Department of Developmental Disabilities

Medicaid Administrative Claims Random Moment Time Study Audit

Audit Period: April 2014 through March 2015

Results Summary:

Objective	Conclusion
Random Moment Time Study	**Well-Controlled with Improvement Needed**
Medicaid Administrative Claiming Submission	**Improvement Needed**

Report number: 2015-DDD-01   **Issuance date: June 25, 2015**

Executive Summary

Background

Medicaid Administrative Claiming (MAC) is a joint state and federal program that offers reimbursement for a portion of costs of certain administrative activities that support the Medicaid program and the population it serves. The Federal Financial Participation rate for administrative activities is 50 percent. Random Moment Time Studies (RMTS) is a federally-accepted method for documenting time spent on administering Medicaid-funded programs. Qualified participants from the Department of Developmental Disabilities (DDD) Central Office are pooled into one cost group. Cost group participants are randomly selected and paired with 'random moments in time' to create representative sampled moments.

MAC reimbursement is directly related to the percentage of time participants spent on Medicaid-related administrative activities and considers participants' payroll costs and eligible contract costs. RMTS participants should respond to all sampled moments to ensure the required compliance rate is met. Failure to do so negatively impacts MAC reimbursements.

During the audit, OIA identified opportunities for DDD to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DDD staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit and consulting review related to DDD's key processes over Medicaid Administrative Claiming Random Moment Time Studies. This work was completed March through June 2015.

The scope of this audit is limited to DDD Central Office processes for conducting the RMTS and preparing the MAC claims submission. The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the RMTS process.
- Evaluate the design and effectiveness of controls over the MAC submission process

Additionally, OIA performed a consulting review over key inputs into the RMTS process and provided recommendations to DDD to improve the efficiency of the RMTS process. These recommendations have been provided to management in a separate Consulting Memorandum.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

Observation 1 – Supporting MAC Documentation and Supervisory Review

Adequate documentation and procedures to support RMTS MAC calculations must be centrally maintained in order to ensure appropriate claim calculation and compliance with state and federal requirements and to aid in a supervisory review. Supervisory reviews serve as an internal control to detect errors and to help ensure compliance with procedures and timely completion of tasks. Performance of supervisory reviews should be documented to evidence completion.

DDD staff does not maintain adequate documentation to support portions of the MAC calculation. For example, DDD staff does not maintain documentation to support exclusion of personal services contracts from the MAC calculation or the identification of activity codes for work performed by contractors. Additionally, the RMTS Administrator obtains documentation from DDD fiscal staff of costs reimbursed by other federal programs to offset payroll costs included in the MAC calculation. However, the RMTS procedures do not include processes for identifying and determining these offsets. Additionally, there is no supervisory review and approval of the MAC calculation.

Failure to maintain adequate documentation to support decisions throughout a process increases the likelihood of inappropriate claim calculations and non-compliance with documentation requirements. Lack of a supervisory review and approval process also increases the likelihood of inappropriate claim calculation without detection.

Recommendation

In order to help ensure appropriate claim calculation and compliance with state and federal documentation requirements, develop and implement the following:

- Procedures to outline documentation requirements to support exclusion of personal services contracts from the MAC calculation. Such procedures should include the format for documentation storage so that it is centrally accessible by necessary DDD staff. Procedures may include generating a listing of personal service contracts to serve as a checklist to document decisions to include or exclude specific contract costs from the MAC calculation.

- Procedures to identify activity codes to assign to personal services contract costs.

Procedures may include determination of appropriate activity codes at the time of contract negotiation, if possible. Otherwise, work with the DDD business units procuring contractor services to develop tools for the business units to identify appropriate activity codes to assign to the work performed and invoiced by contractors. For example, consider use of contractors' time-keeping system(s) to assign tasks to the hours worked to aid in assignment of appropriate activity codes.

- Updates to existing written MAC calculation desk manuals to include procedures for calculation of costs reimbursed by other federal programs to offset RMTS payroll costs.

A standardized supervisory review and approval process of the MAC calculation. Supervisory reviews should be documented to evidence that reviews occurred and are completed timely.

Management Response

- DDD will develop or include in an existing desk manual our process of determining when to include personal services contracts in the MAC calculation. Such procedures will be placed on the shared Fiscal drive with the other MAC/RMTS desk manuals so that it is centrally accessible by necessary DDD staff. Target Completion Date: July 30, 2015.

- DDD will write a desk manual outlining internal procedures for assigning appropriate activity codes to the work performed by contractors. DDD will explore the possibility of assigning/ determining the appropriate activity codes prior to the establishment of the purchase order (PO) and how OAKS chartfields could be used to identify these POs when calculating the claim. The MAC/RMTS Administrator will continue to work with other DDD business units (especially IT) to develop tools for identifying the appropriate activity codes to assign to the work performed and invoiced by contractors when one activity code is not applicable to an entire contract (such as IT contractors). Target Completion Date: September 30, 2015.

- The MAC/RMTS Administrator will incorporate language into existing desk manuals that outlines how to offset the MAC claim with payroll costs reimbursed by other federal programs. Target Completion Date: July 30, 2015.

- The supervisor to the MAC/RMTS Administrator will assign a review date, prior to the ODM deadline, to review the MAC claim, provide approval or address any need for edits with the MAC/RMTS Administrator. The supervisory approval will be documented in an email which will be saved electronically with the corresponding claim. Implementation will be immediate with the current January 2015 claim which has a submittal deadline of August 31, 2015 per the MAC/RMTS Guide.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Chief Financial Officer	September 2015

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations.

Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee