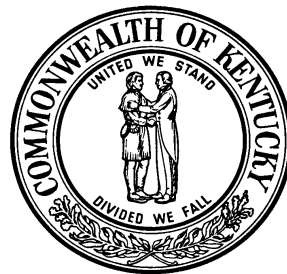


**REPORT OF THE STATEWIDE SINGLE AUDIT OF THE
COMMONWEALTH OF KENTUCKY**

VOLUME II

**For the Year Ended
June 30, 2023**



**ALLISON BALL
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

March 22, 2024

Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

As Auditor of Public Accounts, I am pleased to transmit herewith our report of the Statewide Single Audit of the Commonwealth of Kentucky-Volume II for the year ended June 30, 2023. Our Statewide Single Audit of the Commonwealth of Kentucky report will be transmitted in two volumes in order to meet reporting guidelines established by the American Institute of Certified Public Accountants. Volume I contains financial statement findings identified during our audit of the Annual Comprehensive Financial Report, the Schedule of Expenditures of Federal Awards (SEFA), related notes, and our opinion thereon, as well as the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Volume I was issued under a separate cover. Volume II contains the *Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance* and federal award findings and questioned costs identified during our audit.

The Auditor of Public Accounts determines the federal programs to be audited for internal controls and compliance based on Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

On behalf of the Auditor of Public Accounts' Office, I wish to thank the employees of the Commonwealth for their cooperation during the course of our audit. Should you have any questions concerning this report, please contact Shawna Crouse, Assistant Auditor of Public Accounts.

Respectfully Submitted,

Allison Ball

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Auditor of Public Accounts

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INTRODUCTION

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2023**

Single Audit

The Single Audit Act of 1984, subsequent amendments, and corresponding regulations require an annual audit of the financial statements and compliance with requirements applicable to major federal programs. The Auditor of Public Accounts (APA) meets these requirements and submits audit findings required to be reported by auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and *Title 2 U.S. Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through our opinion on the Commonwealth's Annual Comprehensive Financial Report and through the Statewide Single Audit of Kentucky (SSWAK). Our SSWAK report is contained in two volumes as noted below.

SSWAK - Volume I contains financial reporting information based on our audit of the Annual Comprehensive Financial Report. It includes the APA's opinion on the Schedule of Expenditures of Federal Awards (SEFA) in relation to the financial statements, the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, and financial statement findings related to internal control and compliance.

SSWAK - Volume II contains elements required under the Uniform Guidance, including the *Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance*, and the Schedule of Findings and Questioned Costs.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs consists of three sections: Summary of Auditor's Results, Financial Statement Findings, and Federal Award Findings and Questioned Costs. The Summary of Auditor's Results summarizes the type of audit reports issued and lists major programs audited. The Financial Statement Findings section is reported in SSWAK Volume I. The Federal Award Findings and Questioned Costs section, presented within this report, lists findings related to federal awards. For the Federal Award Findings, material weaknesses and material instances of noncompliance are presented first, then significant deficiencies and reportable instances of noncompliance are reported next. Management responses are presented after each Financial Statement and Federal Award Finding, if provided.

Corrective Action Plans and the Summary Schedule of Prior Audit Findings

Corrective Action Plans, prepared by management of the various agencies audited, related to audit findings reported in the Schedule of Findings and Questioned Costs for fiscal year (FY) 2023, as well as the Summary Schedule of Prior Audit Findings, are included in the data collection package submitted to the Federal Audit Clearinghouse and can be found at fac.gov.

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2023**

Audit Approach

The scope of the FY 2023 SSWAK included:

Financial

- An audit of the basic financial statements and combining financial statements;
- Limited procedures applied to required supplementary information;
- An audit of the SEFA sufficient to give an opinion in relation to the basic financial statements;
- Tests of compliance with certain provisions of laws, regulations, contracts, and grants, and tests of internal controls, where applicable; and
- Findings related to internal controls over financial reporting when noted during the audit of the Annual Comprehensive Financial Report.

Federal Awards

- An audit of compliance with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each major federal program;
- Tests of internal control over compliance in accordance with the Uniform Guidance; and
- Findings related to internal controls over compliance and on compliance when noted during the audit of major federal programs.

Component Units

The Single Audit Act Amendments permit the single audit to cover the entire operations of the entity or include a series of audits covering departments, agencies, or other organizational units expending federal awards. Component units are included in the audit of the basic financial statements but are not included in the Commonwealth's audit of major federal programs. Component units expending more than \$750,000 in federal awards obtain separate audits in accordance with the Uniform Guidance. Thus, component units are not included in the report on compliance and internal control and corresponding Schedule of Findings and Questioned Costs.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance
With the Uniform Guidance

Independent Auditor's Report

Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Commonwealth of Kentucky's (Commonwealth) compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2023. The Commonwealth's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The Commonwealth's basic financial statements include the operations of certain agencies and component units, which expended federal awards that are not included in the Commonwealth's Schedule of Expenditures of Federal Awards for the year ended June 30, 2023. Our audit, described below, did not include the operations of these agencies and component units since they were audited by other auditors.

Qualified Opinion on ALN 93.575 and 93.596

In our opinion, except for the noncompliances described in the Basis for Qualified and Unmodified Opinions section of our report, the Commonwealth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major



Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commonwealth's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on ALN 93.575 and 93.596

As described in the accompanying Schedule of Findings and Questioned Costs, the Commonwealth did not comply with requirements regarding ALN 93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund as described in finding number 2023-020 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commonwealth's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commonwealth's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

influence the judgment made by a reasonable user of the report on compliance about the Commonwealth's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commonwealth's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commonwealth's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-021 and 2023-022. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Commonwealth's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commonwealth's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

A *deficiency in internal control over compliance* 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. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-020 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-021 through 2023-028 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Commonwealth's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Commonwealth's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

Allison Ball

Allison Ball

Auditor of Public Accounts

Frankfort, Ky

March 6, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Financial Statements: We issued a qualified opinion on the Statement of Revenues, Expenses, and Changes in Fund Net Position and the Statement of Cash Flows for the Insurance Administration Fund, a major enterprise fund of the Commonwealth. We issued unmodified opinions on the governmental activities, business-type activities, aggregate discretely presented component units, each major governmental fund, State Parks Fund, Kentucky Horse Park Fund, Kentucky Public Employees Health Insurance Fund, Unemployment Compensation Fund, aggregate remaining fund information, and the Insurance Administration Fund Statement of Net Position of the Commonwealth as of and for the year ended June 30, 2023.

Internal Control Over Financial Reporting: Our consideration of the Commonwealth’s internal control over financial reporting disclosed seven material weaknesses and 12 significant deficiencies.

Compliance: In relation to the audit of the basic financial statements of the Commonwealth, the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Federal Awards

Compliance: We issued a qualified opinion on the Commonwealth’s compliance for the following major federal programs: ALN 93.575 and 93.596. An unmodified opinion was issued for the Commonwealth’s compliance for all other major federal programs. The results of our auditing procedures resulted in one finding that disclosed material noncompliance. Additionally, our procedures identified two other instances of noncompliance required to be reported under Uniform Guidance.

