



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

February 22, 2023

Financial Audit Management Report

Drew Snyder, Executive Director
Mississippi Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201

Dear Mr. Snyder:

Enclosed for your review are the financial audit findings for the Mississippi Division of Medicaid for the Fiscal Year 2022. In these findings, the Auditor's Office recommends the Mississippi Division of Medicaid:

1. Strengthen Controls over Financial Reporting and the Schedule of Expenditures of Federal Awards.

Please review the recommendations and submit a plan to implement them by March 8, 2023. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Division of Medicaid's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Division of Medicaid's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Division of Medicaid to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Division of Medicaid throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Angela Mire".

Angela Mire, CPA, CFE
Director, Agency Division
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Division of Medicaid for the year ended June 30, 2022. These financial statements will be consolidated into the State of Mississippi's *Annual Comprehensive Financial Report*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements of Mississippi Division of Medicaid as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Mississippi Division of Medicaid's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Division of Medicaid's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal controls, identified in this letter as item **2022-010** that we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Division of Medicaid are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding and Recommendation

MATERIAL WEAKNESS

2022-010 Strengthen Controls Over Financial Reporting and the Schedule of Expenditures of Federal Awards.

Repeat Finding Yes; 2021-007, 2020-011

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specifies that a satisfactory control environment is only effective when control activities exist. This includes a review performed to verify the accuracy and completeness of financial information reported.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act...and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition During the audit of the Mississippi Division of Medicaid for fiscal year ended June 30, 2022, we became aware of ineffective processes and/or procedures relating to internal controls over financial reporting and the Schedule of Expenditures of Federal Awards. In the aggregate, these instances result in a material weakness in the agency’s overall control environment. The following exceptions were noted:

- Two instances in which the amount listed in the grant award section of the Schedule of Expenditures of Federal Awards did not agree with the Grant Award.
- One instance in which expenditures per the Schedule of Expenditures of Federal Awards and the Mississippi Accountability System for Government Information and Collaboration (MAGIC) did not agree to the Quarterly Medicaid Statements of Expenditures for the Medical Assistance Program (form CMS-64), resulting in adjustments to the Schedule of Expenditures of Federal Awards and an audit adjustment.
- One instance in which receipts per the Schedule of Expenditures of Federal Awards and MAGIC did not agree to receipts per the Payment Management Services (PMS) report, resulting in adjustments to the Schedule of Expenditures of Federal Awards and an audit adjustment.

The lack of adequate controls over financial reporting and the Schedule of Expenditures of Federal Awards resulted in the following:

- Federal Revenue was understated by \$35,579,254
- Subsidies Loans and Grants was understated by \$35,232,626

- Unearned Federal Revenue was overstated by \$19,029,946
- Due from Federal Government was overstated by \$18,683,318

Cause

The Mississippi Division of Medicaid (“Medicaid”) did not possess or enforce proper internal control structures over financial reporting. Additionally, Medicaid did not properly review grant schedule information and did not perform review over crucial aspects of financial reporting.

Effect

Without proper internal control structures over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of the Mississippi Division of Medicaid. Failure to properly ensure amounts are correct on the Federal Grant Activity Schedule could result in reporting errors on the State’s Single Audit Report.

Recommendation

We recommend the Mississippi Division of Medicaid strengthen controls over financial reporting and the Schedule of Expenditures of Federal Awards to ensure all grant award information and amounts reported are accurate and correct.

End of Report



MISSISSIPPI DIVISION OF
MEDICAID

FINANCIAL AUDIT FINDINGS

March 8, 2023

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

Dear Mr. White:

We have reviewed the single audit findings below in reference to our fiscal year 2022 audit. Listed below is our response and plan for corrective action.

AUDIT FINDINGS:

2022-010 Strengthen Controls Over Financial Reporting and the Schedule of Expenditures of Federal Awards.

Response:

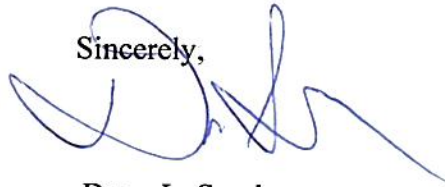
The Division of Medicaid (DOM) does not concur with this finding. While it is true that the expenditures on the Schedule of Expenditures of Federal Awards (SEFA) and in MAGIC did not agree to the CMS-64 report, proper adjustments, that align with instructions provided by the MS Department of Finance and Administration (DFA), were made to correct this issue.

