

# OFFICE OF THE STATE INSPECTOR GENERAL

## Health and Human Resources Subrecipient Monitoring

*Performance Audit*

April 2019



Michael C. Westfall, CPA  
State Inspector General  
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**COMMONWEALTH OF VIRGINIA**  
***Office of the State Inspector General***

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May 1, 2019

Governor Ralph Northam  
P.O. Box 1475  
Richmond, VA 23219

Dear Governor Northam:

The Office of the State Inspector General (OSIG) has completed an audit of the subrecipient monitoring process within the Health and Human Resources Secretariat, to include the Virginia Department of Social Services (VDSS), Virginia Department of Health (VDH) and Virginia Department for Aging and Rehabilitative Services (DARS). The final report, which outlines nine findings and recommendations for improvement, is attached for your review and information.

As this project spanned administrations, OSIG would like to thank both current and former agency commissioners and staff for their cooperation and assistance during this audit, including VDSS Commissioner Duke Storen, VDH Commissioner M. Norman Oliver and DARS Commissioner Kathryn Hayfield, as well as former VDSS Commissioner Margaret Schultze, former VDH Commissioner Marissa Levine, and former DARS Commissioner Jim Rothrock.

Sincerely,

Michael C. Westfall, CPA  
State Inspector General

CC: Clark Mercer, Chief of Staff to Governor Northam  
Suzette P. Denslow, Deputy Chief of Staff to Governor Northam  
Daniel Carey, M.D., Secretary of Health and Human Resources  
Keyanna Conner, Secretary of Administration  
Senator Stephen D. Newman, Chairman, Education and Health Committee

Senator Bryce E. Reeves, Chairman, Rehabilitation and Social Services Committee  
Delegate Robert D. Orrock, Sr., Chairman, Health, Welfare and Institutions Committee  
M. Norman Oliver, M.D., Commissioner, Virginia Department of Health  
Duke Storen, Commissioner, Virginia Department of Social Services  
Jennifer S. Lee, M.D., Director, Department of Medical Assistance Services  
Kathryn Hayfield, Commissioner, Virginia Department for Aging and Rehabilitative Services

# Health and Human Resources Subrecipient Monitoring

## *What OSIG Found*

### **Ineffective Oversight of Medicaid Subrecipient Monitoring**

- Monitoring was not planned correctly based upon locality size;
- Monitoring was not conducted in accordance with monitoring plans;
- There was no evidence of cross-training or transfer of information to ensure monitoring was conducted when key monitoring positions were vacant.

### **Absence of Locality Corrective Action Plans**

Virginia Department of Social Services (VDSS) could not provide evidence that locality corrective action plans to address reoccurring errors identified by regional consultants during the subrecipient monitoring locality case reviews were developed, issued or evaluated.

### **No Defined Measures for Medicaid Performance Metrics**

The performance metrics used for Medicaid eligibility determinations and renewals are timeliness and accuracy. A Memorandum of Understanding (MOU) between the Department of Medical Assistance Services (DMAS) and VDSS does not define how timeliness and accuracy are to be measured, whether any reporting of the measures is required, or at what frequency and in what format reporting should occur. During the audit, OSIG found no evidence of how accuracy is measured; what the acceptable level of accuracy would be if measured; how the acceptable level of timeliness (97 percent) was set; or whether it has been reevaluated to determine if it is an appropriate metric.

### **Why OSIG Did This Audit**

A subrecipient is a non-federal entity that expends federal awards received from a pass-through entity (such as a state agency) to carry out a federal program.

OSIG conducted this performance audit to identify potential improvements to the subrecipient monitoring process for programs within the Health and Human Resources Secretariat, where two state agencies are involved in administering the program. The focus of this audit was on monitoring the results of a program and not on requirements for reporting financial information.

### **What OSIG Recommends**

- VDSS should plan subrecipient monitoring in accordance with Medicaid program guidelines and regularly verify regional consultant adherence to those schedules.
- VDSS should develop effective procedures to ensure that Local Departments of Social Services develop corrective action plans to address compliance errors and to ensure those plans are properly retained and reviewed.
- DMAS and VDSS should develop a basis for performance metrics that aligns with the desired outcome, industry standard and federal regulations.



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## BACKGROUND

A federal awarding agency will directly grant an award to a state agency (i.e., award recipient) to carry out an activity under a program. The federal award recipient (state agency) may provide the award (subaward) to a subrecipient (a non-federal entity, e.g. a locality, nonprofit organization) to carry out part of a federal program. Alternatively, the federal award recipient may pass or redistribute the award to another state agency. If so, this second state agency provides the subaward to a subrecipient. The subrecipient would not include an individual that is a beneficiary of such a program (for example, a citizen receiving Medicaid services).<sup>1</sup> The agency that distributes the subaward has significant responsibility for monitoring its subrecipients to ensure compliance with applicable federal and grant requirements, achievement of performance goals and accountability for the use of the funds provided.

As described in the scope section, OSIG's audit focused on three programs under the Health and Human Resource (HHR) Secretariat: Medicaid Eligibility Determination, Supplemental Nutrition Assistance Program (SNAP) outreach and Virginia Resource Mothers Program (VRMP)/Comprehensive Health Investment Project of Virginia (CHIP of VA) program.

