STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID

WARREN A. JONES, M.D., FAAFP
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, MS 39025-0956

December 28, 2004

Dear Mr. Bryant:

Our responses and corrective action plans, relative to your letter dated December 3, 2004, are as follows:

REPORTABLE CONDITION

Controls Should Be Strengthened over Bank Reconciliations

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall ensure that internal controls over the preparation of the monthly bank reconciliation be strengthen by fiscal agent according to the terms and condition set forth in contract for services.

Controls Should Be Strengthened over the Issuance of Manual Checks by the Fiscal Agent

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall ensure that the fiscal agent enters all checks in the MMIS, in which this shall be monitored by Division of Medicaid, Accounting and Finance Bureau and Internal Auditors Bureau.

Suite 801, Robert E. Lee Building, 239 North Lamar Street, Jackson, MS 39201-1399, (601) 359-6050

Also, Division of Medicaid shall ensure all transactions involving the suspension of recoupment from the providers of cash advance have been approved by authorized agency personnel prior to being processed by the fiscal agent.

The Division of Medicaid shall ensure that the fiscal agent maintains documentation and support for manual checks issued and accurately document all check data on the check register, the manual check log and the provider's correspondence.

Division of Medicaid shall ensure that fiscal agent properly account for all check numbers on the manual check log and checks stock issues log.

Controls Should Be Strengthened over Reports

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls over the report generated by the Medicaid Management Information System (MMIS). Division of Medicaid personnel, along with the fiscal agent, shall review the reports produced by the MMIS to determine if the programming used in the production of the reports are designed to accurately accumulate and calculate the data that is presented.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Controls Should Be Strengthened over Disbursement Account

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls to ensure the listing of authorized signatures for the disbursement account are promptly updated in the event of personnel changes at Division of Medicaid and/or the fiscal agent.

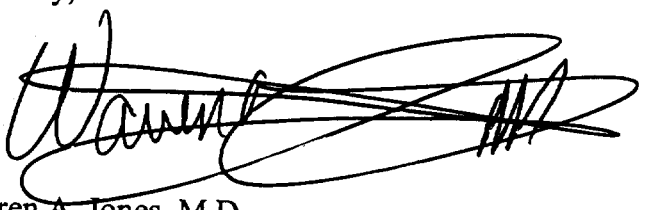
Controls Should Be Strengthened over Checks Voided by the Fiscal Agent

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls over voided checks by the fiscal agent. In addition, the Division of Medicaid shall ensure that void/stop payment check log be completed in a timely manner and ensure all data be complete and accurate, which shall support the actions of the fiscal agent.

If you have any questions, please call Leonard Boddie at 359-6527.

Sincerely,



Warren A. Jones, M.D.

WAJ/LWB

STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID

WARREN A. JONES, M.D., FAAFP
EXECUTIVE DIRECTOR

SINGLE AUDIT (CONTROLS) FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

March 18, 2004

Dear Mr. Bryant:

Your letter dated March 4, 2004, presented the results of the single audit of the Office of the Governor - Division of Medicaid (the Division) for fiscal year 2004. Additionally, it included the results of an audit of federal financial assistance. The following represent our responses to the specific findings noted in your report along with related corrective action plans:

AUDIT FINDINGS:

CFDA
Number Reportable Conditions

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93-778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-14 Controls Should Be Strengthened over Federal Cash Draws

Response: The Division has strengthened controls over federal cash draws to ensure they are calculated correctly using the proper medical assistance percentage. The Division believes this was an isolated incident caused by the unusual nature of receiving an enhancement to the FMAP rate during the federal fiscal year instead of at the end of this period. The Division has corrected these errors by reducing a subsequent federal cash draw as stated in the finding. A request has also been submitted to the federal grantor agency to determine if any interest may be owed as a result of the amounts overdrawn.

Corrective Action: The Division's staff will ensure that guidelines stipulated in federal grant awards are adhered to for all federal cash draws, and that any questions related to these procedures be referred to and resolved by the federal grantor agency prior to receiving federal funds.

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Conditions

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-15 Controls Should be Strengthened over Computer Edits

Response: The Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: All changes to computer system edit controls are approved and logged by the Division on the day they are implemented by the Fiscal Agent. Systems personnel from the Division and the Fiscal Agent review all exception reports related to computer system edit controls to ensure that all claims have been correctly processed for payment or denied in accordance with the Mississippi Medicaid State Plan. All discrepancies between the information generated on exception reports related to computer edits and other systems data output are investigated by the Division and Fiscal Agent and resolved in a timely manner. Exception reports related to computer system edit controls are retained by the Division along with documentation to support the investigation and resolution of any discrepancies.

The Division and its Fiscal Agent will also determine the disposition of the claims that were listed on the exception reports mentioned in your findings, and make the appropriate adjustments to claims history if the claims have not been previously corrected.

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-16 Controls Should Be Strengthened over Recipient Service Limits

Response: As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: $816,607

04-18 Agency Should Ensure Paid Hospital Claims Do Not Exceed Service Limits

Response: Inpatient Hospital Days--As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

In addition, hospital inpatient claims from fiscal year 2004 were reprocessed in October of 2004 after corrections to the system had been made for service limit edits. The overpayments to providers and claims history were corrected when these claims were reprocessed.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

Response: Outpatient Hospital Visits- As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: $33,673

04-19 Agency Should Ensure Physician Visit Claims in Excess of Service Limits are Denied.

Response: Physician Visits--As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

Response: Inpatient Physician Visits--As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: $6,117

04-20 Agency Should Ensure Pharmacy Claims in Excess of Service Limits Are Denied

Response: As stated in Finding Number 04-15, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Corrective Action: Please see the Corrective Action listed in Finding Number 04-15.