A deposit was not correctly posted in MAGIC by 06/30/2021, so it was accrued in FY2021 through GAAP entries as federal revenue. The entry amount was included in the PMS report in July 2021. However, it was FY2021 federal revenue for a FY2021 expenditure. DOM agrees that the SEFA receipts and MAGIC did not match receipts per PMS, but DOM is not aware of a policy that requires these to match. Additionally, per the DFA MAAP manual, the receipts on the SEFA should agree to the amounts recorded during the fiscal year in account 42100000 in MAGIC. The balance in account 42100000 is \$5,058,075,774.77, which is the amount reported per DOM in the current fiscal year receipts column on the SEFA. The OSA adjusted grant schedule reported \$5,093,308,401, which does not equal account 42100000 as required by DFA.

Corrective Action Plan:

- A. Not applicable
- B. Christine Woodberry
- C. Not applicable
- D. DOM followed DFA's instructions to correct the initial error when identified by DOM. As a result, DOM believes no corrective action needed. If new guidance is issued by DFA or OSA, DOM will follow that guidance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Drew L. Snyder', is written over the word 'Sincerely,'.

Drew L. Snyder
Executive Director



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
STATE AUDITOR

July 18, 2023

Single Audit Management Report

Drew Snyder, Executive Director
Mississippi Division of Medicaid
550 High Street, Suite 1000
Jackson, MS 39201

Dear Mr. Snyder:

Enclosed for your review is the single audit findings for the Mississippi Division of Medicaid for Fiscal Year 2022. In these findings, the Auditor's Office recommends the Mississippi Division of Medicaid:

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program;
2. Ensure Compliance with Reporting Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program.

Please review the recommendations and submit a plan to implement them by July 26, 2023. The enclosed findings contain more information about our recommendations. During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance on each major federal program and the results of that testing based on the requirements of *Office of Management and Budget's Uniform Guidance*. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Division of Medicaid to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Division of Medicaid. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Angela Mire", is positioned below the "Sincerely," text.

Angela Mire, CPA, CFE
Director, Agency Division
Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Division of Medicaid for the year ended June 30, 2022.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with *Section 7-7-211, Mississippi Code Annotated (1972)*, the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Division of Medicaid's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Division of Medicaid for the year ended June 30, 2022.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mississippi Division of Medicaid's federal programs.

Auditor's Responsibilities for the Audit of Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mississippi Division of Medicaid's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mississippi Division of Medicaid's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Mississippi Division of Medicaid's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Division of Medicaid's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2022-025** and **2022-026**.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2022-025** to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance 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 report is not suitable for any other purpose.

Findings and Recommendations

ELIGIBILITY

Material Weakness

Material Noncompliance

2022-025 Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program

ALN Number 93.767 – Children's Health Insurance Program (CHIP)
93.778 – Medical Assistance Program (Medicaid; Title XIX)

Federal Award No. All Current Active Grants

Federal Agency Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs \$2,303,403

Criteria *Code of Federal Regulations (42 CFR § 435.948(a)(1))* states, "The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying the financial eligibility of an individual: Information related to wages, net earnings from self-employment, unearned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act."

Code of Federal Regulations (42 CFR § 435.949(b)) states, "To the extent that information related to eligibility for Medicaid is available through the electronic service established by the Secretary, States must obtain the information through such service, subject to the requirements in subpart C of part 433 of this chapter, except as provided for in §435.945(k) of this subpart."

The Center for Medicaid and CHIP Services (CMCS) Informational Bulletin - Subject: MAGI-Based Eligibility Verification Plans states, "To the extent that information related to Medicaid or CHIP eligibility is available through the electronic data services hub established by the Secretary, states must obtain the information through this data services hub. Subject to Secretarial approval and the conditions described in §435.945(k) and 457.380(i), states can obtain information through a mechanism other than the data services hub."

The Mississippi Division of Medicaid Eligibility Policy and Procedures Manual Section 201.03.04A requires the use of the individual's most recent tax return to verify income for individuals considered self-employed, a shareholder in an S

Corporation, a partner in a business or one who has income from a partnership, LLP, LLC or S Corporation.

The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 201.03 states, pensions/retirement benefit payments count as income except for benefits received by a child who is not required to file, as appropriate. Retroactive payments count as income in the month of receipt if the payment has not been otherwise counted (as monthly income) for the same time period.

