Auditor's Description of Condition
DSHS Response
Laws & Regulations

The Department of Social and Health Services, Medical Assistance Administration, is not complying with federal requirements to report Medicaid expenditures properly.

Background

The federal government requires states to report expenditures for medical assistance and administrative costs on a quarterly basis. This report is referred to as the CMS-64. The federal government reimburses states for a defined percentage of expenditures based on the information submitted in these reports. Line 27 of the CMS-64, Emergency Services Undocumented Aliens, is to be used to report allowable emergency expenditures for undocumented aliens.

Description of Condition

We reviewed certain types of information on the quarterly reports to determine if the Department is reporting allowable expenditures accurately. We found that the Department is not reporting any disbursements for alien emergency medical services on the CMS-64.

Between July 2003 and December 2003, the Department completed 434,888 transactions for a total of $43,193,263 in services for 12,119 undocumented aliens. However, the Department does not use Line 27 to report these expenditures. Instead, it combines payments for both allowable emergency services and unallowable non-emergency services and reports this amount in other categories of the CMS-64 as allowable expenditures.

Cause of Condition

The Department has no coding in its accounting records to differentiate emergency services from non-emergency services for undocumented aliens. All of these services are included in one accounting category.

Effect of Condition

The Department is receiving federal Medicaid funds to which it is not entitled. Because emergency and non-emergency payments for services to undocumented aliens are commingled in the accounting records, the Department cannot determine the total amount of over-payments it has received. In addition, the omission of expenditures on line 27 leads the federal grantor to believe that the state makes no expenditures for undocumented aliens and that therefore there is no risk that such expenditures are improper.

Recommendation

We recommend the Department develop account coding that would differentiate emergency from non-emergency services for undocumented aliens and report the proper allowable amount on the correct line of the CMS-64.

Department's Response

The Department does not concur with this finding.

- As a result of an audit finding from SFY 2003, the Medical Assistance Administration (MAA) has reported expenditures for undocumented aliens on the CMS-64 report, effective April 1, 2004. The SFY 2004 audit should reflect all activities from July 1, 2003, through June 30, 2004. On at least two separate occasions, the MAA did advise SAO that it had established appropriate coding to report this line item effective April 2004. However, the SAO arbitrarily chose to write this finding to cover the time period from July 1, 2003, through December 31, 2003, instead.

- At issue here is the SAO's interpretation of emergency services for undocumented aliens. Although the finding indicates that federal rules governing services for undocumented aliens are clear, we assert that the interpretation of these rules is complex. In response to a similar audit finding from SFY 2003, the administration has implemented a transitional policy relating to services for undocumented aliens. We provided the SAO with a copy of this transitional policy, which recognizes that all expenditures for this population are considered emergent until a permanent policy is established. The MAA has also established two workgroups that will assist in development of a permanent policy by the spring of 2005.

Auditor's Concluding Remarks

To be provided

Applicable Laws and Regulations

The state of Washington's Office of Financial Management's *State Administrative and Accounting Manual*, Section 50.30.45.2, describes the reporting responsibilities of state agencies that administer or expend federal awards:

> Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included

> in this and other sections of the OFM *State Administrative and Accounting Manual***.**

Title 45, Code of Federal Regulations, Section 92.20(a), states:

> A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.

Title 42, Code of Federal Regulations, Section 430.30(c) states:

> Expenditure reports. (1) The State must submit Form CMS-64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program) to the central office (with a copy to the regional office) not later than 30 days after the end of each quarter. (2) This report is the State's accounting of actual recorded expenditures. The disposition of Federal funds may not be reported on the basis of estimates.

The U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* Subpart C, Section .300 states:

> The auditee shall:…
>
> > (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs….