



Audit Expectations Regarding DMC and Non-DMC Cost Reports

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DMC Financial Audits

- To review reported costs for validity, appropriate allocation methodology, and compliance with Medicaid laws and regulations;
- To ensure that only the cost of allowable DMC activities are included in reported costs;
- To determine the provider's usual and customary charge to the general public in accordance with CMS;

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DMC Financial Audits

- To review documentation of units of service and determine the final number of approved units of service;
- To determine the amount of clients' third-party revenue and Medi-Cal share of cost to offset allowable DMC reimbursement; and,
- To compute final settlement based on the lower of actual allowable cost, the usual and customary charge, or the maximum allowance, in accordance with Title 22, Section 51516.1.

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DMC Criteria

- Code of Federal Regulations, Title 42, Section 413
- Centers for Medicare & Medicaid Services Provider Reimbursement Manual 15-1 & 15-2
- California Code of Regulations, Title 22, 51341.1 & 51516.1
- California Code, Health & Safety Code, Division 10.5

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Detailed Overall Worksheet

- Auditing the Overall Detailed Worksheet.
- Code of Federal Regulation, Title 42, Section 413 (42 CFR)
- The Centers for Medicare & Medicaid
The Provider Reimbursement Manual
(CMS 15-1)

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Detailed Overall Worksheet

- The auditors will request the following:
 1. Financial Statements
 2. General Ledger Detail
 3. Working Papers
- a) The auditor will determine the validity of the costs reported on the Overall Detailed Costs worksheet

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Detailed Overall Worksheet

- If the Provider uses a different Indirect Cost Rate (Facilities & Administrative).
- State Plan Amendment CA-15-0013 requires approval.
- The auditors will request written approval.

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Detailed Adjustment Worksheet

- Auditing the adjustments for Non-Reimbursable costs.
 1. 42 CFR
 2. CMS 15-1
 3. Health and Safety Code, Division 10.5, Part 2, Chapter 4, Section 11818

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Detailed Adjustment Worksheet

- The auditors will perform the following:
 1. Evaluate working papers used to prepare costs report
 2. Interview the provider
 3. Auditor may make adjustments of their own.
 - a) Supporting documentation

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Detailed Adjustment Worksheet

- Auditing the Direct Costs reported
- State Plan Amendment CA-15-0013 lists the Direct Costs as costs related to:
 1. Direct Practitioners
 2. Medical Equipment
 3. Medical Supplies
 4. Others – Professional Contracts
- a) The auditor will question why are these costs are direct and request supporting documentation.

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Reimbursed Units of Service

- The auditor will determine the final count of Units of Services
- California Code of Regulations, Title 22, Section 51341.1
- The Auditor will review but not limited to:
 1. Client Files
 2. Group Sign-in Sheet
 3. Census Records or Worksheets

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Polling Question:

A Provider used an Indirect Cost rate that was approved by the Department of Health and Human Services. The auditor will request written approval from the provider before accepting the Indirect Cost Rate.

- A. True
- B. False

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True

The State Plan Amendment approved by CMS explains if the Provider wishes to use a different Indirect Cost rate other than the one in the Cost Report the Provider must get approval from a Government Agency.

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SABG Financial Audits

- SABG stands for Substance Abuse Prevention and Treatment Block Grant. SABG is a noncompetitive, formula grant administered by Substance Abuse and Mental Health Services Administration (SAMHSA). This federal grant is awarded to the Single State Agency (SSA) in each state. DHCS is the State Agency recipient in the State of California.
- The SABG is authorized by: **Section 1921 of Title XIX, Part B, Subpart II and III of the Public Health Service (PHS) Act.** The SABG implementing regulations are found in: **Title 45 Code of Federal Regulations (CFR) Part 96 (45 CFR 96).**

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SABG Criteria Used

- 2 CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards
- Title 42 USC 300x - Formula Grants To States
- Code of Federal Regulations, Title 45, Part 96
- CFR, Title 45, Part 75

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SABG Audit Objectives

- A proper accounting system and documentation were maintained to support reported revenues and expenses.
- Reported costs were allowable in accordance with cost principles and funding source criteria.
- Quarterly Federal Financial Management Report (QFFMR) reported by the County for SABG Block Grant award expenses reflect relevant costs within the terms and conditions of the Block Grant funds.
- Each of six SABG award programs are adequately charged for its intended objective and not supplemented for other unallowable SABG programs or other county programs.

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Common Audit Findings

- Tracking of the SABG Expenditures by Award
- Funds not expended within the 21 months
- 20% of Total Allocation not spent on Primary Prevention
- QFFMR not agreeing with Year-End Cost Report
- Restrictions on SABG according to 45 CFR 96.135

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Polling Question 2:

The County contracted with a For-Profit Organization to perform Primary Prevention services to bring awareness to the community on the dangers of Substance Abuse. A limited amount of SABG Primary Prevention Set-Aside funds can be used to provide these services.

- A. True
- B. False

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Polling Question 2:

Answer: **False**

The PHS Act § 1931(a)(1) and § 1916(a)(5), and the SABG implementing regulations, 45 CFR § 96.135(a)(5), prohibit the use of SABG funds to provide financial assistance to any entity other than a public or nonprofit private entity.

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Polling Question 3:

The following are the target population for the use of SABG except:

- A. Pregnant women and women with dependent children
- B. Intravenous Drug Users
- C. Tuberculosis
- D. Primary prevention
- E. Adolescent in Penal Institution

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Answer is **E**

according to 45 CFR 96.135