

Department of Health and Human Services
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**South Carolina Did Not Report
Approximately \$108.6 Million of
the Federal Share of Medicaid and
CHIP Collections Subject to the
Increased COVID-19 Federal
Medical Assistance Percentage**

REPORT HIGHLIGHTS



September 2026 | OAS-25-04-114

South Carolina Did Not Report Approximately \$108.6 Million of the Federal Share of Medicaid and CHIP Collections Subject to the Increased COVID-19 Federal Medical Assistance Percentage

Why OIG Did This Audit

- Collections of Medicaid and Children's Health Insurance Program (CHIP) expenditures (e.g., overpayments recovered, refunds, and similar receipts) reduce the net reported expenditures and therefore decrease the amount of Federal funding that States receive for the quarter. CMS instructs States to compute the Federal share of the collections at the Federal Medical Assistance Percentage (FMAP) at which the original expenditures were reimbursed or the FMAP in effect at the time the refund was received.
- In response to the COVID-19 pandemic, Congress temporarily increased States' Medicaid FMAPs by 6.2 percentage points and CHIP FMAP by 4.34 percentage points.
- A previous OIG audit determined that some States retained the difference between the Federal share of collections calculated at the increased FMAP authorized by the Families First Coronavirus Response Act and the Federal share calculated at the regular FMAP. The audit recommended that CMS recoup \$61.8 million in Medicaid overpayments.
- This audit examined whether South Carolina accurately calculated and reported the Federal share of collections subject to the increased COVID-19 FMAP.

What OIG Found

South Carolina did not accurately calculate and report the Federal share of approximately \$108.6 million in collections subject to the increased COVID-19 FMAP during our audit period.

What OIG Recommends

We made four recommendations to South Carolina, including that it adjust its future CMS reports and refund the Federal share of approximately \$108.6 million in underreported collections, including \$8.6 million associated with collections it received during the first quarter that the increased COVID-19 FMAP applied. We also recommended South Carolina develop and implement written policies and procedures to report the amounts supported by its accounting records and appropriately calculate the Federal share during periods with unexpected or retroactive FMAP changes. The full recommendations are in the report.

South Carolina concurred with three of our recommendations and detailed steps it has taken and plans to take in response to our recommendations.

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INTRODUCTION

WHY WE DID THIS AUDIT

The COVID-19 pandemic was declared a nationwide public health emergency (PHE) in January 2020. In March 2020, Congress enacted the Families First Coronavirus Response Act (FFCRA) in response to the PHE.¹ The FFCRA provided States with a temporary increase of 6.2 percentage points to their regular Federal medical assistance percentage (FMAP) rates for Medicaid and 4.34 percentage points for the Children's Health Insurance Program (CHIP).² The increased COVID-19 FMAP was enacted retroactively effective January 1, 2020, began phasing down on April 1, 2023, and was ended effective December 31, 2023.

To account for overpayments recovered, refunds, and similar receipts, States report collections on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64 report) and the Quarterly CHIP Statement of Expenditures for Title XXI (CMS-21 report). These collections reduce the net reported expenditures and therefore decrease the amount of Federal funding States receive for the quarter. The Centers for Medicare & Medicaid Services (CMS) instructs States to compute the Federal share of collections at the FMAP at which the original expenditures were reimbursed or the FMAP in effect at the time the refund was received.

In a previous audit, we determined that some States retained the difference between the Federal share of collections calculated with the increased FMAP authorized by the FFCRA and the Federal share calculated at the regular FMAP, and we recommended that CMS recoup \$61.8 million in overpayments.³ For this audit, we were concerned that the South Carolina Department of Health and Human Services (State agency) may also have underreported the Federal share of collections subject to the increased COVID-19 FMAP.

OBJECTIVE

Our objective was to determine whether the State agency accurately calculated and reported the Federal share of collections subject to the increased COVID-19 FMAP.

¹ The FFCRA (P.L. No. 116-127) (Mar. 18, 2020).

² The FFCRA indirectly raised the CHIP FMAP because a State's CHIP FMAP is calculated based on the State's Medicaid FMAP.

³ OIG, [*Twelve Selected States Did Not Accurately Calculate the Federal Share of Medicaid Collections Subject to the Increased COVID-19 Federal Medical Assistance Percentages \(A-06-23-09002\)*](#), Dec. 16, 2024.

BACKGROUND

Medicaid and CHIP Programs

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. CHIP provides free or affordable health care coverage to targeted low-income children.⁴ The Federal and State Governments jointly fund and administer the Medicaid and CHIP programs. At the Federal level, CMS administers the programs. Each State administers these programs according to a CMS-approved State plan. Each State has considerable flexibility in designing and operating these programs but must comply with applicable Federal requirements.

