health Insurance Program (CHIP) (93.767)
Federal Award Numbers and Year:	1905ORCECF; 2019, 2005OR5021; 2020
Compliance Requirement:	Activities Allowed or Unallowed, Allowable Costs, Matching
Type of Finding:	Significant Deficiency, Noncompliance
Prior Year Finding:	None
Questioned Costs:	\$342,566 (known)

Criteria: 2 CFR 200.53 (a); 45 CFR 95.11; 45 CFR 95.13(d)

Federal regulations allow the Children’s Health Insurance Program (CHIP) expenditures to be reimbursed at the federal financial participation rate for various program costs at the time of payment for services provided.

The Oregon Health Authority (authority) makes payments to vendors other than providers through the state’s accounting system. We judgmentally selected for review all transaction related payments for vaccines, which accounted for more than 95% of this population’s expenditures. We identified the following errors, which were not identified during the authority’s review, that resulted in improper payment of CHIP expenditures:

- One transaction charged expenditures related to another program to the CHIP program, resulting in known questioned costs of \$128,991, of which \$124,851 was federally funded.
- One transaction was charged at the incorrect federal participation rate, resulting in known questioned costs of \$213,575.

We recommend authority management strengthen controls over review to ensure transactions are adequately supported and the federal financial participation rate is correctly applied. Additionally, we recommend the authority reimburse the federal agency for unallowable costs.

Response to Current Year Findings

The audit findings and recommendations above, along with your responses, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2020. Including your responses

satisfies the federal requirement that management prepare a Corrective Action Plan covering all reported audit findings. Satisfying the federal requirement in this manner, however, can only be accomplished if the response to each significant deficiency includes the information specified by the federal requirement, and only if the responses are received in time to be included in the audit report. The following information is required for the each response:

- 1) Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
- 2) The corrective action planned for each audit finding.
- 3) The anticipated completion date.
- 4) The contact person(s) responsible for corrective action.

Please provide a response to Kelly Olson, Audit Manager by Monday, April 5, 2021 and provide Rob Hamilton, Statewide Accounting and Reporting Services (SARS) Manager, a copy of your Corrective Action Plan.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Katie Hull, Lead Auditor or Kelly Olson, Audit Manager at kelly.l.olson@oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: David Baden, OHA Chief Financial Officer
Shawn Jacobsen, Controller
Sarah Landis, Chief Audit Officer
Dana Hittle, Medicaid and CHIP Deputy Director
Lori Coyner, Medicaid and CHIP Director
Katy Coba, Director, Department of Administrative Services
Rob Hamilton, SARS Manager, Department of Administrative Services