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Internal Audit Section Report No. 2021-01

May 14, 2021

The Department of Administration (DOA) Internal Audit Section (IAS) completed IAS Report No. 2021-01, Department of Public Health and Social Services (DPHSS) Medicaid Assistance Program (MAP) and Medically Indigent Program (MIP).

Reason for Audit

This audit was initiated due to a concern over the possible receivable from Health Care Providers (Providers) based on DPHSS' Report on 'Overpayment Made to Providers' in Fiscal Year (FY) 2020.

The Internal Audit Section's audit objectives were to:

1. Assess the effectiveness of DPHSS' pre- and post-review processes relative to beneficiary claims and overpayments;
2. Determine the cause of Provider overpayments and how to prevent recurrence;
3. Evaluate the internal control on the recoupment process and refund checks and determine its appropriateness; and
4. Determine compliance with Centers for Medicare & Medicaid Services reporting rules and regulations.

The period of our review encompassed October 1, 2018 through September 30, 2020.

Results of Audit

Based on the Internal Audit Section's assessment, the audit team noted the following:

- In FY 2019 and FY 2020, Providers were overpaid approximately \$2.2 million (M), which was mainly due to Third Party Liability issues and documentation deficiencies.
- The audit team also observed that while the Bureau of Health Care Financing Administration maintains a Check Deposit Log to help with the tracking of overpayments, there is a need to consistently update the log to track the causes of overpayments and the status of refund checks.
- Recoupments of overpayments took place between 161 days to five years after initial payments were made.
- Although there is a tracking and monitoring mechanism for Providers' licenses, there is a need to enhance the monitoring of Providers' revalidation of the Provider Application and Agreement as required every five years.
- Lastly, there were variances in reported amounts of expenditures based on DOA's payout report and DPHSS' payments report.

Conclusion and Recommendations

The DPHSS Division of Public Welfare – Bureau of Health Care Financing Administration will benefit from updating their standard operating procedures to include processes on overpayments and recoupments, strengthening their internal controls, and enhancing monitoring activities primarily relative to overpayments, recoupments, and reporting.

As a result of this audit, the audit team made 10 recommendations to improve processes moving forward. DPHSS Management have acknowledged the recommendations and have designed improvement actions to address them.

The full report has been prepared solely for the use of DPHSS Management. The information in the full report is deemed confidential and not for public distribution.