

5 Ws of Auditing in Health and Human Services

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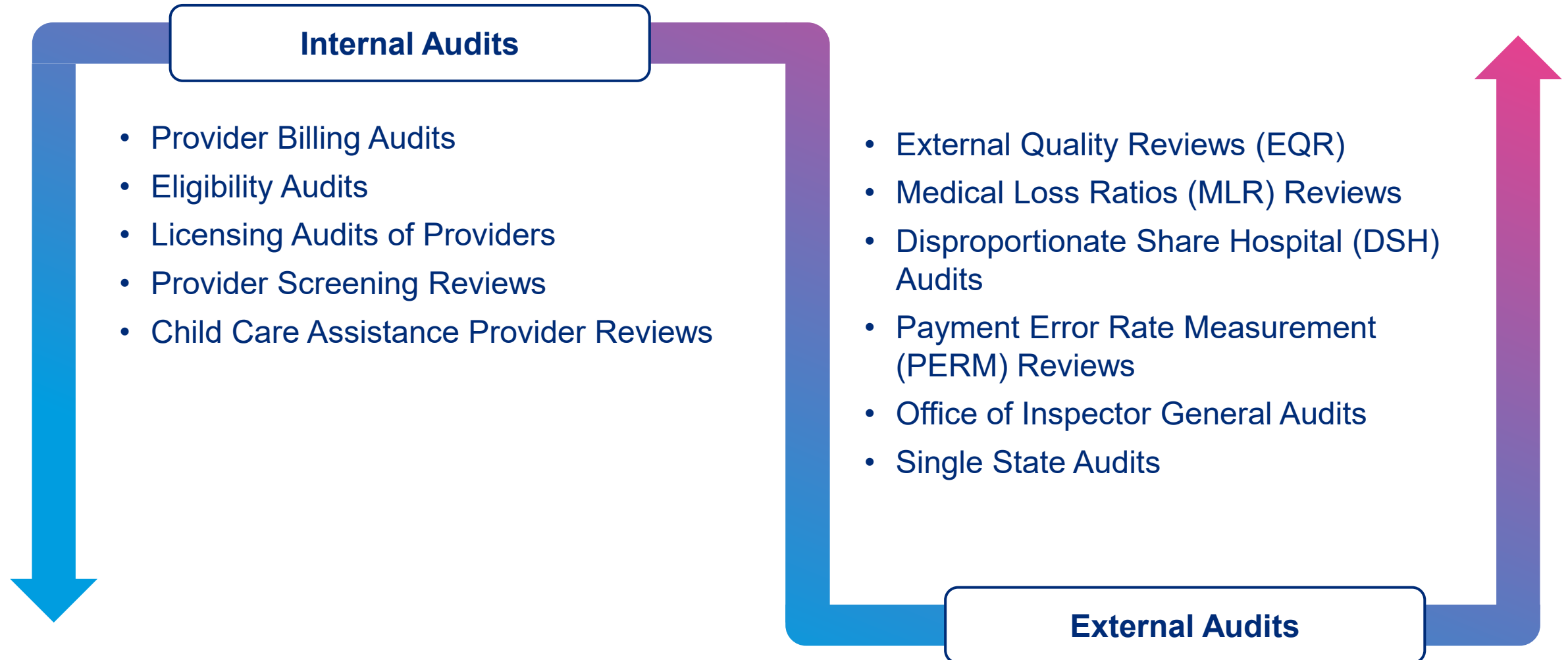
5 | Unfavorable Results of
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Agenda

Key Notes From The Audit



Types of Audits



Important Items to Remember When Being Audited

- Understand the purpose and scope of the audit
- Develop audit response team from areas impacted by the audit
- Respond promptly to requests and keep copy of submitted documentation
- Keep leadership of your agency informed of the progress of the audit
- Provide technical comments in writing as much as possible
- Address findings promptly
- Develop corrective action plans if necessary.



Wrapping Up Of External Audit

External Entity Issues Draft Audit Findings



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graph TD; A[External Entity Issues Draft Audit Findings] --> B[State Agency Provides Formal Response To Draft Findings]; B --> C[External Entity Issues Final Audit Findings];
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State Agency Provides Formal Response To Draft Findings

External Entity Issues Final Audit Findings

How Audit Findings Become Public Knowledge



August 7, 2025

The State Courier & News

State senator disappointed by inaction on foster care audits

Sen. David Smith expressed frustration Wednesday with the failure to translate audit findings about the foster care system into corrective actions.