Federal Medical Assistance Percentage

The Federal Government pays its share of a State's medical assistance costs based on the FMAP, which varies depending on the State's per capita income.⁵ Although FMAPs are adjusted annually for economic changes in the States, Congress may increase or decrease FMAPs at any time. In March 2020, Congress enacted the FFCRA in response to the PHE. Section 6008 of the FFCRA provided a temporary increase of 6.2 percentage points to each State's Medicaid FMAP and a temporary increase of 4.34 percentage points to each State's CHIP FMAP, effective January 1, 2020.⁶ The FFCRA, as amended, provided for phasing down the amount of funding from April 1 through December 31, 2023.^{7, 8}

⁴ Section 2110(b)(1)(C) of the Social Security Act (the Act) defines "targeted low-income children," among other factors, as children not found to be eligible for Medicaid or covered under a group health plan or other health insurance coverage.

⁵ The Act § 1905(b).

⁶ The Act § 2105(b) specifies a formula for calculating FMAPs for CHIP. The formula ultimately increases the CHIP FMAP by 70 percent of any Medicaid FMAP increase. Therefore, when a Medicaid FMAP temporarily increases, the CHIP FMAP also increases in accordance with this formula. For example, when the FFCRA temporarily increased the Medicaid FMAP by 6.2 percentage points, applying this formula produced a uniform 4.34-percentage-point increase to every State's CHIP FMAP.

⁷ The PHE ended May 11, 2023. Section 5131(a) of the Consolidated Appropriations Act, 2023, amended section 6008(a) of the FFCRA to continue the temporary FMAP increase through Dec. 31, 2023, and began phasing down the amount of the FMAP increase beginning Apr. 1, 2023 (P.L. No. 117-328) (Dec. 29, 2022).

⁸ CMS will also reimburse certain expenditures at higher rates. For example, CMS reimburses family planning services at 90 percent. However, Congress did not increase the Federal share for these expenditures with a temporary COVID-19 FMAP increase. States report the expenditures and collections related to these services on the same CMS reports as the other expenditures and collections.

Medicaid and CHIP Expenditure Reporting

Within 30 days after the end of each quarter, States report expenditures and the associated Federal share for the Medicaid and CHIP programs on the CMS-64 and CMS-21 reports (CMS reports), respectively. The amounts that States report must represent actual expenditures.⁹ To account for overpayments recovered, refunds, and similar receipts, States report collections on CMS reports.¹⁰ Collections include funds that States have recovered from other parties responsible for an enrollee's health care costs, the estates of deceased Medicaid enrollees, drug rebates, and funds collected because of States' program integrity efforts. These collections offset expenditures and therefore decrease the amount of Federal funding that States receive for the quarter. If the Federal share of collections is underreported, the Federal payment for the quarter will be higher than it should be. Conversely, overreporting the Federal share of collections results in a lower Federal payment for the quarter.

How States Identify and Report the Federal Share for Expenditures and Collections

When reporting Medicaid and CHIP expenditures, CMS instructs States to report expenditures for the quarter in which States made a payment and to calculate the Federal share using the FMAP for that quarter.¹¹ CMS instructs States to report collections or refunds in the quarter in which they received the collection and to calculate the Federal share using the FMAP at which the Federal Government reimbursed the original expenditure. When collections cannot be related to a specific period, States should "compute the Federal share at the FMAP rate in effect at the time the refund was received."^{12, 13} We refer to the process of calculating the Federal share using the FMAP in effect when the collection is received rather than the original FMAP as the "current-quarter methodology."

CMS specifically addressed collections related to the increased COVID-19 FMAP and stated that "States must report overpayments and collections at the same match rate at which the expenditures were originally claimed, including when the original rate incorporated the 6.2 percentage point FMAP increase."¹⁴

⁹ 42 CFR § 430.30(c).

¹⁰ For example, States can report collections associated with third-party liability on line 9A; probate on line 9B; and fraud, waste, and abuse on line 9C1 on the CMS-64 summary form; a variety of drug rebates on lines 7A1–7A6 on the CMS-64.9 base form; and collections associated with CHIP expenditures on the CMS-21 summary form.

¹¹ The Act § 1903(a)(1) Act and 45 CFR § 95.13(b).

¹² States can also make adjustments to prior periods on future CMS reports to reflect the correct FMAP.

¹³ CMS State Medicaid Manual, section 2500.6(B).

¹⁴ CMS, ["COVID-19 Frequently Asked Questions \(FAQs\) for State Medicaid and Children's Health Insurance Program \(CHIP\) Agencies,"](#) (updated Jan. 6, 2021), Section IV: Financing, F: FFCRA Temporary FMAP Increase. Accessed on Mar. 23, 2026.

