

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**OREGON GENERALLY CLAIMED
FEDERAL MEDICAID REIMBURSEMENT
FOR MONEY FOLLOWS THE PERSON
PROGRAM EXPENDITURES
IN COMPLIANCE WITH FEDERAL AND
STATE REQUIREMENTS BUT
INTERNAL CONTROLS SHOULD
BE STRENGTHENED**

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Lori A. Ahlstrand
Regional Inspector General

November 2013
A-09-12-02049

Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

Oregon generally claimed Federal Medicaid reimbursement for Money Follows the Person program expenditures in compliance with Federal and State requirements. However, the State agency's internal controls over claiming these expenditures should be strengthened.

WHY WE DID THIS REVIEW

The “Money Follows the Person” Rebalancing Demonstration (MFP) program helps States to increase the use of home and community-based long-term care and eliminate barriers to enable Medicaid-eligible individuals to receive long-term services in the setting of their choice. The Oregon Department of Human Services (State agency), Office of Payment Accuracy and Recovery (OPAR), Fraud Investigation Unit, investigated the program to look into allegations of fraudulent practices and mismanagement of program funds. Subsequently, the Centers for Medicare & Medicaid Services requested that we review the program.

Our objective was to determine whether the State agency claimed Federal Medicaid reimbursement for MFP program expenditures in compliance with Federal and State requirements.

BACKGROUND

The MFP program reimburses States at an enhanced Federal reimbursement rate for qualified home and community-based services for a period of 12 months after an individual has transitioned from an institution to a community setting. Supplemental services that are necessary for such a transition are reimbursed at the State's regular Federal reimbursement rate. Administrative expenditures associated with running the MFP program are generally reimbursed at the State's administrative reimbursement rate.

In Oregon, the State agency administers the MFP program. When OPAR began its investigation of the MFP program in September 2010, the State agency stopped enrolling new beneficiaries in the program and initiated a review of its MFP expenditures. In October 2011, the State agency stopped providing services to beneficiaries who had previously been transitioned into the program and started claiming the related expenditures through other programs. As of the date of this report, the State agency is in the process of restarting the MFP program.

From May 1, 2007, through December 31, 2011, the State agency claimed MFP program expenditures of approximately \$30.1 million (\$21.5 million Federal share). Of these expenditures, we judgmentally selected for review expenditures totaling \$5,428,359, which included expenditures for qualified and supplemental services and administration.

WHAT WE FOUND

The State agency generally claimed Federal Medicaid reimbursement for MFP program expenditures in compliance with Federal and State requirements. However, the State agency and

we separately identified some program expenditures that were not claimed in compliance with Federal requirements:

- After OPAR’s investigation and before our audit, the State agency reviewed its MFP program expenditures and identified \$1,235,588 in expenditures that were not properly claimed or were not allowable under the program. In June 2012, the State agency adjusted and reclaimed \$1,010,938 of these expenditures, decreasing the Federal share by \$161,571. However, after our fieldwork, the State agency determined that the adjustment was not accurate and is revising the adjustment. For the remaining \$224,650 in expenditures, the State agency did not make any adjustment because it was waiting for the conclusion of our audit.
- We found that the State agency claimed an additional \$851,538 in expenditures that did not comply with Federal requirements (a net underclaim of \$4,241 Federal share). Specifically, the State agency claimed unallowable expenditures and did not use the correct Federal reimbursement rates to claim other expenditures.

Considering that the State agency identified that it erroneously claimed expenditures of more than \$1.2 million, and nearly 16 percent of the \$5.4 million in expenditures that we reviewed was erroneously claimed, the State agency’s internal controls were not adequate to ensure that MFP program expenditures were claimed in compliance with Federal requirements. Further, although the net effect of improperly claimed and unallowable expenditures on the Federal share is immaterial, the number of questionable expenditures erroneously claimed illustrates that the State agency’s internal controls should be strengthened. Although the State agency has refunded the Federal share of some expenditures that it identified as improperly claimed or unallowable, it determined that the adjustment was not accurate. In addition, State agency officials indicated that they have taken some steps to strengthen internal controls but have not yet implemented all of those controls necessary to prevent the claiming of unallowable expenditures in the future.

