



*Performance Audit:*

*Medicaid Administrative Claiming*

*Durham County Internal Audit Department*

*June 30, 2022*



## Internal Audit Department

Darlana M. Moore  
Internal Audit Director  
damoore@dconc.gov

200 E. Main Street, Ground Floor  
Durham, NC 27701  
(919) 560 – 0042  
FAX: (919) 560 – 0057

Audit Oversight Committee:  
Nicole McCoy, PhD, CPA  
Arnold Gordon  
Manuel Rojas  
Brenda Howerton  
Wendy Jacobs  
Nimasheena Burns  
Kimberly Sowell, PhD

June 30, 2022

Ms. Kimberly Sowell  
County Manager

Dear Ms. Sowell:

Internal Audit completed its audit of Medicaid Administrative Claiming (MAC) in the Department of Social Services. The audit objectives focused on determining whether:

- Internal controls provide reasonable assurance that Medicaid Administrative Claims are managed in compliance with Federal and State statutes and regulations, as well as internal guidelines,
- Any relevant corrective actions from previous audits have been appropriately addressed,
- Written policies satisfactorily explain the departments policies and procedures regarding Medicaid Administrative Claiming, and those policies are consistently followed,
- Day sheet entries coded to MAC Services Information System (SIS) Codes are used correctly and are properly supported,
- Reimbursement requests sent to the State are for allowable costs,
- Related journal entries are timely, reviewed, and accurate, and
- “Managing for Results (MFR)” are properly posted and reported.

Controls in place are satisfactory for managing MAC in compliance with Federal and State statutes and regulations, as well as internal guidelines. There were no previous audits of MAC; therefore, no testing could be performed. MAC policies and procedures are satisfactory; however, written policies are missing or in need of updating for the Daysheet data upload and the Medicaid verification processes. Additionally, we noted:

- One MAC SIS code was used with an unallowable service description in our testing,
- Not all in-take forms (form 5027) were stored in Laserfiche, and
- One duplicate Daysheet entry resulted in an incorrect reimbursement.

Journal entries were entered and reviewed timely and appeared accurate. There are no MFR measures relating to MAC reimbursements.

However, this report describes a few findings related to unallowable activities, MAC training, 5027 documentation, and written policies and procedures. **Please note that none of the findings are material.**

The audit team appreciates the department director and his team's cooperation and assistance during this audit engagement.

Sincerely,

*Darlana M. Moore*

Darlana M. Moore,  
Internal Audit Director

## INTRODUCTION

The Audit Oversight Committee approved this audit in the fiscal year 2022 Annual Audit Plan. This audit was conducted to identify and examine the operational process for Medicaid Administrative Claiming by the Department of Social Services.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.<sup>1</sup>

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.<sup>2</sup>

## BACKGROUND

Beginning July 1, 2014, under Title XIX of the Social Security Act, the North Carolina Department of Medical Assistance (DMA) began allowing County Departments of Social Services (CDSS) to draw down federal reimbursement through the State of 50% for Medicaid administrative activities performed by CDSS. Durham County Department of Social Services (DSS) requests reimbursement for these activities by submitting the DSS-1571 as part of the reimbursement request, which is uploaded directly to the DHHS Office of the Controller's system via the North Carolina County Reimbursement Ledger System (NC CoReLS). The State then uses the DSS-1571 data to calculate the reimbursement and the drawing of funds.

Medicaid administrative claiming activities are broken up into six categories. Each category is given its own SIS code, which is used when entering time in Daysheets. The six MAC categories, and their corresponding SIS code are as follows:

- SIS Code 340 - Referral, Coordination, and Monitoring of Medicaid Services
- SIS Code 343 - Arranging Transportation Services for client to Access Medicaid Services
- SIS Code 342 - Outreach for Medicaid Services
- SIS Code 341 - Facilitating an Application for the Medicaid Program
- SIS Code 202 - Protective Services for Adults/Evaluation
- SIS Code 204 - Protective Services for Adults/Mobilizing Services

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.194.

<sup>2</sup> Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.217.