Internal Control Over Compliance: Our consideration of the Commonwealth’s internal control over compliance disclosed one material weakness and eight significant deficiencies.

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)**Identification of Major Programs**

Type B Major Programs are highlighted in gray.

ALN	Cluster or Program Title
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.565, 10.568, 10.569	Food Distribution Cluster
10.553, 10.555, 10.556, 10.559, 10.582	Child Nutrition Cluster
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
15.252	Abandoned Mine Land Reclamation (AMLR)
21.023	Emergency Rental Assistance
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.568	Low Income Home Energy Assistance
93.575, 93.596	CCDF Cluster
93.658	Foster Care Title IV-E
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
93.775, 93.777, 93.778	Medicaid Cluster
93.788	Opioid STR
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)
97.040	Chemical Stockpile Emergency Preparedness Program

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)

Dollar Threshold Used To Distinguish Between Type A and Type B Programs

The maximum dollar threshold used to distinguish between Type A and Type B programs was \$32,000,218.

Auditee Risk

The Commonwealth did not qualify as a low-risk auditee.

SECTION 2 – FINANCIAL STATEMENT FINDINGS

See the Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume I for Financial Statement Findings 2023-001 through 2023-019.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2023-020: The Cabinet For Health And Family Services Did Not Have Procedures In Place To Monitor American Rescue Plan Act Stabilization Funding Eligibility Determinations And Expenditures**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.575 – Child Care and Development Block Grant

ALN 93.575 – COVID-19 – Child Care and Development Block Grant

ALN 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year: 2101KYCCDF – 2021

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility; Special Tests and Provisions

Questioned Costs: \$0

Condition and Context

This is a repeat finding of 2022-016 as reported in the 2022 Statewide Single Audit of Kentucky (SSWAK) Volume II.

During the fiscal year (FY) 2023 audit of the Child Care Development Fund (CCDF) program, administered by the Cabinet for Health and Family Services (CHFS), internal controls over the eligibility for child care providers receiving CCDF American Rescue Plan Act (ARPA) stabilization funds were reviewed. The CHFS Division of Child Care (DCC) contracts with a consultant to determine child care provider ARPA eligibility, calculate child care provider payments, and provide technical assistance to the child care providers applying for ARPA stabilization funding. Per the agreement, DCC provided the consultant with a list of child care providers, the application for the child care providers to complete, and the requirements the consultant should use in the application review process (including the three tier categories). The consultant developed and implemented the application process, received, and evaluated child care provider applications, and calculated the quarterly payments for each provider based on the assigned funding tier.

In FY 2022, DCC did not have a process to review quarterly payments; however, during FY 2023, DCC developed a process to review the quarterly payment details provided by the consultant. While a payment review process was developed, review documentation was not maintained for the July 2022 and April 2023 quarter payments.

Additionally, CHFS did not have a formal internal control monitoring process in place to review either the applications received by the consultant or the consultant's eligibility determinations.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weaknesses Relating to Internal Controls and/or Noncompliances

FINDING 2023-020: The Cabinet For Health And Family Services Did Not Have Procedures In Place To Monitor American Rescue Plan Act Stabilization Funding Eligibility Determinations And Expenditures (Continued)

Cause

DCC did not have internal controls in place to monitor the provider application eligibility determinations or maintain documentation of the reviews performed for all quarterly payment calculations.

Effect

While the consultant provided valuable services to CHFS, failure to implement formal contract monitoring procedures over the applications and payments could create a significant risk and opportunity for fraud or abuse. Contracts should be enacted to adequately safeguard an entity and mitigate the risk from the potential loss of resources due to the failure of a party to perform or provide funding per the agreed terms. Without internal controls in place to monitor compliance with the established contract requirements, DCC cannot ensure that child care providers are eligible for funding and receive the correct amount of funding based on the established tier system.

In addition, without adequate internal controls, CHFS cannot ensure the consultant is operating according to federal regulations.

Criteria

45 CFR 98.11 Administration under contracts and agreements states:

- (a) The Lead Agency has broad authority to administer the program through other governmental or non-governmental agencies. In addition, the Lead Agency can use other public or private local agencies to implement the program; however:
 - (1) The Lead Agency shall retain overall responsibility for the administration of the program, as defined in paragraph (b) of this section...
- (b) In retaining overall responsibility for the administration of the program, the Lead Agency shall:
 - (1) Determine the basic usage and priorities for the expenditure of CCDF funds;
 - (2) Promulgate all rules and regulations governing overall administration of the Plan;
 - (3) Submit all reports required by the Secretary;
 - (4) Ensure that the program complies with the approved Plan and all Federal requirements;
 - (5) Oversee the expenditure of funds by subrecipients and contractors, in accordance with 75 CFR parts 351 to 353;
 - (6) Monitor programs and services;
 - (7) Fulfill the responsibilities of any subgrantee in any: disallowance under subpart G; complaint or compliance action under subpart J; or hearing or appeal action under part 99 of this chapter; and

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Material Weaknesses Relating to Internal Controls and/or Noncompliances***FINDING 2023-020: The Cabinet For Health And Family Services Did Not Have Procedures In Place To Monitor American Rescue Plan Act Stabilization Funding Eligibility Determinations And Expenditures (Continued)**

Criteria (Continued)

- (8) Ensure that all State and local or non-governmental agencies through which the State administers the program, including agencies and contractors that determine individual eligibility, operate according to the rules established for the program.

Recommendation

We recommend DCC evaluate internal controls to ensure contractors are in compliance with contract provisions and federal regulations relating to child care provider eligibility and funding calculations. We also recommend payment review documentation be maintained.

Management's Response and Planned Corrective Action

The entirety of the American Rescue Plan Act (ARPA) Stabilization funding was completely liquidated as of September 30, 2023. While no additional payments will be issued, the Division of Child Care (DCC) will complete an audit of provider applications and eligibility for all nine payment periods. DCC will randomly pull a sample size of provider applications for each payment period and cross-reference the application information with the information contained in the Kentucky Integrated Child Care System (KICCS).

DCC will ensure internal controls are developed and implemented at the outset of any future contracts.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-021: The Cabinet For Health And Family Services Did Not Have Procedures Operating Effectively To Ensure Identification Of All KTAP Income And Referrals To The Claims Department**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.558 – Temporary Assistance for Needy Families

ALN 93.558 – COVID-19 Temporary Assistance for Needy Families

Federal Award Number and Year: Various 2022; Various 2023

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility; Special Tests and Provisions

Questioned Costs: \$6,342

Condition and Context

In fiscal year (FY) 2023, the Cabinet for Health and Family Services (CHFS) administered the Temporary Assistance for Needy Families (TANF) block grant. The Kentucky Transitional Assistance Program (KTAP) is a Title IV-A program operated with Federal block grant funds as a part of TANF. Eligible individuals receive benefits based on income or age to support children and families. These beneficiaries self-report income to CHFS, and CHFS adjusts the benefit payments accordingly within 10 days of the wages being reported. The State wage information system (known as Program 48) is available to staff to detect unreported income and refer overpayments to CHFS' claims department, if appropriate.