WHAT WE RECOMMEND

We recommend that the State agency review the \$1,235,588 in expenditures that it identified as improperly claimed or unallowable and refund the Federal share of any questionable expenditures. In addition, because the State agency is restarting the MFP program, we recommend that the State agency (1) follow existing procedures to review contractor expenditures before payment, (2) implement policies and procedures to identify and prevent duplicate payments for MFP program expenditures, and (3) strengthen certain internal controls over the MFP program. Our recommendations are included in their entirety in the body of the report.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations and provided information on actions that it had taken or planned to take to address our recommendations.

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INTRODUCTION

WHY WE DID THIS REVIEW

The “Money Follows the Person” Rebalancing Demonstration (MFP) program helps States to increase the use of home and community-based long-term care and eliminate barriers to enable Medicaid-eligible individuals to receive long-term services in the setting of their choice. The Oregon Department of Human Services (State agency), Office of Payment Accuracy and Recovery (OPAR), Fraud Investigation Unit, investigated the program to look into allegations of fraudulent practices and mismanagement of program funds. Subsequently, the Centers for Medicare & Medicaid Services (CMS) requested that we review the program.

OBJECTIVE

Our objective was to determine whether the State agency claimed Federal Medicaid reimbursement for MFP program expenditures in compliance with Federal and State requirements.

BACKGROUND

Medicaid Program: Administration and Reimbursement

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, CMS administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Federal Government pays its share of a State’s medical assistance expenditures under Medicaid according to the Federal medical assistance percentage (Federal reimbursement rate), which varies depending on the State’s relative per capita income (§ 1905(b) of the Social Security Act).

Money Follows the Person Program

The Deficit Reduction Act of 2005 (DRA), as amended by P.L. No. 111-148, authorized the MFP grant program to increase the use of home and community-based long-term care and eliminate barriers that prevent or restrict the flexible use of Medicaid funds to enable Medicaid-eligible individuals to receive long-term services in the setting of their choice. In addition, the program provides State Medicaid programs the increased ability to offer continuous home and community-based long-term-care services to individuals who choose to transition from an institution to a community setting and quality assurance for eligible individuals receiving such services (DRA, § 6071(a)).

To be eligible for the MFP program, a beneficiary must reside in an inpatient facility, receive Medicaid benefits for inpatient services furnished by that facility, and transition to a qualified residence (DRA, § 6071(b)(2)).^{1, 2}

The MFP program provides States with Federal reimbursement for expenditures related to qualified home and community-based services, optional supplemental services, and administration:

- **Qualified Services.** The MFP program reimburses States at an enhanced Federal reimbursement rate for 12 months of qualified home and community-based services for each individual who has transitioned from an institution to the community.³ Qualified services include rehabilitative, home health, and personal care services.
- **Supplemental Services.** The State has the option of providing supplemental services that are necessary to transition an individual from an institution to the community. The costs associated with these services are one-time costs reimbursed at the State's regular Federal reimbursement rate. Supplemental services include home modifications, nutrition services, and substance abuse services.
- **Administration.** Administrative expenditures associated with running the MFP program that were incurred through vouchers, payroll, and cost allocations are generally reimbursed at the State's administrative reimbursement rate.

Oregon's Money Follows the Person Program

In Oregon, the State agency administers the MFP program, known as On the Move. From May 2007 through September 2011, the State agency transitioned 305 clients from institutions to home and community-based settings. During our audit period (May 1, 2007, through December 31, 2011), the State agency's enhanced Federal reimbursement rate for qualified services ranged from 80.43 percent to 86.49 percent. The regular reimbursement rate for supplemental services ranged from 60.86 percent to 72.97 percent. The reimbursement rate for the State agency's administrative expenditures ranged from 50 percent to 100 percent.

¹ The DRA defines an inpatient facility as a hospital, a nursing facility, or an intermediate-care facility for individuals with intellectual disabilities. A qualified residence is defined as a home owned or leased by the individual or the individual's family member, an apartment with an individual lease, or a residence in a community-based residential setting where no more than four unrelated individuals reside (DRA, §§ 6071(b)(3) and 6071(b)(6)).

² The Patient Protection and Affordable Care Act amended the requirement that an individual must reside in an inpatient facility for a period of no less than 6 months and no more than 2 years to a period of no less than 90 consecutive days before transition (P.L. No. 111-148, § 2403(b)(1)(A)).

³ The MFP enhanced Federal reimbursement rate is based on a calculation using the State's regular Federal reimbursement rate and should not exceed 90 percent (DRA, § 6071(e)(5)).