HOW WE CONDUCTED THIS AUDIT

For our audit period (January 1, 2020, through March 31, 2025), the State agency reported \$2.79 billion Federal share of Medicaid collections on the CMS reports we reviewed.¹⁵ We discussed with State agency officials the State agency's procedures for recording its total collections, identifying applicable FMAPs, calculating the Federal share of collections, and reporting those collections on CMS reports. We reconciled the collections recorded in the State agency's accounting records to those reported on CMS reports. For any differences, we calculated the net Federal share that should have been reported.

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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology.

FINDINGS

The State agency did not accurately calculate and report the Federal share of approximately \$108.6 million in collections subject to the increased COVID-19 FMAP during our audit period. Specifically, with the exception of the first quarter that the increased COVID-19 FMAP applied, the State agency calculated and recorded the Federal share of collections subject to the increased COVID-19 FMAP in its accounting records but underreported approximately \$100 million of its Federal share on the CMS reports.¹⁶ This \$100 million generally represented a portion of the increased COVID-19 Federal share of collections recorded in the State agency's accounting records that it failed to include on the CMS reports.¹⁷ In addition, the State agency did not calculate and accurately report the increased COVID-19 Federal share of collections it received during the first quarter that the increased COVID-19 FMAP applied. We calculated a Federal share of \$8.6 million in collections that the State agency should have calculated and reported on CMS reports.¹⁸

These errors occurred because the State agency lacked written policies and procedures for preparing the CMS reports and for reconciling the reported amounts to its accounting records.

¹⁵ Our review included the CMS-64 Summary Sheet (lines 9A–9F and line 10C), the CMS-64.9 Base (lines 7A1–7A6), the CMS-64.21U (line 8A1), and the CMS-21 Summary (line 4).

¹⁶ The actual amount is \$99,983,506.

¹⁷ The State agency made other accounting errors unrelated to the increased COVID-19 Federal share and reported some of the increased COVID-19 Federal share during our audit period. See Appendix B for a complete summary of the variances.

¹⁸ The actual amount is \$8,592,050.

The State agency also did not believe it was required to adjust the Federal share of collections that had already been processed and calculated without the increased COVID-19 FMAP that it received in the first quarter because the increased FMAP was enacted retroactively.

Because the State agency underreported the Federal share of these collections, the Federal Government overpaid the State agency approximately \$108.6 million for our audit period.

THE STATE AGENCY CALCULATED THE FEDERAL SHARE OF COLLECTIONS SUBJECT TO THE INCREASED COVID-19 FMAP BUT DID NOT ACCURATELY REPORT THEM

CMS requires States to report collections at the same FMAP that they originally claimed the applicable expenditure or, when recoveries cannot be related to a specific period, to compute the Federal share using the FMAP in effect at the time the collection is received.^{19, 20}

With the exception of the first quarter of our audit period, the State agency calculated and recorded the Federal share of collections subject to the increased COVID-19 FMAP in its accounting records but failed to accurately report the amounts from its accounting records on the CMS reports. As a result, the State agency underreported the Federal share of approximately \$100 million in collections on CMS reports.²¹

The State agency generally recorded the Federal share attributable to the regular FMAP and the Federal share attributable to the increased COVID-19 FMAP separately in its accounting records. The State agency used the regular FMAP Federal share recorded in its accounting records as a basis to calculate the amounts it reported on the CMS reports (i.e., the total computable collections, the regular FMAP Federal share, and the increased COVID-19 FMAP Federal share) instead of reporting the amounts from its accounting records.²² More specifically, the State agency divided its recorded regular Federal share by the total FMAP to calculate its reported total computable amount. Using this underreported total computable amount, the State agency then calculated the reported Federal share amounts using the applicable FMAPs. The net effect was that the total Federal share for collections was underreported by the increased COVID-19 FMAP Federal share. Table 1, on the next page, shows an example of the difference between the Medicaid drug rebate amounts the State agency reported on the CMS-64 report for the quarter ended March 31, 2021, and the corresponding amounts the State agency recorded in its accounting records for the same quarter.

¹⁹ The Act § 1903(a)(1) and 45 CFR § 95.13(b).

²⁰ CMS State Medicaid Manual, Section 2500.6(B).

²¹ Approximately \$212,000 of this amount should have been reported on the CMS-21 report for CHIP-funded services.

²² The total computable collections are the original amount of the collections before the State agency calculates the applicable Federal and State shares.

