

# Procedures on Common Audit Adjustments

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# Pre-Audit Analysis



# Scoping Tools

» Includes but not limited to:

- Reconciliation/Review of Reconciliation of Paid Claims Summary Report (PCSR), Federal Medical Assistance Percentage (FMAP), Random Moment Time Survey (RMTS), Medi-Cal Eligibility Ratio (MER) and Indirect Cost Rate (ICR).
- Review Prior Year(s)
- Analyze and identify areas of high risk in the Cost and Reimbursement Comparison Schedule (CRCS)
- Focus on the areas to be reviewed
  - Not limited to, may include reviewing: Salaries and Benefits, Funding, Covered Services, Contractor Cost, Other Costs, Transportation, MER
- Re-scope as necessary
- Review of the requested/received documentation

# Types of Audits

## » Minimal Audit Review

- Review of reported versus final Medi-Cal payments and analysis of specific data elements in a desk audit format

## » Limited Audit Review

- Expanded to include review of specific areas identified by Audits and Investigations (A&I). LEA submits supporting documentation for expanded review in a desk audit format.

## » Field Audit Review

- On-site comprehensive review of costs, supporting documents, statistics, and other specific areas identified by A&I.

# Allocation Statistics



# Common Findings

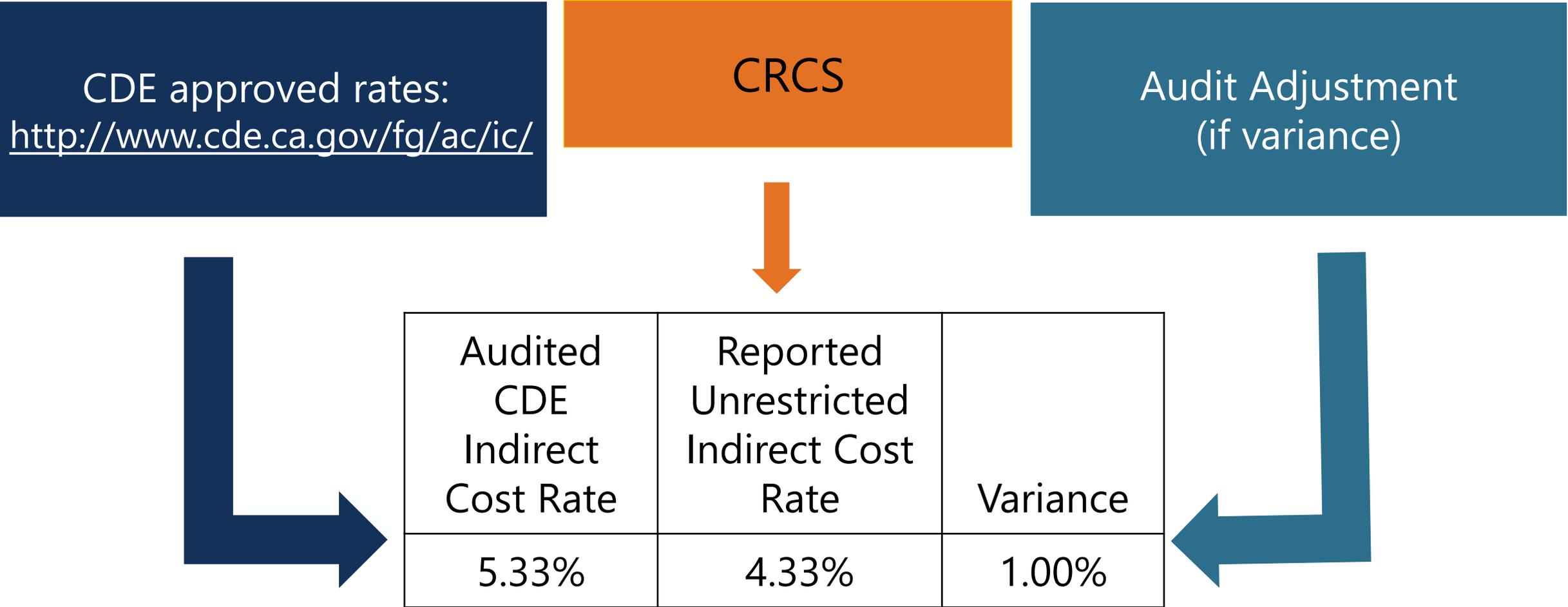
- » Not reporting, under reporting, or over reporting:
  - Unrestricted Indirect Cost Rate
  - Federal Medicaid Assistance Percentages (FMAPs)
  - Interim Reimbursement
  - Direct Medical Service Percentage (DMSP) from Time Survey Results
  - Medi-Cal Eligibility Ratio (MER)