Investigative Actions Taken by the State Agency

In September 2010, OPAR's Fraud Investigation Unit began a review of the MFP program to investigate allegations of potentially fraudulent practices and mismanagement of program funds. At the same time, the State agency stopped enrolling new beneficiaries in the program and initiated a review of its MFP expenditures. In October 2011, the State agency stopped providing services to beneficiaries who had previously been transitioned into the MFP program and started claiming the related expenditures through other programs. As of the date of this report, the State agency is in the process of restarting the program.

HOW WE CONDUCTED THIS REVIEW

From May 1, 2007, through December 31, 2011, the State agency claimed MFP program expenditures of approximately \$30.1 million (\$21.5 million Federal share). Of these expenditures, we judgmentally selected for review expenditures totaling \$5,428,359, which included expenditures for qualified and supplemental services and administration. We also verified the eligibility of 33 judgmentally selected beneficiaries.

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 generally claimed Federal Medicaid reimbursement for MFP program expenditures in compliance with Federal and State requirements. However, the State agency and we separately identified some program expenditures that were not claimed in compliance with Federal requirements:

- After OPAR's investigation and before our audit, the State agency reviewed its MFP program expenditures and identified \$1,235,588 in expenditures that were not properly claimed or were not allowable under the program. In June 2012, the State agency adjusted and reclaimed \$1,010,938 of these expenditures, decreasing the Federal share by \$161,571. However, after our fieldwork, the State agency determined that the adjustment was not accurate and is revising the adjustment. For the remaining \$224,650 in expenditures, the State agency did not make any adjustment because it was waiting for the conclusion of our audit.
- We found that the State agency claimed an additional \$851,538 in expenditures that did not comply with Federal requirements (a net underclaim of \$4,241 Federal share). Specifically, the State agency claimed unallowable expenditures and did not use the correct Federal reimbursement rates to claim other expenditures.

Considering that the State agency identified that it erroneously claimed expenditures of more than \$1.2 million, and nearly 16 percent of the \$5.4 million in expenditures that we reviewed was erroneously claimed, the State agency's internal controls were not adequate to ensure that MFP program expenditures were claimed in compliance with Federal requirements.

FEDERAL REQUIREMENTS

The DRA specifies that a State's MFP program expenditures are allowable but only for home and community-based long-term-care services provided during the 12-month period beginning on the date the individual is discharged from an inpatient facility (DRA, § 6071(b)(7)).

Federal regulations state that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards (2 CFR part 225, Appendix A, paragraph C.1.a.). Additionally, a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received (2 CFR part 225, Appendix A, paragraph C.3.a.).

STATE AGENCY FOUND THAT PROGRAM EXPENDITURES WERE NOT PROPERLY CLAIMED OR WERE UNALLOWABLE

After OPAR's investigation and before our audit, the State agency reviewed its MFP program expenditures and identified \$1,235,588 in expenditures that were not properly claimed or were not allowable under the MFP program. The supporting documentation that the State agency provided to us showed that the \$1,235,588 consisted of:

- qualified expenditures that were improperly claimed as supplemental expenditures,
- supplemental expenditures that were improperly claimed as qualified or administrative expenditures,
- administrative expenditures that were improperly claimed as qualified or supplemental expenditures,
- expenditures that were not eligible for reimbursement under the MFP program,
- expenditures that were not previously claimed for reimbursement under the MFP program,⁴ and
- expenditures that were not tied to specific MFP beneficiaries who had received the services.

In June 2012, the State agency adjusted and reclaimed \$1,010,938 of these expenditures, refunding to the Federal Government an adjustment decreasing the Federal share by \$161,571. However, after our fieldwork, the State agency determined that the adjustment was not accurate

⁴ These expenditures were previously reimbursed with State funds only.

and is revising the adjustment. For the remaining \$224,650 in expenditures, the State agency did not make any adjustment because it was waiting for the conclusion of our audit.