Please call Leonard Boddie, Staff Officer, at 601-359-6527 if you have any questions relative to our responses and corrective action plans.

Sincerely,

Warren A. Jones, MD

WAJ/LWB/lb

STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID

WARREN A. JONES, M.D., FAAFP
EXECUTIVE DIRECTOR

OTHER AUDIT (CONTROLS) FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

April 29, 2005

Dear Mr. Bryant:

Your letter dated March 4, 2005, presented the results of an audit of the Office of the Governor - Division of Medicaid for Fiscal Year 2004 as it relates to other findings. Our replies to the specific findings are noted in the responses and corrective action plans that follow:

AUDIT FINDINGS:

CFDA Number Other Audit Findings

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93-778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-7 Claims Should Be Reprocessed for Updated Rates and Fee Schedule Changes in a Timely Manner

Response: The Division is not aware of any Federal or State laws or regulations that require claims to be reprocessed within a specific time period after changes occur to cost-to-charge ratios, fee schedules, encounter rates, and per-diem rates. The Division is currently reprocessing claims that were postponed due to delays in the submission of Medicare cost reports caused by filing extensions approved by the federal grantor agency and the implementation of a new medical services claims processing computer system in October of 2003.

Corrective Action: The Division is retroactively reprocessing claims adjustments, and will provide documentation to the auditors that these adjustments were completed.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 050405MS5028, 2004

Oth-8 Controls over Third Party Liability Audit Assessments Should Be Strengthened

Response: The Division has strengthened internal control procedures related to third party liability audit assessments to ensure that they are tracked properly and to ensure that all provider audit findings and assessments are accurately documented.

Corrective Action: The Division's staff will ensure that guidelines stipulated in the State Plan and internal policies and procedures are adhered to for all third party liability audit assessments.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 050405MS5028, 2004

Oth-9 Controls Should Be Strengthened over Desk Review of Hospital Cost Reports

Response: A control mechanism is in place to ensure documentation of supervisory reviews. Each hospital cost report is subject to two reviews, and both reviews are documented on an electronic log maintained by the Bureau of Reimbursement. The first review is documented both by a physical signature on the paper review sheet and an entry on the electronic log; however, the second review is normally only documented on the electronic log. Both of the instances referred to in the above finding had entries on this log to document that a second review was performed by a supervisory staff member who was not the original preparer. A copy of the log was presented for review.

Corrective Action: Not Applicable.

REPORTING

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-10 Controls Should Be Strengthened over Federal Reporting

Response: The Division is in the process of amending our federal cost allocation plan. The Division believes that the expenditures related to additional operational charges paid monthly to the fiscal agent will be eligible for the 75 percent federal match rate once this process has been completed. Per discussions with federal grantor agency personnel, the reclassification of these expenditures to the 75 percent federal match rate can be retroactively applied to all periods subsequent to the fiscal agent contract amendments once approved. Federal grantor agency personnel also advised the Division to delay submitting amended Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS 64) reports until the amended federal cost allocation plan has been reviewed.

A signed supervisory approval form is currently required to be completed and filed with all reports submitted to the federal grantor agency.

Corrective Action: All future fiscal agent contract amendments will require the submission of an amended federal cost allocation plan to the federal grantor agency.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-11 Controls Should Be Strengthened over Provider Enrollment

Response: The Division has strengthened internal control procedures related to provider enrollment. Furthermore, a monthly report (RP016 – Provider Duplicate SSN Report) is generated to identify instances where the same SSN appears more than once in the MMIS. The Provider Enrollment Supervisor reviews this report to ensure the provider files are correct and no duplicates exist.

Corrective Action: The Division's staff will ensure that guidelines stipulated in the State Plan, internal policies and procedures, and the fiscal agent agreement are adhered to for all issues related to provider enrollment.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-12 Controls Should Be Strengthened over Recipient Investigations

Response: The Division has strengthened internal control procedures related to supervisory review of recipient investigations. Staff shall review all investigative files in accordance with the Division's policies and procedures.

Corrective Action: Not Applicable

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: $4,121

Oth-13 Agency Should Ensure Nursing Home Rates Are Accurate

Response: The Division agrees that one nursing facility's depreciation expense exceeded their cost basis and that the resultant overstatement of that facility's per diem rate for the six-month period ending June 30, 2004, was not detected during the desk review. However, verification of facility expenses is not a desk review function but takes place upon field audit.

The Division also acknowledges that the trend factor calculation contained a transposition error which was not detected at supervisory review.

Corrective Action: The facility's desk review and per diem rate will be amended. Staff has been instructed to exercise additional care in checking computations, especially those computations that have the potential to affect the entire rate-setting process.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-14 Reimbursements for the Upper Payment Limit (UPL) Program Should Be Made in Accordance with the State Plan

Response: UPL payments are not being made on a bi-monthly schedule, as outlined in the State Plan. Program computations cannot be available in time to make the first bi-monthly payments, a situation that could not be anticipated at the time the State Plan amendment establishing the UPL plan was submitted.

Corrective Action: The State Plan will be amended to rectify this requirement as soon as administratively feasible.

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-15 Agency Should Ensure Outpatient Claims Are Paid in Accordance with the State Plan

Response: The Division has strengthened internal control procedures related to computer system edit controls.

Corrective Action: As stated in Finding Number 04-15, of the Single Audit Findings, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Please call Leonard Boddie, Staff Officer, at 359-6527 if you have any questions relative to our responses and corrective action plans.

Sincerely,

Warren A. Jones, MD

WAJ/LWB/llb