The chairman of the joint foster care oversight committee was responding to an overview of a decade's worth of audits that was presented to his panel.

“As a legislator, we see audits all the time,” Smith said. “One of the things that is most disappointing for me is, once we see an audit, it seems like they’re more used for talking points and gotcha moments instead of action items.”

The State Post

Millions spent in paying for healthcare for dead people

The state Medicaid program made more than 220,000 payments to healthcare providers on behalf of people who were dead, according to a federal investigation that says the state overcharged the federal government more than \$6 million.

According to a report released this month by the Office of Inspector General in the U.S. Department of Health and Human Services, the state paid \$7.8 million from 2018–2020 for healthcare for 4,003 people whose dates of death were not recorded in the state computer system and \$5.1 million for 4,837 people whose death dates were recorded in the state system, the watchdog agency found. The money for those payments came from a mix of federal and state dollars.

Additionally, the state overcharged the federal government at least \$3.8 million for the payments to dead enrollees, and \$2.2 million for other incorrect reimbursements the state received from the federal government, the report alleges.

Aftermath of Audits

August 7, 2025

The State Times

State failed to collect at least \$40 million in outstanding Medical Assistance debt, audit finds

Healthcare providers in the state owe the Department of Human Services (DHS) more than \$40 million — but the agency has only made sporadic efforts to collect the debt over the past 10 years, according to a report released Tuesday by the Office of the Legislative Auditor.

The auditors “conservatively estimated” that DHS made \$40 million in overpayments to healthcare providers — many of them nursing homes — and found that DHS staff didn’t realize they were responsible for collecting the outstanding debt.

DHS Commissioner Jane Doe wrote in response to the audit that most of the debt is from organizations no longer doing business, and that the agency’s contractor in charge of recovering the debt has only brought in around \$200,000 since 2018, providing a low rate of return for taxpayers.

Aftermath of Audits

August 7, 2025

The State Gazette

Audit flags Department of Human Services record-keeping

Services have failed repeatedly — and in one case purposely — to properly track spending and manage some federally funded programs, legislative auditors reported Friday.

Human Services Department officials blamed high staff turnover and technology changes for many of the 20 deficiencies found in an annual audit report on expenditures of federal awards. They pledged to work hard over the next fiscal year to ensure that infractions are corrected.

Lawmakers on Friday called the report "shocking", "concerning", and "egregious," questioning whether the state may owe money to the federal government for the more than \$126 million in questioned costs flagged by auditors.

Possible Issues From Various Audits



Single State Audits

Agency Answering to the Legislative Audit Committee

Single state auditors submit findings to legislature

State agency typically must go before a legislative audit committee to discuss the findings

Special attention is paid to recurring findings

Multiple hearings in front of the legislative audit committee and other committees in the legislature

Heightened public scrutiny of agency's activities through press coverage

Agency Answering to the Centers for Medicare & Medicaid Services

Single state auditors submit findings to Centers for Medicare & Medicaid Services (CMS)

CMS regional office contacts State Medicaid agency

State Medicaid agency supplies additional documentation to contest findings and/or corrective action plan

CMS and State Medicaid agency come to agreement on the amount of Federal funds that have been withheld

Department of Health and Human Services — OIG Audits



Negotiate with CMS on potential overpayment

Discussions with Legislative Budget Committee to determine impact of audit findings on State budget