ADDITIONAL PROGRAM EXPENDITURES DID NOT COMPLY WITH FEDERAL REQUIREMENTS

During our review, we found that the State agency claimed \$851,538 in MFP program expenditures that did not comply with Federal requirements (a net underclaim of \$4,241 Federal share). Specifically, the State agency overclaimed \$54,135 (\$36,559 Federal share) and underclaimed \$797,403 (\$40,800 Federal share). The \$36,559 overclaim of Federal reimbursement consisted of:

- \$18,417 for duplicate payments to a remodeling contractor and a vendor,
- \$7,685 for expenditures related to one beneficiary who was no longer eligible to have his expenses paid for by the MFP program,
- \$5,885 for salaries and fringe benefits of two employees who did not work for the MFP program, and
- \$4,572 for payments to an adult foster-care home to hold beds without first identifying MFP beneficiaries to fill the beds and subsequently ensuring that those beds were occupied by MFP beneficiaries.

The State agency underclaimed Federal reimbursement of \$40,800 because it claimed some expenditures at the incorrect Federal reimbursement rates.

Duplicate Payments to a Remodeling Contractor and a Vendor

The State agency overclaimed Federal reimbursement of \$18,417 for duplicate payments made to a remodeling contractor and a vendor:

- The State agency overclaimed Federal reimbursement of \$17,526 for a duplicate payment to a remodeling contractor for renovations at an adult foster home. The State agency paid the contractor twice for the same invoice on two different dates. The duplicate payment occurred because the State agency did not follow its procedures requiring the contracting department to review and approve contractor expenditures before payment and the State agency did not have policies and procedures to identify or prevent duplicate payments.
- The State agency overclaimed Federal reimbursement of \$891 for a duplicate payment to a vendor for the purchase and installation of bathroom fixtures. The State agency paid the vendor on the basis of the purchase invoice as well as the purchase order for the installation project. The duplicate payment occurred because the State agency did not have policies and procedures to identify or prevent duplicate payments.

Expenditures for an Ineligible Beneficiary

The State agency overclaimed Federal reimbursement of \$7,685 for services provided to a beneficiary who was no longer eligible to have his expenditures paid for by the MFP program. The MFP program paid the beneficiary's expenses because a program caseworker did not properly adjust the beneficiary's period of eligibility in the State agency's long-term-care client assessment and planning system after the caseworker had performed and documented a reassessment of the services needed by the beneficiary.

A beneficiary transitioning into the community through the MFP program is eligible to have his or her expenses paid for by the program for a period of 12 months from the date of transition.⁵ When a caseworker documents a reassessment in the State agency's long-term-care client assessment and planning system, the beneficiary's transition date is automatically adjusted to the current date, causing the beneficiary's period of eligibility to extend beyond the allowable 12 months. According to an MFP program official, a caseworker is required to manually adjust the beneficiary's transition date to reflect the original date of transition. For one beneficiary, the caseworker did not adjust the date of transition to the original date. As a result, the State agency paid for services through the MFP program 2 months beyond the beneficiary's 12-month period of eligibility.

Salaries and Fringe Benefits of Employees Who Did Not Work for the Money Follows the Person Program

The State agency overclaimed Federal reimbursement of \$5,885 for salaries and fringe benefits of two employees who did not work for the MFP program. The employees erroneously reported on their timesheets that they had worked for the MFP program. Their supervisor reviewed the timesheets but did not identify the errors and submitted the timesheets to the State agency's payroll system for processing.

Payments to an Adult Foster-Care Home To Hold Beds

The State agency overclaimed Federal reimbursement of \$4,572 for two payments to an adult foster-care home to hold beds without first identifying MFP beneficiaries to fill the beds and subsequently ensuring that those beds were occupied by MFP beneficiaries. Payments to home care providers to hold beds not associated with MFP beneficiaries are not reasonable or necessary; therefore, those payments are not allowable for Federal reimbursement.

Expenditures Claimed at Incorrect Federal Reimbursement Rates

The State agency underclaimed a net amount of \$40,800 in Federal reimbursement because it claimed some MFP program expenditures at the incorrect Federal reimbursement rates:

⁵ The transition date is the day that a beneficiary is discharged from an inpatient facility.

- The State agency overclaimed Federal reimbursement of \$3,870 for expenditures incurred from July through December 2011.⁶ The State agency applied a higher Federal reimbursement rate of 68.25 percent during this period although the actual reimbursement rates were lower (62.85 percent from July through September 2011 and 62.91 percent from October through December 2011).
- The State agency underclaimed Federal reimbursement of \$44,670 for expenditures incurred from January 2009 through October 2010. The State agency claimed the expenditures at lower reimbursement rates than the rates in effect at the time the expenditures were claimed.

The State agency claimed the expenditures at the incorrect Federal reimbursement rates because it did not update the rates in its accounting system in a timely manner.

