



**Mecklenburg County
Department of Internal Audit**

Mecklenburg County Health Department
Community Alternatives Program (CAP) Audit
Report 1561

April 19, 2016

Internal Audit's Mission	To support key stakeholders to cultivate an environment of accountability, transparency, and good governance.
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MECKLENBURG COUNTY

To: Dr. Marcus Plescia, Director, Health Department

From: Joanne Prakapas, Director, Department of Internal Audit

Date: April 19, 2016

Subject: Community Alternatives Program Audit Report 1561

The Department of Internal Audit has completed its audit of the Health Department's administration of the Medicaid Community Alternatives Program for Children (CAP/C) and Disabled Adults (CAP/DA) to determine whether internal controls effectively manage key business risks inherent to the activities. Internal Audit staff interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; and tested various activities for the period of March 1, 2014 through December 31, 2014.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. These 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.

OVERALL EVALUATION

Overall, key risks inherent to the administration of CAP/C and CAP/DA were managed to an acceptable level; however, opportunities exist to improve the design and operation of some control activities.

RISK OBSERVATION SUMMARY

The table below summarizes the risk observations identified during the course of the audit, grouped by the associated risk factor, and defined in Appendix A. The criticality or significance of each risk factor, as well as Internal Audit’s assessment of the design and operation of key controls to effectively mitigate the risks, are indicated by the color codes described in Appendix B.

RISK OBSERVATION SUMMARY			
Risk Factors and Observations	Criticality	Design	Operation
1. Policies and Procedures Risk	●	●	●
1.1 Formal Documentation			
1.2 Periodic Review			
2. Compliance Risk	●	●	●
2.1 Annual Continued Needs Reviews			
2.2 Case Management Monitoring			
3. Claim Accuracy Risk	●	●	●
3.1 Claim Submission			
4. Documentation Risk	●	●	●
4.1 Supporting Documentation			
5. Payment Accuracy Risk	●	●	●
5.1 Invoice Support			
5.2 Invoice Review			
6. Human Resources Risk	●	●	●
No risk observations noted			
7. Eligibility Risk	●	●	●
No risk observations noted			
8. Accounting Risk	●	●	●
No risk observations noted			
9. Segregation of Duties Risk	●	●	●
No risk observations noted			

The risk observations and management's risk mitigation strategies are discussed in detail in the attached document. Internal Audit will conduct a follow-up review at a later date to verify management's action plans have been implemented and are working as expected.

We appreciate the cooperation you and your staff provided during this audit. Please feel free to contact me at 980-314-2889 if you have any questions or concerns.

c: County Manager
Deputy County Manager/Chief of Staff
Assistant County Managers
Deputy County Attorney
Senior County Attorney
Board of County Commissioners
Audit Review Committee

BACKGROUND

The Mecklenburg County Health Department's vision is to assure the health and safety of the County's diverse and changing community today and for future generations, with a mission to promote and protect the public's health. The Department has four divisions: Clinic Services, Community Health Services, Environmental Health, and Health Informatics and Planning. On July 1, 2013, the County transitioned public health services previously managed by a third-party vendor to the Health Department. The Community Alternatives Program (CAP) was part of this transition and is within the Community Health Services Division.

Community Alternatives Program

The Community Alternatives Programs for Children (CAP/C) and Disabled Adults (CAP/DA) are waiver Medicaid programs under the Community Care Section of the North Carolina Department of Health and Human Services' Division of Medical Assistance. These programs are designed to provide an array of home-based services to medically fragile children and disabled adults who would otherwise require long-term care in a nursing facility or hospital.

Information Systems

The CAP/C and CAP/DA web-based case management system, or e-CAP, helps organize and track key case management tasks while supporting State-level program management. A third-party vendor provides the e-CAP system to help support the North Carolina Division of Medical Assistance (NCDMA) CAP program.

Mecklenburg County uses an electronic patient information management system to submit Medicaid claims for case management service reimbursements. This management system communicates with NC Tracks, which is the North Carolina Department of Health and Human Services Medicaid management information system used to approve program eligibility and to reimburse claims for case management services and CAP program waiver supply purchases.

Eligibility

Applicants must meet certain eligibility requirements before they can be enrolled for CAP program services. Referrals for services can come from multiple sources, such as schools, caretakers, or family members, and adults can refer themselves. The Health Department is the Case Management Agency who submits referrals for service through e-CAP for preliminary review and screening.

CAP/C—Once the initial approval is received in e-CAP, the CAP/C staff sends an FL-2 form to the applicant's physician to determine the applicant's health needs. After the physician's documentation is received, the CAP/C staff submits it to NC Tracks for the State's prior approval, which starts the initial program eligibility assessment and development of the applicant's Plan of Care (POC). The initial assessment information, the physician's review, and other supporting documentation are submitted to the NCDMA through e-CAP to obtain the applicant's final program eligibility determination by the State.