Per the *Mississippi Division of Medicaid MAGI based Eligibility Verification Plan*, Mississippi Division of Medicaid has determined Mississippi Department of Employment Security (MDES) to be a useful electronic data source.

Per the *Mississippi Medicaid State Plan Attachment 4.32-A*, applicants are submitted weekly to MDES to verify wage and unemployment benefits. Renewals are submitted once per month for the same data. Renewal files are processed in the month prior to the scheduled review due date.

Code of Federal Regulations (42 CFR § 435.914(a)) states, “The agency must include in each applicant's case record facts to support the agency's decision on his application.”

Miss. Code Ann (1972) Section 43-13-116.1(2) states, “In accordance with Section 1940 of the federal Social Security Act (42 USCS Section 1396w), the Division of Medicaid shall implement an asset verification program requiring each applicant for or recipient of Medicaid assistance on the basis of being aged, blind or disabled, to provide authorization by the applicant or recipient, their spouse, and by any other person whose resources are required by law to be disclosed to determine the eligibility of the applicant or recipient for Medicaid assistance, for the division to obtain from any financial institution financial records and information held by any such financial institution with respect to the applicant, recipient, spouse or such other person, as applicable, that the division determines are needed to verify the financial resources of the applicant, recipient or such other person in connection with a determination or redetermination with respect to eligibility for, or the amount or extent of, Medicaid assistance. Each aged, blind or disabled Medicaid applicant or recipient, their spouse, and any other applicable person described in this section shall provide authorization (as specified by 42 USCS Section 1396w(c)) to the division to obtain from any financial institution, any financial record, whenever the division determines that the record is needed in connection with a determination or redetermination of eligibility for Medicaid assistance.”

The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 303.03 states, “Section 1940 of the Social Security Act and Mississippi state law requires the verification of liquid assets held in financial institutions for purposes of determining Medicaid eligibility for applicants and beneficiaries in programs with an asset test, i.e., Aged, Blind, and Disabled (ABD) Medicaid programs.

Per *The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 303.03*, implementation of MDOM's Asset Verification System (AVS) is on/after November 1, 2018. The AVS contractor will perform electronic matches with financial institutions to detect and verify bank accounts

based on identifiers including Social Security Numbers for the following COEs: 010 through 015, 019, 025, 045, 062 through 066, and 094 through 096. At each application and redetermination, a request will be submitted through AVS for information on an individual's financial accounts. The AVS must be used as a primary data source when verifying resources.

The Mississippi Division of Medicaid Eligibility Policy and Procedures Manual Section 101.08.01 states, "All cases must be thoroughly documented. Documentation is the written record of all information pertaining to the eligibility decision. Case documentation includes the completed application form, the specialist's verbal and written contacts with the applicant, information requested and received from electronic data sources, the applicant or third party sources, such as governmental or nongovernmental agencies, businesses and individuals, and notification of the eligibility decision."

The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 500.03.01 states, "The Division of Medicaid uses a contractor to conduct the institutional level of care review for the DCLH application and renewal process. The level of care decision is based on the services and specialized care provided by the parent that would routinely be provided to the child in an inpatient hospital, nursing facility or ICF/IID facility. The contractor's medical staff reviews the child's medical history within the last 12 months and other information related to the child's condition in making the level of care decision and relays the level of care decision back to DOM."

Code of Federal Regulations (42 CFR § 435.945(d)) states, "All State eligibility determination systems must conduct data matching through the Public Assistance Reporting Information System (PARIS)."

The Mississippi Division of Medicaid MAGI-Based Eligibility Verification Plan states, "The state uses quarterly PARIS data matches to resolve duplicate Medicaid participation in another state and residency discrepancies."

Per the *Mississippi Medicaid State Plan Attachment 4.32-A*, quarterly file transmissions of Medicaid recipients active in the previous quarter are submitted for matching purposes with applicable federal databases (PARIS) to identify benefit information on matching Federal civilian employees and military members, both active and retired, and to identify duplicate participation across state lines.

