

Audit Questions and Responses:

1 Where (other counties) are at on MH Audits and what struggles do they have?

Each County has its own unique set of circumstances, and those circumstances usually change from year to year. One common issue is Counties having problems retrieving information related to the current audit. While we understand that current audit may relate to several years in the past, it is incumbent upon the county to maintain those records for audit purposes.

2 What are the Auditors main identified concern?

Auditors' main identified concerns may vary by county and fiscal year. The primary audit objectives generally include a fair and accurate final Short-Doyle Medi-Cal cost report settlement and accurate and compliant Revenue and Expenditure Report. Main concerns for a particular audit are normally discussed during the entrance conferences. For example, since the change in the cost report in Fiscal Year 10-11, there has been some confusion as to what to report as indirect costs. For guidance, please use DMH Letter 11-01 which states that indirect costs are those costs that benefit more than one unit and cannot be directly assigned to a specific unit.

3 Would like to understand what pressure the federal government (CMS) places on each state

Since Medicaid (Medi-Cal) is a federal program, CMS and OIG conduct routine audits for compliance with approved state plans/waivers. Specialty Mental Health related audits have included CPE, Unallowable Claims (claims not supported by medical records), and Payment Error Rate Measurement (PERM) audits.

4 Is there a list of:

a. Steps of auditing

Generally Accepted Government Auditing Standards (GAGAS) include requirements for written audit plans that may vary among audits that are solely for the audit organization's use. There is no particular order in which we review the cost report. Know that we normally audit reported costs and units, allocation of admin/ur costs, and for compliance with CPE and the contract maximum requirements to name a few.

b. Back up documentation needed

The simplest answer is keep all the working papers and supporting documents used to complete the cost report. This applies to both the County and contract providers. Cost allocation workpapers are of particular importance, along with payments to contractors, CPE, and contract maximum. The entrance confirmation letter/notice of desk audit includes a documentation request list that is provided at the beginning of every audit.

c. Analyst contact information for each county. (easy to find)

This can be found here:

<https://www.dhcs.ca.gov/services/MH/Pages/CountySupportUnit.aspx>

5 Why do you settle with the lower units of service County Vs. DHCS?

If the County records are lower than the DMH/DHCS, it may be that the County billed for, and the State approved, unauthorized or unsupported units. It is incumbent upon the County to provide evidence that there are legitimate units of service to support the County's claims. The Department will provide the County a detailed listing of all approved units which includes the client name, date of service, mode/sf, Medi-Cal ID, etc. The County can reconcile this report to their own records and, if/when discrepancies are found, bring it to the auditor's attention for further analysis.

On the other hand, audits cannot adjudicate claims. So, the County can get no more units than what is showing as approved on the Department's Paid Claims report. Again, if the County does not agree with the paid claims summary report, bring it to the auditor's attention for further review and analysis. Claims must be processed by the Department's claim processing system to ensure beneficiaries are eligible and services claimed are covered and provided by enrolled providers in good standing with the Medi-Cal

6 Who in DHCS authorizes the capital expenditure? For costs that are in gray area, who in DHCS can let us know if allowed or not?

Capital expenditures are not authorized by any one individual in DHCS. Rather, they are allowable if they meet the requirements under applicable laws and regulations. The County should be familiar with these laws and regulations. The County should consult with fiscal management to determine whether capital costs are related to the program, and to what extent. For costs in a "gray area", the County should use their best judgement in reporting costs (Capital or otherwise). The County should keep detailed working papers as to how the costs were computed and any applicable laws and regulations used in making the

7 Why does it take so many years for DHCS to audit the Mental Health Cost Reports?

There are several factors that cause delays in the audit such as:

a. There cannot be an audit until the County has received a final settlement. Final settlement is based on the "F" file, which is due 18 months after the end of the fiscal year. This has not been a hard deadline in the past, and many Counties have gone beyond the 18 month cutoff without penalty. Taking 18/19 as an example, the final filing date of the F file is 12/31/20. In an ideal situation, the final settlement would be computed sometime in January of 2020 and we would begin audit sometime in early 2020, already putting us a year and a half behind the 8 ball.

b. We also rely on data from other agencies including the payment data which is a key component of our audit. Due to staffing issues and other priorities, we may not receive the payment data until mid or late year. Since statute requires that the cost report be audited within 3 years of submission, other agencies may not see us as a priority.

c. Staffing issues in both program and audits. This is an ongoing issue and we're addressing it.