Based on testing, some DCBS claims workers are not regularly using Program 48 wage records on the KAMES mainframe to determine if income was properly self-reported by the beneficiary. Further, a review of individual cases, of which 27 were required to self-report income, revealed five beneficiaries received KTAP payments incorrectly, as follows:

- The five beneficiaries did not accurately self-report their income or notify CHFS within 10 days of gaining employment.
- CHFS did not make referrals of the overpayments for the five beneficiaries to the CHFS claims department prior to the audit.

Cause

Beneficiaries did not truthfully and accurately report their wage information to CHFS. Wage information collected by the state wage information collection agency is delayed in being reported to CHFS staff due to the nature of the employer reporting process. Thus, CHFS staff do not see the wage information until after the applicant has been approved for and received KTAP benefits.

While the benefit payments for all five cases were deactivated by CHFS staff after auditor inquiry, a claim was not established and sent to CHFS claims department for payments made during FY 2023.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-021: The Cabinet For Health And Family Services Did Not Have Procedures Operating Effectively To Ensure Identification Of All KTAP Income And Referrals To The Claims Department (Continued)

Effect

Without timely income verification checks, including reviewing wage verification information in Program 48, and reporting overpayments to the claims department, there is an increased risk of overpayments to KTAP recipients subject to the program income guidelines. Twenty-seven payments reviewed would have required the reporting of income. The total overpayments from the audit sample during the fiscal year was \$6,342 with potential questioned costs likely to exceed \$25,000.

Criteria

42 U.S.C. §602. State plans for aid and services to needy families with children; contents; approval by Secretary; records and reports; treatment of earned income advances

(a) Contents

(22) provide that the State agency will promptly take all necessary steps to correct any overpayment or underpayment of aid under the State plan, and, in the case of—

(A) an overpayment to an individual who is a current recipient of such aid (including a current recipient whose overpayment occurred during a prior period of eligibility), recovery will be made by repayment by the individual or by reducing the amount of any future aid payable to the family of which he is a member, except that such recovery shall not result in the reduction of aid payable for any month, such that the aid, when added to such family's liquid resources and to its income (without application of paragraph (8)), is less than 90 percent of the amount payable under the State plan to a family of the same composition with no other income (and, in the case of an individual to whom no payment is made for a month solely by reason of recovery of an overpayment, such individual shall be deemed to be a recipient of aid for such month);

(B) an overpayment to any individual who is no longer receiving aid under the plan, recovery shall be made by appropriate action under State law against the income or resources of the individual or the family; and

45 CFR 205.56 Requirements governing the use of income and eligibility information, states in part:

(a) The State agency will use the information obtained under § 205.55, in conjunction with other information, for:

(1) Determining individuals' eligibility for assistance under the State plan and determining the amount of assistance. ...Those categories approved by the Secretary will constitute an approved State follow-up plan for IEVS. For those information items not excluded from follow-up,

(i) The State agency shall review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the applicant's or the recipient's eligibility or the amount of assistance.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-021: The Cabinet For Health And Family Services Did Not Have Procedures Operating Effectively To Ensure Identification Of All KTAP Income And Referrals To The Claims Department (Continued)

Criteria (Continued)

- (ii) The State agency shall verify that the information is accurate and applicable to case circumstances either through the applicant or recipient or through a third party, if such verification is determined appropriate based on agency experience or is required under paragraph (b) of this section.
- (iii) For applicants, if the information is received during the application period, the State agency shall use such information, to the extent possible, in making the eligibility determination.
- (iv) For individuals who are recipients when the information is received or for whom a decision could not be made prior to authorization of benefits, the State agency shall within forty-five (45) days of its receipt, initiate a notice of case action or an entry in the case record that no case action is necessary, except that: Completion of action may be delayed beyond forty-five (45) days on no more than twenty (20) percent of the information items targeted for follow-up, if:
 - (A) The reason that the action cannot be completed within forty-five (45) days is the nonreceipt of requested third-party verification; and
 - (B) Action is completed promptly, when third party verification is received or at the next time eligibility is redetermined, whichever is earlier. If action is completed when eligibility is redetermined and third party verification has not been received, the State agency shall make its decision based on information provided by the recipient and any other information in its possession.
- (v) The State agency shall use appropriate procedures to monitor the timeliness requirements specified in this subparagraph.
- (2) Investigations to determine whether recipients received assistance under the State plan to which they were not entitled; and
- (3) Criminal or civil prosecutions based on receipt of assistance under the State plan to which recipients were not entitled.

Division of Family Support Operation Manual Volume III

MS 2210 Technical Eligibility Requirements

All individuals applying for KTAP must meet certain technical eligibility requirements to be eligible for benefits.

- C. To be determined eligible for KTAP, the benefit group must be determined to be ongoing eligible. If the family is ineligible for the month following the application month, eligibility for the application month does not exist.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-021: The Cabinet For Health And Family Services Did Not Have Procedures Operating Effectively To Ensure Identification Of All KTAP Income And Referrals To The Claims Department (Continued)**

Criteria (Continued)

Division of Family Support Operation Manual Volume III

MS 2843 Earned Income Deduction Restrictions and Good Cause

- C. The individual failed to report new or increased earnings without good cause within 10 calendar days of the day the change in circumstances becomes known to the individual. Changes are considered known to the individual at the earliest point the change can be verified.

Recommendation

We recommend CHFS review the internal control processes for verifying KTAP income, ensure guidelines are followed, and identify and report overpayments in accordance with state guidelines and federal regulations. CHFS should consider additional training for staff to effectively use state wage information in Program 48 to determine the accuracy of the self-reported income and make referrals to the CHFS claims department when necessary.

Management's Response and Planned Corrective Action

The Division of Family Support (DFS) has reviewed the TANF eligibility findings noted by the Auditor of Public Accounts. The cause of these findings has been identified and procedures for correction have been put into place to ensure the process for verifying KTAP income guidelines are followed, by all DCBS workers, as well as the process for identifying and reporting overpayments to claims management. DFS will create and distribute an informational tip sheet for field staff to use as a guide to ensure all staff have access to systematic wage databases, such as Eligibility Advisor (EA), SDX/BDX, Mainframe/Program 48, and how to navigate these systems. An email will be sent to all DCBS workers as a reminder, to research New Hire Data matches within the eligibility system case flow and to emphasize to clients the importance of reporting income timely. Additionally, an announcement will be added to Worker Portal (eligibility system) that will include the appropriate procedures for referring cases for potential claims.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-022: The Cabinet For Health And Family Services Did Not Have Controls To Ensure A Court Order Was Present For One Foster Care Child In A Qualified Residential Treatment Program**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.658 – Title IV-E Foster Care

ALN 93.658 – COVID-19 Title IV-E Foster Care

Federal Award Number and Year: 2201KYFOST, 2301KYFOST

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$21,097

Condition and Context

During the fiscal year (FY) 2023 audit of the Cabinet for Health and Family Services (CHFS) Foster Care Title IV-E program, federal eligibility requirements were tested. Foster care maintenance payments (FCMP) are payments made on behalf of foster children to providers. One type of foster care placement is a qualified residential treatment program (QRTP). In Kentucky, payments to providers for QRTP placements of foster children are claimed for federal reimbursement two quarters into the future. For example, a payment made by the state to the QRTP provider for a foster child's placement during December 2021 (this will be paid a month later, in January 2022) would not usually be claimed for Federal reimbursement until around Quarter 9/30/22. A court order must approve of the placement, and then the agency is allowed to continue to claim FCMP beyond the first 60 days of the placement.