CAP/DA—Once a referral is received, the supervisor and/or Program Manager works with the applicant to complete a Service Request Form (SRF) and sends the SRF to the applicant's physician for confirmation of health needs. The SRF and other supporting documentation are submitted through e-CAP for approval to conduct the applicant's initial CAP program eligibility assessment. If approved for assessment, the case management team, comprised of a social worker and a registered nurse, will make the initial program eligibility assessment, and then develop a POC. The Health Department acts as the CAP Local Lead Agency which provides final approval for CAP/DA program enrollment. A case management team member acting as the lead case manager submits the assessment, the POC, and other supporting documentation to a CAP/DA supervisor for review and final approval, which is documented in e-CAP.

Case Management

Once an applicant becomes part of the CAP program, case managers will provide the participant continuous monitoring of his or her health status and total needs and services. Case managers also communicate on a routine basis with providers of program participant services, e.g., health or waiver supply providers, and ensure all invoices for services and waiver supplies are accurate and appropriate. The NCDMA requires the case manager to complete and submit the appropriate required documentation of all case management activities and to retain that documentation in the e-CAP system.

Reimbursement Process

Supervisors review case managers' documentation of case management activity time to ensure accuracy and to provide approval before it is entered into the information management system, which begins the process for Medicaid reimbursement. Case management activity time is summarized into billable units based on 15-minute increments.

Case managers review incoming Medicaid waiver supply and service invoices billed to the CAP program for accuracy and appropriateness before payments are processed to the vendors and requests for reimbursements are submitted to Medicaid.

The County's Departmental Financial Services Division (DFS) processes both the payments and reimbursement claims. The DFS submits all approved claims into NC Tracks for reimbursement. The Medicaid Remittance Advice (RA) report is used by the DFS to determine what reimbursements were paid and need to be posted to the general ledger, and what claims were not reimbursed and need to be sent back to CAP program staff for further attention. The DFS also uses the RA report information to update the beneficiary's account information to the information management system.

COUNTY MANAGER'S OVERALL RESPONSE

The County Manager concurs with all risk mitigation strategies and timeframes for implementation.

RISK OBSERVATIONS AND MITIGATION STRATEGIES

Risk Factor	Criticality	Design	Operation
1. Policies and Procedures Risk	●	●	●

Risk Observations

- 1.1 Formal Documentation—While the Department has formal, documented policies and procedures for some aspects of its CAP/C and CAP/DA program administration, they do not always reflect current and leading practices. Yet, policies and procedures are important control activities to help ensure management's directives are carried out while mitigating risks that may prevent the organization from achieving its objectives.
- 1.2 Periodic Review—The Department's CAP/C Policy and Procedure Manual states policies and procedures should be annually reviewed and/or revised. Yet, CAP/C policies and procedures have not been updated since 2013.

Recommendations

- 1.1 Internal Audit recommends management develop and implement formal, documented policies and procedures for all CAP program activities and train staff accordingly. The policies and procedures should include, at a minimum:
 - Claim and invoice processing procedures, including recordation in the general ledger
 - Staff roles and responsibilities
 - Staff training
 - Management oversight and supervisory review
 - Policy and procedure reviews and updates
 - Record retention and disposition schedules for all operational documents
- 1.2 Internal Audit recommends management annually review and update all CAP program policies and procedures.

Management's Risk Mitigation Strategies

- 1.1 The CAP Program developed and implemented Policy C.17 Service Claims and Supply Invoices in January 2015, which established guidelines for the review and approval of waiver and lead agency service claims and supplies. We will provide Internal Audit the policy during their follow-up review for evaluation. CAP will also develop policies for management oversight and supervisory review; policy/procedure review and updates; general ledger recordation and review; CAP staff roles and responsibilities; staff training; and record retention and disposition schedules by June 30, 2016.

1.2 CAP will implement an annual review and update of all CAP Program policies/procedures to be completed by June 30th of each year. The first annual review and update will be completed by June 30, 2016.

Risk Factor	Criticality	Design	Operation
2. Compliance Risk	●	●	●

Risk Observations

2.1 Annual Continued Needs Reviews—Annual reviews of beneficiary needs, known as Continued Needs Reviews (CNR), were not always submitted to the appropriate authority by the required due date. As a result, CAP program staff was not in compliance with State requirements and may not be able to determine if a beneficiary’s current service levels are still appropriate or required.

- CNRs for 6 of 16 (38%) CAP/C beneficiaries sampled were not submitted to the Division of Medical Assistance by the fifth day of the beneficiary’s birth month as required.
- CNRs for 18 of 40 (45%) CAP/DA beneficiaries sampled were not submitted for local approval by the required due date.

