

Department of Health and Human Services

OFFICE OF  
INSPECTOR GENERAL

INDIANA INCORRECTLY  
REPORTED EXPENDITURES ON  
THE FORM CMS-64 AT THE  
ENHANCED FEDERAL MEDICAL  
ASSISTANCE PERCENTAGE RATE

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Sheri L. Fulcher  
Regional Inspector General

May 2014  
A-05-14-00011

# *Office of Inspector General*

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

## OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION V  
233 NORTH MICHIGAN, SUITE 1360  
CHICAGO, IL 60601

May 22, 2014

Mr. Joseph W. Moser  
Medicaid Director  
Office of Medicaid Policy and Planning  
Indiana Family and Social Services Administration  
402 West Washington Street, Room W461, MS 25  
Indianapolis, IN 46204

Dear Mr. Moser:

This letter report provides the results of our audit of Medicaid expenditures for services provided in Indian Health Service (IHS) facilities that the State agency reported on its Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, Form CMS-64 (CMS-64) for the quarter ending December 31, 2010. In this report, we refer to these expenditures as IHS expenditures.

We determined that the State agency had claimed Medicaid expenditures totaling \$4,175,920 incorrectly as IHS expenditures, which resulted in the State agency receiving an enhanced Federal reimbursement of \$993,451. We recommend that the State agency refund the \$993,451 to the Federal Government, review previous CMS-64s to ensure that Medicaid expenditures were not reported at the IHS enhanced FMAP rate, and establish review procedures to ensure correct reporting.

In a letter dated April 28, 2014, the State agency responded that it had addressed our three audit recommendations. The State agency said it: 1) made a prior period adjustment on the CMS-64 for the quarter ending September 30, 2013 that corrected the over-claiming of Federal share by \$993,451, 2) reviewed previous CMS-64's, and 3) requested assistance from CMS in automating the CMS-64 reporting processes and enhancing CMS-64 reporting controls. The full text of the State agency's comments is attached as an enclosure to this report.

### **Background**

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending

on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time. Certain Medicaid services receive an enhanced FMAP.<sup>1</sup> For example, the Federal government reimburses 90 percent of family planning services and 100 percent of services provided through an IHS facility.

The State agency claims Medicaid expenditures and the associated Federal share on the CMS-64. This report shows the disposition of Medicaid funds used to pay for medical and administrative expenditures for the quarter being reported and any prior-period adjustments.

States report Medicaid expenditures provided by IHS facilities on the CMS-64 and those expenditures are reimbursed at the enhanced rate of 100 percent.<sup>2</sup> Since Indiana's Medicaid program does not have any IHS facilities, the State agency should not report Medicaid expenditures at the enhanced rate for IHS facility services on the CMS-64.

### **Objective, Scope, and Methodology**

Our objective was to determine whether the State agency reported Medicaid expenditures for services provided in IHS facilities on the CMS-64 in accordance with Federal requirements. We limited our review to Medicaid expenditures of \$4,175,920 reported as IHS facility services on the CMS-64, for the quarter ended December 31, 2010 and related State agency records. We did not evaluate claims submitted by providers to determine their validity. We limited our internal control review to the State agency's procedures for reporting Medicaid expenditures on the CMS-64 report.

To accomplish our objective, we reviewed applicable Federal laws and regulations and State plan sections; interviewed State agency officials to obtain an understanding of their policies and procedures for reporting Medicaid expenditures on the CMS-64; traced expenditures reported as IHS facility services to detailed records and analyzed those records; and discussed our results with the State agency.

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 conclusion 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.

We conducted fieldwork at the State agency's offices in Indianapolis, Indiana.