### Medicaid Eligibility Determination

The Department of Medical Assistance Services (DMAS) is the state agency with responsibility for administering the Medicaid program. Medicaid is a joint federal and state program that provides health-care coverage to low-income children, older adults, individuals with disabilities and pregnant women. A Memorandum of Understanding (MOU) exists between DMAS and the Virginia Department of Social Services (VDSS). The purpose of the agreement is for DMAS to obtain the services of VDSS in carrying out certain responsibilities of the Commonwealth of Virginia on DMAS' behalf.

DMAS receives funding for Medicaid and passes funds to VDSS, which in turn disburses the funds to 120 Local Departments of Social Services (LDSS) to run the Medicaid eligibility process. VDSS, as the pass-through agency, is required to monitor the LDSS subrecipients' use of federal funds in compliance with federal laws and regulations.

The Medicaid eligibility determination process involves gathering relevant information about a family's situation and assessing that information against the eligibility for benefit programs. In 2013, Virginia Central Processing Unit (CoverVirginia CPU), a third-party contracted service, was established to meet requirements of the Affordable Care Act, assist the state in addressing increased eligibility workloads and decrease the number of calls going to the LDSS offices. VDSS has responsibility over LDSS to monitor and ensure accurate entry of newly eligible, re-

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<sup>1</sup> CFR Title 2 and Title 45 – Applicable to subrecipient monitoring

enrolled and ongoing Medicaid recipients, ensuring compliance with timely application processing.<sup>2</sup> Virginia locality size classification (small, medium, large) determines the frequency of VDSS' monitoring and evaluation of Medicaid cases at each LDSS agency.

### SNAP Outreach

The objective of SNAP is to help low-income individuals and families buy the food they need for good health. The United States Department of Agriculture Food and Nutrition Services (FNS) works with and reimburses VDSS for allowable SNAP outreach activities. The purpose of the outreach program is to increase participation in SNAP by providing outreach activities to inform low-income households about the availability, eligibility requirements, application procedures and benefits of SNAP. A Memorandum of Agreement between VDSS and the Department for Aging and Rehabilitative Services (DARS) outlines the responsibilities of both agencies in the handling of the SNAP outreach program.

VDSS administers the SNAP outreach program by assisting with the development of Area Agencies on Aging (AAA) subrecipient outreach plans, monitoring subrecipient monthly activity reports, performing site visits and filing reports with the FNS. DARS provides fiduciary oversight and administration of the program on behalf of VDSS. The AAA subrecipients of the program are responsible for performing SNAP outreach activities in accordance with federally approved SNAP outreach plans. DARS reimburses the AAAs for allowable outreach activity costs, and in turn, VDSS performs an interagency transfer or pass-through of funds as a reimbursement to DARS.

### Virginia Resource Mothers Program/Comprehensive Health Investment Project of Virginia

VDSS is the single state agency responsible for the statewide administration and financing of services offered under the Temporary Assistance for Needy Families (TANF) program authorized by the Social Security Act. TANF is funded through a federal block grant and from state funds authorized by the General Assembly of Virginia. The objectives of the TANF program are to<sup>3</sup>:

- provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- end the dependence of needy parents on government benefits by promoting job preparation, work and marriage;
- present and reduce the incidence of out-of-wedlock pregnancies; and
- encourage the formation and maintenance of two-parent families.

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<sup>2</sup> Cover Virginia CPU Contract response WP 05.01.02.113 and Interview of Janice Holmes, DMAS Cover Virginia Program Manager, WP 05.01.02.110

<sup>3</sup> Social Security Act, Sec. 401(a)

Memorandums of Agreement establish an interagency partnership between VDSS and the Virginia Department of Health (VDH) to support the management of TANF programs. TANF funds at VDH are primarily for the administration of Virginia Resource Mothers Program (VRMP) and Comprehensive Health Investment Project of Virginia (CHIP of VA) programs. VDH policy applying to both programs includes requirements pertaining to providing oversight of grants, preparing subrecipient monitoring workbooks for operations directors and ensuring resources are available for compliance with all grant requirements.

#### VRMP

The purpose of VRMP is to support pregnant and parenting teens who have limited resources for prenatal care. The program provides core services to increase healthy birth outcomes for the teenage mother and infant and to reduce infant mortality. VDH's VRMP is a home-visiting program that provides mentoring and various services to pregnant girls up to nineteen years of age.

#### CHIP of VA

VDH contracts out administration of the program to an independent non-profit organization, CHIP of VA, whose role is to support the network of local CHIP of VA programs that provide services to families. VDH and CHIP of VA provide services to assist parents in acquiring parenting skills, learning about growth and development, promoting the health and well-being of their families and increasing self-sufficiency. The program is reimbursement-based. VDH reviews monthly invoices submitted by CHIP of VA to ensure all expenditures submitted are within funding guidelines.