MAC funding from fiscal years 2019-2021 totaled \$141,534, \$175,264, and \$310,707, respectively. From 2020 to 2021, reimbursements increased by approximately 77%. This increase is attributed to additional training and a push to utilize this funding source consistently. We expect this amount to increase again in fiscal year 2022 due to Adult Protective Services (SIS Codes 202 & 204) becoming eligible for reimbursement under MAC in July 2021.

## **AUDIT OBJECTIVE**

The audit objectives were to determine whether: (1) Internal controls provide reasonable assurance that Medicaid Administrative Claims are managed in compliance with Federal and State statutes and regulations, as well as internal guidelines; (2) Any relevant corrective actions from previous audits have been appropriately addressed; (3) Written policies sufficiently explain the departments policies and procedures regarding Medicaid Administrative Claiming, and those policies are consistently followed; (4) Day sheet entries coded to MAC SIS Codes are used correctly and are properly supported; (5) Reimbursement requests sent to the State are for allowable costs; (6) Related journal entries are entered and reviewed timely and appear accurate; and (7) “Managing for Results” are properly posted and reported.

## **AUDIT SCOPE AND METHODOLOGY**

The audit scope included activities completed during the calendar year 2021 (January 1, 2021 - December 31, 2021). To conduct our audit, we:

1. Reviewed the organizational chart, departmental narrative controls, reports, spreadsheets, forms, and State policies and procedures,
2. Researched and reviewed regulations related to Medicaid Administrative Claiming,
3. Inquired of management regarding any investigations or legal proceeding of potential fraud or exposure,
4. Inquired of program managers concerning MAC processes, and
5. Inquired of management regarding Managing for Results.

We established testing criteria by using the MAC Operational Guide. We performed testing over Daysheet entries, reimbursements, payroll, monitoring, training, and MFR. To determine the sample size for Day Sheet entries, we utilized the AICPA Compliance Testing Sample Size Table. Using this method, we established a sample size of 60 Daysheet entries. We selected our sample randomly. To determine the sample size for reimbursement testing, we utilized the AICPA Small Population Sample Size Table. Using this method, we established a sample size of three months. We selected our sample judgmentally. To determine the sample size for payroll testing, we judgmentally tested all employees who coded to MAC for one month of the year. Documentation of MAC training attended by staff is not maintained nor is a required frequency for training in place; therefore, we performed no additional testing. We determined that MAC data is not included in the MFR process; therefore, we performed no additional testing.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Internal Audit identified findings and discussed conclusions and recommendations below.

### Unallowable Activities

One of 60 (2%) Daysheet entries tested was determined to be a duplicate entry. In addition, one of 60 (2%) Daysheet entries tested contained a case note describing an unallowable service. Daysheet entries should represent actual time spent providing services. Duplicate entries are not allowable for MAC reimbursement. Daysheet case notes should describe services that meet the requirement of the MAC SIS code being used. Supervisors are responsible for certifying Daysheet entries. In these two cases, the errors were not detected during this review. Ultimately, more time was coded to MAC than should have been causing the data to be overstated by an **immaterial** amount when sent to the State for reimbursement.

**Recommendation:** We recommend that management take proper steps to correct these errors as soon as possible. In addition, we recommend that management review the MAC requirements and the Daysheet certification process with supervisors. This process will increase detection of these types of errors in the future.

**Management Response:** Management agrees with finding. The division's supervisors will ensure that Daysheet entries are not duplicated before certifying. Supervisors will also ensure that adequate Daysheet documentation is used to justify MAC billing before certification. Anticipated Completion Date: August 31, 2022.

### MAC Training

Management has not determined the frequency for employee MAC training. In addition, management is not tracking and documenting the attendance of the employees when they do receive training. Management is responsible for designing appropriate types of control activities including training aimed at developing and retaining employee knowledge, skills, and abilities to meet current and changing departmental needs. Without initial and refresher training, the County risks both erroneous MAC billing as well as under-utilization of MAC reimbursements.

**Recommendation:** We recommend that management develop a policy for employees billing under MAC to receive MAC training at least annually. We also recommend DSS track and document employees participating in MAC training and identify employees not receiving training as prescribed in the new policy.