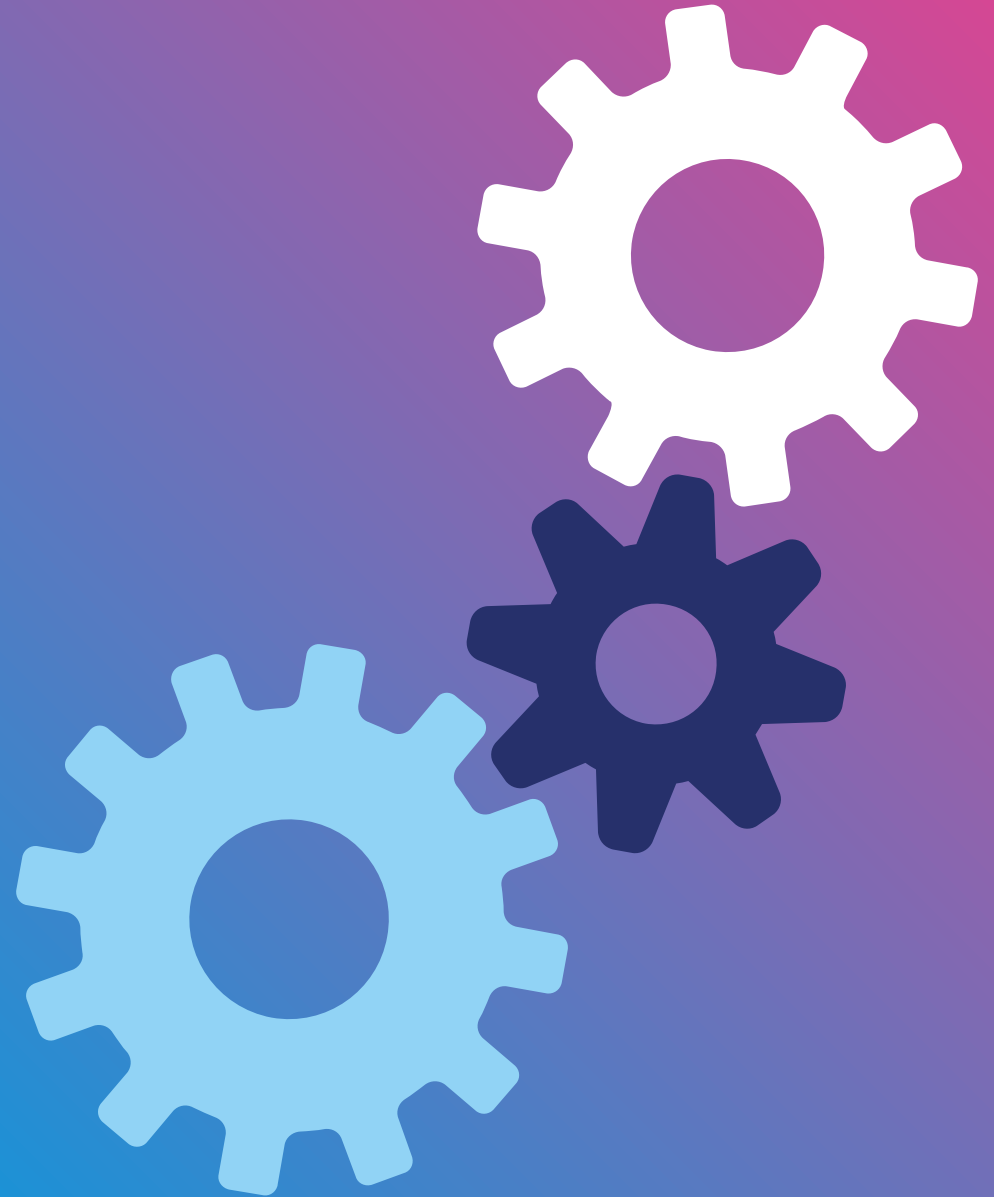
Development of corrective action plan due to findings in OIG audit

Submission of State Plan Amendment, Waiver Amendments, or Managed Care Contracts to institute changes in program to correct findings

Dealing with the public scrutiny from news reports and public hearings

Corrective Action Plans

- A corrective action plan (CAP) is a step-by-step plan of action that is developed to achieve targeted outcomes for resolution of identified errors in an effort to:
 - Develop and implement a plan of action to improve processes or methods so that outcomes are more effective and efficient
 - Eliminate repeated deficient practices
- Provide ongoing updates on the status of the CAP until implemented
- Continuous monitoring and evaluating of the CAP is key to successful implementation
- CAP cannot be successful without buy-in at all levels of the agency



Recoupment of Overpayments Under Medicaid

42 CFR § 433.312 Basic requirements for refunds.

(a) Basic rules.