## SCOPE

The audit scope covered FY2016 and FY2017, and the federal awards that passed from one state agency to another under the HHR Secretariat to carry out federal programs. For purposes of trend analysis within VDSS, FY2014 and FY2015 were added to the timeframe. OSIG's audit focused on identifying these federal programs and proper monitoring of subrecipients from a programmatic perspective. (OSIG did not include a review of program financial reporting since this is covered by the Auditor of Public Accounts.) The selection of agencies and programs for review are as follows:

1. DMAS and VDSS for eligibility determination of the Medicaid program;
2. VDSS and DARS for SNAP outreach; and
3. VDSS and VDH for VRMP and CHIP of VA program provided by TANF grant.



## OBJECTIVES

Objectives of this audit were:

- Evaluate the efficiency and coordination of the subrecipient monitoring process within the HHR Secretariat.
- Evaluate the achievement of program goals through effective subrecipient monitoring.

## METHODOLOGY

OSIG conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OSIG believes that the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives.

OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives, including:

- Identifying federal dollars transferred among HHR agencies and determining which programs are related;
- Conducting interviews with four HHR agencies, VDSS, DARS, VDH and DMAS, to gain an understanding of the selected programs;
- Reviewing Memorandums of Agreement between agencies;
- Assessing monitoring processes for efficiency and effectiveness; and
- Collecting and analyzing relevant data.

## FINDINGS

### MEDICAID SUBRECIPIENT MONITORING PROCESS OVERSIGHT

Oversight of subrecipient monitoring for Medicaid was not effective.

- Monitoring was not planned correctly based upon locality size;
- Monitoring was not conducted in accordance with monitoring plans that were submitted or revised for FY2014-2017;
  - Of the 121 scheduled monitoring projects, only 39 (32 percent) were conducted.
  - None of the 25 monitoring projects scheduled for the Eastern Region was conducted.
  - Only one of the 29 monitoring projects scheduled for the Northern Region was conducted.
- There was no evidence that monitoring was conducted during timeframes when various regional consultant positions were vacant:
  - Central Region – FY2016
  - Eastern Region – FY2016
  - Piedmont Region – FY2014
  - Western Region – FY2015
- Summary reports for Medicaid monitoring were not readily available for review.

The Federal Office of Management and Budget (OMB) Uniform Guidance requires recipients of federal grant money to monitor the activities of subrecipients, as necessary, to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward and achieves performance goals. The VDSS Division of Community and Volunteer Services (CVS) is responsible for oversight of the subrecipient monitoring process. The division coordinates the submission of annual monitoring plans and oversees department-wide monitoring efforts. The subrecipient monitoring process guidelines delineate that upon completion of case readings of Medicaid eligibility and renewal determinations, a written report summary of findings will be prepared and posted on the VDSS internal shared drive.

VDSS indicated that deviations from scheduled monitoring or lack of monitoring was the result of the Virginia Case Management System (VaCMS) implementation or employee turnover. CVS has also not effectively ensured that monitoring is conducted by regional consultants through the collection of monitoring summary reports.

Subrecipient monitoring provides reasonable assurance that subrecipients comply with applicable federal regulations and reduces risk for the agency as it relates to OMB Uniform Guidance requirements. Coordinated planning and adherence to subrecipient monitoring schedules holds VDSS accountable and improves consistency across the agency. Without sufficient oversight, the risk of non-compliance by subrecipients increases.

**Recommendation(s):**

VDSS should plan subrecipient monitoring in accordance to Medicaid program guidelines and regularly verify regional consultant adherence to those schedules. VDSS should ensure that regional consultants complete and submit monitoring summary reports as subrecipient monitoring is occurring. Furthermore, VDSS should ensure effective contingencies are developed and implemented for timeframes when regional consultants are unable to conduct monitoring or positions become vacant.

***Management Response(s):***

VDSS agrees with the conditions observed and recommendations as presented with the following statement:

The agency, VDSS, is currently working on a reorganization plan which includes the subrecipient monitoring process. Leadership recognizes that monitoring must continue even when positions are vacant and will consider this recommendation in our planning.

***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation(s). In providing the plan, VDSS committed to the following deliverables:

VDSS will ensure that the subrecipient monitoring process is adhered to through monitoring of schedules and subsequent activities by a single point of contact. VDSS will develop a plan to provide coverage when positions are vacant so that subrecipient monitoring activities remain on schedule.

## LOCALITY CORRECTIVE ACTION PLANS

VDSS regional consultants are responsible for monitoring, examining and evaluating LDSS operations in support of the Medicaid program and working with them to develop corrective action plans when out of compliance. In addition, VDSS is responsible for monitoring the progress of corrective action plans and making the plans and results of any analysis available to DMAS upon request.

VDSS could not provide evidence that locality corrective action plans to address reoccurring errors identified by regional consultants during the subrecipient monitoring locality case reviews were developed, issued or evaluated. FY2014-2017 corrective action plans were requested multiple times between December 2017 and February 2018, but none was provided.

The inability to provide corrective action plans may be due to:

- No action plans being developed in response to significant errors identified;
- No significant errors were identified that warranted the development of corrective action plans; or
- The process of evaluating, identifying and correcting significant errors is not being applied.

Since no corrective action plans were available for review, OSIG was unable to test for statewide error trends for the years within the audit scope or to review the corrective action plans that were developed based on those errors. Since OSIG was not able to evaluate trends and review corrective action plans, it is questionable as to whether VDSS was able to evaluate or review those as well. Therefore, concerns regarding the effectiveness of the related internal control exist.