Table 1: Difference in Medicaid Drug Rebates Reported on the CMS-64 Report Lines 7A1–7A3 and the Corresponding Amounts Recorded in the State Agency’s Accounting Records for Quarter Ended March 31, 2021

	Total Computable Collections (100%)	Regular FMAP Federal Share (70.63%)	COVID-19 FMAP Federal Share (6.2%)	Total FMAP Federal Share (76.83%)
Recorded in accounting records	\$70,990,015	\$49,732,522**	\$4,484,194††	54,216,716
Reported on CMS-64 report	64,730,603*	45,719,225†	4,013,297‡	49,732,522**
Difference	\$6,259,412††	\$4,013,297	\$470,897	\$4,484,194††
* The State agency calculated the reported total computable collections by dividing its recorded regular FMAP Federal share by the total FMAP Federal share. ($\\$49,732,522 / 0.7683 = \\$64,730,603$) † The State agency calculated reported regular FMAP Federal share by multiplying the reported total computable collections by the regular FMAP. ($\\$64,730,603 * 0.7063 = \\$45,719,225$) ‡ The State agency calculated reported COVID-19 FMAP Federal share by multiplying the reported total computable collection by the COVID-19 FMAP. ($\\$64,730,603 * 0.062 = \\$4,013,297$) ** The total reported Federal share is the same as the amount of the regular FMAP Federal share the State agency recorded in its accounting records (orange highlights). †† Because of its calculation process for reporting purposes, the State agency underreported the total Federal share by \$4.48 million. This amount corresponds to the increased COVID-19 FMAP Federal share in the State agency’s accounting records (blue highlights). This calculation process also caused the State to underreport the total computable collections, which obscured the underreported Federal share amounts.				

In addition, the State agency made accounting errors that sometimes led to an overreporting or underreporting of collections unrelated to its COVID-19 FMAP Federal share accounting and calculation process described above.²³ However, this net \$100 million generally represented the Federal share of collections recorded in the State agency’s accounting records as the increased COVID-19 FMAP Federal share that it failed to include on the CMS reports. Table 2, on the next page, shows a summary of the net variances from our reconciliations.²⁴ The State agency made these errors when compiling its accounting records to report amounts on the

²³ These other mistakes occurred when the State agency transferred the regular Federal share of collections recorded in its accounting records into worksheets it used to compile and calculate the amounts for reporting purposes. For example, the State agency included some collections associated with drug rebates twice when compiling these reports. These mistakes resulted in a net overreporting of Federal share of collections that we offset against the unreported COVID-19 FMAP Federal share.

²⁴ Appendix B contains a summary of the net variances by quarter.

CMS reports and did not identify these errors because it lacked written policies and procedures for both preparing the CMS reports and reconciling them to its accounting records.²⁵

Table 2: Summary of the Underreported Federal Share of Collections During Our Audit Period

Total Supported by Accounting Records	Total Recorded on CMS Reports	Net Variances Due to COVID-19 FMAP*	Other Net Variances**	Overall Net Variances
\$2,886,767,357	\$2,786,783,851	\$104,959,324	\$(4,975,820)	\$99,983,506
* These variances are the mistakes attributable to not reporting the Federal share associated with the COVID-19 FMAP. For example, the underreported \$4,484,194 identified in Table 1 is included in this amount. ** These variances are the mistakes unrelated to not reporting the Federal share associated with the COVID-19 FMAP. For example, the State included some collections twice for some quarters.				

THE STATE AGENCY DID NOT CALCULATE OR ACCURATELY REPORT THE FEDERAL SHARE OF COLLECTIONS SUBJECT TO THE INCREASED COVID-19 FMAP DURING THE FIRST QUARTER THAT THE INCREASE APPLIED

CMS requires States to report collections at the same FMAP that they originally claimed the applicable expenditure or, when recoveries cannot be related to a specific period, to compute the Federal share using the FMAP in effect at the time the collection is received.^{26, 27} Congress enacted the increased COVID-19 FMAP retroactively to January 1, 2020, and the State agency claimed expenses during this first quarter (quarter ended March 31, 2020) using the increased COVID-19 FMAP.²⁸

CMS specifically addressed collections related to the increased COVID-19 FMAP and stated: “As with all Medicaid grant award funding, these funds will be reconciled against claimed and allowable expenditures when states file their quarterly CMS-64 expenditure reports.” CMS added that “States must report overpayments and collections at the same match rate at which

²⁵ Near the end of calendar year 2023, the State agency identified its past lack of reporting of the COVID-19 FMAP Federal share of its collections and reported some of this previously underreported Federal share on the CMS-64 report for the quarter ended Dec. 31, 2023. However, it did not report the full unreported amounts.

²⁶ The Act § 1903(a)(1) and 45 CFR § 95.13(b).

²⁷ CMS State Medicaid Manual, section 2500.6(B).

²⁸ Section 6008 of the FFCRA.

the expenditures were originally claimed, including when the original rate incorporated the 6.2 percentage point FMAP increase.”²⁹

For the quarter ended March 31, 2020, the State agency did not calculate and record the increased COVID-19 FMAP Federal share of collections it received in its accounting records. Therefore, the State agency did not accurately report its collections on the CMS reports.³⁰ However, the State agency traditionally used the current-quarter methodology to calculate and record the Federal share for many of its collections.³¹ The State agency stated that because Congress enacted the increased COVID-19 FMAP late in the quarter and applied the change retroactively, the State believed it was not required to adjust the Federal share of collections that had already been processed and calculated without the increased COVID-19 FMAP.³² The State agency did not have any written policies and procedures about calculating the Federal share of collections during periods with unexpected or retroactive FMAP changes.