Condition

During testwork performed over eligibility requirements for the Children's Health Insurance Program (CHIP) and the Medical Assistance Program as of June 30, 2022, the auditor tested 300 total beneficiaries (180 Modified Adjusted Gross Income (MAGI) beneficiaries and 120 aged, blind, and disabled (ABD) beneficiaries) and noted the following:

Auditor originally selected 300 total beneficiaries with total payments of \$163,387 in June 2022 and \$2,167,338 during fiscal year 2022. When these files were received from DOM, auditors noted that files had been pre-screened by DOM personnel during the time period from the initial request to delivery to auditors. Auditors also noted during the initial review of the 300 files that information in the data system had been modified, reviewed, or additional comments had been entered into the files. In at least two instances data had been

changed to correct apparent mistakes in the eligibility files or beneficiaries were contacted to confirm information in the file since the initial request of data to DOM. Auditors determined that the review and possible modifications of eligibility data had been pervasive throughout the sample and included files from multiple, if not all, field offices. Auditors determined that this sample could not be sufficiently relied upon to verify compliance with eligibility requirements due to these pre-screenings. Therefore, these “sample” items were removed from the population and considered actual questioned costs due to lack of verifiable audit trail. A new sample was selected after discussions with DOM personnel about the importance of the integrity of the sample and testing process. New procedures were implemented to ensure files requested by auditors remained unmodified and in their original state when eligibility determinations were made.

- CHIP: 60 beneficiaries with total payments of \$13,682 in June 2022 and \$143,726 during fiscal year 2022.
 - MAGI Managed Care: 60 beneficiaries with total payments of \$16,112 in June 2022 and \$205,944 during fiscal year 2022.
 - MAGI Fee for Service: 60 beneficiaries with total payments of \$3,676 in June 2022 and \$117,837 during fiscal year 2022.
 - ABD Managed Care: 60 beneficiaries with total payments of \$86,558 in June 2022 and \$1,195,766 during fiscal year 2022.
 - ABD Fee for Service: 60 beneficiaries with total payments of \$43,359 in June 2022 and \$504,065 during fiscal year 2022.
- Mississippi Division of Medicaid (MDOM) did not use federal tax and/or state tax data to verify income, including self-employment income, out-of-state income, and various types of unearned income. The Medicaid State Plan requires the verification of all income for MAGI-based eligibility determinations, and the *Mississippi Division of Medicaid's Eligibility Policy and Procedure Manual (Section 201.03.04a)* requires the use of an individual's most recent tax return to verify self-employment income. This section further states, if tax returns are not filed, not available, or if there is a change in income anticipated for the current tax year, refer to Chapter 200, Net Earnings from Self-Employment at 200.09.08, for policy on estimating net earnings from self-employment. The MDOM's State Plan does not allow for accepting self-attested income. Therefore, if an applicant indicates zero for self-employment income, the amount of zero must be verified like any other income amount.
 - 28 of the 180 MAGI beneficiaries (or 15.56 percent) reported self-employment income, out-of-state income, or unearned income on the Mississippi income tax return, but the income was not reported on the recipient's application. Of the 28 instances, eight instances (or 28.57 percent) were noted in which the total income per the most recent tax return available at the time of determination exceeded the applicable income limit for the recipient's category of eligibility.

Due to MDOM's failure to verify self-employment income on the applicant's tax return, MDOM was not aware income exceeded eligibility limits, and did not request any additional information that might have explained why income was not self-reported; therefore, auditor could not determine with certainty that individuals are, in fact, ineligible. However, information that

MDOM used at the time of the eligibility determination did not support eligibility. The auditor acknowledges that the self-employment income reported on the income tax returns does not, in and of itself, make the eight cited beneficiaries ineligible, it does indicate that they had self-employment income during the year of eligibility determination that was, potentially, not accurately reported on their application. Furthermore, MDOM did not perform any procedures to verify that the self-employment income reported on the applications was accurate.

MDOM's policy requires the use of the individual's most recent tax return to verify income for individuals considered self-employed, a shareholder in an S Corporation, or a partner in a business or one who has income from a partnership, LLP, LLC or S Corporation. Due to the timing of tax returns filings, including allowable extensions, MDOM requires the use of prior year income verification in these circumstances. Additionally, due to the COVID-19 pandemic, some beneficiaries did not have a redetermination performed in FY 2022, so the auditor tested the prior year redetermination (which made the beneficiary eligible as of June 30, 2022). The auditor used tax return data from the following years: 2018 for 2019 determinations, 2019 for 2020 determinations, 2020 for 2021 determinations, and 2021 for 2022 determinations.

The fiscal year payments for these eight beneficiaries that might not have been eligible to receive the benefits totaled \$20,568 of questioned costs.