# Unrestricted Indirect Cost Rate Review

## » Audit Procedures:

- To reconcile the reported Unrestricted Indirect Cost Rate to the California Department of Education (CDE) approved rate.
- Variances may result in adjustments.

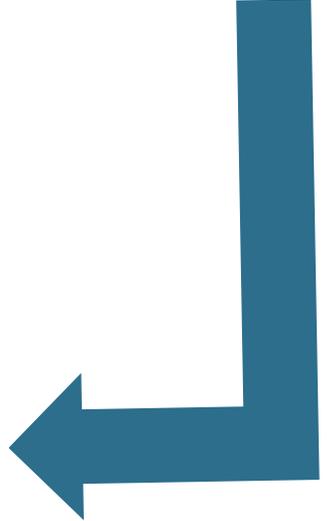
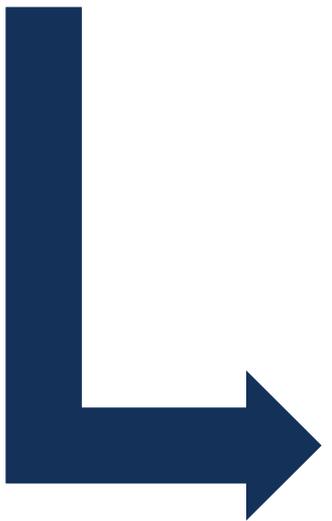
# Example : ICR Review



CDE approved rates:  
<http://www.cde.ca.gov/fg/ac/ic/>

CRCS

Audit Adjustment  
(if variance)



# Federal Medicaid Assistance Percentage (FMAP) Review

## » Audit Procedures:

- To reconcile the reported FMAPs with the Paid Claim Summary Report (PCSR) by FMAP for the period under review.
- Data in the report are based upon the best available information in the claims processing system at the time the report is generated.
- Any updates to the data due to claims billed after CRCS submission, claims processing errors, omissions, and suspensions may be applied during the audit and/or review process.

## » Variances may result in adjustments.

# Example : FMAP Review

PCSR

CRCS

Audit Adjustment  
(if variance)



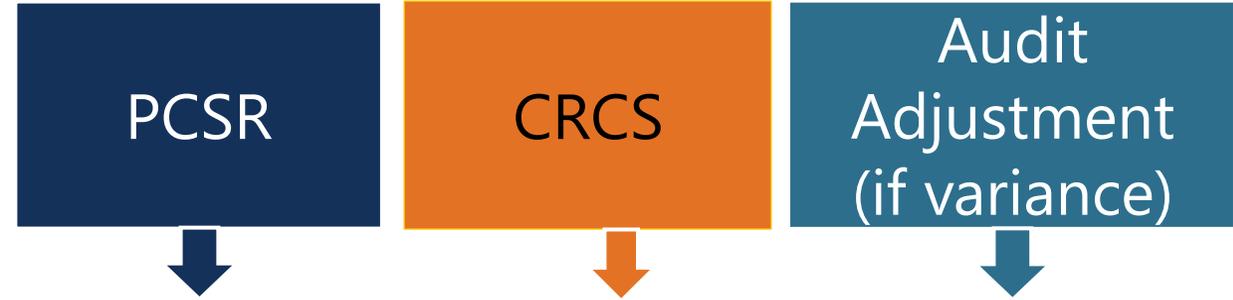
	As Audited	As Reported	Variance
FMAP for July 1, 2022 to March 31, 2023 – Title XIX	66.4704%	66.4704%	0.0000%
FMAP for April 1, 2023 to June 30, 2023 – Title XIX	19.5414%	19.5414%	0.0000%
FMAP for July 1, 2022 to June 30, 2023 – Title XIX Enhanced	0.0000%	0.0000%	0.0000%
FMAP for July 1, 2022 to March 31, 2023- Title XXI Enhanced	11.7893%	11.7893%	0.0000%
FMAP for April 1, 2023 to June 30, 2023 – Title XXI Enhanced	2.1990%	2.1990%	0.0000%
FMAP for July 1, 2022 to June 30, 2023 – Title XIX (Covid Counseling)	0.0000%	0.0000%	0.0000%
Total	100.00%	100.00%	0.0000%