During testing, one foster child's QRTP placement did not have a court order as required, and CHFS inappropriately claimed beyond the first 60-days of the placement. The foster child's placement with the QRTP started on October 26, 2021, with 60 days later being December 24, 2021, meaning payments are not allowable to be claimed after this date because a court approval was not completed appropriately. Subsequent payments occurring during both FY 2022 and FY 2023 were inappropriately claimed for this QRTP placement.

Cause

Internal controls over compliance with program requirements did not ensure a court order was present and appropriate when determining approvals for this placement.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-022: The Cabinet For Health And Family Services Did Not Have Controls To Ensure A Court Order Was Present For One Foster Care Child In A Qualified Residential Treatment Program (Continued)**

Effect

The subsequent federal share of unallowable claims for the placement without a court order led to a federal reimbursement of \$21,097 for the placement from December 2021 through July 2022, which were part of the claims in state fiscal year 2023. Due to this, potential questioned costs are likely to exceed \$25,000. In addition, these payments also impact additional areas related to compliance for federal report CB-496 to be considered.

Criteria

Public Law 115-123 Section (A)(4) states, in part:

Within 60 days of the start of each placement in a QRTP, a family or juvenile court or another court (including a tribal court) of competent jurisdiction, or an administrative body appointed or approved by the court, independently, must, among other things, consider the assessment, determination, and documentation made by the qualified individual in approving the placement (section 475A(c)(2) of the Act). If the court does not approve the placement timely, i.e., within the 60-day timeframe, the title IV-E agency may only claim title IV-E FCMPs for the first 60 days of the placement in the QRTP (section 472(k)(1)(B) of the Act).

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Recommendation

We recommend CHFS improve internal controls over compliance by ensuring court orders are on file as appropriate. CHFS should work with the Federal government regarding the questioned costs related to this case.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-022: The Cabinet For Health And Family Services Did Not Have Controls To Ensure A Court Order Was Present For One Foster Care Child In A Qualified Residential Treatment Program (Continued)

Management’s Response and Planned Corrective Action

DCBS will be working with the Office of Application Technology Services to explore updating TWIST to provide stopgaps and validations of QRTP assessments.

While working on the updates to TWIST, DCBS will be establishing an internal process to verify that the court documentation for 60-day court review matches the information the worker entered. These reviews will be handled regionally with the support of central office.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-023: The Cabinet For Health And Family Services Did Not Accurately Report Amounts On The Social Services Block Grants' Annual Post-Expenditure Report

Federal Award Information

State Agency: Cabinet for Health and Family Services
 Federal Program: ALN 93.667 – Social Services Block Grant
 Federal Award Number and Year: Various
 Federal Agency: U.S. Department of Health and Human Services
 Pass-Through: Not Applicable
 Compliance Area: Reporting
 Questioned Costs: \$0

Condition and Context

During the audit of the Cabinet for Health and Family Services (CHFS), the Social Services Block Grant (SSBG) program was reviewed to determine if federal reporting requirements were met. CHFS submits an annual Post-Expenditure Report no later than six months after the end of the state fiscal year.

During fiscal year (FY) 2023, CHFS' internal controls did not detect or prevent inaccurate reporting on SSBG's Post-Expenditure Report. The expenditure line items in the report submitted in FY 2023 (which reports total expenditures from FY 2022) were misstated by a range of (\$3,042,193) to \$2,581,971 with a net difference in both columns of \$13,988. The report lines with errors are summarized below.

Report Line Item	SSBG Allocation Column (original amount reported)	SSBG Allocation Column (amount that should have been reported)	Increase/ Decrease	Expenditures of All Other Federal, State and Local funds Column (original amount reported)	Expenditures of All Other Federal, State and Local funds (amount that should have been)	Increase/ Decrease
Line 13. Home-Based Services	\$ 57,608	\$ 344,493	\$ 286,885	\$ 518,461	\$ 3,100,432	\$ 2,581,971
Line 22. Protective Services-Children	\$ 13,558,642	\$ 13,220,620	\$ (338,022)	\$ 146,535,969	\$ 143,493,776	\$ (3,042,193)
Line 31. Special Services-Youth at Risk	\$ 9,464	\$ 53,482	\$ 44,018	\$ -	\$ 481,329	\$ 481,329
Total	\$ 13,625,714	\$ 13,618,595	\$ (7,119)	\$ 147,054,430	\$ 147,075,537	\$ 21,107

Cause

Some of the line items were using incorrect calculations because the categories making up a line item needed to be adjusted.

Effect

The expenditures reported on three lines on the SSBG Post-Expenditure Report submitted to the Federal government were not accurate for the SSBG allocations. The expenditures reported all other federal, state, and local funds which led to errors on the line items in the report. Failure to ensure the accuracy of reports submitted to the federal awarding agency could lead to noncompliance with federal regulations or impact decisions used in managing and evaluating the activities of the SSBG program.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-023: The Cabinet For Health And Family Services Did Not Accurately Report Amounts On The Social Services Block Grants' Annual Post-Expenditure Report (Continued)

Criteria

42 United States Code § 1397e(c). Administrative and fiscal accountability, states, in part, Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)-

- (1) the number of individuals who received services paid for in whole or in part with funds made available under this division, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;
- (2) The amount spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient...”

2 CFR section 200.300 – Statutory and national policy requirements, paragraph (b) states, in part, “the non-Federal entity is responsible for complying with all requirements of the Federal award.”

2 CFR section 200.302 – Financial management, paragraph (b)(2) states, in part, the non-Federal entity’s financial management system must provide “accurate, current, and complete disclosure of the financial results of each Federal award or program...”

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Recommendation

We recommend CHFS review internal controls to ensure amounts reported in the Post-Expenditure Report are accurate prior to submission to the Federal government.

Management’s Response and Planned Corrective Action

The Department for Community Based Services’ (DCBS) budget specialist that completes the Social Services Block Grant (SSBG) report, had been previously advised to use a set percentage of total expenditures to report admin. It was discovered that this was not correct and caused certain expenditures to double count on the report.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-023: The Cabinet For Health And Family Services Did Not Accurately Report Amounts On The Social Services Block Grants' Annual Post-Expenditure Report (Continued)****Management's Response and Planned Corrective Action (Continued)**

After this discovery, the DCBS budget specialist worked with the Office of Administrative Services' Division of General Accounting to review this report. Together, they broke down the expenditures for SSBG by sub function and created a template of how all sub functions need to be reported on the SSBG Post Expenditure Report. An instruction sheet for this report has been updated and a blank template of the report with directions has been created. The FFY 23 report was submitted correctly.