CONCLUSION

Considering that the State agency identified that it erroneously claimed expenditures of more than \$1.2 million, and nearly 16 percent of the \$5.4 million in expenditures that we reviewed was erroneously claimed, the State agency's internal controls were not adequate to ensure that MFP program expenditures were claimed in compliance with Federal requirements. Further, although the net effect of improperly claimed and unallowable expenditures on the Federal share is immaterial, the number of questionable expenditures erroneously claimed illustrates that the State agency's internal controls should be strengthened. Although the State agency has refunded the Federal share of some expenditures that it identified as improperly claimed or unallowable, it determined that the adjustment was not accurate. In addition, State agency officials indicated that they have taken some steps to strengthen internal controls but have not yet implemented all of those controls necessary to prevent the claiming of unallowable expenditures in the future.

RECOMMENDATIONS

We recommend that the State agency review the \$1,235,588 in expenditures that it identified as improperly claimed or unallowable and refund the Federal share of any questionable expenditures. In addition, because the State agency is restarting the MFP program, we recommend that the State agency:

- follow existing procedures to review contractor expenditures before payment;
- implement policies and procedures to identify and prevent duplicate payments for MFP program expenditures; and

⁶ As a result of our review, the State agency submitted an adjustment for the \$3,870 on the Federal Financial Report for the MFP program for the period ended December 31, 2012.

- strengthen its internal controls to ensure that:
 - payments are not made on behalf of beneficiaries who are no longer eligible for the MFP program,
 - only MFP employee salaries and fringe benefits are claimed through the MFP program,
 - unallowable payments are not made to hold beds unless MFP beneficiaries are identified and subsequently occupy those beds,
 - Federal reimbursement rates are updated in its accounting system in a timely manner, and
 - allowable MFP program expenditures are claimed at the correct Federal reimbursement rates.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations and provided information on actions that it had taken or planned to take to address our recommendations. The State agency's comments are included in their entirety as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

From May 1, 2007, through December 31, 2011, the State agency claimed MFP program expenditures of \$30,145,970 (\$21,479,864 Federal share). Of these expenditures, we judgmentally selected for review expenditures totaling \$5,428,359, which included expenditures for qualified and supplemental services and administration. We reviewed expenditures for qualified and supplemental services related to 33 MFP beneficiaries; administrative expenditures incurred through vouchers, payroll, and cost allocations; and other expenditures that were manually entered into the State agency's financial accounting system. We also verified the eligibility of the 33 beneficiaries for the MFP program.

We did not review the overall internal control structure of the State agency or the Medicaid program. We reviewed only those internal controls related to our objective. We limited our review to determining whether the State agency claimed Federal Medicaid reimbursement for MFP program expenditures in compliance with Federal and State requirements.

We conducted our audit from June 2012 to April 2013 and performed our fieldwork at the State agency's office in Salem, Oregon.

METHODOLOGY

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- reviewed State law and guidance and the Oregon MFP program Operational Protocol;⁷
- held discussions with CMS officials to gain an understanding of CMS guidance furnished to the State agency concerning the MFP program;
- held discussions with State agency officials to gain an understanding of the State agency's policies and procedures for claiming Federal reimbursement for MFP expenditures;
- obtained an understanding of the State agency's review of MFP expenditures and corresponding adjustments; and
- reviewed a judgmental sample of MFP expenditures totaling \$5,428,359, consisting of:
 - \$3,356,167 in expenditures for qualified and supplemental services directly related to 33 MFP beneficiaries;

⁷ The Operational Protocol outlines the State agency's operation and implementation of the MFP program and must be approved by CMS before the State agency can claim enhanced Federal reimbursement for MFP expenditures.

- \$1,055,215 in administrative expenditures that were incurred through vouchers, payroll, and cost allocations; and
- \$1,016,977 in expenditures that were manually entered into the State agency's financial accounting system.

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: STATE AGENCY COMMENTS



Oregon

John A. Kitzhaber, MD, Governor

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October 24, 2013

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Report Number: A-09-12-02049

Dear Ms. Ahlstrand:

Thank you for the opportunity to respond to the US Department of Health and Human Services, Office of Inspector General, draft report entitled *Oregon Generally Claimed Federal Medicaid Reimbursement for Money Follows the Person Program Expenditures in Compliance With Federal and State Requirements but Internal Controls Should Be Strengthened*.