We calculated a Federal share of approximately \$8.6 million in collections that the State agency should have calculated and reported on the CMS reports for this first quarter using the increased COVID-19 FMAP.^{33, 34}

²⁹ CMS, “[COVID-19 Frequently Asked Questions \(FAQs\) for State Medicaid and Children’s Health Insurance Program \(CHIP\) Agencies](#),” (updated Jan. 6, 2021), Section IV: Financing, F: FFCRA Temporary FMAP Increase. Accessed on Mar. 23, 2026.

³⁰ The State agency reported its collections on its CMS reports so that it appeared that it calculated its Federal share with the increased COVID-19 FMAP, using a similar calculation process as described earlier. The net effect was that it underreported its total computable collections, which obscured its lack of use of the increased COVID-19 FMAP during this first quarter.

³¹ For example, the State agency consistently used the current-quarter methodology to calculate the Federal share of collections associated with drug rebates and collections received through the State agency’s Medicaid Management Information System.

³² The State agency continues to use this current-quarter methodology for these collections and did not deviate from this methodology after the end of the increased COVID-19 FMAP period to account for not allocating any collections during the first quarter.

³³ For this calculation, we used the collections for which the State agency applied the current-quarter methodology and the regular FMAP to determine its Federal share. We excluded collections where the State agency traditionally attempted to match the FMAP rate of the collection to the original expenditure and assumed these collections were all associated with prior-quarter expenditures.

³⁴ The actual amount we calculated was \$8,592,050. Approximately \$2,000 of this amount should have been reported on the CMS-21 report for CHIP-funded services. Appendix C contains details of this calculation.

RECOMMENDATIONS

- We recommend that the State agency adjust its future CMS reports to reflect the Federal share of \$99,983,506 in underreported collections during our audit period and refund this amount.
- We recommend that the State agency adjust its future CMS reports to reflect the Federal share of at least \$8,592,050 in collections that it did not appropriately calculate and report during the first quarter of the increased COVID-19 FMAP period and refund this amount.
- We recommend that the State agency develop and implement written policies and procedures to report the actual amounts from its accounting records on the CMS reports and reconcile its accounting records to the amounts of Medicaid collections it reports on the CMS reports.
- We recommend that the State agency establish and implement written policies and procedures to appropriately calculate the Federal share of Medicaid collections during periods with unexpected or retroactive FMAP changes.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our first, third, and fourth recommendations and described the actions it has taken or plans to take in response to these recommendations. The State agency did not concur with our second recommendation to adjust its future CMS reports and refund the Federal share of approximately \$8.6 million in underreported collections received during the first quarter that the increased COVID-19 FMAP applied.

After reviewing the State agency's comments, we maintain that our findings and recommendations are valid.

The State agency's comments are included in their entirety as Appendix D.

STATE AGENCY COMMENTS

For the first recommendation, the State agency stated that it would work with CMS to adjust future CMS reports to refund the \$99,983,506 Federal share of underreported collections. For the third recommendation, the State agency stated that it has begun updating its procedures to reconcile Medicaid collections reported on its CMS reports to its accounting records. The State agency also stated that it is engaging with a third-party vendor to assess its revised procedures and propose additional updates and develop a training guide. For the fourth recommendation, the State agency stated that it is in the process of updating its applicable written policies and procedures and has developed a report to compare actual and historical FMAPs.

In its comments on the second recommendation, the State agency stated that because the increased COVID-19 FMAP was not announced until March 23, 2020, the State agency did not make any system-related updates for expenditure and collection activities until April 2020. The State agency also stated that it did not have the opportunity to claim expenditures at the increased FMAP for the period leading up to the increased FMAP. The State agency explained that the collections it reported for the first quarter (March 31, 2020) were refunds from expenditures reasonably incurred in that quarter or from earlier periods. The State agency continued that based on longstanding Federal requirements that collections be reported at the same match rate as the original expenditures, any associated overpayments and collections did not meet the criteria for reporting at this increased FMAP rate.

The State agency said that although CMS made technical changes to the claims reporting system to incorporate the newly enacted FMAP, those changes were only applicable to reportable expenditures, not collection reporting.

The State agency also referenced the CMS grant award notice that it said described the additional COVID-19 funding as an advance that would be reconciled to actual expenditures. The State agency stated that during this reconciliation, “only the reported expenditures that were simulated with the increased FMAP were used to calculate any supplemental funding.”