### **Recommendation(s):**

VDSS should develop effective procedures to ensure that LDSS develops corrective action plans to address compliance errors and to ensure those plans are properly retained and reviewed. In addition, VDSS should work to ensure that these reviews are easily available to DMAS.

### ***Management Response(s):***

VDSS agrees with the conditions observed and recommendations as presented.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation(s). In providing the plan, VDSS committed to the following deliverables:

VDSS has developed a Performance Management Process which will be used to govern the correct action process. The process outlines how we engage with LDSS regarding their performance, identifying trends and opportunities for improvements and best practices. VDSS will work with DMAS on providing access to a shared repository.

## MEDICAID PROGRAM PERFORMANCE METRICS

The performance metrics used for Medicaid eligibility determinations and renewals are timeliness and accuracy. However, there was no evidence of:

- How accuracy is being measured;
- What the acceptable level of accuracy would be if it were measured; or
- How the acceptable level of timeliness (97 percent) was set or whether it has been reevaluated to determine if it is an appropriate goal.

Performance metrics should be meaningful and have a basis representing desired accomplishments. Although the MOU between DMAS and VDSS exists, it does not define how timeliness and accuracy should be measured, whether any reporting of the measures is required or at what frequency and in what format. In addition, the MOU does not define how VDSS ensures timeliness and accuracy of application and renewal processing to provide assurance to DMAS.

Clearly defined performance metrics provide the ability to evaluate and improve the efficiency of processing new applications and renewals for Medicaid recipients. Inaccurate determinations may result in eligible recipients being denied coverage or spending on ineligible recipients.

### **Recommendation(s):**

DMAS and VDSS should develop a basis for performance metrics that matches the desired outcome, the industry standard and federal regulations. Further, the MOU should be updated for performance metrics including timeliness and accuracy.

### ***Management Response(s):***

VDSS agrees with the conditions observed and recommendations as presented.

DMAS agrees with the conditions observed and recommendations as presented.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation(s). In providing the plan, VDSS committed to the following deliverables:

VDSS will coordinate with DMAS on establishing a baseline for performance metrics to include an agreeable timeliness standard and accuracy threshold. Upon finalization of the above, the MOU will be amended accordingly.

### ***DMAS Corrective Action Plan:***

Appendix II contains DMAS' corrective action plan received to address the above recommendation(s). In providing the plan, DMAS committed to the following deliverables:

DMAS, with the collaboration of VDSS and local Departments of Social Services

(LDSS), is in the process of implementing a new Eligibility Performance Management Program (EPMP).

## **JOB TRANSITION**

Continuity of job activities did not take place for VDSS' critical subrecipient monitoring positions that became vacant during the audit. The vacant positions noted were VDSS regional consultants and the CVS project manager.

Subrecipient monitoring activities should continue during periods of employee transition and turnover to ensure programs are reasonably monitored to comply with applicable regulations.

No cross-training or transfer of information took place, especially with the Division of Community Services project manager, to ensure work continued. Without such cross-training, there is a lack of assurance that subrecipient monitoring is occurring in accordance with monitoring plans submitted or for Medicaid program compliance. Specific to this instance, subrecipient monitoring did not take place when the regional consultant positions were vacant. In addition, monitoring reports could not be located when the CVS project manager position was vacant.

### **Recommendation(s):**

VDSS should ensure that cross-training takes place to ensure subrecipient monitoring activities continue.

### ***Management Response(s):***

VDSS agrees with the conditions observed and recommendations as presented.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS will develop a plan to provide coverage when positions are vacant so that subrecipient monitoring activities remain on schedule.



## **COVERVIRGINIA/CENTRAL PROCESSING UNIT**

Medicaid applications that originate through the CoverVirginia CPU for eligibility determination and transfer to LDSS offices affect the locality's performance statistics. A fair assessment of performance requires that work performed by one unit not be comingled with other units.

LDSS agencies receive Medicaid cases transferred from CoverVirginia CPU based on the address provided by the applicant. No identifier exists for categorizing applications that originate through CoverVirginia CPU to allow VDSS and DMAS to track performance and status of cases that transfer to localities.

VDSS and DMAS have not developed internal system controls through the Virginia Case Management System (VaCMS) or the Medicaid Management Information System (MMIS) to generate statistical data on the number of applications that originate from CoverVirginia CPU, including those that are late or inaccurate.

Absence of an identifier does not allow VDSS and DMAS to see the performance of CoverVirginia CPU and the status of cases that transfer to localities. As a result, applications that are late or processed with errors negatively impact the appearance of performance and efficiency of LDSS agencies. Conversely, LDSS agencies appear to have better performance when transferred applications are timely and error free. Further, with CoverVirginia CPU serving as a mechanism to support localities in application processing, and with Medicaid expansion increasing application volume, the effectiveness of CoverVirginia CPU support is critical.

### **Recommendation(s):**

DMAS and VDSS should develop a means to identify applications processed through CoverVirginia CPU so the performance of the CPU and the LDSS offices are accurately reported.

### ***Management Response(s):***

VDSS **agrees** with the conditions observed and recommendations as presented.