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<sup>1</sup> 42 CFR § 433.10(c)

<sup>2</sup> *State Medicaid Manual* section 2500.2(C)

## **Results of Audit**

The State agency overstated the Federal share of Medicaid expenditures on the CMS-64 by \$993,451. The State agency claimed \$4,175,920 of Medicaid expenditures at the IHS facility services enhanced FMAP rate of 100 percent for the quarter ended December 31, 2010. Although these expenditures were Medicaid-covered services and eligible for Federal reimbursement at the regular FMAP rate of 76.21 percent, they were not for services provided through IHS facilities and did not qualify for the enhanced 100 percent rate. The Federal share overstatement of \$993,451 is the difference between reimbursement at the rate of 100 percent and 76.21 percent.

This error occurred because a State agency official entered Medicaid expenditure amounts from supporting documents into the wrong FMAP column on the CMS-64. Also, the State agency did not have adequate review procedures to identify that Medicaid expenditures had been entered in the wrong column of the CMS-64.

We recommend that the State agency: (1) refund to the Federal Government \$993,451 consisting of enhanced Federal share reimbursement that it improperly received, (2) review previous CMS-64s to ensure that Medicaid expenditures were not reported at the IHS enhanced FMAP rate, and (3) establish review procedures to ensure that Medicaid expenditures are reported in the correct column of the CMS-64 to ensure reimbursement at the proper FMAP.

## **State Agency Comments**

In a letter dated April 28, 2014, the State agency responded that they had addressed our three audit recommendations. The State agency said it: 1) made a prior period adjustment on the CMS-64 for the quarter ending September 30, 2013 that corrected the over-claiming of Federal share by \$993,451, 2) reviewed previous CMS-64's, and 3) requested assistance from CMS in automating the CMS-64 reporting processes and enhancing CMS-64 reporting controls. The full text of the State agency's comments is attached as an enclosure to this report.

## **OIG Comments**

We reviewed the CMS-64 for the quarter ending September 30, 2013 and verified that the \$993,451 Federal share correction has been made. We agree that automating the CMS-64 reporting process should help prevent such an error from happening in the future.

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Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this report. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <https://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Lynn Barker, Audit Manager, at (317) 226-7119 or through email at [Lynn.Barker@oig.hhs.gov](mailto:Lynn.Barker@oig.hhs.gov). To facilitate identification, please refer to report number A-05-14-00011 in all correspondence to this report.

/Sheri L. Fulcher/  
Regional Inspector General  
for Audit Services

**Direct Reply to HHS Action Official:**

Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, IL 60601

ENCLOSURE



ENCLOSURE: STATE AGENCY COMMENTS

Michael R. Pence, Governor  
State of Indiana

*Indiana Family and Social Services Administration*  
402 W. WASHINGTON STREET, P.O. BOX 7083  
INDIANAPOLIS, IN 46207-7083

April 28, 2014

Office of Inspector General  
Lynn Barker, Audit Manager  
DHHS/OIG/OAS  
101 West Ohio Street, Suite 1310  
Indianapolis, IN 46204

Dear Ms. Baker:

This letter is in response to your letter dated April 1, 2014 concerning Common Identification Number A-05-14-00011. Indiana concurs that on the CMS-64 report for the quarter ending December 31, 2010, expenditures in the amount of \$4,175,920 were erroneously entered into the Indian Health Services (IHS) column instead of the regular FMAP column. The result was a reported over-claim of \$993,451 in federal share. As this was simply a keying error the additional funds were not drawn from the grant. Upon reviewing the data requested by OIG for the review the State identified the error and made a prior period adjustment on the CMS-64 for the quarter ending 9/30/13 to correct this matter. With this correction the matter is resolved.

In regards to the additional recommendations for the State agency; a review of previous CMS-64s was conducted which detected the error; and a manual process to reconcile the FMAP on the CMS-64 is completed each quarter. However, with each quarterly submission of the CMS-64 the State is required to key approximately 2,500 individual numbers within 30 days of the end of the quarter, manual review processes do not eliminate all risk. The State has requested assistance from CMS in automating reporting processes and additional reporting capabilities to enhance reporting controls.

If you require further information, please contact David Nelson at (317) 233-3045.

Sincerely yours,

Joe Moser  
Director  
Office of Medicaid Policy and Planning

cc: Joy Heim  
David Nelson  
Donna Rutherford