The State agency stated that it believes the initial award and the first quarter CMS-64 reporting was a unique and isolated means that CMS used to expedite additional funding to help States meet early pandemic needs. The State agency said that it believes collections for the March 2020 quarter were correctly reported using applicable non-increased FMAP rates, and no future adjustment to CMS reports or refunds should be made for \$8,592,050.

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge the State agency’s concurrence with our first recommendation to refund the \$99,983,506 Federal share of underreported collections and our last two recommendations to implement written policies and procedures.

Regarding the second recommendation, we maintain that the State agency should adjust its future CMS reports to reflect the Federal share of at least \$8,592,050 in collections that it did not appropriately calculate and report during the first quarter of the increased COVID-19 FMAP period. We note that based on its CMS reports for the quarter ended March 31, 2020, the State agency received reimbursement of expenditures at the increased COVID-19 FMAP and that it appeared that it calculated its Federal share of collections with the increased COVID-19 FMAP, using a calculation process as described earlier.

The referenced grant award notice does not provide different treatment for the quarter ended March 31, 2020. CMS’s guidance—in response to a question about whether grants issued related to the increased FMAP were set amounts or subject to adjustment—states that “final reconciling grant awards will be issued to reflect the amounts that the states are finally due

based on federal requirements, including those specified in the FFCRA. Consistent with our existing practice and federal requirements, any overpayment or underpayment will factor into (be offset against or added to) the grant award for the following quarter” (COVID-19 FAQs, Section IV, paragraph F, FAQ #25).

CMS State Medicaid Manual, section 2500.6(B), requires States to either: (1) report collections at the same FMAP that they originally claimed the applicable expenditure or (2) compute the Federal share using the FMAP in effect at the time the collection is received, when recoveries cannot be related to a specific period. Before, during, and after the increased FMAP period ended, the State agency consistently used the current-quarter methodology to calculate the Federal share of many of its collections, except for collections received during the first quarter that the increased COVID-19 FMAP applied. Accordingly, our calculation using the current-quarter methodology aligns with Federal requirements and with how the State agency consistently assigned the FMAP.^{35, 36}

³⁵ To be conservative in our calculation, we excluded collections where the State agency traditionally attempted to match the FMAP rate of the collection to the original expenditure during the first quarter the increased COVID-19 FMAP applied. We assumed these collections were all associated with prior-quarter expenditures. For example, we excluded collections the State agency reported on line 10c — where the State agency traditionally attempted to match the collection to the FMAP of the original expenditure. We only included collections where the State agency traditionally used the current-quarter methodology.

³⁶ When assigning FMAPs to collections, the State agency benefits by switching between identifying the applicable FMAP in quarters with a higher FMAP than the original expenditure and using a current-quarter methodology for collections with a lower FMAP than the original expenditure. As a result, during our audit period, the State agency would not benefit when the current-quarter methodology assigns the COVID-19 FMAP to collections for expenditures reimbursed before the increased COVID-19 FMAP applied, but the State agency would benefit from collections originally reimbursed with the increased COVID-19 FMAP that were received after the end of the increased COVID-19 FMAP period. For example, we found that the State agency received collections associated with expenditures originally claimed using the increased COVID-19 FMAP after the end of the increased FMAP period. The State agency did not assign the COVID-19 FMAP to these collections because it was using the current-quarter methodology to assign the FMAP. Therefore, the State agency effectively benefited twice—first at the start of the increased COVID-19 FMAP period and again after its conclusion—by applying the methodology that yielded the lower FMAP for collections in each situation.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit period was January 1, 2020, through March 31, 2025. For our audit period, the State agency reported \$2.79 billion Federal share of Medicaid collections on the CMS reports we reviewed.³⁷ We discussed with State agency officials the State agency's procedures for identifying the applicable FMAPs, calculating the Federal share, and reporting collections on the CMS reports. We reconciled the collections recorded in the State agency's accounting records to those reported on CMS reports and, when appropriate, calculated the net Federal share that should have been reported.

We assessed the State agency's internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed the State agency's policies and procedures related to calculating and reporting the Federal share of Medicaid collections.

We conducted our audit from June 2025 through June 2026.

METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws, regulations, and policies
- Discussed with CMS officials the requirements for calculating and reporting Medicaid collections on the CMS reports
- Discussed with State agency officials the State agency's policies and procedures for calculating and reporting the Federal share of Medicaid collections on the CMS reports
- Nonstatistically sampled transactions and traced them through the calculation and reporting process to better understand the State agency's accounting processes
- Reconciled the Federal share of collections reported on the CMS reports to the State agency's accounting records
- Analyzed the State agency's recorded Federal share of collections in its accounting records to determine whether the methodology it used was consistent and reasonable

³⁷ Our review included the CMS-64 Summary Sheet (lines 9A–9F and line 10C), the CMS-64.9 Base (lines 7A1–7A6), the CMS-64.21U (line 8A1), and the CMS-21 Summary (line 4).