8 Why are audits so infrequently performed? Why aren't audits subcontracted out to CPA firms?

Our goal is to audit cost reports annually. The timing of the audits is subject to cost report availability (timely submission and acceptance of complete and accurate cost reports), available staffing and other workload considerations. There are always extenuating circumstances that don't allow us to come out to your County the same time every year. If the County has a particular time they would like to have the audit, they can contact us and see if an arrangement can be made. We will make every effort to accommodate the County.

Most programs run by DHCS are also audited by DHCS staff for a number of reasons including: access to confidential beneficiary and departmental records, program expertise, and cost. CPA audits generally focus on the financial aspects of an organization and the CPA firms are not experts in cost reporting and reimbursement requirements, which are specialized. If audits are contracted out, there still would be an extensive amount of DHCS involvement in providing data, reviewing and approving audit reports for issuance, implementing the findings, and working with the appeal process.

9 More timely audit and reconciliation process

See #8 above.

10 The audit itself, what is going to be looked at, what kind of detail will be needed.

See #5 above.

11 Can we report on an accrual basis as opposed to actual basis? Is our county auditor-controller required to sign off on the attestation or can the department's fiscal officer sign off?

The County should be reporting on an accrual basis. Not sure what is meant by actual basis (cash)? The County Mental Health Plan contract requires a certification statement signed by the County/Contractor's Mental Health Director and one of the following: 1) Contractor's Chief Financial Officer (or equivalent), (2) an individual who has delegated authority (in writing with CFO signature) to sign for, and reports directly to the Contractor's CFO, or (3) the county's auditor controller, or equivalent.

12 What years and what time frame will we have to provide you with requested documents?

We would request that the documents requested with the entrance letter be presented at the entrance conference. If it's not possible to have all of the documentation, please provide as much as you can. If additional documentation is required, the audit will provide a due date. Please inform the auditor if you will not be able to meet the due date.

13 1. Is DHCS going to provide guidelines to the county prior to the audit?

2. Is this process going to be communicative or punitive?

3. Will the counties be dinged for items that have never had clear, concise guidance from DHCS?

The audit guidelines are discussed at the entrance conference. This is where we discuss what we'll be looking at and provides the County an opportunity for feedback. The process is not punitive. We audit the County reported costs against applicable laws and regulations for compliance. If an issue is discovered, we will discuss the issue with the County to avoid any misunderstanding. It is not uncommon for the County and audit's to disagree on an issue. In those instances where we are not in agreement, the appeal process is available to resolve the issue.

14 Please explain your understanding of Share of Costs and what process should the counties be doing to follow regulations regarding Share of Costs?

Details regarding Share of Cost can be found in the provider billing manual.

15 For audit documentation, what would be the Best Practices?

Best practice would be to retain all documentation used in completing the cost report. This includes summary schedules as well as any supporting documents used to complete the schedules. Bear in mind that the auditor may require additional documentation to verify reported costs or units.

16 Which detailed reports?

Any reports used to complete the cost report.

17 Which account reconciliations?

Any accounts included in the cost report.

18 What type of documentation is needed?

See # 15

19 What type of documentation is needed for QA/UR calculations?

Typically we would require a list of QA/UR personnel, their job descriptions, and their salaries. In the case of SPMP personnel, we would need their license. If costs other than salaries are included in QA/UR, we would need the documents to support that those costs were related to QA/UR. We also would need the workpaper and support for the allocation of QA/UR costs between SD/MC and non SD/MC.

20 For MH1992 (Funding Sources) and MH1995 (MHSA Balances), both schedules are integrated with other reporting (ie., SUD Cost Report for MH1992 and MHSA RER for both MH1992 and MH1995). What is the realistic completion date for the Mental Health cost report, if both of the other Reports have not been finalized? Are counties expected to keep adjusting the Mental Health Cost Report submissions years later?

For example, if FY10/11 audit results affected allocation methodologies of indirect costs which caused prior years' worth of cost reports? the adjustment in the MHSA – RER to be adjusted, which by default, would cause the balances for MH1995 to be off.

How do we cost settle for FY11/12 and future years without finalizing the RER first?

Can the most current MH Cost Report be adjusted for MH1995 to catch-up for balancing purposes instead or do we need to amend all the prior years' cost reports?

There is a requirement that the final cost report be submitted 18 months following the fiscal year end. The County should submit the cost report no later than this date. We will make all necessary adjustments during the audit.

21 Please explain the definition of Share of Costs and what documentation is expected from the counties at the time of audit?

See billing manual