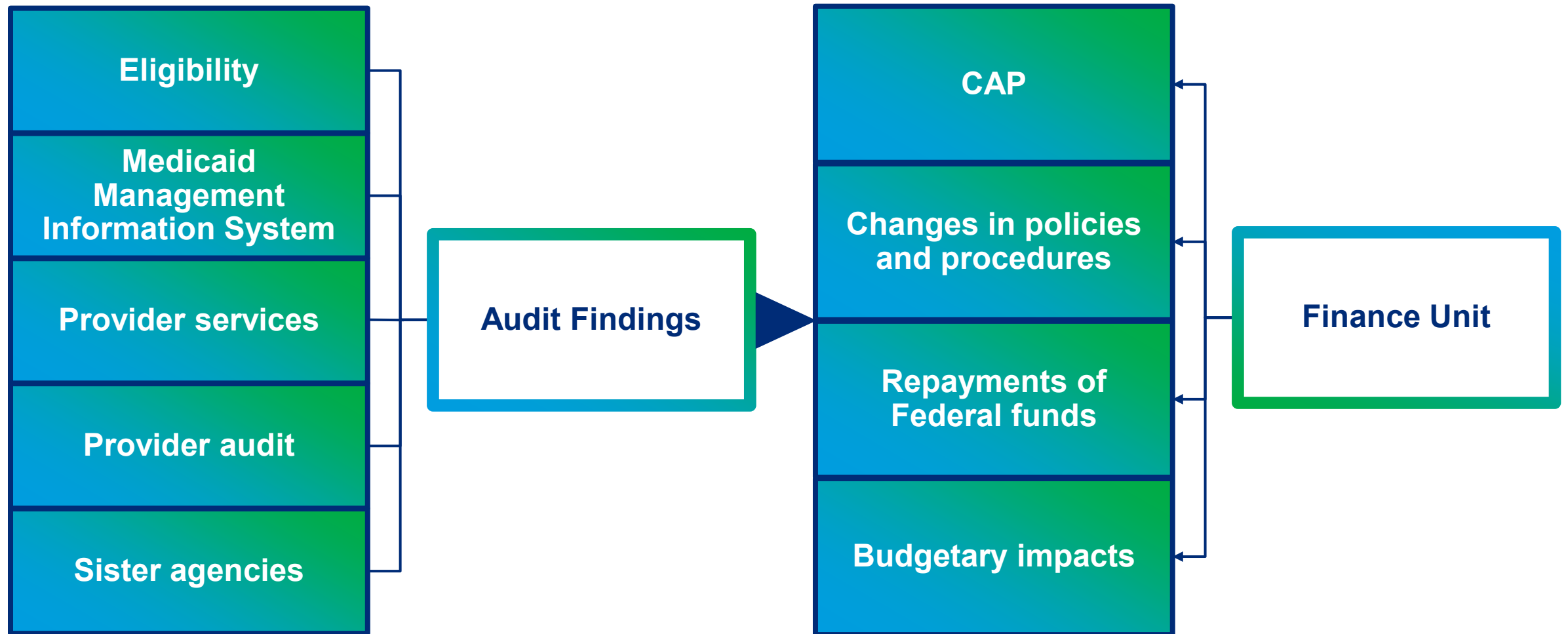
- (1) Except as provided in paragraph (b) of this section, the State Medicaid agency has 1 year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to CMS.
 - (2) The State Medicaid agency must refund the Federal share of overpayments at the end of the 1-year period following discovery in accordance with the requirements of this subpart, whether or not the State has recovered the overpayment from the provider.
- (b) Exception. The agency is not required to refund the Federal share of an overpayment made to a provider when the State is unable to recover the overpayment amount because the provider has been determined bankrupt or out of business in accordance with § 433.318.

Findings with dollar amounts typically require provider recoupment.