- Calculated the unreported Federal share at the increased COVID-19 FMAP of Medicaid collections received during the first quarter that the increased COVID-19 FMAP applied, which the State agency did not originally calculate
- Discussed the results of our audit with State agency officials

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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**APPENDIX B: QUARTERLY SUMMARY OF THE UNDERREPORTED FEDERAL SHARE OF
COLLECTIONS DURING OUR AUDIT PERIOD**

Quarter Ended	Supported by Accounting Records	Recorded on CMS Reports	Net Variances Due to COVID-19 FMAP	Other Net Variances	Overall Net Variances
3/31/2020*	\$113,209,841	\$114,129,342	\$0	\$(919,501)	\$(919,501)
6/30/2020	78,988,051	74,544,283	4,453,524	(9,756)	4,443,768
9/30/2020	140,485,602	129,819,280	10,682,085	(15,763)	10,666,322
12/31/2020	110,417,037	102,203,869	8,147,280	65,888	8,213,168
3/31/2021	92,931,857	85,846,561	7,060,449	24,847	7,085,296
6/30/2021	123,792,349	115,181,259	9,186,609	(575,519)	8,611,090
9/30/2021	118,254,250	110,037,708	8,578,249	(361,707)	8,216,542
12/31/2021	135,899,247	126,118,309	10,762,564	(981,627)	9,780,938
3/31/2022	158,773,204	148,202,029	11,983,452	(1,412,277)	10,571,175
6/30/2022	120,799,045	110,471,287	11,594,344	(1,266,586)	10,327,758
9/30/2022	149,268,780	138,151,304	11,649,673	(532,197)	11,117,476
12/31/2022	145,238,574	134,746,195	11,171,851	(679,472)	10,492,379
3/31/2023	266,135,314	251,618,682	15,834,642	(1,318,011)	14,516,632
6/30/2023	162,660,520	146,034,006	9,578,126	7,048,388	16,626,514
9/30/2023	150,502,567	142,226,409	8,278,517	(2,359)	8,276,158
12/31/2023†	141,378,570	174,803,001	(34,285,572)	861,141	(33,424,431)
3/30/2024	116,712,436	118,269,809	60,397	(1,617,770)	(1,557,373)
6/30/2024	169,587,183	171,030,414	61,515	(1,504,746)	(1,443,231)
9/30/2024	129,271,075	129,279,618	25,180	(33,723)	(8,543)
12/30/2024	126,415,790	127,431,944	33,370	(1,049,524)	(1,016,154)
3/31/2025	136,046,065	136,638,542	103,069	(695,546)	(592,477)
Totals	\$2,886,767,357	\$2,786,783,851	\$104,959,324	\$(4,975,820)	\$99,983,506
* The State agency did not record any COVID-19 FMAP Federal share for the quarter ended Mar. 31, 2020. Our calculation of the \$8.6 million Federal share of collections that the State agency should have calculated and reported for this quarter is not included in this table. † The State agency identified its past lack of reporting of the COVID-19 FMAP Federal share of its collections and reported some of this previously underreported Federal share for the quarter ended Dec. 31, 2023. However, it did not report the full unreported amounts.					

**APPENDIX C: OIG CALCULATION OF UNREPORTED COLLECTIONS SUBJECT TO THE INCREASED
COVID-19 FMAP DURING THE FIRST QUARTER THAT THE INCREASE APPLIED**

Description	Total Computable Collections*	Increased FMAP	Uncalculated and Unreported
CMS 64 Summary Sheet (Line 9A–9F)	\$46,911,041	6.20%	\$2,908,485
CMS 64.9 Base (Lines 7A1–7A6)	90,689,337	6.20%	5,622,739
CMS 64.21U (Line 8A1)	1,355,332	4.34%	58,821
CMS-21 Base (Line 4)	46,198	4.34%	2,005
Total			\$8,592,050
* For this calculation, we used only the collections from the State’s accounting records for which the State agency applied the current-quarter methodology and the regular FMAP to determine its Federal share.			

Henry McMaster GOVERNOR
 Eunice Medina DIRECTOR
 P.O. Box 8206 > Columbia, SC 29202
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August 7, 2026

Re: Report Number OAS-25-04-114

Truman M. Mayfield
 Regional Inspector General for Audit Services
 Department of Health & Human Services
 Office of Inspector General
 Office of Audit Services, Region IV
 61 Forsyth Street, SW, Suite 3T41
 Atlanta, GA 30303

Dear Mr. Mayfield:

The South Carolina Department of Health & Human Services (SCDHHS) has reviewed your draft report entitled *“South Carolina Did Not Report Approximately \$108.6 Million of the Federal Share of Medicaid and CHIP Collections Subject to the Increased COVID-19 Federal Medicaid Assistance Percentage”*. SCDHHS is committed to ensuring the integrity of all financial reporting and is dedicated to improving or enhancing processes for more efficiency and accuracy. The review creates an opportunity to strengthen existing protocols involving oversight and on-going training. Improvements will help ensure continued compliance and transparency. SCDHHS has considered each recommendation, and offers the following responses:

Recommendation #1 – The State agency adjust its future CMS reports to reflect the Federal share of \$99,983,506 in underreported collections during our audit period and refund this amount.