With the completion of the step-by-step instructions and updates to the reporting template this finding has been addressed.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-024: The Cabinet For Health And Family Services Did Not Maintain Case Plans As Required**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.472 – Title IV-E Prevention Program

Federal Award Number and Year: 2301KYPSGP

Federal Agency: U.S Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$6,863

Condition and Context

This is a repeat finding of 2022-020 as reported in the 2022 Statewide Single Audit of Kentucky (SSWAK) Volume II.

During the fiscal year (FY) 2023 audit of the Cabinet for Health and Family Services (CHFS), the APA followed up on the FY 2022 finding for Title IV-E Prevention Services related to eligibility determinations. To be eligible to receive prevention services, participants must be assessed to meet the specific program requirements and undergo continual review to ensure they remain eligible. Every six months, CHFS completes a case plan form which indicates if the participant is continually eligible for prevention services. Referral forms are used to populate information in the in-home case plan within TWIST. Once participants are deemed no longer eligible, prevention services should cease.

During the follow up on the prior year finding, a review of ten eligibility cases revealed two cases did not contain the appropriate case plan as required by the approved State Plan. While CHFS provided the Preventative Services Referral Forms for the missing cases, these cases are ineligible for federal reimbursement under Prevention Services due to the two missing case plans.

Cause

CHFS did not have internal controls over compliance in place to ensure case plans were documented as required.

Effect

As described in the State Plan, case plans must be completed to be considered eligible for federal funding. Since the case plans were not present in two instances identified, all children in these families with missing case plans are considered ineligible for federal funding. Without a case plan present, CHFS is not eligible to receive federal reimbursement for expenditures on participants. This error caused the agency to claim payments for federal funding when such payments are not appropriate. Due to this issue, \$6,863 in federal reimbursements are considered questioned costs.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-024: The Cabinet For Health And Family Services Did Not Maintain Case Plans As Required (Continued)

Criteria

The requirement for the case plan, also known as the prevention plan, is discussed in the state plan, referred to as the Kentucky CHFS Prevention Plan, Appendix O, Standards of Practice 2.11 Investigation Protocol, Safety and Risk Assessment throughout the Course of the Investigation section, paragraph (4) which states:

When the determination is made that a child is at immediate risk at any point during contact with the family:

1. Negotiates a prevention plan with the family clearly documenting the preventive services and interventions agreed upon with the family;
2. Utilizes Family Preservation (FPP) and other in-home services to prevent removal whenever possible and documents why less restrictive alternatives were not utilized in the assessment;

Kentucky CHFS Prevention Plan, Appendix O, Standards of Practice 2.11 Investigation Protocol, Safety and Risk Assessment throughout the Course of the Investigation section, paragraph (8) further states, the social service worker: “Consults with FSOS immediately to discontinue the prevention plan when there are no remaining safety threats that require the provisions of the prevention plan...”

Kentucky CHFS Prevention Plan, Appendix O, Standards of Practice 3.4 Initial In Home Case Planning Conference section, states:

The Family First Prevention Services Act (FFPSA) allows states to claim partial federal title IV-E reimbursement for in home prevention services. There are elements of the case that require documentation on the family case plan in order for the prevention services to be eligible for claiming. Information from the prevention services referral will populate into the family case plan when the screens are completed in TWIST. Prevention services include Intensive Family Preservation Services (IFPS), Families and Children Together Safely (FACTS), Diversion, Family Reunification Services (RFS), Kentucky Strengthening Ties and Empowering Parents (KSTEP), and Sobriety Treatment and Recovery Teams (START) (see) (SOP Chapter 6 for prevention services details and referrals).

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-024: The Cabinet For Health And Family Services Did Not Maintain Case Plans As Required (Continued)

Recommendation

We recommend CHFS ensure required documentation, such as case plans, are maintained in accordance with the program state plan.

Management's Response and Planned Corrective Action

DCBS acknowledges that a case plan was not included in these two cases. DCBS will address and update language around case plans in the new 5-year state plan due October 2024.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-025: The Cabinet For Health And Family Services Failed To Ensure Contracted Subrecipients Were Not Federally Suspended Or Debarred**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.323 – Epidemiology and Laboratory Capacity for Infectious Diseases
ALN 93.323 – COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases

Federal Award Number and Year: NU50CK000505

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Procurement and Suspension and Debarment

Questioned Costs: \$0

Condition and Context

This is a repeat of finding 2022-022, as reported in the 2022 Statewide Single Audit of Kentucky (SSWAK) Volume II. Originating in fiscal year 2021, this finding has been repeated in each subsequent fiscal year due to a lack of resolution by management.

The Cabinet for Health and Family Services (CHFS) Department for Public Health (DPH) contracts with subrecipients to assist in the testing and tracing of infectious diseases for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (ALN 93.323) program. DPH contracts with vendors using Master Agreements (MA) through the Finance and Administration Cabinet (FAC), as well as contracts initiated by CHFS.

During fiscal year (FY) 2023, DPH failed to have internal control procedures in place to ensure subrecipients contracted to participate in the ELC program were not suspended or debarred, in accordance with federal regulations and state policies, prior to awarding the contracts. During the audit, five FAC MAs did not contain language related to suspension and debarment within the agreement. While a contract provision related to suspension and debarment is included in the agreements initiated by DPH, the contract language is not consistently present in Commonwealth initiated Master Agreements or solicitations utilized by DPH. Although internal control procedures were not in place, compliance testing did not identify any suspended or debarred subrecipients for ELC during FY 2023. Also, during FY 2023, DPH developed a policy and procedure manual to address suspension and debarment; however, the policies were not implemented for the entire fiscal year under audit and did not impact the agreements reviewed.

Cause

Although the Commonwealth has a formal policy regarding federal debarment, CHFS did not have a process in place to verify all ELC program contracted entities were not suspended or debarred related to federal funds in FY 2023.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-025: The Cabinet For Health And Family Services Failed To Ensure Contracted Subrecipients Were Not Federally Suspended Or Debarred (Continued)

Effect

Failure to comply with state and federal suspension and debarment requirements could lead to inappropriate and unallowable payments to unauthorized entities. Any unallowable transactions would be subject to repayment to the Federal government, which could impact the operations and effectiveness of the ELC program.

Criteria

Per 2 CFR 180.300:

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

2 CFR 200.318 General procurement standards, states,

- (a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or sub-award. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in [§§ 200.317](#) through [200.327](#).