Oregon ceased enrolling new individuals in Money Follows the Person (MFP) effective September 2010 and officially suspended MFP in October 2011. As a result of identified concerns, Oregon launched an investigation through the Office of Payment Accuracy and Recovery (OPAR). This investigation began September 2010 and was completed in March 2011. The Department also launched an internal review of the program and a systematic analysis of payments and controls. New protocols and procedures were completed and corrections were identified related to the grant. Oregon also conducted a larger review of internal controls across the former Seniors and People with Disabilities Division via the Office of Internal Audit and Consulting.

Oregon is now in the process of restarting the MFP program. Former MFP leadership has been replaced with a new MFP Director and Deputy Director. At this time, no other staff is working directly with the program. DHS has decided to take a slow and deliberate approach towards reopening this program. This pace will

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allow us to adequately implement all of the necessary changes in our administration of this program, a fundamental step in rebuilding trust and confidence in the Department's ability to manage this complex program. We will not begin charging funds to MFP until leadership from DHS and the Oregon Health Authority have confidence that all necessary controls have been adequately implemented.

Currently, Oregon is working closely with the Centers for Medicare and Medicaid Services (CMS) on a revised Operational Protocol. This protocol addresses internal systems that address many of the recommendations contained in this report.

Response to Recommendations:

State agency to review the \$1,235,588 in expenditures identified as improperly claimed or unallowable and refund the Federal share of any questionable expenditures

Oregon concurs with this recommendation.

Oregon has reviewed expenditures identified as improperly claimed and have processed \$1,010,937 in corrections thus far. Oregon is finalizing the other corrections and will submit documentation to OIG upon completion.

The program continues to take internal steps to ensure all expenditures are reviewed to alleviate any improperly claimed or unallowable expenses. If any are identified, adjustments will be determined and reported as appropriate.

Follow existing procedures to review contractor expenses before payment;

Oregon concurs with this recommendation.

Contractors will not be paid until review of successful completion of work.

Implement policies and procedures to identify and prevent duplicate payments for MFP program expenditures; and

Oregon concurs with this recommendation.

Oregon is committed to implementing policies and procedures to identify and prevent duplicate payments. The program has had ongoing meetings since February 2013 (at least 16 meetings have occurred) with accounting, financial, budget, reimbursement, and coding personnel to establish new systems and/or refine previous systems.

Strengthen its internal controls to ensure that:

Payments are not made on behalf of beneficiaries, who are no longer eligible for the MFP program,

Oregon concurs with this recommendation.

Payment systems are being reviewed and revised to prevent payments to ineligible participants. System edits are being developed to prevent recurrence of this problem. Manual overrides will be required for exceptional cases that appropriately exceed the 365 calendar day period.

Only MFP employee salaries and fringe benefits are claimed through the MFP program,

Oregon concurs with this recommendation.

The program currently only has two employees. Internal controls will be implemented to assure only MFP employee salaries and benefits will be claimed within the MFP program. Program directors will review and approve quarterly financial reports to ensure only appropriate staff salaries and benefits are charged to the MFP program.

Unallowable payments are not made to hold beds unless MFP beneficiaries are identified and subsequently occupy those beds;

Oregon concurs with this recommendation.

Oregon ceased the practice of paying for bed holds and will continue to prohibit payments in all programs in the future.

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Federal reimbursement rates are updated in its accounting system in a timely manner, and

Oregon concurs with this recommendation.

MFP program directors will work with accounting staff to ensure federal reimbursement rates are accurate and updated on a timely basis. Program Directors will also monitor charged expenditures in accounting reports for correct matching rates.

Allowable MFP program expenditures are claimed at the correct Federal reimbursement rates.

Oregon concurs with this recommendation.

Policies and procedures will be implemented to ensure that the correct federal reimbursement rate is used for the type of service (qualified/supplemental/administrative) being claimed.

Thank you for the opportunity to respond to your recommendations. Oregon is committed to implementing all of the recommendations contained in this report. Please feel free to contact me or the Department's Director for Aging and People with Disabilities, Mike McCormick, if you have any questions. Mr. McCormick may be reached at 503-945-6229 or mike.r.mccormick@state.or.us.

Sincerely,

/Erinn Kelley-Siel/

Director

EKS:pp

cc: Mike McCormick, APD
Dave Lyda, Audits