# Interim Reimbursement Review

## » Audit Procedures:

- To reconcile the reported interim reimbursement for LEA BOP Services to the Paid Claims Summary Report (PCSR).
- If LEAs submit claims after CRCS is submitted, Audits and Investigations (A&I) will capture total interim reimbursements during cost settlement and will adjust interim reimbursement to add the additional interim payments.
- Variances may result in adjustments

# Example : Interim Reimbursement Review



CRCS		As Audited (PCSR)	As Reported	Adjustment
Row	Description	(a)	(b)	(c)=(a)-(b)
	Interim Medi-Cal Reimbursement through the Fiscal Intermediary (FI)	\$ 213, 425	\$ 206, 544	\$ 6,881

# Direct Medical Service Percentage from Time Survey Results Review

## » Audit Procedures:

- To reconcile the reported Random Moment Time Survey (RMTS) Direct Medical Service Percentage with the RMTS percentages posted on the LEA BOP Website.
- Variances may result in adjustments.

# Example : RMTS Review

Percentage from the LEA BOP CRCS webpage per Fiscal Year:  
[https://www.dhcs.ca.gov/provgovpart/Pages/CRCS\\_Forms.aspx](https://www.dhcs.ca.gov/provgovpart/Pages/CRCS_Forms.aspx)

Audit Adjustment  
(if variance)

CRCS

As Audited	As Reported	Variance
51.90%	0.00%	51.90%

# Medi-Cal Eligibility Ratio (MER) Review

## » Audit Procedures:

- To reconcile the reported Number of Medi-Cal Enrolled Students that are Eligible for Federal Financial Participation (FFP) and Total Number of Students Enrolled in the LEA to supporting documentation.
  - Both the total student enrollment file and the Medi-Cal Data Match enrollment file must be maintained by the LEA at least **3 years** for audit and/or review purposes.
- Variances may result in adjustments.

# Example : MER Review

Audits to reconcile with LEA's data

CRCS

Audit Adjustment  
(if variance)

		<b>Provider's Document: (Datamatch, SIS)</b>	<b>As Reported MER</b>	<b>Variance</b>
		<b>A</b>	<b>B</b>	<b>C = (A-B)</b>
<b>N (Numerator) Datamatch</b>	Number of Medicaid Enrolled Students in the LEA	458	-	458
<b>D (Denominator) SIS</b>	Total Number of Students Enrolled in the LEA	3,312	-	3,312
<b>MER (N/D)</b>		<b>13.83%</b>	<b>0.00%</b>	<b>13.83%</b>

# Salary and Benefits Data



# Salary and Benefits Data Review

- » Audit Procedures (may include, not limited to):
  - Reconcile the reported Salaries and Benefits Expenditures and Federal revenues reported on the CRCS to source documents including but not limited to trial balance/grouping schedule (bridging documents) and/or payroll.
  - Trace practitioners reporting costs to practitioners listed on the LEA's certified Participant Pool 1, Time Survey Participant (TSP) list.
  - Review practitioners on the bridging document and on the Production Log.
  - Sample practitioners reporting costs on the CRCS to verify that they provided LEA BOP covered services with sufficient documentation.