Financial Unit Interaction with Other Units Within Agency

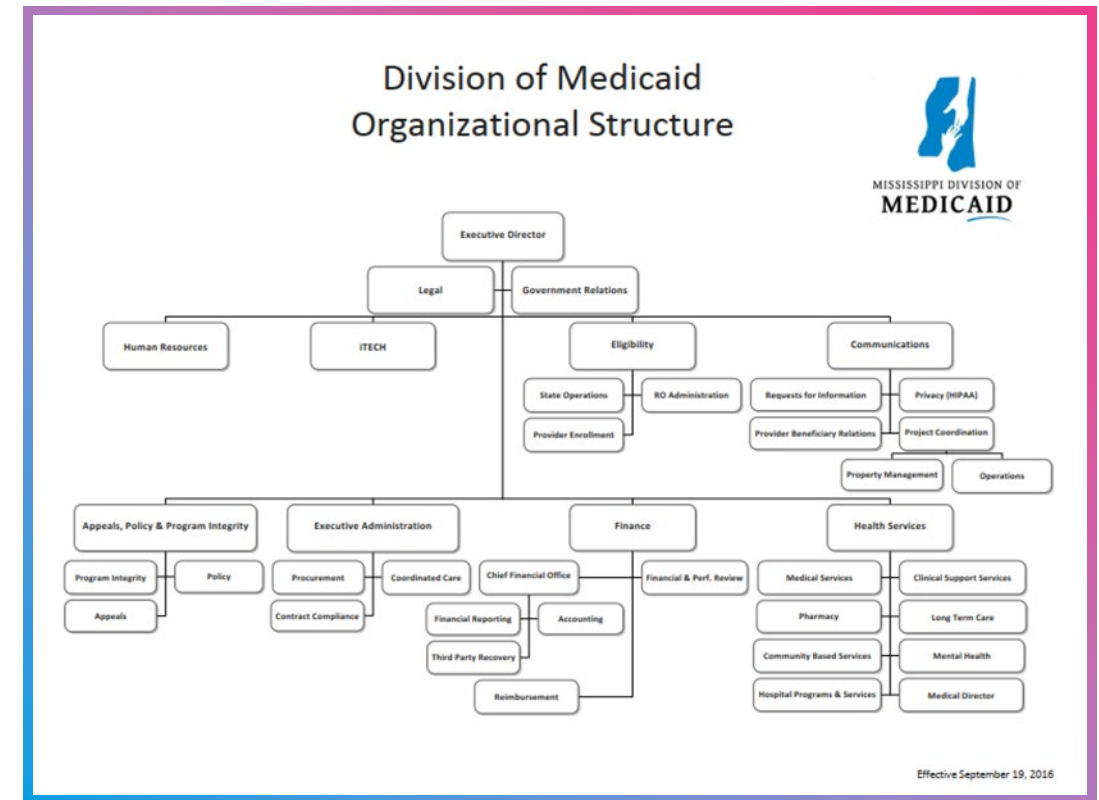


What is in the Control of Finance Units in the Audit Process



Interaction of Finance Teams with Other Teams in a Medicaid Agency

- Finance is one of many functional areas within the Medicaid agency
- Effective operations of a Medicaid agency rely on a stable financial team with solid knowledge and experience; decisions made without finance team knowledge/participation have internal and external ramifications
- Policy implementation (i.e., reimbursement, enrollment, benefits) cannot occur without the necessary cost analysis and funding
- **Finance team needs to be involved in all stages of policy implementation to help reduce potential audit findings and overpayments**



Unfavorable Results of Avoidable Audit Findings



Unfavorable Results of Avoidable Audit Findings



**Negative
coverage on
local news and
newspapers**



**Unwanted
discussions
with Federal
regulators**



**Tense
hearings at the
State
legislature**



**Burdensome
CAPs**



**Complaining
providers
concerning
recoupments**

One Final Note

State lawmakers question \$57M in health costs; audit flags undocumented expenses

May 11, 2019 by Andy Davis

An annual audit found \$57 million in "questioned costs" by the Arkansas Medicaid program, meaning the expenses weren't supported by adequate documentation, were made in violation of federal rules or weren't reasonable, state lawmakers learned Friday.

State Department of Human Services officials said they have already gathered the documentation to support most of the expenses made in fiscal 2018 and don't expect the state to have to repay the federal government much, if any, of the questioned amount.

David McMahon, the Human Services Department's chief financial officer for medical services, said the agency has gathered the required documentation and submitted it to Legislative Audit and the Centers for Medicare and Medicaid Services.

Last year's audit, covering fiscal 2017, flagged \$129.6 million as "questioned costs" across the state, including almost \$127 million in spending by the Medicaid program.

Of that amount, the Medicaid program was required to repay \$615,728 to the federal government. The state was not required to repay \$118,006,432 in questioned costs after satisfying the concerns raised by auditors.



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Beyond the Aftermath

Strategies for Sustainable Audit Success



August 4, 2025

Today's Focus



01

Build proactive
audit readiness



02

Turn audit findings
into opportunity



03

Success after the
audit



04

HR1: Expectations



Routine Readiness: Every Day is Audit Day



**DOCUMENT
CONTINUOUSLY, NOT
JUST FOR AUDITS**



**ESTABLISH INTERNAL
CONTROLS THAT
MIMIC AUDIT
PROTOCOLS**



**TRAIN ON 'WHY'
BEHIND FISCAL
PROCESS**



**AUDIT
PREPAREDNESS IS A
TEAM EFFORT**

Turning Audit Findings Into Funding Strategies



**IDENTIFY ROOT
CAUSE AND
REFRAME AS
IMPROVEMENT
OPPORTUNITIES**



**ALIGN
CORRECTIVE
ACTION WITH
FUNDING
PRIORITIES**



**BUILD CASE
FOR
INVESTMENT**



**COMMUNICATE
PROGRESS**

Success: 6 Months Later



Takeaways: Sustainable Success



HR1: What it Means for Audit Strategy



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