2.2 Case Management Monitoring—CAP program documentation for the period of March 1, 2014 to December 31, 2014 revealed several instances where the case manager did not periodically contact the beneficiary or service provider as required by the Division of Medical Assistance. As a result, CAP program staff may not be able to determine if a beneficiary’s current service levels are still appropriate or required.

The table below represents the exceptions from a sample of 24 CAP/C and 63 CAP/DA beneficiaries for which at least one instance of non-compliance was observed.

Case Management Monitoring Exceptions Summary						
Requirements	CAP/C			CAP/DA		
	Sample Exceptions	Percent of Exceptions	Average Exception Contact Period	Sample Exceptions	Percent of Exceptions	Average Exception Contact Period
Beneficiary contact at least once every 30 days	19 of 24	79%	42 days	55 of 63	87%	48 days
Beneficiary home visit at least once every 90 days	17 of 24	71%	128 days	25 of 63	40%	109 days

Waiver service provider contact at least once every 30 days (CAP/C) or 90 days (CAP/DA)	20 of 24	83%	61 days	13 of 63	21%	137 days
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Recommendations

- 2.1 Internal Audit recommends management ensure CNRs are completed in accordance with CAP program requirements.
- 2.2 Internal Audit recommends management ensure case managers contact beneficiaries and service providers as required by the Division of Medical Assistance.

Management’s Risk Mitigation Strategies

- 2.1 CAP began to use a new State mandated electronic record documentation system on June 2, 2014. This system was newly created by the Electronic Record Vendor and the system had internal glitches that prevented some Continued Need Review Assessments (CNRs) from being submitted by the required due date.

The CAP Program management implemented a process in February 2015 that utilizes a report generated by the electronic record documentation system to ensure that CNRs are completed in accordance with DMA CAP Program requirements.

- 2.2 The CAP Program management implemented a process in February 2016 that utilizes the electronic record documentation system’s Monitoring Module to prompt CAP Staff when monitoring tasks are due for each beneficiary. Tasks remain in the Monitoring Module queue until completed. Manager/Supervisors review the monitoring queue at least monthly to ensure tasks are completed.

Risk Factor	Criticality	Design	Operation
3. Claim Accuracy Risk	●	●	●

Risk Observation

- 3.1 Claim Submission—CAP program staff did not always submit their Medicaid claims for CAP program work activity reimbursement in accordance with North Carolina CAP program requirements. For example, some claims adequately supported by case notes were not submitted or were not submitted timely. As a result, Medicaid over- or under-reimbursed the County for CAP billable units for a net loss to the County of \$8,922.34¹, although some costs are still within the period to recover.

¹ Amount of \$8,922.34 is sum of CAP/C and CAP/DA underpayments.

The table below represents the exceptions from a sample of 24 CAP/C and 63 CAP/DA beneficiaries.

Case Management Billing Exceptions Summary				
Requirement	CAP/C		CAP/DA	
	Billable units	Over/ (Underpaid Amount)	Billable units	Over/ (Underpaid Amount)
Claims paid without supporting documentation	11	\$155.54	4	\$56.56
Claims paid in excess of supporting documentation	23	\$325.22	23	\$325.22
Claims submitted for less than supporting documentation	(19)	(\$268.66)	(41)	(\$579.74)
Claims with supporting documentation but not submitted for reimbursement	(50)	(\$707.00)	(582)	(\$8,229.48)
<i>Net Underpaid County</i>	<i>(35)</i>	<i>(\$494.90)</i>	<i>(596)</i>	<i>(\$8,427.44)</i>

Recommendation

3.1. Internal Audit recommends management ensure staff timely submits all CAP program billing claims with the required supporting documentation. In addition, staff should reconcile billing claims against case notes, checking for accuracy and completeness. Furthermore, management should ensure overpaid Medicaid reimbursements are returned and any recoverable underpaid reimbursements are recovered from Medicaid before the recovery period ends.

Management's Risk Mitigation Strategy

3.1 This process will be implemented with the release of claims in March 2016:

- The CAP Program Manager will run a Claims Hold report monthly after claims are submitted for Medicaid billing to determine that all claims were appropriately released.
- The May 2015 Case Management Bill Review process will be revised to include that staff compare their Case Management Bill Reports to the documentation in each beneficiary's record. Staff will be oriented to this revised process during the March 2016 Staff Meeting.

- The CAP Program reviewed the claims identified as over and underpaid by the Auditors in October 2015 and submitted claim adjustments to Medicaid in October 2015.

Risk Factor	Criticality	Design	Operation
4. Documentation Risk	●	●	●

Risk Observation

4.1 Supporting Documentation—The CAP/C Policy and Procedure Manual states all “CAP-C services must generate an Encounter Form ... which is necessary to initiate Medicaid Billing for the area”. Yet, thirteen of 24 (54%) CAP/C beneficiaries sampled were missing at least one Encounter form. As a result, the Department may not have the complete information needed to receive full reimbursement for billable case management activities.