# Common Findings

- » Variances between the reported Salary/Benefit expenditures for employees and the supporting documentation (example: bridging, payroll records).
  - Variances may result in adjustments to agree with the provider's records.
- » Salary/benefit expenditures reported for employees that are not on the Pool 1 TSP list.
  - Eliminate costs for practitioners not on the Pool 1 TSP list.
- » LEA BOP covered services documentation could not be provided for employed practitioners reporting costs (Salary/benefit expenditures).
  - Eliminate costs for practitioners that did not provide support for LEA BOP rendered covered services.

# Example : Salary & Benefits Data Review

Audits to reconcile with LEA's data

CRCS

	Quarter 1: July to September 2020	Bridging Document	CRCS	
W/S F Row	Practitioner Type	July to September 2020 Total Salaries	July to September 2020 Total Salaries	Variance
4	Counselors/Marriage and Family Therapists	111,865	111,865	0
9	Speech-Language Pathologists	20,372	20,372	0
	<b>Quarter 1 Totals:</b>	<b>\$132,237</b>	<b>\$132,237</b>	<b>\$0</b>

Audit Adjustment (if variance)

# Contractor Costs



# Contractor Costs and Total Hours Paid Review

- » Audit Procedures (may include, not limited to):
  - Reconcile the reported contractor costs and total hours paid reported on the CRCS to source documents.
  - May include reviewing copies of contracts.
  - Sample contractors reporting costs on the CRCS to verify that they provided LEA BOP covered services.
  - Review contractors' cost is reported accurately.

# Common Findings

- » LEA BOP covered services documentation could not be provided for contractors reporting costs.
  - Eliminate costs for contracted practitioners that did not provide support for LEA BOP rendered covered services.

# Example : Contractor Cost Review

Audits to reconcile with LEA's data

CRCS

W/S F Row	Practitioner Type	Bridging Document	CRCS	Variance
1	Psychologists	158,350	158,350	0
9	Speech-Language Pathologists	147,789	147,789	0
14	Occupational Therapists	408,743	408,743	0
	<b>Totals:</b>	<b>\$714,882</b>	<b>\$714,882</b>	<b>\$0</b>

Audit Adjustment (if variance)

# Auditor – LEA Communication



# During the Audit

- » Assigned auditor is the primary point of contact.
- » Assigned auditor reaches out to confirm LEA's contact person and send correspondence along with any documentation requests.
- » Providers are encouraged to reach out and discuss any questions/concerns with the auditor.
- » Audits will answer any clarifying questions, assist with any concerns, and provide most recent updates related to the current audit.

# 15-Day Letter / Exit Conference

- » **15-Day Letter:** LEA has 15 calendar days from the receipt of the letter to present relevant information concerning the audit/examination findings.
  - Copy of the proposed audit adjustment(s)
  - Copy of the audit working papers in support of the adjustments
  - Medi-Cal Paid Claims Summary Reports (PCSR)
  - Copy of the proposed Schedule 1
  
- » **Exit Conference**
  - The Exit Conference is an opportunity for the LEA to learn about A&I's audit findings, present relevant, accurate, and verifiable information concerning the audit findings and answering any outstanding questions.

# Tips/Reminders to Avoid Common Findings



- » Verify your LEA's allocation statistics
  - Indirect Cost Rate – available on California Department of Education website. Also included on the LEA BOP website.
  - FMAP – available on the LEA BOP website
  - Direct Medical Services Percentage – available on the LEA BOP website
  - MER – Maintain for audit and/or review purposes
    - Technical assistance available if needed
- » LEAs must be able to support costs with covered services documentation for audit and/or review purposes.
  - LEA BOP requirements : LEA Billing Option Provider Manual
- » Include costs only for employed practitioners listed on the Pool 1 TSP list.
- » Communicate with your auditor with any questions you may have during the audit process.

# Questions?

**Audit Questions: [LEAAuditQuestions@dhcs.ca.gov](mailto:LEAAuditQuestions@dhcs.ca.gov)**

**General Questions: [LEA@dhcs.ca.gov](mailto:LEA@dhcs.ca.gov)**

