



Department of Medicaid Billings and Certifications Audit

Audit Period: January through June 2017

Results Summary:

Objective	Conclusion*
Billing and Certification Processes	Improvement Needed

*Refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Medicaid program is a joint federal-state health insurance program for individuals with low income and limited resources. The program is nationwide, administered by each individual state under broad federal guidelines and funded with federal, state, and, in some states like Ohio, local revenues. The Ohio Department of Medicaid (ODM) has been designated as the state agency responsible for administering the Medicaid program within Ohio, with its agency mission being to provide accessible and cost effective health care coverage for Ohioans by promoting personal responsibility and choice through transformative and coordinated care. Medicaid services are an entitlement for individuals that are eligible for the program, meaning the state is obligated to pay them if the individuals meet the requirements. The Medicaid program delivers health care coverage to more than three million eligible residents of Ohio each year. Approximately 80% of Ohio's Medicaid population received benefits through five private managed care plans under contract with ODM, while the remaining population receives benefits through fee-for-service and waiver programs. The program is the largest single state program with annual funding of about \$28 billion. Medicaid accounts for four percent of Ohio's economy. Based on information maintained in the State's accounting system, ODM created 6,490 account receivables, totaling \$804,863,022, during the period of January through June 2017. During this same period, ODM marked 1,785 accounts for certification to the Ohio Attorney General's Office for collections; these accounts totaled \$54,963,098 at the time of certification.

During the audit, OIA identified opportunities for ODM to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank ODM 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 related to the controls over the agency's collections and accounts receivable processes. This work was completed July through December 2017. The scope of this audit included the key processes associated with the agency's accounts receivable function, during the audit period of January through June 2017. The following summarizes the objective of the review:

- Evaluate the design and effectiveness of controls within the Billing and Certification processes.

The scope of this evaluation did not include a review of the activities performed by the Ohio Attorney General's Office in carrying out its legal responsibility for collecting outstanding debt



owed to the state once certified by ODM. The Ohio Attorney General's Office is not within the Office of Internal Audit's purview, in accordance with ORC section 126.45.

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 – Inability to Verify Accuracy and Completeness of Invoices Created and Accounts Certified to the Ohio Attorney General's Office

A sound internal control framework should include procedures to verify the accuracy and completeness of accounts receivables that are created, as well as those certified for collection to the Ohio Attorney General's Office (AGO). Verification of the amounts on an individual account level and as a whole, are essential control activities, as is the validation of the accuracy of actions taken by ODM staff and actions taken by AGO staff that are relied upon by ODM. Effective monitoring activities increase management's ability to identify and resolve issues timely, and place reliance on the accuracy and completeness of the accounts receivable balances.

OIA reviewed accounts receivables created and noted the following exceptions during testing:

- For eight of fourteen (57%) invoices, evidence to support supervisor approval prior to finalizing invoices in OAKS was not maintained. During testing, ODM noted that the approval process was changed to an electronic process in June; from that point forward, approvals were maintained and were verified during testing (all invoices tested from June, as well as two March invoices tested had supervisor approval maintained).

OIA reviewed accounts certified to the AGO by comparing the account detail to OAKS, and noted the following exceptions during testing:

- For eight of 23 (35%) accounts reviewed, the amounts did not agree or could not be located on the "AGO/ODM inventory" spreadsheet.
- Seven accounts did not have the correct amount on the inventory spreadsheet.
 - Three accounts were only different by \$1.00 each.
 - Three account balances appear to have never been updated at the AGO as the inventory spreadsheet amount is \$1.00. The differences between OAKS and the inventory spreadsheet for these are: \$3,197.08, \$164.47, and \$46.95.



- One account has a certified balance \$10,062.11 greater than the OAKS amount.
- One account was not able to be located on inventory spreadsheet, so an amount of \$68,885.68 was not certified (or not correctly identified in the AGO's records).

OIA noted that all these errors were for the program area MCDR262 accounts. During testing, ODM indicated these accounts are handled differently and ODM is not involved with sending documentation to AGO for certification. ODM's role is to mark the account as certified in OAKS and the Third-Party Liability Contractor provides the documents separately to the AGO.

ODM indicated there is no supervisory review prior to accounts being sent to the AGO; this review would verify the accuracy of the files and supporting documentation sent to the AGO. The electronic files sent to the AGO for collections are manually generated which could lead to errors. Furthermore, there is no completeness check after the electronic files have been sent to ensure the AGO received all the electronic files and the amounts uploaded by the AGO was accurate.

When testing accounts under dispute (prior to certification), OIA identified one of twenty (5%) accounts where OAKS had not been updated accurately to remove the disputed status. Since the account was paid in full, it would not show up on the weekly aging report where this error could have been detected.

Failure to verify the accuracy of invoices created and accounts certified to the AGO increases the risk of invoices being inaccurate. Not verifying the completeness of files sent to the AGO for collections increases the risk that not all accounts are received, resulting in loss of revenue from accounts not being collected upon.

Recommendation

Update, develop, and implement procedures for the following areas:

- Update procedures to include a supervisory review prior to files being sent to the AGO for collection and maintain evidence/documentation of the review. The procedures should reflect instructions on how to conduct the review and guidance on maintaining evidence of the review. Given the quantity of invoices being certified, this review could be a periodic spot check of random invoices to validate accuracy.
- Work with the AGO to develop procedures to verify the completeness of files sent/received for collection. This completeness check should be a 'Total Record' or email that references the number of accounts sent/received and dollar amount.
- Perform, at a minimum, a monthly reconciliation of the AGO/ODM Inventory Spreadsheet to ensure that all certified accounts have been uploaded accurately by the AGO. The program areas where ODM is not responsible for sending documentation to the AGO for certification should be a high-priority for review to ensure that the AGO received the



documentation from the Third-Party Liability Contractor and updated their system accurately.

Management Response

ODM agrees and will update the procedures and general internal control to either include a supervisory, or lead worker review prior to files being sent to the AGO and maintain documentation of that review. The process will be fully documented and will include details on randomness versus full review.

ODM will also work with the AGO to develop procedures to verify the completeness of files sent/received for collection. Processes will be documented accordingly.

ODM will update internal controls to perform a monthly reconciliation of the AGO/ODM inventory spreadsheet to ensure all certified accounts are uploaded accurately. Controls will specifically detail areas where ODM is not responsible for sending documentation.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Section Chief, Revenue Management	July 2018

* Refer to Appendix A for classification of audit observations.

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.



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