DMAS **agrees** with the conditions observed and recommendations as presented.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS has recently released a local agency dashboard which will separately identify applications assigned to CoverVA and LDSS.

***DMAS Corrective Action Plan:***

Appendix II contains DMAS' corrective action plan received to address the above recommendation. In providing the plan, DMAS committed to the following deliverables:

The DMAS Data Analytics and VDSS Data Warehouse teams are collaboratively developing a weekly data feed from the eligibility system (VaCMS) that is sent to DMAS.

## **INFORMATION BRIDGING BETWEEN VaCMS AND MMIS**

Information entered into VaCMS by LDSS caseworkers does not always successfully bridge to MMIS, and VDSS does not have an effective process to ensure this occurs. VDSS management is aware of the issues between the two systems and eligibility caseworkers are trained to confirm that each transaction bridges over from VaCMS to MMIS; however, VDSS does not have tools in place to confirm this successful bridging of information.

An MOU between VDSS and DMAS requires VDSS to monitor and ensure accurate entry of newly eligible, re-enrolled and ongoing Medicaid recipients into MMIS, in keeping with established and approved policies, procedures and federal timeframes. VDSS management has the expectation that LDSS eligibility caseworkers are validating information and reviewing transaction history for all Medicaid cases in MMIS, according to internal training and communications. VDSS relies on the VaCMS system to support eligibility workers' timely and accurate processing of Medicaid applications and renewals. VDSS does not accumulate data to determine the volume of errors attributed to bridging issues and the resulting impact on locality workflows, including timely and accurate processing of Medicaid eligibility determinations.

The issue of information bridging between VaCMS and MMIS may be the result of internal system problems that have not yet been addressed after initial VaCMS implementation. In addition, VDSS management has not been able to confirm that all LDSS eligibility caseworkers are validating the transfer of information between the two systems or reviewing MMIS transaction history for every case processed.

In some instances, VaCMS will indicate case information has successfully transferred when it has not, only to be discovered when a Medicaid recipient attempts to use his or her benefits and is unable to do so. Further, case information not bridging from VaCMS to MMIS:

- Interferes with VDSS's ability to meet the expectations of the MOU with DMAS;
- Increases the risk of both VDSS and DMAS failing to meet state and federal compliance requirements; and
- Interferes with new and current participants receiving consistent Medicaid services.

### **Recommendation(s):**

VDSS should develop a method to ensure accurate entry of newly eligible, re-enrolled and ongoing Medicaid recipient's case information bridges from VaCMS to MMIS.

### ***Management Response(s):***

VDSS **agrees** with the conditions observed and recommendations as presented, with the following caveat:

VDSS and DMAS have worked extensively to address any conditions that would cause this occurrence. If workers do not submit a ticket with appropriate case information, the agencies have a difficult time finding root causes and making corrections.

***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS works in collaboration with DMAS to ensure that the automated enrollment process between VACMS and MMIS is accurate and timely. The systems are actively monitored to address deficiencies and improvements are scheduled accordingly.

***OSIG Response:***

The action proposed in management's plan does not solve the problem but continues with current practices. As such, the risk remains that when a Medicaid recipient attempts to use his or her benefits, they will be unable to do so.

## SUBRECIPIENT MONITORING RESULTS

Communication of the subrecipient monitoring results between VDSS and DMAS is not effective. No evidence was provided to support that monitoring results were provided to DMAS for evaluation and no evidence was provided to support that DMAS requested the results. However, interviews with DMAS revealed the agency wants the subrecipient monitoring information to ensure proper use of the funds.

The MOU between VDSS and DMAS states VDSS shall monitor, examine and evaluate LDSS operations in support of the Medicaid program and work with local departments to develop corrective action plans -- if out of compliance -- regarding timely application processing, annual reviews or any other compliance issues, as DMAS deems necessary. VDSS shall monitor the progress of these corrective action plans and make the plans and results of any analysis available to DMAS upon request.

The MOU does not specify what type, format or frequency of data related to subrecipient monitoring of the Medicaid program should be shared between the agencies. Therefore, subrecipient monitoring results were not effectively provided to DMAS. As the agency responsible for the administration of the Medicaid program, DMAS has less assurance eligibility determinations and renewals are being processed efficiently and in accordance with federal and state regulations.

### **Recommendation(s):**

The MOU between VDSS and DMAS should be updated to include specific requirements for the sharing of subrecipient monitoring results between the agencies.

### ***Management Response(s):***

VDSS **agrees** with the conditions observed and recommendations as presented.

DMAS **agrees** with the conditions observed and recommendations as presented.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS will work with DMAS on providing access to a shared repository. Upon finalization of the above, the MOU will be amended accordingly.

### ***DMAS Corrective Action Plan:***

Appendix II contains DMAS' corrective action plan received to address the above recommendation. In providing the plan, DMAS committed to the following deliverables:

DMAS will set up an interagency workgroup between DMAS and VDSS to review the entire memorandum of understanding (MOU). As part of the MOU revision,

we understand that the specific information regarding subrecipient monitoring needs to be added.

In late 2018, DMAS hired a full-time temporary employee who will be working on the MOU and will be leading the revisions effort.