The Finance and Administration Cabinet Policy FAP 111-59-00 Federal Debarment states:

- (1) Agencies initiating a procurement of \$100,000 or more, any amount of which is federally funded, shall ensure that the successful vendor is not debarred from doing business with federal agencies. This verification shall be completed prior to awarding the contract.
- (2.) Verification Process: The agency shall choose one (1) or more of the following methods to verify that the vendor is not debarred from doing business with federal agencies:
 - a. Verification may be made through the federal website that is used for federal procurement and awards processes.
 - b. An agency may include in a Solicitation a statement that the vendor's signature on a Solicitation response certifies that the vendor is not debarred from doing business with federal agencies and that, if debarred during the life of the contract, the vendor shall notify the Commonwealth buyer of record within seventy-two (72) hours of the federal debarment.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-025: The Cabinet For Health And Family Services Failed To Ensure Contracted Subrecipients Were Not Federally Suspended Or Debarred (Continued)

Criteria (Continued)

- c. If the Solicitation does not contain the verification statement within the Solicitation, it shall require the vendor to submit a written certification statement on letterhead stating that it is not debarred from doing business with federal agencies and that, if debarred during the life of an extended term contract, the vendor shall notify the Commonwealth buyer of record within seventy-two (72) hours of the federal debarment. This statement shall be submitted with the vendor's Solicitation response.

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Recommendation

We recommend CHFS continue implementing internal controls to ensure compliance with Procurement, Suspension, and Disbarment requirements in accordance with state and federal regulations.

Management's Response and Planned Corrective Action

The original finding has been responded to, including a robust action plan to address the original findings.

Corrective Action Plans:

- I. *For the period in question, records audited prior to 2.13.2023, CHFS developed guidance and requirements, demonstrating internal controls put in place:*
 - A. *Review process that outlines vendors/subrecipients that are required to be reviewed for suspension or debarment.*
 - B. *Identification of procurement staff (within CHFS) that are required to implement the review process.*
 - C. *Requirement of documentation and documentation placement of the review results so that it is accessible during compliance review checks.*

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-025: The Cabinet For Health And Family Services Failed To Ensure Contracted Subrecipients Were Not Federally Suspended Or Debarred (Continued)**

Management’s Response and Planned Corrective Action (Continued)

D. The Department for Public Health has created and distributed a “quick start guide” to procurement staff to provide a standard reference point for how to perform routine suspension or debarment verification within the SAM.gov website. This guide incorporates the practice of providing supporting documentation that confirms that the review was performed.

Inclusive are:

- Process requirements for all CHFS issued or requested solicitations.*
- Requirements for orders placed against Finance Administration Cabinet (FAC) Office of Procurement Services (OPS) issued agreements.*

CHFS DPGO initiated quarterly reviews of records to ensure procurement staff are compliant with the guidance. These are full reviews, with information shared with procurement staff. Training and education with procurement staff and agency staff will be ongoing.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-026: The Cabinet For Health And Family Services Did Not Have Adequate Policies And Procedures In Place Over Subrecipient Allowable Costs For The Child Support Enforcement Program**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.563 – Child Support Enforcement

Federal Award Number and Year: 2301KYCSES

Federal Agency: U.S Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$0

Condition and Context

This is a repeat finding of 2022-021 as reported in the 2022 Statewide Single Audit of Kentucky (SSWAK) Volume II. Originating in fiscal year 2021, this finding has been repeated in each subsequent fiscal year due to a lack of resolution by management.

The Child Support Enforcement (CSE) Program, administered by the Cabinet for Health and Family Services (CHFS), contracts with county attorneys (subrecipients) to administer the CSE program at the local level, establishes budget amounts in contracts, and monitors the subrecipients to ensure compliance with Federal regulations. The salaries and benefits of employees working in the subrecipient offices may be fully or partially funded by the CSE program if the employee works on CSE activities. Title 2 of the Code of Federal Regulations (CFR) 200.430 requires compensation for employees funded by federal grants to be reasonable, which is defined as being “consistent with that paid for similar work in other activities.” In addition, the CSE contracts require that no employee of contracting officials may receive a higher rate of pay for child support activities than received for non-child support activities.

During the FY 2023 audit, as with the FY 2021 and FY 2022 previous audits, two issues were identified:

- CHFS did not have an internal control system in place to ensure compliance with the Federal regulation or the contract requirements related to the compensation of employees in the subrecipient offices. CHFS has updated some contract requirements for FY 2024.
- CHFS’ internal policies and procedures did not provide specific information related to the monitoring of compensation for the subrecipient’s CSE employees to ensure compliance with 2 CFR 200.430. While the CSE program’s Guidelines for Reimbursement document, provided to contracting officials, contains information related to employee compensation, the guidelines do not contain the provision that employee compensation for CSE should be consistent with that paid for work in other activities. CHFS has updated the Guidelines for Reimbursement document effective FY 2024.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-026: The Cabinet For Health And Family Services Did Not Have Adequate Policies And Procedures In Place Over Subrecipient Allowable Costs For The Child Support Enforcement Program (Continued)**

Condition and Context (Continued)

Additionally, in FY 2021 and FY 2022, the CHFS CSE program awarded the funding to the subrecipients based on the prior year funding amounts. The contract amounts were carried forward each fiscal year for multiple fiscal years. CHFS did not have a policy or methodology in place to re-evaluate the amounts awarded in the subrecipient contracts each FY 2021 or FY 2022 based on any other criteria. Instead, subrecipients could request additional funding or, if a subrecipient has a surplus, the funds may be re-allocated to another subrecipient. Per CHFS, a new division was formed in FY 2023 and updated policies were in effect for FY 2024. While CHFS implemented a new methodology for the calculation of funding awarded to subrecipients in FY 2023, the procedures were not in writing.

Cause

CHFS does not have internal controls in place to detect noncompliance with the compensation requirements. CHFS has written procedures related to allowable expenses, but the procedures do not specifically address a method to ensure CSE staff in the subrecipients' offices are not paid more or provided more benefits than other staff in the subrecipient offices.

CHFS did not have a written methodology documented in FY 2023 to determine the allocation amounts for subrecipients from one year to the next and relied on the subrecipient to request additional funds or provide surplus funds, if available.

Effect

Without an adequate internal control system, and policies and procedures in place to adequately monitor compliance with federal regulations, there is an increased risk of reimbursement of unallowable costs. In addition, CHFS could be considered noncompliant with 2 CFR 200.430 requiring compensation for employees funded by federal grants to be consistent with compensation paid for similar work by other employees.

Without re-evaluating the amounts provided to the subrecipients for the annual contracts, some subrecipients could be overfunded and other subrecipients underfunded. Consistently providing the same funding to each office may incentivize some offices to spend any extra funds on unnecessary items to ensure there is no surplus of funds.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-026: The Cabinet For Health And Family Services Did Not Have Adequate Policies And Procedures In Place Over Subrecipient Allowable Costs For The Child Support Enforcement Program (Continued)**

Criteria

2 CFR 200.430 states:

- (a) General. Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable...