Based on the error rate calculated using the fee for service (FFS) and capitation payments of our sample, the projected amount of payments made for beneficiaries who it is reasonably possible were ineligible would fall between \$87,707,287 (projected costs based on average monthly payments sampled) and \$98,741,848 (projected costs based on actual month payment sampled).

The following is a breakdown of these costs by category:

CHIP: Between \$1,945,889 (actual monthly) to \$1,962,303 (average monthly)

MAGI Managed Care: Between \$65,529,785 (average monthly) to \$92,808,714 (actual monthly)

MAGI Fee for Service: Between \$3,987,244 (actual monthly) to \$20,215,199 (average monthly)

- For one of the 180 MAGI beneficiaries (or 0.56 percent), taxable unearned income was reported on a tax return provided to MDOM by the beneficiary, but MDOM did not include the income in the beneficiary's income calculation.
- For one of the 180 MAGI beneficiaries (or 0.56 percent), self-employment income was reported to MDOM, but MDOM did not request a tax return from the beneficiary.
- For two of the 180 MAGI beneficiaries (or 1.11 percent), income was not verified through Mississippi Department of Employment Security (MDES) at the time of the redetermination for the eligibility period that

covered June 30, 2022. This resulted in questioned costs of \$4,554. Questioned costs were not projected for this item due to the inability to statistically validate the sample.

- For one of the 180 MAGI beneficiaries (or 0.56 percent), the beneficiary's case file did not contain an application or verification of income. This resulted in questioned costs of \$2,721. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- For one of the 300 beneficiaries (or 0.33 percent), auditors were unable to verify that any eligibility redeterminations have been performed since 2018. This resulted in questioned costs of \$286. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- 66 ABD beneficiaries required resource verifications through the Asset Verification system (AVS). Of the 66, nine instances (or 13.64 percent) in which resources were not verified through AVS at the time of redetermination. This resulted in questioned costs of \$107,937. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- 42 ABD beneficiaries required an institutional level of care review. Of the 42, one instance (or 2.38 percent) in which the beneficiary's case file did not contain a current level of care decision.
- 73 out of 300 beneficiaries (or 24.33 percent) were not included on all of the required quarterly Public Assistance Reporting Information System (PARIS) file transmissions for fiscal year 2022. Of the 73 beneficiaries, six beneficiaries (or 8.22 percent) were not included on any quarterly PARIS file transmissions during fiscal year 2022.

Cause	The Mississippi Division of Medicaid (MDOM) did not have adequate internal controls to ensure compliance with eligibility requirements. Additionally, MDOM did not have policies in place to verify certain types of income on applicant's tax returns, as required by its own policy and procedures, for eligibility determinations.
Effect	Failure to comply with eligibility requirements could result in ineligible beneficiaries being determined eligible, resulting in questioned costs and the possible recoupment of funds by the federal granting agency.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen controls to ensure compliance with eligibility requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program.
Repeat Finding	Yes, 2021-041, 2020-042 and 2019-027.
Statistically Valid	Portions of these findings were based on statistically valid samples.

REPORTING

Immaterial Noncompliance

2022-026 Ensure Compliance with Reporting Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program.

ALN Number 93.767 – Children's Health Insurance Program (CHIP)
93.778 – Medical Assistance Program (Medicaid; Title XIX)

Federal Award No. All Current Active Grants

Federal Agency Department of Health and Human Services (HSS)

Pass-through Entity N/A

Questioned Costs \$206,763

Criteria *Code of Federal Regulations (45 CFR § 95.517)* states, "A State must claim FFP for costs associated with a program only in accordance with its approved cost allocation plan. However, if a State has submitted a plan or plan amendment for a State agency, it may, at its option claim FFP based on the proposed plan or plan amendment, unless otherwise advised by the DCA."

Per the *Mississippi Division of Medicaid Cost Allocation Plan*, the Children's Health Insurance Program (CHIP) administration cost pool consists of costs of contracted services to support the administration of CHIP and the allocation method is direct to CHIP.

The *Code of Federal Regulations (2 CFR § 200.511)* tasks auditees with the responsibility for follow-up and corrective action on all audit findings. As a part of this responsibility, auditees are required to report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. Auditees may either note that the finding has been 1) fully corrected, 2) partially corrected or 3) not corrected.