## MEDICAID SUBRECIPIENT MONITORING PROCESS METHODOLOGY

VDSS has no clear definition of the methodology used to classify Virginia localities as small, medium or large for Medicaid monitoring. LDSS and VDSS staff provided inconsistent answers as to how localities were classified and whether the established criteria had been reevaluated for effectiveness.

In addition, no clear methodology exists for setting the number of case reviews for the above classifications. It is unknown how the numbers were determined, how they were determined to be sufficient and whether the established criteria had been reevaluated for effectiveness.

The VDSS subrecipient monitoring manual outlines that schedules are to be established for each LDSS by Virginia locality (city, county) size classification – small, medium and large. The frequency of the evaluation of Medicaid cases by regional consultants is determined by that classification. Small LDSS offices are to be monitored once every three years, medium offices every other year and large offices annually. Fifteen cases are to be selected from small offices', 20 cases from medium offices and 30 cases from large offices.

VDSS administrative staff, regional consultants and locality management gave varied responses as to how the classifications and number of case reviews were determined. For example, some thought it was related to Supplemental Nutrition Assistance Program requirements, while others thought it was based upon locality population.

Case readings are conducted to assess the agency's performance in the administration of benefit programs. Without ensuring that the frequency of Medicaid monitoring and the sample size of cases selected for review are adequate, the results of monitoring may not be a good representation of overall agency performance.

### **Recommendation(s):**

VDSS should establish a clear methodology for determining locality classification and the number of associated case reviews. Once established, VDSS should periodically review the methodology ensuring it remains effective and efficient.

### ***Management Response(s):***

VDSS **does not agree** with the conditions observed but **does agree** with the recommendations as presented with the following statement:

VDSS does have a clear methodology for determining locality classification and the number of associated case reviews. Regional Directors and Program Managers were instructed in the fall of 2017 to follow the agency size classification as defined by the Office of Research and Planning for all subrecipient monitoring reviews. This was a

change from business process being performed at that time. The consultants were following inconsistent practices in determining agency size. The change was made to implement consistency. The number of case reviews by agency size is clearly defined in the subrecipient plan. The subrecipient monitoring plan will be updated to include the aforementioned guidance mandated in fall of 2017 and will be periodically reviewed as recommended.

***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS has adopted the locality size classification as defined by the Office of Research and Planning. The number and frequency of cases reviewed is based on the locality size (1, 2, and 3). This methodology will be reviewed to determine if changes/adjustment are necessary. If changes are made they will be incorporated into the plan.



## COORDINATION WITH OTHER STATE AGENCIES

VDH and VDSS are not in regular communication about the extent of monitoring activities conducted over the CHIP of VA program. VDSS was unaware VDH was not conducting site visits for the CHIP program, and had the expectation they were occurring. Communications between VDH and VDSS over the CHIP of VA program are only occurring at the required reporting periods and involve reimbursement requests.

OMB Uniform Guidance requires recipients of federal grant money to monitor the results of activities funded. Prior to having VDH administer the program, VDSS regularly communicated with CHIP of VA programs about monitoring activities to ensure subrecipients received adequate oversight on a regular basis.

Currently, the agreement between VDH and VDSS does not require site visits for the CHIP of VA program, nor does it provide any resources to VDH. OMB Uniform Guidance requirements to monitor are the sole responsibility of VDSS, which has not communicated any expectations of monitoring to VDH. While VDH acts as a fiscal entity only by passing money to CHIP of VA programs, its management communicated that in order to conduct performance monitoring, the agreement with VDSS would need to be amended to provide staff and funding, as well as criteria for monitoring.

Due to a lapse in communication by both entities, VDH was not meeting VDSS' expectations of monitoring activities, which could result in a heightened risk level of failing to meet federal compliance requirements.

### **Recommendation(s):**

VDSS should communicate with VDH about what monitoring activities are expected and define that in the agency agreement. Afterward, VDSS should ensure that desired monitoring is taking place.

### ***VDSS Corrective Action Plan:***

Appendix I contains VDSS' corrective action plan received to address the above recommendation. In providing the plan, VDSS committed to the following deliverables:

VDSS will coordinate with VDH to define a sub recipient monitoring process to ensure compliance in the operation of CHIP of Virginia. These guidelines will be included in the next iteration of the CHIP contract.

## AUDIT RESULTS

This report presents the results of OSIG's audit of the subrecipient monitoring process within the HHR Secretariat (VDSS, VDH and DARS). Three programs were the focus of the audit: SNAP Outreach, Virginia Resource Mothers Program/Comprehensive Health Investment Project of Virginia, and Medicaid Eligibility Determination. The following audit results were found to have no or immaterial discrepancies:

- Identified that coordination of monitoring at a high level took place within VDSS through shared risk assessments and the development of monitoring plans.
- Identified that a central database of Single Audit Reports for localities was not needed, as those reports are readily available on federal government websites.
- Determined that re-establishing a statewide subrecipient monitoring workgroup for evaluating programmatic results was not necessary as prior groups focused on compliance with Uniform Guidance.
- Found that DARS and VDSS adequately coordinate monitoring of SNAP outreach plans for Area Agencies on Aging without redundancies in each agency's work.