Recommendation

4.1 Internal Audit recommends management ensure Encounter forms are complete, accurate, and appropriately retained.

Management’s Risk Mitigation Strategy

4.1 In March 2016, the CAP Encounter Data Forms Policy/Procedure was revised to include the Program’s standard operating procedures which include the use of the Case Management Bill Report and the Additions to Case Management Bill Report Form. This revised policy will be provided to Internal Audit during their follow-up review for evaluation.

Risk Factor	Criticality	Design	Operation
5. Payment Accuracy Risk	●	●	●

Risk Observations

5.1 Invoice Support—Case managers did not always ensure waiver supply invoices were supported by the beneficiaries’ approved POCs and pricing was in accordance with the NCDMA fee schedule. Improper support for invoices could result in inaccurate or fraudulent vendor payments. Twenty of 133 (15%) CAP/C and 33 of 168 (20%) CAP/DA waiver supply invoices sampled either did not have beneficiaries’ approved POCs or did not have POCs that supported the invoice items billed.

5.2 Invoice Review—CAP case managers did not evidence in the case management system their review and approval of waiver supply invoices to ensure they were accurate and corresponded to beneficiaries’ approved POCs. Twelve of 23 (52%) CAP/C vendor invoices and 18 of 57 (32%) CAP/DA vendor invoices sampled did not have evidence of review and approval. Without evidence of review and approval, management cannot ensure invoices were properly reviewed prior to paying the vendor.

Recommendations

- 5.1 Internal Audit recommends management ensure case managers reconcile waiver supply invoices against the beneficiaries' approved POCs and the NCDMA fee schedule. All invoices should have a supporting POC and any variances between the POC and invoice should be investigated and corrected.
- 5.2 Internal Audit recommends management ensure case managers consistently document in the case management system their review and approval of vendor invoices.

Management's Risk Mitigation Strategies

- 5.1 CAP implemented Policy C.17 Service Claims and Supply Invoices in January 2015, which establishes guidelines for the review and approval of waiver and lead agency service claims and supplies. We will provide the policy to Internal Audit during their follow-up review for their evaluation.
- 5.2 CAP implemented Policy C.17 Service Claims and Supply Invoices in January 2015, which establishes guidelines for the review and approval of waiver and lead agency service claims and supplies. We will provide the policy to Internal Audit during their follow-up review for their evaluation.

APPENDIX A—Risk Factor Definitions

Risk Factor	Definition
Policies and Procedures Risk	Policies and procedure that are non-existent, ineffective, unclear, or outdated may result in poorly executed processes and increased operating costs.
Compliance Risk	Lack of compliance with established policies, and/or statutory requirements may result in unacceptable performance that impacts financial, operational, or customer objectives.
Claim Accuracy Risk	Inaccurate claim submissions may result in delayed or incorrect reimbursements.
Documentation Risk	Failure to adequately collect, file, and retain documentation may impair the organization’s ability to sufficiently support cash receipt activities, financial reporting, and/or disclosure requirements.
Payment Accuracy Risk	Inadequate execution of disbursement processes may result in inaccurate or duplicate vendor payments.
Human Resources Risk	Failure to attract, train, develop, deploy, and/or empower competent personnel may inhibit the organization's ability to execute, manage, and monitor key business activities.
Eligibility Risk	Failure to properly determine beneficiaries’ eligibility for program services may result in inappropriate provision of services.
Accounting Risk	Failure to accurately and timely record transactions may result in untimely or inaccurate compilation and reporting of information needed for financial analysis, external reporting of financial results, or internal analysis of operating results.
Segregation of Duties Risk	Inadequate segregation of duties may allow individuals to carry out inappropriate activities without timely detection.

APPENDIX B—Color Code Definitions

The criticality of a risk factor represents the level of potential exposure to the organization and/or to the achievement of process-level objectives before consideration of any controls in place (inherent risk).

Criticality	Significance and Priority of Action
	The inherent risk poses or could pose a significant level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take immediate action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a moderate level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take prompt action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a minimal level of exposure to the organization and/or to the achievement of process level objectives. Risk observations related to this risk factor, however, may provide opportunities to further reduce the risk to a more desirable level.

The assessment of the design and operation of key controls indicates Internal Audit’s judgment of the adequacy of the process and system design to mitigate risks to an acceptable level.

Assessment	Design of Key Controls	Operation of Key Controls
	The process and system design does not appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities is not consistently effective to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level. Failure to consistently perform key risk management activities may, however, result in some exposure even if other tasks are completed as designed.	The operation of the process’ risk management capabilities is only partially sufficient to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities appears to be sufficient to manage the risk to an acceptable level.