Code of Federal Regulations (2 CFR § 200.514(e)) states, "The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b), and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding."

Condition During testwork performed over *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI* reporting requirements, the auditor noted administration expenditures for the quarters ended September 2021 and December 2021 included indirect costs of \$97,484 and \$109,279 respectively.

The *Mississippi Division of Medicaid (MDOM) Summary Schedule of Prior Federal Audit Findings* dated March 8, 2023, states finding 2021-041 *Strengthen controls to ensure compliance with eligibility requirements of the Medical*

Assistance Program and the Children's Health Insurance Program (CHIP) has been "Fully Corrected". However, during testwork performed over eligibility requirements for the Medical Assistance Program and the Children's Health Insurance Program (CHIP), auditor noted the finding as a repeat finding (2022-025) in fiscal year 2022.

Cause	The incorrect cost allocation method was used for administration expenditures of the Children's Health Insurance Program (CHIP). The Mississippi Division of Medicaid did not concur with finding 2021-041 in the prior year.
Effect	Failure to comply with federal requirements could result in questioned costs and the possible recoupment of funds by the federal granting agency
Recommendation	We recommend the Mississippi Division of Medicaid ensure compliance with reporting requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program.
Repeat Finding	No.
Statistically Valid	No.

End of Report



MISSISSIPPI DIVISION OF
MEDICAID

SINGLE AUDIT FINDINGS

July 20, 2023

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

Dear Auditor White:

Thank you for providing the Single Audit Findings for the Mississippi Division of Medicaid for our review and response. Our responses are below.

Sincerely,

Drew Snyder
Executive Director
Mississippi Division of Medicaid

AUDIT FINDINGS:

93.767 Children's Health Insurance Program (CHIP)
93.778 Medical Assistance Program (Medicaid; Title XIX)

Eligibility

2022-025 Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program

DOM Response:

DOM acknowledges OSA's concern regarding the initial review of case files and the prompt action to select and provide a new sample of cases. Historically, DOM has provided a hardcopy of the actual beneficiary case files to OSA. Since those cases were active, an inventory control process, which included a notation in the electronic beneficiary file of the request to send the physical folder to the central office, was implemented. Likewise, upon arrival in the central office, notation of receipt of the files are added to the system prior to providing said files to the auditor.

Occasionally, there are multiple files depending on the office with whom a beneficiary communicates, and multiple individual files associated with a family case. Additionally, cases in the sample may also be undergoing redetermination. To ensure that OSA has all the documentation needed for their case review, DOM staff reviews the files prior to sending them to central office. If an adverse eligibility determination is discovered, DOM has an obligation to correct at the time of discovery. As such, changes to the files are noted in the case history, which is available to the auditors. DOM will be transitioning to a paperless environment, which should alleviate any concerns during future audits.

Use of Tax Return Resources

DOM Does Not Concur. OSA compared eligibility data to state income tax returns. DOM is prohibited from accessing state income tax records per Mississippi Code Annotated §27-3-73 and currently, does not have access to federal income tax records. DOM maintains that for determining eligibility, it has complied with the CMS-approved state plan. Using the approved CMS MAGI Based Verification plan in effect during the audit time period, the state sought to verify the reported income to the standard of reasonable compatibility, as defined by CMS, through all available electronic data sources.

Further, DOM is required to accept the information provided by the applicant and utilize the available verification methods as detailed in the CMS-approved state plan to evaluate the accuracy of the information provided. If an applicant does not report self-employment income, and the tools available to DOM do not reveal such, DOM has performed its due diligence in the eligibility process and complied with the requirements of CMS, DOM's federal regulatory and oversight agency. OSA questioning DOM's determinations based on information that DOM was

not provided nor have access to is shortsighted and does not align with the federal regulations that are imposed on this agency.

While DOM is only required to use tax return information in certain circumstances, the agency continues to pursue the authority to review state and/or federal tax return information. To date, DOM has not been provided statutory authority to access Mississippi Department of Revenue tax information and is still awaiting IRS approval of the Safeguard Security Risks document. DOM plans to continue to follow the approved federal/state plan for eligibility determinations and will utilize additional resources as they become available.

One MAGI beneficiary - DOM did not use taxable unearned income reported on tax return

DOM Concurs. The application on file states neither parent has earned income. Although, the unearned income was not included in the initial calculation, adding it did not result in the beneficiary being ineligible.

One MAGI beneficiary - self-employment income was reported to MDOM, but MDOM did not request a tax return from the beneficiary.

DOM Concurs. The tax return was not requested for this particular beneficiary. This was an oversight, and the issue has been corrected.

Two of the 180 MAGI beneficiaries - income was not verified through Mississippi Department of Employment Security

DOM Concurs. There were multiple transactions associated with each of the beneficiaries identified. As a result, DOM's eligibility vendor is investigating to determine the reason the MDES search was not performed.

One of the 180 MAGI beneficiaries - the beneficiary's case file did not contain an application or verification of income.

DOM Concurs. This file could not be located.

One of the 300 beneficiaries - auditors were unable to verify that any eligibility redeterminations have been performed since 2018.

DOM Does not Concur. A redetermination was not completed prior to the PHE. During the PHE, DOM was not allowed to perform redeterminations, which would have allowed DOM to update this file.

Nine instances - resources were not verified through AVS at the time of redetermination.

DOM Does not Concur. This is a prior finding from OSA 2021-041. Please note that all redeterminations in question occurred prior to the OSA audit period (FY22) and were suspended due to the public health emergency from March 2020 to June 2023. The eligibility system was

updated in June 2022, after finding 2021-041, to include automatic asset checks within the system processing workflow to eliminate the manual request process and facilitate asset verification through AVS. Again, each instance identified above occurred prior to this implementation. In addition, AVS was checked on the 9 instances OSA sited, which resulted in no change in the eligibility determination.

One instance - the beneficiary's case file did not contain a current level of care decision.

DOM Does not Concur. DOM disagrees with this finding as redeterminations for the category of eligibility in question were suspended due to the public health emergency from March 2020 to June 2023. The date in question is from July 2021, which falls within this timeframe, and the child would have been eligible regardless.

Seventy-three beneficiaries were not included on all of the required quarterly Public Assistance Reporting Information System (PARIS) file transmissions for fiscal year 2022. Of the 73 beneficiaries, six beneficiaries were not included on any quarterly PARIS file transmissions during fiscal year 2022.

DOM Does not Concur. Per an amendment to DOM's CMS-approved State Plan, DOM is only required to verify Title XIX applicants and individuals eligible for covered Title XIX services. The above members were covered in Family Planning, which is not considered Title XIX, and did not receive Title XIX services. Therefore, these members should not have been included on any of the PARIS file transmissions.

DOM Corrective Action Plan:

- a. All issues identified will be reviewed with regional office staff. Further, examples of these issues will be included in annual training sessions performed by Eligibility. DOM will continue to work with the vendor to ensure that income is verified through MDES, as applicable, and to implement controls that will limit this issue in the future. Further, DOM is implementing an electronic storage system to house all documents associated with applicants/beneficiary files.
- b. Cindy Bradshaw
- c. December 31, 2024

93.767 Children's Health Insurance Program (CHIP)
93.778 Medical Assistance Program (Medicaid; Title XIX)

Reporting

2022-026 Ensure Compliance with Reporting Requirements of the Children's Health Insurance Program (CHIP) and the Medical Assistance Program

DOM Response:

DOM Concurs. DOM identified this issue during reporting of the March 31, 2022 federal expenditures. Per 45 CFR §95.1, DOM has two years (seven quarters following the occurrence of the expenditure) to make adjusting entries to claim additional expenditures.

DOM Does not Concur. DOM has fully corrected finding 2021-041 on the Schedule of Prior Year Findings. This finding is based on OSA's belief that DOM should be using state tax data to determine eligibility of applicants. However, DOM does not have statutory authority to access this information. DOM utilizes all available tools, in accordance with the CMS approved state plan, to evaluate the eligibility of applicants; thus, this finding is Fully Corrected as DOM is complying with all CMS regulations and the approved state plan.

Further, DOM performed training and made operational changes for all other issues noted in finding 2021-041. There are internal controls in place to limit the number of errors and annual training is conducted that includes examples of issues noted, along with preventive and corrective solutions. Human error is a part of any manual process and cannot be completely eliminated.

DOM Corrective Action Plan:

- a. DOM made adjustments to the costs identified in this audit finding in the June 30, 2023 federal reports. In addition, a reconciliation has been added to the spreadsheets used for reporting of federal expenditures to ensure all expenditures are reported properly going forward.
- b. Christine Woodberry
- c. Completed July 24, 2023