The following audit results are discussed in detail in the Findings section:

- Medicaid Subrecipient Monitoring Process Oversight
- Locality Corrective Action Plans
- Medicaid Performance Metrics
- Job Transition
- CoverVirginia/Central Processing Unit
- Information Bridging Between VaCMS and MMIS
- Subrecipient Monitoring Results
- Medicaid Subrecipient Monitoring Process Methodology
- Coordination with Other State Agencies

Based on the results and findings of the audit test work conducted of the SNAP Outreach program, the Virginia Resource Mothers Program/Comprehensive Health Investment Project of Virginia program and the Medicaid Eligibility Determination program under the HHR Secretariat, OSIG concluded that internal controls were operating properly except as identified in the report findings.

## APPENDIX I - VDSS CORRECTIVE ACTION PLAN

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	<p>VDSS should plan subrecipient monitoring in accordance to Medicaid program guidelines and regularly verify regional consultant adherence to those schedules. VDSS should ensure that regional consultants complete and submit monitoring summary reports as subrecipient monitoring is occurring. Furthermore, VDSS should ensure effective contingencies are developed and implemented for timeframes when regional consultants are unable to conduct monitoring or positions become vacant.</p>	<p>VDSS will ensure that the sub recipient monitoring process is adhered to through monitoring of schedules and subsequent activities by a single point of contact. VDSS will develop a plan to provide coverage when positions are vacant so that sub-recipient monitoring activities remain on schedule.</p>	<p>Benefit Programs Sub-Recipient Monitoring Plan</p>	<p>July 1, 2019</p>	<p>Director of Benefit Programs</p>
2	<p>VDSS should develop effective procedures to ensure that LDSS develops corrective action plans to address compliance errors and to ensure those plans are properly retained and reviewed. In addition, VDSS should work to ensure that</p>	<p>VDSS has developed a Performance Management Process which will be used to govern the correct action process. The process outlines how we engage with LDSS regarding their performance, identifying trends and opportunities for improvements and best practices. VDSS will work with DMAS on providing access to a shared repository.</p>	<p>Performance Management Process Guide</p> <p>SharePoint Access</p>	<p>In Progress</p> <p>July 1, 2019</p>	<p>Director of Local Support and Performance; Director of Benefit Programs</p>

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	these reviews are easily available to DMAS.				
3	DMAS and VDSS should develop a basis for performance metrics that matches the desired outcome, the industry standard and federal regulations. Further, the MOU should be updated for performance metrics including timeliness and accuracy.	VDSS will coordinate with DMAS on establishing a baseline for performance metrics to include an agreeable timeliness standard and accuracy threshold. Upon finalization of the above, the MOU will be amended accordingly.	VDSS/DMAS MOU	July 1, 2019	Medicaid Manager; Director of Benefit Programs
4	VDSS should ensure that cross-training takes place to ensure subrecipient monitoring activities continue.	VDSS will develop a plan to provide coverage when positions are vacant so that sub-recipient monitoring activities remain on schedule.	Benefit Programs Sub-Recipient Monitoring Plan	July 1, 2019	Director of Benefit Programs; Director of Local Support and Performance
5	DMAS and VDSS should develop a means to identify applications processed through CoverVirginia CPU so the performance of the CPU and the LDSS offices are accurately reported.	VDSS has recently released a local agency dashboard which will separately identify applications assigned to CoverVA and LDSS.	Quarterly Local Agency Dashboard	June 1, 2019	Director of Local Support and Performance
6	VDSS should develop a method to ensure accurate entry of newly eligible, re-enrolled and ongoing Medicaid recipient's case information bridges from VaCMS to MMIS.	VDSS works in collaboration with DMAS to ensure that the automated enrollment process between VACMS and MMIS is accurate and timely. The systems are actively monitored to address deficiencies and improvements are scheduled accordingly.	n/a	In Progress	Director of Enterprise Systems; Chief Information Officer

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
7	The MOU between VDSS and DMAS should be updated to include specific requirements for the sharing of subrecipient monitoring results between the agencies.	VDSS will work with DMAS on providing access to a shared repository. Upon finalization of the above, the MOU will be amended accordingly.	VDSS/DMAS MOU	July 1, 2019	Medicaid Manager; Director of Benefit Programs
8	VDSS should establish a clear methodology for determining locality classification and the number of associated case reviews. Once established, VDSS should periodically review the methodology ensuring it remains effective and efficient.	VDSS has adopted the locality size classification as defined by the Office of Research and Planning. The number and frequency of cases reviewed is based on the locality size (1, 2, and 3). This methodology will be reviewed to determine if changes/adjustment are necessary. If changes are made they will be incorporated into the plan.	Benefit Programs Sub-recipient Monitoring Plan	July 1, 2019	Director of Benefit Programs
9	VDSS should communicate with VDH about what monitoring activities are expected and define that in the agency agreement. Afterward, VDSS should ensure that desired monitoring is taking place.	VDSS will coordinate with VDH to define a sub recipient monitoring process to ensure compliance in the operation of CHIP of Virginia. These guidelines will be included in the next iteration of the CHIP contract.	CHIP of VA Contract	July 1, 2019	TANF Manager; Director of Benefit Programs

