



February 12, 2019

Kim Bimestefer
Executive Director
Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Dear Executive Director Bimestefer:

In planning and performing our audit of the financial statements of the State of Colorado as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the State of Colorado's internal control over financial reporting and compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures that are appropriate in the circumstances. These procedures are for the purpose of expressing our opinion on the financial statements and compliance and to test and report on internal control over compliance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), but not for the purpose of expressing an opinion on the effectiveness of the State of Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Colorado's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identified 10 material weaknesses and six significant deficiencies for the Department, which will be included in the Fiscal Year 2018 State of Colorado, Statewide Single Audit Report, anticipated to be released in February 2019. These deficiencies included in the Single Audit Report have been discussed with you and your staff separately and your Department has provided responses. In addition, as discussed below, we identified certain other deficiencies in internal control and/or other operational matters during the audit that are presented in this letter for your consideration and that have not been included in the Single Audit Report.

A deficiency in internal control, as it relates to a financial statement audit, exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in internal control, as it relates to an audit of major federal programs, exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program, on a timely basis. This letter does not affect our reports that were dated December 18, 2018 on the financial statements of the State of Colorado. Our comments, all of which have been discussed with appropriate members of management, are intended to improve the internal control or



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result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience. The comments are summarized as follows:

Medicaid Eligibility

During our testing of Medicaid Eligibility we found the following errors:

- During our testwork, we found income thresholds in the Colorado Revised Statutes (CRS) and the Code of Colorado Regulations (CCR) are not in line with the income thresholds that the Centers for Medicare & Medicaid Services (CMS) has approved and that the Department is currently using to determine eligibility. Per Section 25.5-5-201, C.R.S and 10 CCR 2505-10, 8.100.4.G, income should "not exceed" 60% (for MAGI Parent & Caretaker), 133% (for MAGI Children), and 185% (for MAGI Pregnant Women) of the federal poverty level. However, based on the CMS conversion process and current practice, the income thresholds are 68% (Parent & Caretaker), 142% (Children), and 195% (Pregnant Women) of FPL. Using a higher income threshold to determine beneficiaries' eligibility could lead to individuals' being determined as eligible, even though they do not meet the eligibility criteria outlined in State regulations. Therefore, the Department should ensure that the income thresholds outlined in State regulations are in alignment with approved CMS income thresholds. .
- During our testing of 200 case files, we identified additional data entry errors with 8 cases. These data entry errors are different from the errors noted in the Statewide Single audit report. Specifically, the date a redetermination packet was received by the county or MA eligibility site did not match the date that was entered into the Colorado Benefits Management System (CBMS). 42 CFR 435.914 requires the Department to maintain appropriate documentation to support each beneficiary's Medicaid eligibility decision.
- During our testing of annual redetermination, we identified one case which used an incorrect income standard from April 1, 2016 instead of April 1, 2017. This error did not impact the beneficiary's eligibility; however, using an incorrect income standard could lead to a beneficiary being incorrectly approved or denied for Medicaid benefits.

Medicaid Claims

During our testing of 40 Medicaid claims, we found one claim that was not paid at the appropriate provider fee schedule rate approved by CMS due to the timing of when the rates were effective (i.e., in July 2017) vs. when the rates were entered in Colorado interChange (i.e., in October 2017). As a result, this claim was underpaid by \$5.09. Once the updated rates are entered into Colorado interChange the Department should ensure that all claims are reprocessed and paid at the correct approved rates.

Federal Matching Rates in Colorado interChange

During our review of revenue internal controls, we determined that the Department lacked adequate control processes related to updating the Federal Matching Assistance Percentage (FMAP) rates in Colorado interChange. The Department's policies and procedures did not specifically indicate the roles and responsibilities of individuals in the Federal and State Grants Section for updating and reviewing the rates. By not defining the specific roles and the responsibilities for updating and reviewing FMAP rates, the Department risks making Medicaid claims payments using incorrect rates through Colorado interChange.

Expenditure transaction processing.

During our testing of expenditure transactions, we noted that the Department erroneously duplicated an entry totaling \$1,890 to correct an error. This error resulted in cash being understated and expenditures being overstated. It is important that the Department ensure the accuracy and completeness of the transactions prior to recording in the State's accounting system.

This communication is intended solely for the information and use of management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. However, in accordance with Title 2 C.F.R. Section 200.512 (Uniform Guidance), if requested, a copy of this management letter must be provided to a federal agency or pass-through entity.

Thank You,



Kerri L. Hunter, CPA
Deputy State Auditor