- (b) Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

In addition, 2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-026: The Cabinet For Health And Family Services Did Not Have Adequate Policies And Procedures In Place Over Subrecipient Allowable Costs For The Child Support Enforcement Program (Continued)

Criteria (Continued)

Contracts should be consistently utilized and further developed to formalize agreements and ensure each party has a clear understanding of their roles and responsibilities, including ensuring CSE employees and other employees receive the same pay and benefits for performing similar job duties. Relevant contract language currently states:

10. Assistant County Attorneys shall not receive a higher rate of pay for child support activities than they receive for non-child support functions in the Second Party's office. Reimbursement for time worked by a full time Assistant County Attorney on the Title IV-D Child Support Program shall not to exceed \$65 per hour. The Second Party shall disclose Assistant County Attorney reimbursement rates for non-child support functions at the beginning of the contract term annually and/or upon request. These verifications may be in the form of W-2's and other IRS forms or letters from payer sources such as the Prosecutor's Advisory Council and county fiscal courts;

11. Other staff members in the employ of the Second Party shall not receive a higher rate of pay for child support activities than they receive for non-child support functions in the Second Party's office. The second party shall disclose reimbursement rates of other staff members for non-child support functions at the beginning of the contract term...

The contract language was updated for FY 2023 and was further updated for FY 2024. Written policies and procedures reduce the risk of mistakes, noncompliance, and inconsistent treatment of accounting transactions. Good internal controls dictate the procedures address issues that could potentially result in noncompliance with Federal requirements.

The Guideline for Reimbursement state:

Salaries and wages are allowable for reimbursement for the time spent working for the Child Support program. [...]

2. The rate of pay for the employee shall be the rate of pay reported in the Employee area of MDPS. If the employee's actual rate of pay is less than the rate of pay shown in MDPS, the reimbursement must be reduced accordingly. If the employee's actual rate of pay is more than the rate of pay shown in MDPS, a thorough explanation is required via separate memo, as well as the approval from the CSE Commissioner both of which must be included with the MDPS submission.

Proper internal controls dictate that policies and procedures should be created and documented to provide direction to staff in regards budgets in contracts. These policies and procedures should guide staff in determining the amount of funding to the subrecipients.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-026: The Cabinet For Health And Family Services Did Not Have Adequate Policies And Procedures In Place Over Subrecipient Allowable Costs For The Child Support Enforcement Program (Continued)**

Recommendation

CHFS has taken corrective actions; however, during FY 2023, the issues still existed. We recommend CHFS continue to document policies and procedures and re-evaluate internal controls to ensure the CSE employees are receiving the same benefits as other employees in the CSE offices and thus ensure compliance with federal regulations.

Management's Response and Planned Corrective Action

CHFS agrees during FY 2023 that we did take corrective actions, but the issues do still exist.

CHFS will continue to document policies and procedures and re-evaluate internal controls to ensure the Contracting Officials' Child Support Enforcement (CSE) employees are receiving the same benefits as other employees in the Contracting Officials' offices and thus ensure compliance with federal regulations.

Upon approval from the Federal Office of Child Support Services (OCSS), DFM will be working to determine the non-child support compensation for shared employees. There are two types of non-child support compensation: the Prosecutor's Advisory Council (PAC) and Local Government.

CSE has formally met with OCSS on the topic of fringe benefits and has requested and awaiting a written definition of fringe benefits to be used as guidance in the written policy. Once that definition has been clearly defined, DFM will request PAC and Local Government compensation information.

CSE will continue to monitor to ensure Contracting Officials are disclosing reimbursement rates of shared staff members for non-child support functions. CSE has started the process of updating MIP to include an area where the non-child support compensation, specifically fringe will be stored.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-027: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778 – COVID-19 Medical Assistance Program

ALN 93.778 – ARRA Medical Assistance Program

Federal Award Number and Year: Various 2022; Various 2023

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Special Tests and Provisions

Questioned Costs: \$0

Condition and Context

During fiscal year (FY) 2023, the Provider Health and Safety certification process related to the Medical Assistance Program (Medicaid), administered by the Cabinet for Health and Family Services (CHFS), was reviewed. As part of the Medicaid provider certification process, CHFS' Division of Health Care (DHC) conducts surveys to ascertain whether a provider/supplier meets applicable requirements for participation in the Medicaid program and to evaluate performance and effectiveness in rendering a safe and acceptable quality of care. During the FY 2023 Medicaid audit, testing identified 11 instances out of the 34 reviewed in which facilities were not surveyed within the appropriate time frames mandated by the Centers for Medicare and Medicaid Services (CMS) and Kentucky State Plan to ensure compliance with requirements for participation in the State's Medicaid program.

Cause

As part of its internal control process, DHC schedules and conducts surveys according to the federal priority tier structure. Lack of staffing and a backlog of Immediate Jeopardy (IJ) complaints, which are priority tier 1, have contributed to CHFS's failure to maintain appropriate survey intervals for standard survey and certification activities based upon federal and state guidance.

Effect

Without timely review of facilities, there is an increased risk of conditions going undetected that violate Medicaid requirements for participation. Eleven of the 34 facilities sampled were not surveyed in accordance with mandated survey schedules.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-027: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

Criteria

The Kentucky State Plan mandates that all standard surveys are conducted within nine to 15 months and states:

Attachment 4.40-C

The State has in effect the following procedures for the scheduling and conduct of standard surveys to assure that it has taken all reasonable steps to avoid giving notice.... Kentucky uses a flexible survey schedule where some facilities are surveyed in ranges of 9 to 15 months. Survey schedules are also based on performance in previous surveys and the number of complaints made against a facility.

The survey is the documentation of the inspection results. 42 CFR 431.610 (g) (3) states:

Have qualified personnel perform on-site inspections—

- (i) At least once during each certification period or more frequently if there is a compliance question; and
- (ii) For intermediate care facilities with deficiencies as described in §§ 442.112 and 442.113 of this subchapter, within 6 months after initial correction plan approval and every 6 months thereafter as required under those sections.

42 U.S. Code § 1396(r) states, “Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted under this subparagraph. The statewide average interval between standard surveys of a nursing facility shall not exceed 12 months.”

CMS Guidance QSO-22-02-ALL

SAs [State Agencies] conduct unannounced standard recertification surveys, which provide a comprehensive review of the quality of care furnished in a facility. For long-term care (LTC) facilities, these recertification surveys must be conducted no later than 15 months after the previous recertification survey, with a statewide average interval of 12 months or less. The recertification frequency for continuing and acute care providers must follow the CMS Mission and Priority Document. CMS had previously suspended certain routine inspections as part of its response to the COVID-19 PHE to prioritize infection control and immediate jeopardy situations (QSO-20-20-All). CMS later advised states to resume surveys based on the availability of PPE and surveyor staffing (QSO-20-31-All and QSO-20-35-All). At this time, we believe SAs should be able to resume recertification surveys on a regular basis, and should do so by establishing new intervals based on each facility’s next survey, not based on the last survey that was conducted prior to the COVID-19 PHE.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-027: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

Criteria (Continued)

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Recommendation

We recommend CHFS establish internal control procedures to ensure facilities are surveyed according to interval requirements mandated by federal requirements.

Management’s Response and Planned Corrective Action

The Office of Inspector (OIG), Division of Healthcare (DHC) recognizes the need to conduct timely surveys and investigation of healthcare facilities in accordance with established regulatory requirements. The OIG DHC failure to conduct unannounced standard and abbreviated surveys of healthcare facilities within established timeframes is multifaceted.