## APPENDIX II - DMAS CORRECTIVE ACTION PLAN

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	<p>VDSS should plan subrecipient monitoring in accordance to Medicaid program guidelines and regularly verify regional consultant adherence to those schedules. VDSS should ensure that regional consultants complete and submit monitoring summary reports as subrecipient monitoring is occurring. Furthermore, VDSS should ensure effective contingencies are developed and implemented for timeframes when regional consultants are unable to conduct monitoring or positions become vacant.</p>				
2	<p>VDSS should develop effective procedures to ensure that LDSS develops corrective action plans to address compliance errors and to ensure those plans are properly retained and reviewed. In addition, VDSS should work to ensure that these reviews are easily available to DMAS.</p>				

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
3	<p>DMAS and VDSS should develop a basis for performance metrics that matches the desired outcome, the industry standard and federal regulations. Further, the MOU should be updated for performance metrics including timeliness and accuracy.</p>	<p>DMAS agrees with the recommendation provided by the Office of the State Inspector General.</p> <p>DMAS, with the collaboration of VDSS and local Departments of Social Services (LDSS), is in the process of implementing a new Eligibility Performance Management Program (EPMP).</p> <p>As part of the EPMP, the agencies have agreed upon performance metrics to identify strategies to better measure and monitor the accuracy and timeliness of Medicaid eligibility determinations and renewal processes across the state. The EPMP is guided by the following principles:</p> <ul style="list-style-type: none"> <li>• <u>Accuracy</u> – Enrolling all eligible individuals and providing a positive and consistent consumer experience across the state</li> <li>• <u>Efficiency</u> – Conducting eligibility determinations quickly and leveraging staff time effectively</li> <li>• <u>Shared accountability</u> – Sharing accountability for the success of the EPMP across all stakeholders</li> <li>• <u>Transparency</u> – Increasing access to program information and real-time program data</li> <li>• <u>Actionability</u> – Leveraging EPMP information to improve program integrity</li> </ul>	Eligibility performance metric dashboard	12/31/2019	Director, Eligibility and Enrollment Division

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		<p>Due to agency priority regarding Medicaid expansion, the EPMP is currently on hold. Resources and staff time are allocated to work on implementation of Medicaid expansion. It is projected that EPMP should be back on track for implementation in 2019.</p> <p>Revision to part of the EPMP, the Eligibility Appendix 1, will provide details on performance metrics, communication, governance, and accountability of the program.</p>			
4	VDSS should ensure that cross-training takes place to ensure subrecipient monitoring activities continue.				
5	DMAS and VDSS should develop a means to identify applications processed through CoverVirginia CPU so the performance of the CPU and the LDSS offices are accurately reported.	<p>DMAS agrees with the recommendation provided by the Office of the State Inspector General.</p> <p>The DMAS Data Analytics and VDSS Data Warehouse teams are collaboratively developing a weekly data feed from the eligibility system (VaCMS) that is sent to DMAS. The data feed includes all aspects of application processing, including Cover Virginia/CPU data. The weekly data feed demonstrates where the application was completed, when it was transferred to LDSS, and the processing time for each application. The DMAS Data Analytics team has developed an internal application dashboard that demonstrates application-processing time for each LDSS and CPU.</p>	Eligibility performance metric dashboard	12/31/2019	Director, Eligibility and Enrollment Division



ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		<p>The application dashboard is for internal use only but is shared with VDSS. However, the same data feed will be used for the Eligibility Performance Management Program (EPMP) for public reporting of the eligibility performance metrics for application determinations and renewals.</p>			
6	<p>VDSS should develop a method to ensure accurate entry of newly eligible, re-enrolled and ongoing Medicaid recipient's case information bridges from VaCMS to MMIS.</p>				
7	<p>The MOU between VDSS and DMAS should be updated to include specific requirements for the sharing of subrecipient monitoring results between the agencies.</p>	<p>DMAS agrees with the recommendation provided by the Office of the State Inspector General.</p> <p>DMAS will set up an interagency workgroup between DMAS and VDSS to review the entire memorandum of understanding (MOU). As part of the MOU revision, we understand that the specific information regarding sub-recipient monitoring needs to be added.</p> <p>DMAS will work with VDSS on identifying the method of sharing the results of sub-recipient monitoring, since the sub-recipient review occurs at the different periods. In addition, the workgroup will discuss whether the results should be part of the Eligibility Performance Management Program (EPMP) public reporting of application processing and accuracy.</p>	<p>Updated Memorandum of Understanding (MOU) between DMAS and VDSS</p>	<p>12/31/2019</p>	<p>Director, Policy Planning and Innovation</p>

ISSUE NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
		<p>DMAS will also impose requirements stipulated by 2CFR200.331 Requirements for Pass-Through Entities, and 2CFR200.207 Specific Conditions to include "requiring payments as reimbursements rather than advance payments" to conform with CMS federal reporting requirements.</p> <p>In late 2018, DMAS hired a full-time temporary employee who will be working on the MOU and will be leading the revisions effort.</p>			
8	<p>VDSS should establish a clear methodology for determining locality classification and the number of associated case reviews. Once established, VDSS should periodically review the methodology ensuring it remains effective and efficient.</p>				
9	<p>VDSS should communicate with VDH about what monitoring activities are expected and define that in the agency agreement. Afterward, VDSS should ensure that desired monitoring is taking place.</p>				