SCDHHS Response: Concur.

SCDHHS efforts to report the COVID-19 collections during the COVID-19 public health crisis in accordance with the regulatory guidelines were inadvertently incorrect. COVID-19 collections were reported during this period; however, the procedure utilized to determine the accurate amount did not integrate new provisions now in place to track the full collection amount.

SCDHHS will engage with CMS and work closely to develop and establish a schedule to adjust future CMS-64 reports to reflect the correct federal share and refund the underreported collections.

Recommendation #2 – The State agency adjust its future CMS reports to reflect the Federal share of at least \$8,592,050 in collections that it did not appropriately calculate and report during the first quarter of the increased COVID-19 FMAP period and refund this amount.

SCDHHS Response: Does Not Concur.

During the audit review, SCDHHS explained that there were no such collections to report for the first quarter of the increased COVID-19 FMAP period (March 30, 2020). Reported collections on the CMS 64

March 30, 2020, quarter were a result of refunds from expenditures reasonably incurred either in the March 2020 quarter or from an earlier period.

Longstanding federal regulations at 1903 (a)(1) of the Social Security Act and 45 CFR 95.13(b) along with the CMS State Medicaid Manual, section 2500.6(B) require overpayments and collections to be reported at the same match rate at which the expenditures were originally claimed. Announcement of the enacted enhanced FMAP rate was not issued until March 23, 2020, by receipt of an agency Grant award notice. Due to its timing, system related updates were not made effective until April 2020, for application to both expenditure and collection activities. For the period leading up to the enacted enhanced-FMAP, no expenditure had the opportunity to be claimed at the enhanced-FMAP. Therefore, any associated overpayments and collections did not meet the criteria for reporting at this enhanced FMAP rate. Although CMS made technical changes to the claims reporting system to incorporate the newly enacted FMAP, those changes were only applicable to reportable expenditure. No changes were expected for collection reporting, as this section has always been governed by the regulatory requirements described.

SCDHHS believes it has retained compliance with the forementioned federal regulations, and no future adjustment should be made to CMS reports, nor this estimated amount be refunded. Collections for the March 2020 quarter were correctly reported using applicable non-enhance FMAP rates.

In addition, SCDHHS supplied the forementioned Grant Award notice and pointed out that initial COVID-19 funding was denoted as an “advance” that would be reconciled to actual “expenditures” when final reporting for the same period was made. The March 31, 2020, CMS 64 was this final report. Upon receipt of the reconciliation, only the reported expenditures that were simulated with the enhanced FMAP were used to calculate any supplemental funding.

In all, SCDHHS believed the initial award and the first quarter CMS 64 reporting was a unique and isolated means CMS used to implement the reconciliation process previously described and to expedite any additional funding to help States meet early pandemic needs. SCDHHS reasonably applied the enhanced-FMAP to collections effective April 2020 and beyond.

The agency will work with CMS to clarify any expectation beyond the States’ interpretation and understanding.

Recommendation #3 – The State agency develop and implement written policies and procedures to report the actual amounts from its accounting records on the CMS reports and reconcile its accounting records to the amounts of Medicaid collections it reports on the CMS reports.

SCDHHS Response: Concur.

SCDHHS has conducted an intensive review of the existing procedures and has already begun updating to provide the necessary details to reconcile the Medicaid collections reported on the CMS-64 to the actual amounts from the financial system. Additional levels of review, by the Assistant Controller and Controller, to verify all the revenue collections and applied rates will also be incorporated. Finally, SCDHHS is engaging with a third-party vendor to assess the adequacy of the revised procedures, propose additional updates and develop a quality assurance training guide.

Recommendation #4 – The State agency establish and implement written policies and procedures to appropriately calculate the Federal share of Medicaid collections during periods with unexpected or retroactive FMAP changes.

SCDHHS Response: Concur.

The agency is in the process of updating the written policies and procedures related to the Federal Share of Medicaid collections. As part of these procedures, a report has been developed to calculate the FMAP rate, excluding federal draws, to calculate the actual FMAP rate which is to be compared to the Historical FMAP rates for reasonableness.

We respectfully request your positive consideration of these actions as a resolution to these findings. if you have questions or need additional information, please do not hesitate to call me at (803) 898-2507, or Milton German at (803) 898-1051 or German@SCDHHS.gov.

Sincerely,



Eunice Medina,
Director

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