**Management Response:** Management agrees with finding. QAT recommends that employees billing under MAC take state offered MAC training every three years. Program supervisors have the discretion to assign a worker to attend state-offered MAC training more frequently, as needed. QAT staff will provide program staff with a Tip Sheet on the use of MAC codes and will provide refresher training in collaboration with the Business Office as needed. Anticipated Completion Date: QAT to provide a Tip Sheet and refresher training by Sept. 30, 2022.

## 5027 Documentation

Four of 60 (7%) Daysheet entries tested did not have a client 5027 on file in Laserfiche. Of the four, one could not be located and three were located on the auditee's T: drive. Further, 27 of 60 (45%) 5027s that were located did not contain a client signature, and 1 of 60 (2%) did not contain a social worker signature. Finally, two of 60 (3%) 5027s did not have a requested start date indicated on the form.

The State requires the completion and retention of form 5027 to document all MAC service recipients unless client is receiving services under only SIS code 341 or 342. Department procedure is for all form 5027s to be stored in Laserfiche for Guardianship and Special Assistance In-Home services. Client signature on the 5027 is required when MAC 340 or 343 services are requested in addition to other services. Social worker signature is required in cases where sections C or D on the 5027 are completed. The completion of the service plan section of the form is required, including the date a service was added to the plan. If the 5027 is incomplete, mislocated, or otherwise not able to be found in a timely manner, MAC reimbursement could be unallowed.

**Recommendation:** We recommend that management ensure that all completed 5027s, which includes client signature (when applicable), are maintained in a central location consistent with Department practices.

**Management Response:** Management does not agree with this finding. Managers and supervisors will continue to ensure that client signatures and social worker signatures are on all applicable 5027 in accordance to the state policies and the guidance received by the state program experts as it relates to this matter. Training will be conducted as applicable. Anticipated Completion Date: Refresher training by Sept. 30, 2022.

**Internal Audit Comment:** DSS management states that an application is not required for evaluation of need for APS nor Guardianship services per title 10A NCAC Chapter 71R Section 0401 (last updated July 2008). However, MAC is neither a program nor a service and the 5027 does not serve as an application for MAC reimbursement purposes. The DSS-5027 serves as required documentation of a client request. As noted in title 10A NCAC chapter 67A section 0107 subsection (c) (readopted September 2019), "Form DSS-5027 shall be completed by the case manager for each client requesting social services to document a client request or application for social services".

Section 3.3 of the MAC Operation Guide echoes this by requiring "A complete and accurate DSS-5027 in the record with SIS codes for MAC 340 & MAC 343." This requirement is further echoed on page 6 of SIS Manual Appendix B, section 300.02, where APS codes 202 and 204 are included under the column for DSS-5027.

Therefore, because the DSS-5027 is required documentation for MAC codes 340, 343, 202, and 204, the form must be completed. This completed form must be signed in accordance with MAC Operation Guide section 2.3, page 10, "...a signature is required when other services are listed on the DSS-5027 in addition to MAC 340 or MAC 343 activities".

## Written Policies and Procedures

There are no formal and/or authorized written procedures for the initial upload of the Daysheet data. Durham County management is required to have formal written policies and procedures that are periodically reviewed by management. In addition, there are no formal and/or authorized written procedures for the initial Medicaid verification process during intake. The MAC Operation Guide issued by the State requires policies and procedures be in place documenting the Medicaid verification procedures. Not having formal written procedures for processes and associated controls increases the risk that only a few personnel have the knowledge to carry out certain duties. Lack of appropriate documentation increases the risk of errors that could lead to a decrease in reimbursements for the County.

**Recommendation:** We recommend that management formally document detailed procedures for the areas mentioned above. In addition, we recommend that management review these documents annually and make any needed adjustments. Management must initial and date indicating their review and any change in procedures.

**Management Response:** Day sheet data - Management agrees with this finding Day sheet policies and procedure manual will be updated. Anticipated Completion Date: August 31, 2022. Medicaid verification process – Management agrees with finding. Program Supervisors along with Program Managers will draft a written Medicaid status verification process. This process will be stored in the AAS T: drive for training purposes. This process will be reviewed with staff during their team unit meeting. Anticipated Completion Date: August 31, 2022.