The Office of Inspector General has taken action to correct this issue by completing the following actions:

- 1. Reviewed and revised position descriptions to include creating a step-up system for internal promotion of qualified staff. This served to improve surveyor staff retention by allowing staff to work toward promotions and better salaries.*
- 2. The DHC implemented a Statewide “Locality Premium” of 20 % increase which was added to qualified surveyors’ annual salaries as a means of improving surveyor retention.*

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-027: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

Management’s Response and Planned Corrective Action (Continued)

3. *The DHC is working with vendor that has conducted a “Gap Analysis”. This vendor continues to work with DHC management staff to develop and implement corrective actions to address issues. The vendor performs tracking of the DHC survey completions and timeframes and reports back to the DHC regarding findings. The latest report from vendor (02/27/24) revealed the agency has in the past quarter sustained improvements in completion of tier 1 abbreviated surveys and standard recertification/relicensure surveys timeframes. HMS continues to work with the state agency providing training to management and surveyors and monitoring the status of survey timeframes.*
4. *The DHC initiated a contract (2022 and ongoing) with an external survey agency, to provide qualified surveyors to conduct standard/abbreviated surveys in Kentucky. This vendor will provide surveyors statewide to survey various levels of healthcare.*
5. *Changes to the internal structure of DHC have been implemented in order to improve oversight of the day-to-day activities occurring in the four (4) survey branches along with the hiring of new staff such as a Nurse Training Coordinator (NTC) to work in the Central Office.*

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-028: The Cabinet For Health And Family Services Failed To Discontinue Benefits When Immigration Status Could Not Be Verified**

Federal Award Information

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778 – ARPA – Medical Assistance Program

ALN 93.778 – FFCRA – Medical Assistance Program

Federal Award Number and Year: Various 2022; Various 2023

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$0

Condition and Context

During the fiscal year (FY) 2023 Medical Assistance Program (Medicaid) audit, testing identified two cases with eligibility issues related to qualified noncitizens (immigrants). Medicaid eligibility determinations are made for different categories of individuals, including United States (US) citizens and qualified immigrants. Qualified immigrants entering the United States on or after August 22, 1996, are not eligible for Medicaid for a period of five years, unless they qualify under an exemption. To comply with the limitation, states maintain documentation verifying citizenship or immigration status.

A sample of 40 cases reviewed identified that two non-citizen individuals did not have documentation in the case files related to citizenship or immigration status to verify meeting the five-year requirement and thus considered a qualified alien. Additionally, the case files did not have documentation to indicate CHFS performed verification of immigration status.

Cause

Individuals are given 90 days to provide documentation of immigration status without a delay in benefits in accordance with 42 CFR 435.956(b). After the 90 days, CHFS did not discontinue benefits for the individuals without documentation of immigration status and verification of immigration.

Effect

Internal controls did not detect the missing documentation and verification check, resulting in CHFS being in noncompliance with federal regulations. The failure to document verification of immigration status and untimely discontinuance of Medicaid benefits after participants fail to provide documentation required for eligibility determination increases the risk of CHFS making payments for ineligible individuals and being in noncompliance with federal regulations.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2023-028: The Cabinet For Health And Family Services Failed To Discontinue Benefits When Immigration Status Could Not Be Verified (Continued)

Criteria

8 United States Code §1613 Five-year limited eligibility of qualified aliens for Federal means-tested public benefit, states in part:

- (a) In general Notwithstanding any other provision of law and except as provided in subsections (b), (c), and (d) of this section, an alien who is a qualified alien (as defined in section 1641 of this title) and who enters the United States on or after August 22, 1996, is not eligible for any Federal means-tested public benefit for a period of 5 years beginning on the date of the alien’s entry into the United States with a status within the meaning of the term “qualified alien”.

42 CFR 435.956(a) Verification of Other Non-Financial Information, states in part:

- (2) The agency must-
 - (i) Verify immigration status through the electronic service established in accordance with § 435.949, or alternative mechanism authorized in accordance with § 435.945(k);
 - (ii) Promptly attempt to resolve any inconsistencies, including typographical or other clerical errors, between information provided by the individual and information from an electronic data source, and resubmit corrected information through such electronic service or alternative mechanism.
- (4)
 - (i) The agency must maintain a record of having verified citizenship or immigration status for each individual, in a case record or electronic database in accordance with the State's record retention policies in accordance with § 431.17(c) of this chapter.

2 CFR 200.303 (a) Internal Controls, states the non-Federal entity must:

Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Recommendation

We recommend CHFS review internal controls over compliance with noncitizen individual eligibility to ensure documentation of immigration status or verification is included in the case file for compliance with applicable federal statutes.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2023-028: The Cabinet For Health And Family Services Failed To Discontinue Benefits When Immigration Status Could Not Be Verified (Continued)**

Management's Response and Planned Corrective Action

Department for Community Based Services (DCBS) will work with CHFS Help Desk and IEES vendor to further identify and correct any outstanding issue. If a Change Request is needed, it will be submitted to ensure that individuals who attest as qualified immigrants but do not return proper verification are correctly discontinued on the 91st day. Additionally, Medical Support and Benefits Branch staff will complete Quality Assurance Reviews on Medicaid cases with immigrants to ensure compliance. The estimated corrective action completion date is October due to potential IT system changes.

APPENDIX

**COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2023**

This report is available on the Auditor of Public Accounts' website, auditor.ky.gov. The Commonwealth's FY 2023 Annual Comprehensive Financial Report is available on the Finance and Administration Cabinet's website, finance.ky.gov.

The following is a list of individuals by state agency to contact regarding major programs audited for FY 2023.

Agency	Contact
Cabinet for Health and Family Services	Leesa Harrison, Director Division of General Accounting 275 East Main Street 4E-A Frankfort, KY 40601 Phone: (502) 545-8416
Department of Agriculture	Dana Feldman, Executive Director Office for Consumer & Environmental Protection 107 Corporate Drive Frankfort, KY 40601 Phone: (502) 573-0282
Department of Education	Karen Wirth, Director Division of Budget and Finance 300 Sower Blvd. Suite 524 Frankfort, KY 40601 Phone: (502) 564-1979
Department for Military Affairs	Shannon L. Soard Department Budget Manager Office of Management and Administration Frankfort, KY 40601 Phone: (502) 607-1597
Energy and Environment Cabinet	Cori Troutman, Director Division of Financial Management Office of Administrative Services 300 Sower Blvd. Frankfort, KY 40601 Phone: (502) 782-7014

Agency	Contact
Finance and Administration Cabinet	Robert Long, Executive Director Finance & Administration Cabinet Office of General Counsel 200 Mero Street, 5 th Floor Frankfort, KY 40604 Phone: (502) 564-6660
Kentucky Transportation Cabinet	Teri Harmon, Assistant Director Division of Audit Services 200 Mero Street – 4 th Floor East Frankfort, KY 40601 Phone: (502) 782-4073
Office of the State Budget Director	John Hicks, State Budget Director 702 Capitol Avenue Room 284, Capitol Annex Frankfort, KY 40601 Phone: (502) 564-7300